The Truth About The Trusts

A Description and Analysis of the American Trust Movement

By John Moody
Editor "*Moody's Manual of Corporation Securities*"

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A "STANDARD OIL" VIEW OF THE TRUST MOVEMENT.

"To stop co-operation of individuals and aggregation of capital would be to arrest the wheels of progress—to stay the march of civilization—to decree immobility of intellect and degradation of humanity. You might as well endeavor to stay the formation of the clouds, the falling of the rains, or the flowing of the streams, as to attempt by any means or in any manner to prevent organization of industry, association of persons, and the aggregation of capital to any extent that the ever-growing trade of the world may demand."

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"If there is one thing that history teaches plainly it is that abuses are soonest reduced to a minimum by permitting, not by restricting, industrial liberty. Give all equal opportunities and business will regulate itself on honorable lines. I do not prophesy an era of perfection. The golden age of the future is a mirage as the golden age of the past is a myth. * * * But men whose integrity is such as to permit them to be entrusted with the management of large capital, whose intellectual grasp of principles and details is such as to command with their products the markets of the world, are those who will soonest realize that the policy which succeeds is that which accords fair treatment to all, be they competitors, consumers, or employees; that there is nothing so sharp or so shrewd as honor; that nothing wins like justice; that the well-being of one depends on the well-being of all."—*S. C. T. Dodd, Solicitor of the Standard Oil Company.*

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INTRODUCTION

I. PURPOSE OF THE BOOK.

The simple statement that there are in the United States to-day an aggregation of over 440 large industrial, franchise and transportation Trusts of an important and active character, with a total floating capital of **$20,379,162,511,** as disclosed in the following pages, is sufficient evidence in itself of a necessity for a work such as this, which, it is believed, will throw at least a partial light on the momentous and steadily growing Trust movement. And, indeed, it is a fact that at no time since this great movement began to assume its present prominence in our industrial and commercial life has the desire or necessity for complete and uniform information regarding the subject been so great.

While there is much discussion being carried on, yet the *actual facts* seem everywhere to be wanting. We read essays, more or less intelligent, by professed students of the subject; we read the labored treatises of college professors and other "experts" in political economy; we see the shallow and uncertain references which are frequently made to the tendency in political platforms, and the sometimes even more shallow bills which are introduced and rushed through our legislatures in the seemingly vain attempt to "remedy the evils of the Trust;" we even hear expressed now and then, a "practical opinion" from the lips of some keen, successful business man—and conversely, we find the field flooded with socialistic literature on the subject. There are all sorts of theories being propagated and ideas being advanced which essay to right the wrongs said to be caused by the growth of the Trusts. There are condemnations and defenses; sharp criticisms and pointless ones; apologies, chaotic and irrational; championships, vapid and absurd. Some of these attempts reflect study and thought; others prejudice and temper. Very few, whatever position may be taken, are fair and frank with all the various phases of the question or appear to treat the subject in an entirely just and impartial manner.

In this book a serious attempt is made, in a broad and general way, to turn on the light, and exhibit to the public view, not merely one phase nor one side, but the entire phenomena which goes under the general name of the Trust Movement. The book is necessarily to a large extent, a uniform presentation of important facts, supplemented by a description of those conditions which actually exist. The writer has made no attempt to draw upon his imagination, nor to moralize or sentimentalize regarding the justice or injustice, from the standpoint of equity, of this or that condition. From first to last, facts and conditions surrounding those facts are plainly and frankly described, and simple, logical deductions are made from them. While the reader must accept the facts in all cases, the fallibility of the conclusions will, of course, be weighed by those who analyze them.

Because the writer has spent many years in Wall Street, and has had special facilities for viewing the question from the Wall Street standpoint, it must not be assumed that the book is simply a defense of, or an apology for, the Trust idea in general. It is really an attempt to indicate, with frankness, honesty and common sense for guidance, the evolution of our national growth along this line, and the facts are not presented for the purpose of exposing the weaknesses of our modern methods, any more than to point out their advantages. But being a strong believer in conservatism as a regulating force in our social and business life, the writer is naturally opposed to the attitude which characterizes many of the critics of modern industrial methods on the one hand, as well as many of the influences which seem to dominate these conditions on the other hand.

II. THE TRUST DEFINED.

What is a Trust?

The question is easily put, but not so easily answered. That is to say, while answers are easily forthcoming, they are so diversified in character, even among men who are supposed to think along the same lines, that they usually result in only adding more confusion to an already much-confused subject. Thus, Mr. James B. Dill, the eminent corporation lawyer, has defined the Trust as "a dominant combination of money, property, business or commercial power or energy;" and Mr. Charles R. Flint defines it in this wise: "A combination of labor is a trades union; a combination of intelligence a university; a combination of money a bank; an industrial combination is a combination of labor, intelligence and capital—work, brains and money."

These definitions are attractive to the ear, but when analyzed what do they mean? The public mind, after reading definitions like these, is as unenlightened as before. Mr. Dill says that the essentials in the Trust or combination are a domination of money, property, business, commercial power, energy. Mr. Flint says, work, brains and money.

All of the above characteristics may be present in a Trust, but they certainly are not *exclusively* Trust features. Any successful business or enterprise, whether carried on by an individual, a partnership or a corporation may possess all of the above characteristics, and yet in no sense be a "Trust." For instance, John Smith, in conducting a large retail grocery business may easily ascribe his success to a "combination of money, property, business, commercial power or energy," and he may rightly claim that his success is the result of "work, brains and money." And yet we could in no sense consider John Smith's business a Trust.

The truth is that these much quoted definitions when examined, are, like many others, found to be absolutely without definite meaning. Even Mr. Dooley's conception of a Trust as being "somethin' for an honest, ploddin', uncombined manufacturer to sell out to" is more expressive, even if not more accurate.

Against the foregoing well-meant but oratorical definitions of Messrs. Flint and Dill, let us quote the more practical words of Mr. S. C. T. Dodd, solicitor of the Standard Oil Company, and one who, as a student of and acknowledged authority on the characteristics of the modern Trust movement, seldom shuffles in his definitions or hesitates in his logic. Mr. Dodd is neither a sentimentalist nor a word painter. He is a practical thinker. On the subject of Trusts he says:*

"The term 'Trust' in its more confined sense embraces only a peculiar form of business association effected by stockholders of different corporations transferring their stocks to trustees. The Standard Oil Trust was formed in this way, and originated the name 'Trust' as applied to associations. * * *

"The term 'Trust,' although derived as stated, has (now) obtained a wider signification, and embraces every act, agreement, or combination of persons or capital *believed to be done, made, or formed with the intent, power or tendency to monopolize business, to restrain or interfere with competitive trade, or to fix, influence, or increase the prices of commodities.*"

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*In "The Present Legal Status of Trusts," published in the *Harvard Law Review*, November, 1893.

That definition, first written eleven years ago, still seems to be the best known definition of the Trust. Unlike those first referred to, it means something.

As Mr. Dodd explained, the original conception of the term was a limited one, and when used in that sense, it is not at all applicable to the industrial or other business combinations of to-day. But in the usage of to-day, the term "Trust" is applicable to any act, agreement or combination believed to possess the intention, power or tendency to *monopolize business, interfere with trade, fix prices, etc.* It will be noted that this embraces those enterprises which are popularly *believed* to have this intent, power or tendency, and not merely to those which have, by demonstration, been shown to be possessed of such power.

By this definition we see that not only are consolidations of former competing plants to be looked upon as Trusts, but all large businesses which possess or are believed to possess the foregoing characteristics are Trusts, whether made up of one plant or a hundred, and whether actually possessing monopolistic features or not. Thus, franchise corporations and groups are Trusts; railroad aggregations are Trusts; possessors of exclusive powers or privileges of any sort, as well as mere producers on a large scale, must be looked upon as Trusts. If there is any qualification at all in the public mind as to the correctness of Mr. Dodd's definition, it is merely that the thorough-going Trust must be characterized by *largeness.* Very small corporations, even if they possess monopolies, are not popularly called Trusts.

While there may be some well-founded criticism to the adoption of such a sweeping definition of the term, yet this seems to be the popular acceptance of the word, and therefore the present writer has so used it, with slight modifications, in this volume. The modifications consist in the fact that he has simply limited his lists of Trusts to those corporations which have been formed by the consolidation of or now control two or more plants, and he has omitted the countless smaller and less important combinations regarding which there can be but little public interest or concern.

III. MONOPOLY DEFINED.

Like the word "trust," there is also much confusion in the public mind as to the term "monopoly." Everywhere we find people talking about the evils of monopoly and monopoly power. And almost universally the term is used in an opprobrious sense. Among the sensational newspapers, it has various interchangeable meanings, such as "predatory wealth," "criminal trusts," "money-power," etc. The public has become largely imbued with the notion that a monopoly is some sort of dangerous menace to their general welfare, and this notion has, of course, been persistently kept to the front by agitators and demagogues of all kinds.

On the other hand, the more conservative element, and particularly those known as the "capitalist class," persistently insist that there is no such thing as monopoly in modern industrial and commercial life, except in a very limited way. For instance, it is claimed that while patents may be monopolies in a qualified sense, yet, in view of the fact that the granting of a patent confers a benefit on the community, it should therefore be accorded a definition which is not so universally unpopular and "vicious" in its meaning.

The natural result of this situation is that there exists a lack of sincerity on all sides over the meaning and application of this term. The average critic of the modern industrial system sweepingly calls everything of a wealth-producing nature a monopoly, whereas the actual employees of monopoly-power often deny the existence of such an element. It is thought that it is this lack of frankness, or at least of a clear understanding of the real meaning and signification of the term, which is probably at the bottom of much of the heedless discussion which is continuously going on.

"Every combination in business," to again quote Mr. Dodd, where he speaks of monopoly, "whether by partnership or by corporate organization, prevents competition between the persons combined; and in proportion as the business is widely and successfully conducted, its interference with the competition of others increases. The larger the business, the greater the number of persons and the amount of capital engaged in it, the greater is the power of those who conduct it over production and prices."

Judged by the above definition, monopoly is an entirely logical and necessary part of modern commercial and industrial ideals and methods. But this definition may be too sweeping. While Mr. Dodd's comment is largely true, yet it does not seem to touch the point at issue.

What would seem to be a more accurate view is, that monopoly is not combination itself; the monopoly element, if there be any, is something distinct from the mere organization or Trust. When men form corporate organizations or make agreements, they do not form monopolies. They may take advantage of monopoly in one way or another, but they do not create it. The monopoly itself is rather a social product, which exists with the consent of society, and men in business take advantage of it where found, just as they take advantage of any other factors for the purpose of achieving their ends. For example, it is first found that in the production of steel rails, better results can be obtained by purchasing raw material in enormous quantities, even at the risk of tying up much capital; and later, it is proven to be still more economical and advantageous in the long run to actually own the raw materials, even to the ore in the mountainside; and so the same tendency continues until the most profitable condition is reached, when the great aggregate of all producers combine in harmony and absorb all the raw materials or sources of supply, with which they may almost exclusively supply the entire market with the finished product. Thus we see here illustrated a condition of society which men take advantage of to their direct benefit. In the absorption of the source of supply is the securing of the monopoly. Society recognizes the right of men to this exclusion and this is the only reason why it exists. Without the possession of this source of supply the steel industry would have no permanent monopoly, for an effective use of monopoly consists in practically the exclusive use or possession of it.

Examined in this way it will be found that, while all large businesses are not monopolies, as claimed by Mr. Dodd, yet the element of monopoly is frequently an important feature in a large business or industrial enterprise, and is often one of the chief factors making for stability and success. And it is usually accepted as being an essential characteristic of this kind, for while the term is condemned in many quarters, yet the thing itself seems to be sought for and highly valued.

According to this view, which obtains very largely among our leaders in industrial and commercial enterprises, a monopoly is understood to be a special advantage or privilege, either natural or artificial. Governments confer monopoly-power, but society itself creates monopoly. Even government itself, a creation of society, may in a sense be called a monopoly. Patents, copyrights, tariff benefits, and the like are all governmentally conferred or artificial monopolies; rights of way of transportation companies, terminal sites and coal and iron deposits are socially created or natural monopolies. There are those who dispute the right of either government or society to create or arbitrarily maintain monopolies, but it is also pointed out that so are there others who dispute the right of men to create or arbitrarily maintain even government itself.

It is felt that monopoly, being a fundamental and universal factor in modern life, is but little understood, hence the agitation against it is very largely characterized by unfairness and superficiality. Men rail against a vague thing which they call "monopoly" and yet they do not usually know the real signification or meaning of the term. Many of those who do a large part of the agitating against monopoly are really its greatest beneficiaries. Nearly all of us are monopoly-seekers in one form or another; we are all seeking for benefits or advantages. It is human nature to do so, for men naturally seek to gratify their desires with the minimum of effort, and when they can make any sort of a "short-cut," the chances are they will do it. This is one of the fundamental tendencies of civilization, and any sentiment or agitation which does not reckon with this natural tendency will prove both futile and ineffective. Such laws as the Sherman Anti-Trust Act prove little more than toys in the face of these natural tendencies; a fact which is proven by the experience of our anti-trust legislation of the past twenty years.

It must not be assumed that these remarks are written in a spirit of criticism. The writer is fully aware of the importance of the monopoly element as a factor for success in modern business life, and he recognizes its correlation with our current ethical standards. In a personal discussion of modern business and financial methods with the manager of one of our larger Trusts, he was recently told that the goal of success in business life to-day, speaking particularly of the larger corporate field, was to be reached through the successful pursuit for advantages and differentials, both natural and artificial. Said he, "This talk of the elimination of competition is all nonsense. Competition is keener than ever to-day, but it is of course carried on on a larger plane. Where formerly the small producer competed to reduce his costs and undersell his competitors by the ordinary means of great economy and superior efficiency, he has now gone beyond that point; he has passed the mean level where he can recklessly compete and survive, having found that he must look to other and better methods to obtain advantages over competitors. The advantages he now seeks are not so crude. They consist in going to the root of things, in acquiring and dominating the sources of supply and the raw material; in controlling shipping rights of way; in securing exclusive benefits, rebates on large shipments, beneficial legislation, etc. Open competition long ago reached that point where it became necessary to resort to these more far-reaching methods; and it is these methods that do much to make good the advantages of large-scale production and give stability to the great business aggregations of to-day. Why, the very seeking for these advantages is an incentive which tends to keep things moving."

Almost everywhere in Trust circles it is pointed out that success in modern business involves these "short-cuts." And this claim certainly seems to be verified very strongly in the modern Trust movement, which has been so largely a result of the desire and necessity to eliminate waste and to economize in the securing of results. These so-called "short-cuts" in business methods are made in many ways, and it may be that men are sometimes obliged to break through the lines of abstract justice to achieve their ends. But where they do this, it appears that society is apt to endorse these methods on the general theory that the end justifies the means. It is felt that while the unwise use of monopoly-power would of course tend to operate injuriously to society, yet judiciously administered, as it generally is, the element of monopoly is a product of vast benefit, both to the public and to its possessors. Thus, railroad companies are the beneficiaries of a natural monopoly, but it is felt that the private ownership and operation of railroads is more advantageous to the public than would be their public ownership and operation.

The general point made is that the evidence is quite conclusive that monopoly is one of the essential factors in modern wealth production, and while it eliminates free competition in one sense, yet it does not in others; and as a factor for the rapid accumulation and effective use of aggregated capital, it is of the utmost importance.

We may therefore safely say that monopoly does exist; that it is recognized as a characteristic in nearly all large businesses and that it is a factor of such moment in our social life that it cannot be eliminated by the advocacy of restrictive and inter-meddling legislation, such as has recently become so popular, any more than the sunlight itself can be regulated by statute. It is held that in conferring on government the right to superintend and supervise the production and distribution of wealth, we do not eliminate monopoly; we only concentrate monopoly the more into the hands of the few—the ultimate goal of which is the ideal of the socialist, to make the government the exclusive possessor of all monopoly, of all wealth, and even of man himself. The simple-minded socialistic dreamers say that in this will be found the advent of equality among men, but practical, hard-headed business men see in it only the dawn of despotism. For when the mass of the people reach that state where they are willing to "pool" all their natural individual rights, their "social commonwealth" will quickly evolve into the "private preserve" of some one or few forceful and aggressive characters.

Viewed in the foregoing light, the opinion obtains that the popular criticism of monopoly is in the main unfounded. It is thought to be apiece with the superficial tendency to block all industrial progress, such as for example the adoption of new inventions and labor-saving machinery of all kinds. For the advantages of monopoly are sought and valued for the same reasons that any other agent of economy is sought. While in the abstract, it may work injustice and inequality in some ways between man and man, yet it is pointed out that the general benefits to the larger organism of society are generally so great that they must inevitably counterbalance the lesser temporary evils. Were there no such thing as monopoly, it is claimed, there could by no possibility exist the gigantic concentrated industrial forces that obtain to-day, nor could there exist any such results as we enjoy in general wealth production and distribution. As Mr. James J. Hill has said in speaking of the Trust, "The aim in business, as in politics, is to do the greatest good to the greatest number; and the greatest number—so far as we can now see—is apparently benefited by the consolidations." The bitter and wasteful open competition of more primitive times could never bring about the advanced conditions that mankind have the benefits of to-day. This being felt to be true, most of the anti-trust talk is regarded as empty and meaningless.

The saying that "monopoly is the mother of Trusts" is therefore logically admitted to be true. But so also is it claimed than monopoly is the mother of our entire modern industrial civilization. It is institutional and men must reckon with it.

IV. WATERED CAPITAL IN THE TRUSTS.

As pointed out in the foregoing comments, monopoly is a characteristic of our modern industrial civilization whether in or out of a Trust. These two terms, "monopoly" and "trust," are in no sense necessarily interchangeable. The monopoly feature is very generally recognized in the formation of Trusts, through the issuance of so-called "watered" capital. In forming combinations of all kinds, a certain amount of the securities are usually issued for good-will, patent rights, franchises, and so forth. Very often stock is issued without its specific purpose being explained beyond the statement that the amount issued is based on the earning power of the property. This latter condition was largely true in the formation of the Copper and Steel Trusts. It was felt at the time that these Trusts would be able to easily earn full dividends on the amount of securities issued, although, as we have seen, the final outcome has been otherwise. And here is where most of the watered or inflated capitalization comes in. The "good-will" or "watered" stock usually anticipates the value of the monopoly element, and, of course, if this feature does not turn out to be as important as expected, there frequently is no other asset back of the "good-will" or "watered" stock, and a general collapse follows, as in the case of the Shipbuilding and some other Trusts. In instances like the Standard Oil Company, and many of the railroad corporations, *under* rather than *over*-capitalization exists, and as their good-will, franchise, or monopoly values grow, if they do not issue securities to represent this growth, then large premium valuations usually accrue on their capitalizations.

The writer has attempted to point out this feature in a number of places in this book, and in the case of the larger Trusts described he has undertaken to briefly analyze this situation. In some industries the monopoly element is, of course, far more important than in others. In the Lesser Industrial Trusts it will be found that many of the large consolidations have very few of the direct advantages of monopoly, and are chiefly successful for other reasons. One of the strong elements of success in these, and, indeed, in all Trusts, small or great, is the personal element, the efficiency of management, and so forth. In the Franchise and Transportation Trusts, the element of natural monopoly is, of course, very important, and is so recognized on every hand.

V. THE INVESTING PUBLIC AND THE TRUSTS.

The relationship of the investor to the Trusts is an important one, and of peculiar interest at the present time, because of the fact that an enormous number of small investors were induced to purchase the various industrial stocks during the "boom" years of 1898 to 1901, many of them being purchased at far higher prices than have at any time obtained since that period. The shrinkage in the values of industrial stocks within the past eighteen months is very vividly brought out in a table published by the *Wall Street Journal*, on October 24, 1903, and which has been reproduced on page 479 of this book.

That there have been a large number of ill-advised industrial undertakings floated in Wall Street within the past five or six years goes without saying. But because it has been shown that some of these large consolidations have been dishonestly promoted it does not necessarily follow that any considerable number of them have. It is true that many prospectuses of roseate hue issued in the flotation of Trusts have in no sense been verified, yet this fact may have been more largely due to errors of judgment than otherwise. During the days of the great boom, profits certainly were abnormal, and bid fair to continue so in many cases. As a rule, the combinations were formed on the assumption that their managers would be able to carry out the elaborate plans usually proposed, such, for instance, as controlling larger percentages of market supplies; preventing disastrous competition, price wars, etc. In some cases these hopes and predictions were verified; in others not. But there is little reason to believe that these predictions, at least in most cases, were not honestly made. The writer knows personally of more than one instance where, in the formation of a Trust, the greatest care was taken in the matter of valuation of plants, good-will, and so forth, when capitalizing the combine, and yet the outcome, for unforeseen reasons, has greatly disappointed its projectors.

Undoubtedly thousands of investors have been "hard hit" in the industrial stocks, and in some cases, such as that of the Shipbuilding Trust, they have been practically wiped out. In the majority of instances, however, they no doubt went in with their eyes more or less open. The average man who buys industrial issues is a semi-speculator, and he either knew or ought to have known that he was going into a gamble when urged or advised to invest his money in stocks yielding from 8% to 15% when prevailing interest rates were only 4% to 5%. No sympathy need be wasted on the many noisy speculators who are now loudly condemning all Trusts because they themselves happened to be caught in the speculative crash.

Of a different nature, of course, are those who, like the people of small means—widows, orphans and others—were induced to transfer their hard-earned savings into stocks like Steel common, Copper and a few others by trusted advisors who ought to have known better. Many thousands of this class have, no doubt, been involved in the general collapse, and it is only one more sad demonstration of the truth that it is much harder to keep money than to make it, and that where men often exhibit splendid judgment in their private business, they become but children when they reach the Wall Street atmosphere.

As to the future of the Trusts, speaking particularly from the investor's standpoint, it is quite probable that there will be various reorganizations within the next few years, but that most of them have come to stay there is no doubt; and with the revival in general industry which will in time be due, it is certain that the general tendencies towards consolidation and large-scale, up-to-date methods will take on greater strides.

VI. ARRANGEMENT OF THE BOOK.

A systematic effort has been made to arrange this book in such form as to make it useful and valuable to every class of readers. Thus, in the section treating of the Greater Industrial Trusts, each subject is divided into three Parts: First, the description of the property as it stands to-day; second, its history; and third, a brief analysis of the subject.

The descriptions are as compact and brief as is in keeping with the subjects treated, and in all cases are as accurate and up-to-date as the writer has been able to make them. In like manner special care has been taken in preparing the historical sketches, and every important event in the life of each Trust has been carefully considered. In the analyses of each of these Greater Trusts, the writer has striven in every case to base all conclusions on facts, and to avoid any unfair treatment of the subject.

In the section relating to the Smaller Industrial corporations and also in the chapters on Transportation and Franchise consolidations, equal care has been taken to keep close to the facts and avoid an exaggerated or distorted view. The chapters on the Greater Railroad Groups should prove of particular public interest. In the final chapters where the subject of Trusts is reviewed as a whole, an endeavor has been made to be equally accurate, and while well aware that many will differ with him in his final conclusions, the writer feels confident that all will at least admit his sincerity in endeavoring to treat the subject in a fair and unbiased manner.

In the general work of compilation, liberal references have been made to those invaluable standard financial authorities, such as the *Commercial & Financial Chronicle*, the *Boston News Bureau*, *Wall Street Journal*, and so forth. The importance and usefulness of these publications in the financial field cannot be too strongly insisted upon. Wherever quotations have been made, due credit has, of course, been given.

The more general source from which the information has been secured and arranged has, of course, been the several annual issues of *Moody's Manual of Corporation Securities*, supplemented by the statistical files of The Bureau of Corporation Statistics. The entire work is supplemented by a number of charts and maps, which are inserted to bring out some striking features of the larger aggregations.

JOHN MOODY.

NEW YORK, *February* 22, 1904.

PART I

The Greater Industrial Trusts

Amalgamated Copper Company.

"The Copper Trust."

(Standard Oil domination.)

I. DESCRIPTION:* Incorporated under New Jersey laws, April 27th, 1899. This corporation is not a mining company, as it neither owns nor operates mines, but is a security-holding corporation, its assets consisting entirely of stocks of other operating corporations. Of these operating concerns the entire stocks of the following are owned by the Amalgamated Copper Company:

	Total Stock issue (par).
Big Black Foot Milling Company, Bonner, Montana	$700,000
Colorado Smelting & Mining Company, Butte, Montana	2,500,000
Diamond Coal & Coke Company, Diamondville, Wyoming	1,500,000
Washoe Copper Company, Butte, Montana	5,000,000

The Amalgamated Copper Company also owns a controlling interest in the stocks of the following named companies:

Anaconda Copper Mining Company, Butte, Montana	$30,000,000
Boston & Montana Consolidated Mining Company, Butte, Montana.	3,750,000
Butte & Boston Consolidated Mining Company, Butte, Montana.	2,000,000
Parrot Silver & Copper Company, Butte, Montana	2,298,500
Total par value of all stocks of these constituent companies	$47,748,500

Note.—To acquire all the stock issues of the first four companies and the controlling interest in the others, the Amalgamated Company issued $155,000,000 of stock.

The Amalgamated Company is said to own at present less than 40% of the stock of the Anaconda Copper Mining Company (it formerly owned 75%), but owns a much larger proportion (probably nearly all) of the stocks of the three properties named last in the list above. The Amalgamated also owns the Hennessey Mercantile Company, and $510,000 out of $1,000,000 stock of the Butte, Ana-

*The facts used in the descriptions of this and nearly all other leading Trusts in this volume are taken largely from *Moody's Manual of Corporation Securities.*

conda & Pacific Railroad. This road operates about 61 miles of line, extending from Butte to Anaconda, with branches to Stuart and other points in the copper mining region. In addition, the Amalgamated Company owns a controlling interest in the United Metals Selling Company, a $5,000,000 corporation, which was formed to sell the output of the Amalgamated properties and affiliated corporations.

The capital stock of the Amalgamated Copper Company, originally $75,000,000, is now $155,000,000. Par value of shares, $100 each. Dividends have been paid as follows: From organization to and including July, 1901, 1½% quarterly, and ½% extra, making a rate of 8% per annum. In October, 1901, 1¼% only was paid; in January, 1902, 1%; from May, 1902, to date, ½% quarterly, or 2% per annum. Underlying bonds, $1,900,000.

The reports submitted to stockholders by the Amalgamated Copper Company's management have always been very meagre and incomplete, and although the company has a capitalization of $155,000,000 and has thousands of stockholders on its books, yet it is managed, as far as the public is concerned, strictly as a close corporation.*

Officers: Henry H. Rogers, President; Wm. G. Rockefeller, Secretary and Treasurer. Directors: Wm. Rockefeller, Wm. G. Rockefeller, Henry H. Rogers, Albert C. Burrage, Frederic P. Olcott, James Stillman, Robert Bacon, Anson R. Flower.

New York office, 52 Broadway.

Number of corporations controlled.................. 11

Proportion of world's production of copper (about) 15%

Products: Copper mining, and its by-products.

Element of monopoly: Practically none at the present time.

Total approximate capital of parent and controlled companies in hands of public. Par value, $175,000,000; market value (about)........................$100,000,000

*See Part II., History.

II. HISTORY.

The Amalgamated Copper Company was incorporated at Trenton, New Jersey, April 27th, 1899, with an authorized capital of $75,000,000 in shares of $100 each. The purpose for which the company was formed was stated to be "purchasing and operating copper producing properties." It was the outcome of plans which had for a long time been formulating for the consolidation of the copper producing properties of the Montana, Arizona and Lake Superior districts, with the probable ultimate intention of also acquiring the United Verde, the Rio Tinto and other American and foreign companies, the plan being a very comprehensive one and involving the ultimate domination of the world's entire copper market, apparently on somewhat similar lines as was the attempt made in 1888 by the famous Secretan copper syndicate.

The directors of the Trust as named at the time of incorporation were:

Marcus Daly	of Anaconda Copper Company.
Robert Bacon	of J. P. Morgan & Co.
Frederic P. Olcott	Pres. Central Trust Company.
James Stillman	Pres. National City Bank.
Roswell P. Flower	of Flower & Co.
William G. Rockefeller	of Standard Oil Company.
Henry H. Rogers	of Standard Oil Company.
A. C. Burrage	Counsel.

Immediately after the announcement of the incorporation, the following advertisement appeared in all the leading New York financial and other newspapers:

Reviewing editorially the forming of this new organization, the *Commercial & Financial Chronicle,* the leading exponent of Wall Street opinion, said on Saturday, April 29th, 1899:

"The most conspicuous market movement has been in copper and copper stocks, especially Anaconda mining stock. Various rumors have at the same time prevailed with reference to combinations and consolidations of the chief copper properties of the country for the purpose of further advancing the price of that metal.

"These rumors changed to facts Friday morning, when the announcement was made of a New Jersey corporation just formed for mining, milling, converting, smelting, etc., of copper, silver, zinc, brass, iron and steel. At the same time, the names of the officers and directors were given, showing a strong and highly influential organization, not only as regards capital, but likewise business capacity and experience. It is said that the organization will at the start control nine copper mining companies. Judging from the most conspicuous names connected with the combination, we should say that *the public has full guaranty that its aim will not be to sit down and corner copper and so advance price, but that its policy will be distinguished as enterprising and broad,* making money by increasing production and affording the metal to consumers at as low a price as it will pay to mine it. The new company enters upon its work with current market conditions of a character in control quite the opposite of what we have described. As a result, consumption has of late decreased and the trade in copper and its allied industries has been unsettled and disorganized. We look for a change to a wiser and more liberal policy—one that makes money by developing industries, not by crippling them."*

Commenting in an authoritative way on the prospects and intentions of the new company, the *Boston News Bureau* at this time stated:

"The first amalgamation will furnish money to pay for the Anaconda mining stock which has been purchased, the Washoe Company, the Boston & Colorado, and the Parrot. Substantial control of these four properties is embraced in the $75,000,000 financiering.

"Of course, not all the shares of these companies are yet taken in. The Anaconda itself, at $60 a share for its 200,000 shares, would require $72,000,000, but enough stock for control has been secured, together with the Washoe property of Messrs. Haggin & Daly, five-sixths of the Boston & Colorado, and a large majority of the Parrot Company. The absorption of these stocks calls for about $70,000,000 cash.

"The Butte & Boston and the Boston & Montana will be put in later, as well as the minority interest of the Anaconda and other companies. This will require more than $200,000,000. The Washoe Company is very necessary in the combination, as it owns all the available timber lands."

The public subscription took place, as advertised, on May 4th at the National City Bank between the hours of 10 and 12 A. M. Immediately after closing the subscription, the announcement was

*The italics are the writer's.

made that the entire issue had been subscribed for about five times over, and that each subscriber would be allotted not over 20% of the amount asked for. In other words, subscriptions approximating $400,000,000 were said to have been received.

Reviewing the financial situation under date of May 6th, 1899, and referring generally to the temporary depression in stock exchange values which had taken place, and the relation of this depression to current conditions, the *Commercial & Financial Chronicle* said:

"There were, as already said, several influences at work against the market on Monday which helped to cause the slump that day. * * * The chief adverse influence, however, other than the fear of gold exports, was the passage of what has been called the Ford Franchise Tax Bill. This piece of legislation was born of the prejudices cultivated by politicians against corporations and every other combination of capital. The danger from it and other like legislative transactions grows mainly out of the two facts (1) that the class who let others do all their thinking for them is larger than the class who think for themselves, and (2) that the unthinking class get such distorted ideas of wealth that they are easily led to look upon any organization or combination of capital as a fair subject for oppressive tax burdens. It never occurs to them to think what a debt this vast country owes to just such combinations for all its developments and what a paralysis would settle upon the activities of to-day if the spirit of these laws could be carried out and all combinations suppressed.

"We bring these thoughts together because Monday was an epochal day and because the influences we have mentioned were all active in making it so. No doubt, too, the public nerves have become quite tense and high-strung through the rapid rate at which capital seems to be going into industrial organizations. This situation means a conversion of floating capital into fixed forms which have a limit. We are, however, inclined to think that rather more is made of this feature than it deserves. It is a matter of doubt whether nearly as large a portion of these industrial securities has gotten into the hands of outsiders as many imagine. What the Amalgamated Copper Company has done in offering $75,000,000 of stock to the public and having it subscribed for fully five times over (approximately $400,000,000) is not typical, but special. The names connected with that organization not only represent financial strength, but, better still, unsurpassed industrial capacity and experience, and would draw as few others could."

The foregoing comments, while echoing the opinion of many in the financial district in regard to the general soundness and conservatism of the copper consolidation, were not the only sentiments expressed. Strong criticism of the entire scheme still emanated from many quarters, and much of this was voiced in the following caustic article published on May 13th, 1899, by the *Boston News Bureau,* a journal which had always made a special feature of copper news:

"Boston—It was expected that the public would make a very large oversubscription to Amalgamated Copper shares, and that a stock-market boom would result from this showing of American strength on a security which it was hoped would have an international character.

"The public was urged by advertisement and hokus-pokus promises of ability to realize a very large premium immediately, to make a large oversubscription. At the same time, people were privately assured that to get 100 shares they should subscribe for 500 or 1,000 shares.

"The result must have been a disappointment, as the figures given out in New York yesterday show that *the legitimate public desire for Amalgamated shares could not have reached one-half of the* $75,000,000 *offered*, to say nothing of the five times $75,000,000 needed to amalgamate the American copper field. There was no back track for the managers to take, and the easiest way through was for the insiders to make a big oversubscription, and relieve the public of its oversubscription, by purchases of the stock in the market around par; in fact, take practically the whole of the subscriptions themselves. To do this prudently, it was necessary to throw over Standard Oil stocks in the market, like Sugar, Atchison preferred, and a long line of other railroad stocks, of which it is well known the Standard Oil people are at times large holders. This is by good judges believed to be the key to the stock market of the past week.

"The key to the stock market in the future and the key to American finance will be found in this Standard Oil attempt to control the copper market of the world.

"It is not the Carnegie iron and steel amalgamation which has frightened prudent financiers."

The quoted price of copper at this time was 19 cents.

The foregoing was the beginning of a series of lucid articles which were published by the *Boston News Bureau* from this time on. The consistent tone of these articles was from the start strongly condemnatory of the entire copper consolidation. For the purpose of throwing light on this view of the movement, several of them are reproduced in this review. The following was published under date of June 5, 1899:*

"Boston—The stories one hears on all sides both in New York and Boston, to account for the drop in the sugar and copper share

*The stock had in the meanwhile dropped to about 87 and then reacted to 95, and the price of copper had eased off to about 18½ cents market, and in Amalgamated Copper, are various. Decidedly the funniest is that which has been going the rounds for some days, that somebody put up $2,500,000 in Boston to help carry copper stocks. It is stated that these loans were made without collateral. This is usually the case when customers have to put up with bankers or brokers to carry their shares in a declining market; that is, they advance the money, but the broker keeps the collateral.

"The break in Amalgamated Copper, in copper shares, in sugar, and the general market, was one of the most natural that has ever occurred in the stock market, and it does not need stories such as are now being circulated, that H. H. Rogers has been called to account by John D. Rockefeller, or that there was a divided party in the Standard Oil camp in which Mr. Rogers was left alone and had to drop his Amalgamated peg, etc., to account for what has taken place. Nor does it need the story now going in Wall Street, that an 'outside' Boston stock operator was used to assist in the marketing of the last Standard Oil holding of sugar stock.

"The National City Bank's blind pool, otherwise known as the Amalgamated Copper Co., rang the bell which sent up the danger signal in Wall Street, and prudent men took passage for Europe or closed out their accounts and offered their money at low rates, on call, to whoever wanted to take the risk of the financial cargoes.

"One who is very familiar with the Standard Oil Co. and its methods for many years, says: The Standard Oil has had its financial success because it is the best-organized business institution in the United States. Everything is in departments, classified, under able management; every saving and every economy that human ingenuity has devised to date is adopted, and the whole machine moves like clockwork, relieving the principals of anything more than general directions.

"Now, there is no limit to human ambition, and every man who makes one success tries to make another. Mr. Rogers is probably more responsible for the success of the Standard Oil Company than any other man connected with it, except John D. Rockefeller. He loves work, and has large resources and good business instincts. It was perfectly natural for him to believe that he could do in copper what he had assisted to do in oil. Mr. Rogers would not be human if his success had not slightly swollen his head. All successful men make unsuccessful ventures, and after a few successes are liable to an attack of swelled head; it is a very common American business man's ailment.

"Now, the Amalgamated Copper Co.'s fiasco demonstrated that

Mr. Rogers was not marked for success in the copper field on the lines he had marked out. This does not mean that he will not ultimately succeed in making a lot of money for himself and his associates, but does mean his failure at the start, on the launching of the company. *A $75,000,000 blind pool,* backed by a $100,000,000 institution like the City Bank, and Standard Oil millionaires representing several more hundred millions, *announced as oversubscribed five times, upon a public subscription, and then unsuccessfully pegged at 100, and collapsing to 13% discount!* The name and prestige of the Amalgamated Copper Co. is gone. It is divorced from that of Standard Oil success, and our country and its financial future is safer therefor.

"Another student of the financial situation says: The *Boston News Bureau* has sized up this Amalgamated Copper situation just right, from the start. I paid close attention to its announcements, and I sold all my stocks and went out of debt. The moment it was announced that the Amalgamated Copper Co. subscriptions had been oversubscribed five times the market began to break. Had this oversubscription been genuine, the American market should have boomed before the whole world. Now, I believe the story that the moment the City Bank directors looked over the list of subscribers they saw that, metaphorically speaking, a lot of countrymen had been overpersuaded, and subscribed for five or ten times more Amalgamated than they wanted, *and that it would be unsafe to allot to the subscribers more than one-fifth of what they had asked for,* thus keeping their 5 per cent. margin as a 25 per cent. margin. Boston or New England had subscribed for $30,000,000, but no more wanted $30,000,000 of Amalgamated Copper than I wanted $30,000,000 in my small business.

"The allotment to Boston was $6,000,000, and that was all it could safely stand. The Standard Oil people made the popular subscriptions five times over, I believe, to balance the list up to a proper settlement, on which they took, as the *Boston News Bureau* announced, 80 per cent. of the whole subscription, leaving the public with all it could really take care of, $15,000,000. The attempt to peg this small balance at par was a menace to the whole stock market.

"From the day of the closing of the Amalgamated Copper Co.'s subscription all the Standard Oil stocks, all the copper stocks, and all subscriptions in which Standard Oil people were known to be interested began to crumble away. You can date the decline from not only the week, but the day and the hour; it was twelve o'clock noon on the day the Amalgamated subscription closed. How far this decline will run no man can tell. It may be only what the brokers tell us is a healthy reaction. It may be that the Standard Oil power has met its fate in copper, and from this on, with an Amalgamated Copper load, and many millions more invested in Butte, Arcadian, Elm River, Michipicotton and Arizona mines, must struggle along with varying fortunes in the ups and downs of the copper market. It is Atlas under the copper world, and the copper world will grow faster than Atlas, and possibly become the stone of Sisyphus."

It had been formally announced on May 27th, 1899, that control of the Anaconda Copper Company had been turned over to the Amalgamated Company as majority stockholder through the election of William Rockefeller, H. H. Rogers, William G. Rockefeller and A. C. Burrage as Trustees. On June 22d, 1899, the following alleged facts were published in the Chicago *Times-Herald:*

"The price paid by the Amalgamated Copper interests for the control of the Anaconda Copper Mining Company, recently acquired, was $23,000,000. Of this amount Mr. Daly, it is stated, received $6,000,000, J. B. Haggin $9,000,000, and Lloyd Tevis, of San Francisco, $8,000,000. Mr. Daly agreed to remain as manager of the property for a year at a salary of $25,000, while Haggin and Tevis are to sever their connection with the property entirely, leaving the Amalgamated Copper Company in control. A London syndicate two years ago bought the interest of the Hearst Estate in the mines for $7,000,000, and it is understood still holds that part."

It was reported in the newspapers June 24th, 1899, that the Amalgamated Copper Company had acquired control of the Santa Rita Copper Company, of New Mexico, which embraces practically the whole Santa Rita district. This, however, was afterwards denied by interests who claimed to speak for the Amalgamated Company.

The Amalgamated Company declared its first quarterly dividend of 1½%, with ½% extra, on September 21st, 1899.

On January 29th, 1900, a new corporation was formed under New Jersey laws with an authorized capital of $5,000,000 to act as selling agent for the Amalgamated and other copper companies. This new concern was called the United Metals Selling Company. It took over the business of Lewisohn Brothers, who were selling agents of mines said to represent 70% of the country's total output of copper. The directors of this new company were: William Rockefeller, Henry H. Rogers, Leonard Lewisohn, Adolph Lewisohn and Chas. C. Beaman.

It was believed that the selling company would act as a potent factor in steadying the price of copper. In addition to the Amalgamated properties, it was said to represent, and would handle, the copper of the following companies:

Arcadian Copper Company, Osceola Consolidated Copper Company, Tamarack Mining Company, Isle Royale Mining Company, all Michigan mines; Boston & Montana Copper Company and Butte & Boston Copper Company, mines of Montana; United Verde, Old Dominion, and Arizona Copper Companies, mines of Arizona, and Utah Consolidated Copper Company, of Utah.

On November 23d, 1900, the Amalgamated Copper Company's stock was admitted for quotation on the unlisted department of the New York Stock Exchange. From this time the stock ceased to be quoted on the curb as formerly, and the records of sales and prices thereafter became more accurate and authoritative.

The statement, as made by the company to the Stock Exchange, was as follows:

DEPARTMENT OF UNLISTED SECURITIES.

COMMITTEE ON UNLISTED SECURITIES.

AMALGAMATED COPPER COMPANY.

Incorporated April 27, 1899, under the Laws of the State of New Jersey.

Authorized Capital Stock, all outstanding, $75,000,000.

No personal liability. Par Value of shares, $100 each.

Registrar, Central Trust Company, New York. Transfer Agent, National City Bank, New York, and Company's office, Jersey City.

The Company has no bonded debt. Five consecutive quarterly dividends of Two per Cent. each beginning in October, 1899, have been paid.

The Stocks of the following Companies are owned wholly (excepting organizers' shares) by this Company:

	Capital Stock.
Washoe Copper Company, Butte, Montana	$5,000,000
Colorado Smelting and Mining Company, Butte, Montana	2,500,000
Diamond Coal & Coke Company, Diamondville, Wyoming	1,500,000
Big Black Foot Milling Company, Bonner, Montana	700,000

A majority of the Stock of the following Companies are owned by this Company:

	Capital Stock.
Anaconda Copper Mining Company, Butte, Montana	$30,000,000
Parrot Silver & Copper Company, Butte, Montana	2,298,500
Hennessy Mercantile Company, Butte and Anaconda, Montana	1,500,000

This Company is a large owner of the Stock of the Boston & Montana Consolidated Copper and Silver Mining Company, located at Butte, Montana.

There is no bonded debt on any of the above named Companies.

Extracts from Certificate of Incorporation.

Third. The objects for which, and for any of which the Corporation is formed, are to do any or all of the things, herein set forth, to the same extent as natural persons might or could do, and in any part of the world, viz.:

(1.) To carry on the business of mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging, and otherwise producing and dealing in gold, silver, copper, lead, zinc, brass, iron, steel, and in all kinds of ores, metals and minerals, and in the products and by-products thereof of every kind and description, and by whatsoever process the same can be or may hereafter be produced; and generally and without limit as to amount, to buy, sell, exchange, lease, acquire and deal in lands, mines and minerals, rights and claims, and in the above specified products, and to conduct all business appurtenant thereto.

(5.) To carry on as principals, agents, commission merchants or consignees, the business of mining, milling, concentrating, converting, smelting, treating, buying, selling, exchanging, manufacturing, and dealing in the above specified lands, properties, rights, products, and all materials used in the manufacture of each, any and all of such articles, and to carry on as such principals, agents, commission merchants or consignees, any other business which in the judgment of the Company may be conveniently conducted in conjunction with any of the matters aforesaid. .

(6.) To cause or allow the legal title, estate and interest in any property acquired, established or carried on by the Company to remain or be vested or registered in the name of or carried on by any other Company or Companies, foreign or domestic, formed or to be formed, and either upon trust for or as agents or nominees of this Company, or upon any other terms or conditions which the Board of Directors may consider for the benefit of this Company, and to manage the affairs or take over and carry on the business of such Company or Companies, so formed or to be formed.

(7.) To acquire and carry on all or any part of the business or property of any Company engaged in a business similar to that authorized to be conducted by the Company, and to undertake in conjunction therewith any liabilities of any persons, firms, association or company possessed of property suitable for any of the purposes of this Company. . . . . .

(8.) To purchase, subscribe for, or otherwise acquire and to hold the shares, stocks or obligations of any Company organized under the laws of this State, or of any other State, or of any territory or colony of the United States, or of any foreign country. . . . . . .

(12.) To carry out all or any part of the foregoing objects as principals or agents or in conjunction with any other person, firm, association or Company, and in any part of the world.

Extracts From the By-Laws.

Directors.

2. The property and business of the Corporation shall be managed by a Board of Directors, eight in number; they shall be chosen from the stockholders, and shall hold office for one year, and until others are elected and qualified in their stead.

8. The annual meeting of the stockholders, after the year 1899, shall be held on the first Monday of June in each year, at Jersey City, N. J., at 10 o'clock A. M., when they shall elect, by a plurality vote, the aforesaid Directors to serve for one year and until their successors are elected or chosen and qualified, each stockholder being entitled to one vote, in person or by proxy, for each share of stock standing registered in his or her name on the twentieth day preceding the election, exclusive of the day of such election.

Officers.

10. At the first meeting after the election of Directors, when there shall be a quorum, the Board of Directors shall elect, by ballot, a President and a Vice-President from their own number, who shall hold office for one year and until their successors are elected and qualify. . . .

Standing Committee.

16. There may be an executive committee of three Directors appointed by the Board, who shall meet when they see fit. They shall have authority to exercise all the powers of the Board at any time when the Board is not in session. The President shall also ex-officio be a member of the Executive Committee.

Dividends.

23. Before payment of any dividends or making of distribution of profits, there shall be set aside out of the net profits of the Company such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Company, or for any such other purpose as the Directors shall think conducive to the interests of the Company.

Dividends shall be declared on the Third Thursday, or the next business day thereafter, of September, December, March and June, and paid on the last Monday, or the next business day thereafter, of October, January, April and July.

Alteration of By-Laws.

26. The Directors may at any regular or any special meeting alter or amend these By-Laws.

Officers—Henry H. Rogers, Vice-President; Wm. G. Rockefeller, Secretary and Treasurer; Percival J. McIntosh, Assistant Treasurer.

Directors—Henry H. Rogers, Wm. G. Rockefeller, James Stillman, Albert C. Burrage, F. P. Olcott, Robert Bacon, A. R. Flower.

November 23, 1900.

$75,000,000 Capital Stock admitted to quotation in the Unlisted Department this day.

WM. McCLURE, Secretary. H. K. POMROY, Chairman.

In the meanwhile, and in spite of the most confident predictions to the contrary, the price of copper continued to sag, and early in January, 1901, it touched 16 cents; while the price of Amalgamated stock also displayed a downward tendency, and during this same month sold as low as 83¾. It later rose to 89 within the same month.

Discussion of the probable earnings of the Copper Trust had occupied public attention continuously since the formation of the combine. It had, of course, always been a subject of particular interest to that large class who, in one way or another, had been induced to purchase the stock for permanent investment, but chiefly because of its large dividend return and the apparent ability and intention of the controlling interests to make it more and more of an *investment* rather than a purely *speculative* stock. The following quite exhaustive analysis of this phase of the situation was published at this time:

"Boston—Every little while we hear, upon the very highest authority, that the Amalgamated Copper Co. is earning from 15% to 20% upon its $75,000,000 capital. Nothing from the officials of the company ever indicates that it is less than 15%, which on $75,000,000 capital stock would be $11,250,000.

"Now we do not wish to dispute with the officials of the Amalgamated Copper Co., but we wish to declare that if that company is earning more than $11,000,000 per annum, or something like twice the 8% dividend it is paying, *it is getting its earnings from something besides legitimate copper mining.*

"There have been many intimations that the Amalgamated Copper Co. was a speculator in Anaconda shares. This seems almost incredible of belief. But from no other source than something akin to, or worse than, speculation, could the Amalgamated Copper Co. earn 15%.

"The declaration has been made in Boston copper circles that the Anaconda was purchased for the Amalgamated on the basis of $34,000,000, or less than $30 per share. This was a fair price for the property, but was not the price, we understand, at which the Amalgamated Copper Co. purchased the property. 'Insiders' in Amalgamated did, we understand, buy heavily of Anaconda shares, in anticipation of the formation of the Amalgamated Copper Co., and they made some millions of profit from the Amalgamated Co. Very little profit has since remained for the public that subscribed to the stock at $100.

"In fact, we understand from very good sources, that if all

COPPER PRODUCTION OF THE WORLD.

The world's approximate copper production (based on careful estimates) is 1,200,000,000 pounds. Of this amount there is said to be produced in this country about 535,000,000 pounds, of which the Amalgamated Copper Company, or "Copper Trust," is at the present time producing about 180,000,000 pounds, or 15% of the total.

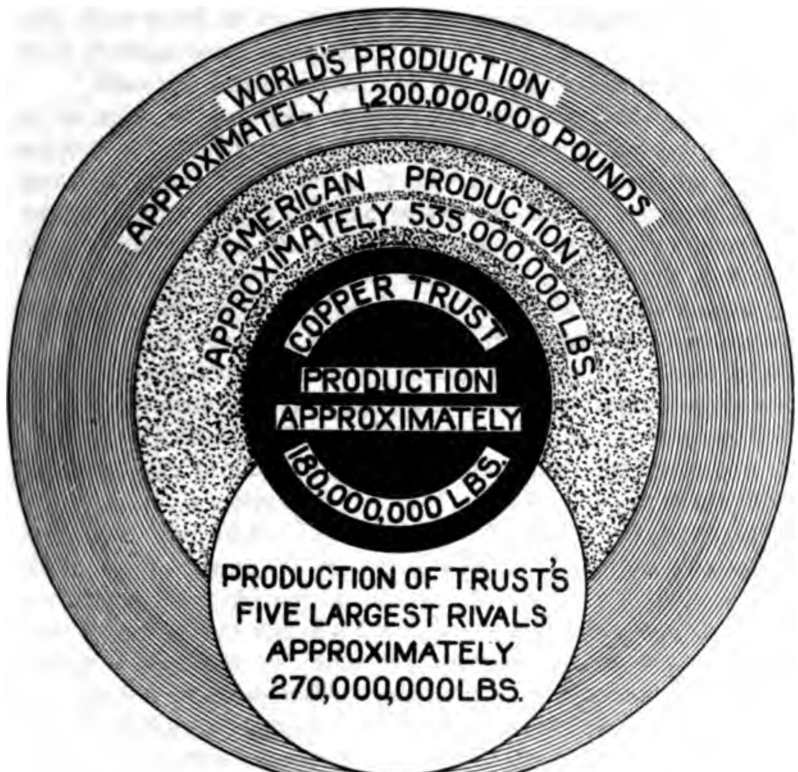

CHART No. I.

The five large "rivals" or competitors of the Trust referred to in the above chart are Calumet and Hecla Mining Co., the Greene Consolidated Mining Co., the United Copper Co. of Wyoming and United Verde Copper Co. (all American producers) and the Rio Tinto mines of the Rothschilds. See text for full details.

the profits that were made by the so-called 'insiders' in Amalgamated, were applied to their Amalgamated shareholdings their stock would stand them nearer $50 per share than $100 per share. As large blocks of Amalgamated were recently sold upon fictitious reports of an Amalgamated triumph in Montana, and next of an Amalgamated settlement with Heinze, it is safe to declare that certain 'insiders' in the Amalgamated blind pool have gotten out with most of their gains. They made millions in the selling of the proprietary companies to the Amalgamated Co., and although they sold their stock in the 90's they are many millions to the good in their Amalgamated account.

"That the Amalgamated Co. has no such legitimate profits as 15 to 20%, as has been claimed, can be very easily proven. We subjoin a table of the estimated copper production of the Amalgamated mines from which it may be figured that the Amalgamated Copper Co. is not the real proprietor of a copper production of more than 100,000,000 pounds per annum, or about one-tenth the copper production of the world, or one-sixth of the copper production of the United States. Had the Amalgamated Copper Co. gone forward with its plans it would have had an issue of about $500,000,000 of share capital to cover the copper production of this country and $1,000,000,000 of share capital to cover the copper production of the world, for its plans involved a capitalization of copper production at about $1 for each pound of production.

"Anaconda's copper is the most expensive copper to produce of any large mine in the United States. Its present cost is believed to be not far from 11 cents per pound. Therefore, Anaconda's copper output could not be capitalized at $1 per pound, but more than $1 per pound was bid for Calumet & Hecla's output, and the Boston & Montana and Butte & Boston were to go into the copper combination at considerably more than $1 per pound, so that upon the whole the Amalgamated's scheme could not represent a capitalization of America's copper production at less than $1 per pound.

"Although the Amalgamated claims only to own a majority of Anaconda stock, some estimates have set its ownership as high as 600,000 out of the 1,200,000 shares, but we will give it in the total an acknowledged ownership of 900,000 shares, although we believe this to be in excess of its actual ownership. It is supposed to own 65% of the Parrot stock, and we therefore give it 65% of its 13,000,000 lbs. per annum production.

"Of the Washoe and Colorado Companies the Amalgamated is believed to own substantially the whole.

"Up to date, however, the Amalgamated Copper Co. owns only 10,000 shares of the Boston & Montana, or 7% of its total capital of 150,000 shares. We, therefore, give the Amalgamated as legitimately entitled to not more than 7% of its estimated output of 65,000,000 pounds of copper per annum.

"The table of calculations subjoined shows that the Amalgamated Copper Co. is not entitled to valuation beyond the ownership of a production represented by 100,000,000 pounds of copper, and the inference would be reasonable that 8% dividends upon $75,000,000 of capital would represent a fair profit from this production.

"If the Amalgamated Copper Co. is to be considered as earning 20% upon its share capital it must make $15,000,000 *net out of* 100,000,000 *pounds of copper, or* 15 *cents per pound from the copper which it sells at less than* 17 *cents per pound.* If it makes one-half this amount of money, or 7½ cents per pound, it is doing a very good business. The 8% dividends which it is paying calls for the distribution of $6,000,000 per annum, and this is a fair dividend from 100,000,000 pounds of copper, and more should not be expected unless copper is to sell materially higher in the future.

"If the price of copper should decline below 15 *cents the Amalgamated Copper Co. could not maintain its present dividends.*

"This computation is entirely irrespective of the bad legal and political situation in Montana in which the Amalgamated Co. now finds itself involved, a situation which Mr. Rogers said two years ago he thought he could settle in about 60 days.

"The following is the table:

	Annual production lbs.	Amalg. ownership of stock.	Amalg. proportion of production.
Anaconda	100,000,000	75%	75,000,000
Parrot	13,000,000	65%	8,450,000
Washoe	2,500,000	Whole	2,500,000
Colorado	10,000,000	Whole	10,000,000
Boston & Montana..	65,000,000	7%	4,550,000
Total........	190,500,000	......	100,500,000

—*Boston News Bureau.*

Early in 1901 plans were definitely formulated with a view to acquiring the actual control of the Boston & Montana and Butte &

Boston companies. At this time the Amalgamated owned only about 7% of the stock of the former and none whatever of the latter.

The first official announcement of this plan was made through Messrs. Kidder, Peabody & Company, bankers, of Boston. On Tuesday, April 16th, 1901, they announced that

"they had been requested to arrange a consolidation of the Boston & Montana and Butte & Boston companies with the Amalgamated Copper Co., and with that end in view will receive deposits of B. & M. and B. & B. stock until 2 P. M., April 25th. In case the firm can arrange equitable terms of exchange, the depositing stockholders will have the option of taking back their certificates or receiving Amalgamated stock therefor in such proportions as may have been determined, or may receive for Boston & Montana stock $375 per share and for Butte & Boston $92.50 per share in cash, and also participate pro rata in any underwriting that may be deemed necessary. The capital stock of the Boston & Montana is $3,750,000 in $25 shares, and of the Butte & Boston $2,000,000 in $10 shares. * * * * * To purchase the entire stock issues of the two companies at the prices above named would require $75,750,000. Kidder, Peabody & Co. reserve the right to return all stock deposited unless they are prepared within seven days after April 25th, to submit a satisfactory offer. The right to exercise the aforesaid option in case the deal goes through will continue for ten days. During the year 1900 the Boston & Montana paid dividends aggregating 172%, against 144% in 1899; the Butte & Boston paid its first dividend, 50%, on December 10th, 1900."

More than two-thirds of the stock of the Boston & Montana and the Butte & Boston had been deposited at the close of business on April 25th, and the plan was, therefore, announced as operative. By May 3d over 90% of the stocks had been deposited.

On or about this time an application was made in the New Jersey courts for an injunction to hold up the consolidation. The injunction was dissolved on May 6th, 1901, but a stay was granted until June 19th, pending an appeal from the decision of the Chancellor of the State. In the meanwhile the consolidation details were arranged, and Messrs. Kidder, Peabody & Co. announced on June 1st, 1901, the general terms of exchange in the manner described below:

They offered to sell to the company, subject to the approval of the owners, the stocks of the Butte & Boston and the Boston & Montana Copper companies on the basis of 1 share ($100) of Amalgamated Copper Company for 1 share ($10) of Butte & Boston, and 4 shares ($400) of Amalgamated for 1 share ($25) of Boston & Montana. The large stockholders of both companies quickly consented to the sale on these terms. The Amalgamated stockholders met on June 6th to consider the offer, and, having ratified the plan, authorized an increase of the capital from $75,000,000 to $155,000,-

000. This increase was made, and on June 25th the New York Stock Exchange admitted to dealings on its unlisted department the $80,000,000 of new stock as issued in exchange for the stocks of the Boston & Montana and Butte & Boston companies. At this time the Amalgamated people stated that "it appeared by the report of the Special Committee appointed by the Board of Directors that the market value of the properties of the Boston & Montana and the Butte & Boston companies, taken together, was estimated by experts at $85,000,000, and that at the market price at which the shares of the two companies were selling, the entire stock of both companies, for which it was proposed to issue the $80,000,000 increased stock of this company, was in excess of $90,000,000." The dividend of 1½%, with ½% extra, which was declared about this time applied to the increased amount of stock.

To the intense surprise of the stockholders and of the general public the extra dividend was omitted when the regular quarterly 1½% was declared on September 20th, 1901. In other words, the dividend rate was reduced from 8% to 6% per annum. No official statement was made, explaining this unexpected action, but Mr. A. C. Burrage, counsel for the company, was quoted as saying: "After careful consideration, the directors decided that it would be wise at this time to adopt a conservative policy and to omit the usual extra dividend of ½%. It was considered wiser to reduce the dividend than to reduce the selling price of copper. The fact that the dividends on Boston & Montana stock have been enjoined also exerted a good deal of influence on our minds. The stockholders may rest assured that in the end this action of the directors will prove the wisest that could have been taken. *Moreover, it is not unlikely that the dividend rate will be restored at a not far distant date.*"

The company was, it is true, engaged in extensive litigation at this time with F. A. Heinze and the Montana Ore Purchasing Company, and the Heinze interests had obtained injunctions closing, it was claimed, the rich mines of the Boston & Montana Company, thus reducing the company's output from about 6,000,000 ounces to 4,000,000 ounces per month and enjoining the payment of its usual dividends. The chief reason, however, for the reduction of the Amalgamated dividend was undoubtedly the unsatisfactory condition of the export business and the accumulation of copper in the hands of the subsidiary companies and their selling agents, the United Metals Selling Company. An expert in the copper trade about this time gave to the New York *Evening Post* his view of the situation as follows:

"The copper trade is in a sound condition so far as the United States is concerned. Here consumption this year has been larger than at any time before. In Europe the situation is quite different. There consumption has fallen off from 35% to 45%, as compared with a year ago. This naturally has been reflected in the country's exports, which are about 45% smaller than last year. The Amalgamated Copper Co., *which controls about half the production of copper in the United States,* made it a policy at the end of last year to maintain a price of 17 cents for Lake copper and 16⅝ cents for electrolytic copper. At that time the Amalgamated people tried to induce outside producers to hold to the same scale. For a time everything went well. But when the outsiders found that they could not sell their products, they made reductions varying from 1 to 3 cents below the agreed price.

"Meanwhile the Amalgamated interests began to accumulate their copper, asserting that if they found their accumulations were too large, they would simply curtail production. The recent statement that the Amalgamated people have on hand about 135,000,000 pounds of copper is thought to be about correct. This stock, while it looks large, is perhaps not so important as some seem to think, for since prices have been upheld by the Amalgamated interests, consumers have let their prices dwindle to almost nothing, thinking that a decline in prices was imminent."

Immediately following the action of the Amalgamated Company in reducing its dividend, the Anaconda Copper Mining Company took like action and omitted the usual extra dividend of 3% which had been paid regularly since November, 1899. The stocks of both of the companies had of course taken a tremendous downward plunge.*

Commenting on this sudden and unexpected change in the situation, the *Commercial & Financial Chronicle* of September 28th, 1901, said:

"No little surprise has been felt because a decided and general demoralization in the stock exchange markets has followed the omission of Amalgamated Copper to add the usual extra ½ to 1% to their dividend declared last Friday. That event alone was of no great significance, and might have occurred amid conditions other than those now existing without unfavorably influencing other values, or materially influencing even its own. Indeed, the cut-off was only applied to what has always been called an extra distribution, although it has been a feature of dividend payments since the first—that is, since October, 1899; with that reduction the return the stockholders receive still remains at the rate of 6% per annum—a very good interest on a security selling in previous weeks a little above par.

"Why was it possible then for so much to be made of this lower dividend as an unfavorable indication? It was because the act was widely interpreted as confirming the belief that the high price of copper was leading to a falling

*The extreme high price of Amalgamated stock had been 130 in June. Before the end of the year it had dropped to 60½.

off of the world's consumption of that metal, to a suppression of the class of industries at home and abroad largely using the metal, and to a consequent overproduction of copper; that a similar condition of prices and stocks of product likewise existed in some other classes of industrials; and also that money-lenders had become discriminating, while there was reason to fear that, under this latest development, they might grow more so.

"The belief that trouble was brewing in the copper market was evident in the fact that ever since last June, when Amalgamated Copper sold largely at 130, the stock had been on the decline. Other adverse factors in the problem were already obvious, and became more so month by month; the official trade figures showed that the export movement was rapidly and decidedly diminishing, and the copper business in Europe, and especially in Germany, where the demand for the metal had been so large, was being seriously curtailed. But the counter condition was set up that the home consumption was expanding, and so rapidly as to absorb whatever Europe refused to take. Evidence has, however, been accumulating in recent weeks that has made this claim very doubtful; and the cutting off of the extra dividend by the Amalgamated and later by the Anaconda has, as already indicated, been assumed by many, in the absence of all other information, to be an official admission respecting the unreliability of this assurance, and strong confirmation of the suspicion that the accumulation of the stocks of copper was becoming burdensome.

"These facts, rumors and suspicions have exerted a larger influence upon the market than they would have been able to were it not for the fact that the public was also cognizant of, and had in mind the disastrous experinece of a copper corner engineered in France only a few years ago. *We are, however, strongly of the opinion that the people who are at the head of the Amalgamated Company are not of the kind to run serious risks.* They are strong parties, and likewise, presumably, conservative. Moreover, were their purpose to corner copper, or were they in danger of being burdened because of the stocks they hold, they would have passed the entire dividend of both companies named above. The fact that they have only omitted the distribution of what they have always called extra is, to our minds, evidence of a situation just such as was no doubt anticipated when that word extra was appended to the item; that is, that the conditions did not at the time call for docking the whole dividend, neither did they encourage the payment of the extra.

"There is only one wise method to correct the situation. The price of copper ought to be at once lowered, and the cornered and congested state of the market corrected in that way. *Decreasing production and sustaining the current price would tend to dry up the sources of prosperity.* Acts like that are to be deprecated. *They are what has brought all trusts into disrepute, and have created unjustified public hostility.* It is, too, the kind of danger which more than all others threatens the existing cycle of prosperity. For copper is not alone in this matter. Values of all manufacturing products have advanced to a very important extent. So far as this is due to higher wages, it is reasonable and necessary; but so far as it is due to pegging prices, it is sure to restrict consumption and so kill the goose that lays the golden egg. Several trades are to-day giving signs of restricted movement; among these we may mention the building trade, which is struggling under a numerous body of small trusts. For it is the small trusts, so far as experience in the United States has hitherto gone, that peg prices and so suppress industrial expansion, and not the large ones. Standard Oil, Sugar Refining, United States Steel, all appear to put their product on the market lower than it has ruled before; but Glass and fifty others we might mention seem to be organized to put values on so high a level as to burden every dependent trade."

Less conciliatory and not so friendly to the Trust was the attitude taken at this time by the *Boston News Bureau,* which, in its issue of November 30th, 1901, quoted a well-known authority on the copper situation as saying: "Officials and insiders of the Amalgamated Copper Company are now selling the stock as fast as they can unload it on the public. They expected to be able to unload around 80, but now that the market has passed beyond their control, they will continue to dispose of their stock and will even keep on selling if it goes to 50; and there is good reason for expecting that the latter figures will eventually be reached. But what is the reason for this sudden change of policy? one may ask.

"It has become apparent to the controlling interests in Amalgamated that they have ruined the copper industry in Montana, and they are aware of the position in which they are placed and from which there is no escape. They are afraid to stand for the results of their work, and they are seeking to blind the public to their responsibility by endeavoring to place the blame on Congress and thereby shield themselves. The Amalgamated Copper Company does not expect that any anti-trust legislation will be introduced in the next Congress, and they are neither favoring nor opposing such legislation. Congress would probably never have taken up the subject and even now may do nothing about it. What then is Amalgamated doing? They are simply leading the public to think that such legislation is contemplated, and when the crash comes, they will say that everything would have been all right if Congress had not threatened to legislate against them. It is the Amalgamated cohorts that are threatening the legislation and doing all the talking, but it is a poor attempt to unshoulder the burden.

"It has taken the Amalgamated dictators a long time to realize the hopelessness of their cause, and to fully understand how great a burden they have sought to carry, and how utterly unable they are to carry it. The awful termination of their efforts has now become apparent, and they are afraid to face the crash and take the blame for their short-sightedness. Their plans have been driven to chaos, and this final grasp at the only straw in sight is as sure of failure as all their other efforts. Their shield is pierced and doom alone awaits them."

In an interview published on December 1st, 1901, C. W. Barron, of Boston, made the following statements regarding the Copper Trust situation:

"The value of Amalgamated Copper shares is, as I have always maintained, below $75 per share, and not above it, but this is not the time for people who have Amalgamated stock to become demoralized. They should remember that the copper industry is one of the world's great industries, and is bound to expand and not to diminish; that the Amalgamated Copper Company has no bonds and not a dollar of indebtedness unless it has contracted one since the declaration of the last quarterly dividend. I have always said that Amalgamated had an intrinsic value of $37.50 per share. I think it is worth this, with copper ranging between 10 and 12 cents per pound. If a man wants to buy Amalgamated Copper, and is willing to forgive the sins and errors of the formation and management of this company he had better get his pocketbook ready to begin buying this stock in the 60's, and then, if he knew it all, he would conclude to begin his purchases in the 50's. There is now $155,000,000 of this share capital issued for properties which never had an intrinsic value of $100,000,000. Independently, and combined in a useless effort to down Mr. Heinze in Montana and to own that State politically and judicially, they are worth a good deal less.

"Well-informed Boston people have been predicting disaster to the Amalgamated Copper Company's plans for more than a year. They did not think, however, that the trouble would begin in the foreign markets or be so precipitate; for the Standard Oil people have not raided copper stocks in Boston, and they have been practically in control of the foreign stocks of copper."

No official statement regarding the copper situation was made until December 1st, 1901, when the directors of the Amalgamated declared a quarterly dividend of 1%, payable January 27th, in comparison with a quarterly dividend of 1½% in October, and 2% previous to that date. The United Metals Selling Company this week *officially* reduced the price of copper for the first time, cutting it from 17 cents a pound in several successive reductions to 12⅞ cents for electrolytic, 12½ cents for castings, and 13 cents for lake copper. At this time the company made an official explanation, of which the following is an abstract:

"The conditions prevailing in the copper trade up to the commencement of the present year were very satisfactory, and so far as this country is concerned, are still so, every copper wire, brass and electrical manufacturing concern being run to its full capacity. A large proportion, however, of the copper produced in this country has to find a market abroad. The unsatisfactory trade conditions which have existed during the present year in Europe, together with the fact that the supplies of copper to Europe from sources outside this country have increased, have jointly caused a falling off in exports of about 65,000 tons. * * * * * By adopting the policy of maintaining a firm price, a large proportion of the loss arising from the decrease of exports has been borne by the companies whose shares are owned wholly or in part by the Amalgamated Copper Co. This policy has in the past been the best for these companies, as the portion of the copper which has been sold has realized a larger profit than would have been realized had all the copper which had been produced been sold at a much lower price. It has likewise prevented fluctuations in price, which would tend to demoralize the business of manufacturers consuming copper.

"The officials of these various companies, after carefully considering the situation in all its phases, decided that it would be better, in the interest of the companies they represented, to refrain from forcing upon the market more copper than was actually needed, as such action would only have led to abnormally low prices. If officials of other copper producing companies had taken the same view of the situation and maintained a firm price, there is little doubt that the present unsettled condition of the market would have been in part, if not wholly, obviated."

Immediately upon the heels of the above announcement, the *Boston News Bureau* published the following article:

"The Amalgamated Copper Company has not sold an ounce of copper since it started its price reductions from above 16 cents.*

"It is well understood in the inner circles of Amalgamated that these price reductions are not made for the purpose of selling copper, but to demoralize the entire copper field.

"The Amalgamated is a confessed failure at every point, and the only hope of building it up is to swing its club of 200,000,000 pounds of copper on hand, and offering the same sharply down, paralyze the entire industry; then, out of the wreck and ruin, rebuild the Amalgamated Copper Company in control of the Montana situation, the Lake Superior situation and the foreign situation.

"Mr. H. H. Rogers is the head of this warfare against all the rest of mankind, and he demands unconditional surrender of three great interests, and in control of these he will settle the fourth problem.

"He demands the unconditional surrender of the Rothschild copper interests. He demands, secondly, the unconditional surrender of the Calumet & Hecla. He demands, thirdly, the unconditional surrender of F. A. Heinze, and the people of Montana.

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*When the above was written copper was quoted at 13 cents.

"Mining men in Montana believe that if he secures control of these forces he will be in position to reduce wages in Montana and make Butte the low-cost-copper district of the world. At present, with litigation and $3.50 daily pay for every man under ground, and with the declining values in the mineral ground, it is the highest-cost district of the world."

On January 3rd, 1902, the United Metals Selling Company again reduced the price of Lake copper from 13 to 12⅛ cents, and on January 13th reduced it once more to 11¼ cents. On January 15th it sold at 11⅛ cents, and on the 16th was offered at 10½ cents. This price continued until about January 31st, when there was much excitement on the Metal Exchange and copper was bid to 12¾ cents. Bids were made for as large blocks as 2,000,000 pounds. The price, however, did not advance beyond this figure.

On Thursday, April 17th, 1902, the Amalgamated declared a quarterly dividend of only ½%, in comparison with 1% in January. The comment of the leading Wall Street organ on this action was as follows:

"The Amalgamated Copper Co. has this week taken the third, and it is to be hoped, the final step in its series of dividend reductions. * * * * * The cause for the unfortunate plight in which the Amalgamated Copper Co. finds itself is, of course, well known. Its management for a long time sought to hold up the price of copper at the artificial figure of 17 cents, with the result that the foreign demand for American copper was reduced to very small proportions, while at the same time, this country became the dumping ground for large quantities of copper produced elsewhere. The result was the piling up of vast unsold supplies of the metal under the burden of which the Amalgamated Co. succumbed. The price of copper fell to 12 cents and lower, with a corresponding shrinkage in profits. *There is a lesson and a warning in the experience of this industrial organization, which, we trust, will not be lost on other industrial concerns that aim at a monopoly through the maintenance of artificially high prices for their products.*"

During the first eight months of 1902, the price of Copper Trust stock fluctuated between 79 and 61. It did not get below the latter price until late in the year. In December of 1902 it sold as low as 53. During the same period the price of copper remained nearly stationary and in the neighborhood of 12 cents.

In an interesting comparison of the Copper and Steel Trusts, the editor of the *Boston News Bureau* said on September 11th, 1902:

"The copper situation appears to be somewhat mixed to the casual observer. The inquiry is often heard: 'How can the United States Steel Corporation continue prosperous, the iron and steel business good, and copper continue to go down?' The answer is simple: the tariff protects the iron and steel industry and the United States

Steel Corporation. *There is no tariff to protect copper producers, or the Amalgamated Copper Company.*

"After Mr. Carnegie had put his works upon such a basis that he was in favor of tariff reform and the abolition of all duties on iron and steel, which would have given him practical control of steel making in the United States, he told the Pennsylvania Railroad to make his works special rates, or he would build a railroad to the seaboard. This would have made necessary a still further expansion of his works into the department of bridge work and tube work, and he started to duplicate the bridge works and the tube works of the country, but then recently consolidated into the bridge works trust and the tube works trust. The financial powers in the railroad and industrial world came together, checked Mr. Carnegie's career, established the United States Steel Corporation, saved the railroad situation, and saved hundreds of millions of industrial capitalization. The Carnegie works are now pleased to make rails for the Pennsylvania Railroad, and although the largest railroad shipper in the United States, will pay the regulation rates and will sell rails to the railroads at more than $10 a ton profit.

"What was accomplished with the assistance of Standard Oil millions in the steel trades was attempted by Standard Oil millions not in copper trades, or in the line of copper manufacturing, *but with the copper mining companies.* The Standard Oil Company makes its money, not from taking oil out of the ground, but by its transportation, manufacture and distribution in more than 60 articles of general consumption. The United States Steel Corporation does not make its money from the mining of ore, but the Amalgamated Copper Company was to make its money by uniting the interests of copper miners through a common selling agency *which would advance the price from a normal level of below* 12 *cents to a price of* 22 *cents per pound, which would pay* 10 *cents per pound profit and permit the capitalization of copper production at* $1 *per pound of annual output, which would enable the payment in dividends of* 8 *cents per pound, or* 8% *on such capitalization.*

"The entire scheme has broken down. The Calumet & Hecla prevented the 22-cent copper market, although when the Amalgamated Copper Company was formed the price of copper was 18½ cents. Mr. Heinze defeated the scheme of absorbing his copper properties at low valuation to offset the high prices paid for Butte & Boston and other properties owned personally by those forming the Amalgamated Copper Company, and the international copper world, by obtaining its supplies largely outside of America, defeated the efforts of the Amalgamated Company to hold copper at 17 cents. The Amalgamated Copper Company started water-logged with Butte & Boston and other high-priced properties, and had no capital of prospective value to trade for other properties, although by herculean efforts Amalgamated was temporarily put to a premium and the Boston & Montana absorbed.

"The managers of the Amalgamated Copper Company have not yet, however, given up hope. There are signs that their unfortunate experiences in the copper field have developed some wisdom. They now see the futility of attempting to sustain alone the price of copper, but they are still hoping for an international union of copper interests.

"Some statistics have recently been published, showing the small stocks of copper on hand. These statistics are valuable as showing the possibility of a copper combination. The copper trade of the world took fright with copper at 18½ cents, but it takes no fright with copper at 12 cents or under, nor at the opening of new mines promising new supplies of from 20,000,000 to 75,000,000 pounds per annum each.

"The real reason copper is not higher, by reason of increased consumption in the United States, is because the copper market is international. A few years ago the United States produced 600,000,000 pounds of copper per annum, or 60% of the world's supply, and exported one-half of it. To-day the United States still produces about 600,000,000 pounds of copper per annum, but this amount is now only 50% of the world's production, and the Amalgamated Copper Company does not own one-third of the American copper production. *The problem, therefore, of how a copper company, with* $155,000,000 *paper capital afloat and now owning less than* 155,000,000 *pounds of annual copper production,* is to dictate the world's price upon 1,200,000,000 pounds of annual copper production is not easily solved. It involves a restrictive arrangement as to either price or output by all the large copper producers of the world and, of course, the stimulation of small producers to become larger producers.

"The Rothschilds are perfectly agreeable to any combination promising success, but it is not known that any progress has been made with any other large interest.

"The Amalgamated must dominate the Butte mountain in order to reduce its own cost sheets and be able to regulate the supply of copper from the world's largest copper district. Its policy at present, as in the past, is to attempt to capture Heinze and his properties through litigation and the elections.

"Copper has risen of late three-eighths of a cent a pound, largely because the Amalgamated has no copper to sell of consequence, while getting its new smelter at Anaconda into operation. At Anaconda there was formerly produced more than 130,000,000 pounds of copper in a year; the production will probably be less than half that amount this year. The falling-off in the Amalgamated mines is being more than made up by production from new quarters, and the prospects are that the next six months will witness the largest increase in copper production of any six months in the history of the world.

"The Amalgamated people have foreseen this situation of increased production and now demand that there shall be an understanding among the large copper producers before they will assist in holding the price of copper."

Certain subsequent articles published by the same authority during the year 1903, are so comprehensively explanatory of the situation during that year, and analyze the subject so well that the writer cannot do better than quote them practically in full.

Under date of February 2d, 1903, with Amalgamated stock quoted at 68 and the copper market still in the neighborhood of 12 cents, the *Boston News Bureau* published the following:

"While everybody appears to be rushing into the arena of copper statistics to prove those things which appear simple upon the face from the few known facts, a side-light may possibly be thrown upon the question of how much can be proved by copper statistics at the present time, except that copper is consumed at the present time to the amount of its production at a price of 11 cents, and has never in modern times been consumed to the amount of its production at 15 cents or above. Statistics for half a generation, as well as experience and common sense, prove this.

"There are two popular fallacies in present copper discussions. The first is that the growth of electricity must enormously increase the demand for copper. This was what the Amalgamated Copper Company banked upon. It was belief in this fallacy that broke the Secretan syndicate, which proposed to control the copper of the world; and it was belief in this same fallacy that broke the backs of Amalgamated investors who believed the Standard Oil people were powerful enough to buy up, or combine, all the copper mines of the world and do what all the bankers of the world behind the

Secretan syndicate had failed to do when they bought up all the copper of the world.

"The second fallacy is not so old by several years; in fact, it is only a few weeks old. It is the discovery of a few new compilers of copper circulars and copper statistical information who have yet to learn that statistics improperly handled are the greatest liars that can possibly be met with.

"This new fallacy is that, as the Amalgamated Copper Company's 17-cent market represented a year ago an accumulation of more than 200,000,000 pounds of copper in the hands of American copper companies, and as this stock disappeared during 1902, the consumption must have increased by 200,000,000 pounds in 1902.

"The users of such statistics fail to see that their conclusions destroy their premises. The same style of reasoning would prove that an accumulation of more than 200,000,000 pounds of copper in 1901 meant that, deducting the exports, America consumed only 300,000,000 pounds of copper in 1901, as the American production was 600,000,000 pounds, net exports 100,000,000 pounds, and the accumulation 200,000,000 pounds in round figures. (The cyphers can be filled in differently, but the round figures cannot be disputed.) Now, therefore, if there was 300,000,000 pounds of American copper consumption in 1901, there could not have beeen a doubled consumption in 1902, whatever statistics may look like, because there were no new works and no additional brass foundries nor copper manufactories to take the increase.

"All foundries and factories connected with copper ran full in 1901, also in 1902, and some of the people that have grown gray in the copper trade are still firmly of the belief that no more copper was really consumed to any appreciable extent in 1902 than in 1901; in fact, no more appreciable consumption at 11 cents than at 17 cents; and they are supported by the fact that the entire surplus stock of copper was sold a year ago to regular customers at home and abroad and probably to no new interests.

"Of course, all statistics aside, the common sense of the situation is that copper consumption was increased by the lessened price; although there are those who stoutly maintain that the entire sacrificial sales of the Amalgamated Copper Company simply went to fill up the exhausted bins of regular consumers.

"The fallacy of the 1903 argument that American consumption was doubled by the decline in the price is again clearly shown by the fact that if it were true of the year 1902 it would be doubly true of the first half of the year, for the Amalgamated Company's surplus went out of existence not in the 12 months of 1902, but in the first six or four months of 1902.

"There was no visible accumulation of copper in the last half of the year. The Amalgamated companies and all their allies reduced their outputs. There was a notable increase in the output of the Greene Consolidated Company, but the United Verde mine was closed by fire, the two leading copper mines of California by strikes, Heinze's concentrator was burned at Butte as was Clark's Butte copper smelter. The new Washoe smelter of the Amalgamated was many weeks in getting into good operation, after the old Anaconda smelter was closed down, and the Calumet & Hecla accumulated copper instead of selling it, because it no more believed in Amalgamated's 11-cent copper market than it did in its 17-cent copper market.

"When, therefore, the Amalgamated people took over some Amalgamated stock at $55 a share, there was a good opportunity to raise copper-share prices by raising the price of the metal and by stopping sales, and this could be done safely for a few weeks without accumulating supplies to any great extent and might make a better market upon which to again become a seller.

"Most people will accept as wildly favorable the most unfavorable statistical statements, if they are set in an optimistic frame.

"A statement that the United Metals Selling Company sold last year 545,000,000 pounds of copper is calculated to give one confidence in the sales record and the copper consumption only until he reflects that probably more than one-half of this copper was sold in the early weeks of the year 1902.

"The Amalgamated Copper Company did not make any sales of copper until the price touched 11 cents, which was in January, 1902, and then it not only sold its accumulated stock of more than 200,000,000 pounds, but it sold itself for three months ahead, making total sales in January, 1902, of more than one-half of all the copper it sold in the entire year.

"The *Boston News Bureau's* deduction from all these statistics is that they point to very little that is valuable, except for records of the past.

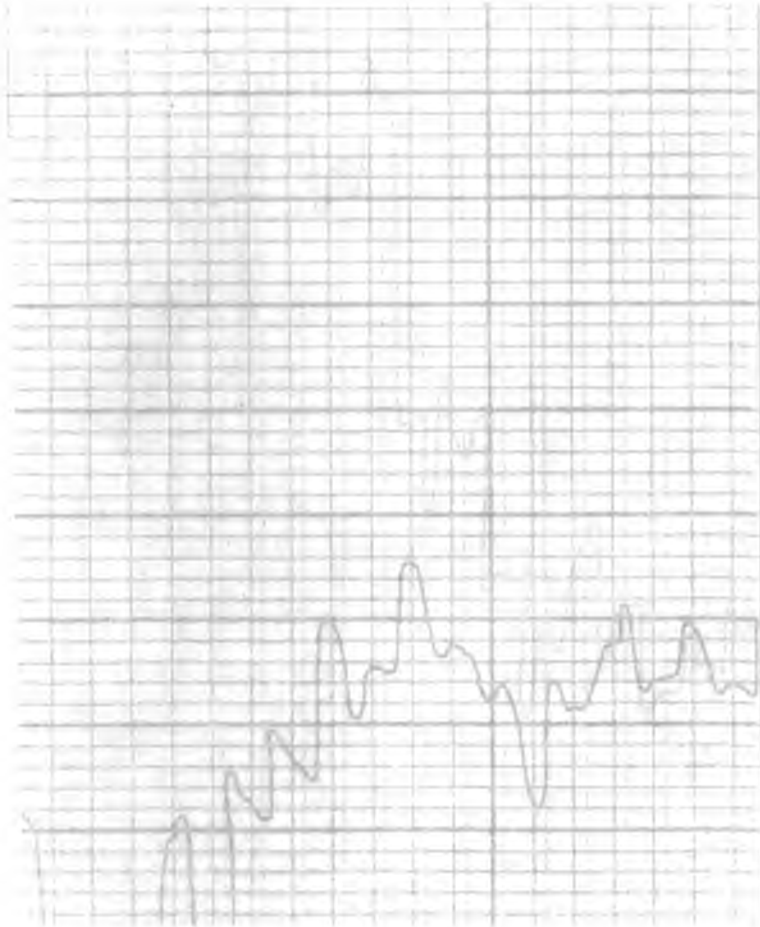
"The past year's records of copper production and copper sales will only become valuable when they have beeen equalized by being spread over a series of years. The real trouble is that copper supplies are for the most part invisible. They became visible in the Amalgamated's hands in the latter part of 1901. They as quickly disappeared in the first part of 1902. It means nothing that they have not reappeared again in January, 1903. The data of the past give us the record of the world's consumption. The data of the present give us the record of the world's production. Present production and past consumption are all that we know. Production and consumption will not meet on a copper market of 15 cents or above. They have got to meet on an 11-cent copper market under present industrial conditions, because 11 cents is not far from the cost of producing a large part of the world's copper supply. A great truth for investors to remember is that copper costs in this country from 2 to 2½ cents more per pound than formerly, and that a 13-cent copper market is only the equivalent in net results of the former 11-cent copper market, which meant profit only to the largest, the richest and the strongest.

"This is the great truth, *but the greatest fallacy is that the industrial development, now so tremendous in the United States, means an unprecedented growth in the consumption of copper in the electric arts.*

"One may believe this great growth to be in evidence when he reads of the electric light, trolley and telephone development, but the engineers who put up telephone wires and who build trolley roads, know that the arc light, which requires a large copper wire, is being displaced in favor of the incandescent light which uses a smaller copper wire; that the size of a trolley wire is less than formerly, and that the amount of copper going into electric railway construction is per mile of road not one-half of what it was formerly, and that the size of copper wire required in long-distance telephones is not one-quarter what it was formerly. * * * *

"Had it not been for American inventions which reduced the amount of copper in telephone, trolley and power transmission uses, the Amalgamated program of a 22-cent copper market would have been more than justified; but that program is hopelessly and forever gone. The problem at present is not how far above 12 cents copper can now be sold for a few months, but how low it must be sold within the next 12 or 18 months to have the world consume the entire copper output. The world filled up its empty bins a year ago with Amalgamated copper sold at under 11 cents per pound. There is now no stock of concentrated copper holdings to endanger industry or prices, and a good copper market for the next few months is clearly in sight, unless the Amalgamated or some other large interest attempts to wreck it, or some accident happens to general industry.

"Copper is costing on the average 2 cents a pound more to pro-



duce at Lake Superior by reason of the higher price of materials and labor, and 2 cents a pound more to produce in Montana by reason of the Amalgamated warfare upon Mr. Heinze. These increased costs have no effect upon the consumption. They do, however, insure less profits than were formerly possible from a 12½-cent copper market."

No less interesting was the following exhaustive analysis published on April 4th, 1903:

"The decline in Amalgamated from above 75 to below 65, while copper has been advancing 2 cents per pound, or to above 15 cents, is somewhat anomalous.

"There have been as high as 22,000 shareholders of record on the books of the Amalgamated Copper Company, and at the present time there are about 20,000 shareholders registered. As many thousands of people have been 'shaken out of Amalgamated,' it is probably safe to assume that next to the United States Steel Corporation, more people in the United States have been interested in the Amalgamated Copper speculation, or have been shareholders in its fortunes and its misfortunes, than in any other stock ever distributed or promoted in this country.

"Every one of the purposes for which the Amalgamated Copper Company was declared to have been formed has failed in realization and is still a matter of the future.

"These purposes were:

"The settlement of the mining litigation at Butte.

"The consolidation of all the mining interests there.

"The extension of this consolidation area to Lake Superior and Arizona.

"The control of the American market, which produces one-half the copper of the world and which, up to the time of the formation of the Amalgamated Copper Company, had been exporting one-half of the production.

"An international arrangement for the sale and distribution of copper upon a stable basis.

"The maintenance of a steady production and market for the metal.

"To date no large American financial project has ever met with so great a failure between expectations and realizations.

"Its failures to date can be chronicled as follows:

"First: The failure to advance the price of copper above 18½ cents, as promised.

"Second: The failure to hold the price at 18½ cents.

"Third: The accumulation of more than 200,000,000 pounds of copper on a 17-cent copper market.

"Fourth: The unnecessary sacrifice of more than 200,000,000 pounds of copper at below 11 cents per pound.

"Fifth: The failure of the attempt to dictate the selling policy of Calumet & Hecla and other large copper producers.

"Sixth: The failure of the attempt to put copper to 8 cents.

"Seventh: The defeat of the Amalgamated Copper Company in the 1900 Montana election, the people of Montana, under the leadership of Heinze and Clark, dealing the Amalgamated a crushing blow.

"Eighth: The second political defeat and rout of the Amalgamated Copper Company by the people of Montana led by Heinze alone, the Amalgamated candidate for the Supreme bench carrying only one county in the State.

"Ninth: The continued defeat of the Clarks, who had allied with the Amalgamated Copper Company, the son of Senator Clark leaving the State and making affidavit to an attempt to bribe Judge Harney for $250,000 in the interest of the Amalgamated.

"Tenth: The Amalgamated unanimously defeated in the Judiciary Committee and in the legislation in its attempt to have Judge Harney impeached.

"Eleventh: The Heinze selling agents successfully bull the copper market from under 12 cents to above 15 cents, leaving the Amalgamated sold well ahead at low prices, while Heinze again realizes the high prices for copper.

"Twelfth: Failure of the Amalgamated Copper Company to get a single final verdict in its favor.

"Defeated in the copper field at both ends and in the middle—in its attempt to keep it up, hold it down, or maintain it steady; twice defeated in its attempt to control Montana elections; defeated in all its attempts to elect or bribe the judiciary of Montana; with every verdict against it in every case it has brought to final determination within and without the Montana courts; defeated in its dividends, which have been reduced from 8 per cent. to 2 per cent., and without hope of success, politically or legally, in the copper field or in the dividend field; there remains only one thing for the Amalgamated management. That is, to cease from striving and to proceed to economically mine the copper in the mines which it controls. If this policy is entered upon, Amalgamated can pay from $4 to $6 per year for some years. Its intrinsic value is $37.50 per share, and although it was sold to the public at $100 per share and above, there was never a quotation of Amalgamated that did not show the "insiders" a profit, and it sold as low as 53. *There were cellars and sub-cellars and cellars below in the formation of the Amalgamated; and even the underwriters who made more than $10 per share out of the flotation have realized since, that instead of being on the ground floor, they were really not far from the roof upon which the public was landed.* * * *

"Amalgamated has failed to rule in every department, and it has brought ruin to tens of thousands of trusting investors, who believed in the great names of American finance, all of which were identified with the promotion of the Amalgamated Copper Company.

"The people of Montana demand that the Amalgamated Copper warfare shall cease, and that the legitimate mining industry of the State shall peacefully proceed as in other States. If the Amalgamated policy of rule or ruin is persisted in, it is certain ruin to the Amalgamated Copper properties in Montana.

"Already the Anaconda property is well nigh exhausted and the last millions of its great wealth have been sold at a ruinous sacrifice, both in respect to price obtained and expense of production. The Butte & Boston copper was sold at a loss, or produced at a loss the past year, the rich ore reserves of the Boston & Montana are becoming exhausted and are being taken out at unnecessary waste and expense.

"Meanwhile the Heinze people are producing copper at a price cheaper than the Amalgamated Co. and selling it for a better price. They hold in reserve, or under legal injunction, some of the richest ore deposits in Butte, and they have manifested up to the present time their ability to hold their own in all contests. They realize the waste and extravagance, but see no alternative from their position of defending their property.

"The people who think that the Amalgamated Copper Co. is in any way a winner against the Heinzes are making a serious mistake.

"Of late the Heinze people have had nothing to say, except in the way of pleasant words for the Amalgamated, and this is baffling and confusing to people who believe there can be no alternative between a warfare on Heinze and a Heinze surrender.

"The kind words of the Heinzes for Amalgamated reflect simply the position of a victor over a defeated opponent.

"For a year past the Heinze people have said they would prefer to live at peace and go their own way; they have said frankly: 'We have been successful to date, but we may not always be, friends may desert us, and foes may grow stronger, and we do not care for warfare a bit longer.'

"This is interpreted in the financial East as being weakness, but it is really great strength, as well as sound judgment.

"Meanwhile the Amalgamated Copper people continue to say, as did the South to the North thirty years ago, and as did Baer and Truesdale several months ago, to everybody, from the miner boy to the President of the United States: 'We are going to settle this, but we are going to settle it in our own way.'

"Meanwhile the copper market has advanced by reason of the opening up of electrical enterprises in Australia, Tasmania, Japan, and the Far East, coupled with the electrical development and general industrial progress in the United States, and also coupled with the curtailment of American output from old mines shut down by fires and labor strikes.

"But this situation of expanded consumption and reduced output from old mines cannot continue long.

"Whether the present prosperous condition is availed of to effect a settlement of the Amalgamated Copper difficulties remains entirely a question of the wisdom of the Amalgamated Copper managers."

The subject of chief public interest during the year 1903, was the continuance of the litigation in Montana between the Amalgamated and Heinze interests. This fight waxed hot as the year went on, and in October the Amalgamated people ordered a general shutdown, and it was rumored that a receiver would be appointed. The stock quotations took a downward plunge, going below 34, and all kinds of pessimistic reports were afloat.

Later, more hopeful reports of a settlement were circulated and it was confidently predicted that a settlement between the contending interests would at once be reached. At the present writing, however, the legal struggle still continues, with no end in sight. The stock of the Trust has fluctuated during the last few months between the extreme low of 33⅝ and an extreme rise to 52⅝.

At the close of 1903, the United Metals Selling Co., which is the selling agent of the Trust, declared a 10% dividend upon its $5,000,000 of capital stock. This company, formed in 1899, paid 15% in 1900; 5% in 1901; 10% in 1902 and 10% in 1903.

For the year ended June 1, 1903, the *Boston News Bureau* figured from the statements which the various companies filed in Montana that the total production of all companies in which the

Amalgamated had an interest (not Amalgamated's production) was 232,000,000 pounds, distributed as follows:

Boston & Montana	88,200,000
Anaconda	97,000,000
Parrot	17,000,000
Butte & Boston	14,000,000
Washoe	8,400,000
Colorado Co.	7,400,000
Total	232,000,000

By reason of the curtailments above referred to, and the fact that Amalgamated has disposed of some of its Anaconda stock, so that now it owns only about 40%, as against about 75% formerly, the production of Amalgamated for the current year is figured as follows:

Boston & Montana	85,000,000
Anaconda	55,000,000
Parrot	12,000,000
Butte & Boston	12,000,000
Washoe	7,500,000
Colorado	7,000,000
Total	178,500,000

This production should realize an average of close to 13 cents per pound, and if we place its cost per pound at 9 cents, the profit of 4 cents per pound on this output would indicate total net mining profits of about $7,000,000. To this figure should be added $2,500,000 of miscellaneous profits which the company derives from its stores, railroads, lumber mills, newspapers, etc., swelling total net profits to $9,500,000.

These profits divided by the $155,000,000 capital would indicate net earnings of nearly $6.00 per share, and should enable the company to pay $4.00 per share when it finds a "settlement" both in Montana and the copper market.

Following are appended certain statistics which are of particular interest and importance in this review of the "copper trust," which include the range of stock quotations from 1899 to date.

Range of prices of the stock of the Amalgamated Copper Company's stock:

Year 1899 from date of issue, the stock was quoted on the "Curb" and ranged (unofficially) as follows: High (immediately after flotation), 102; low, 83¾.

Year 1900 from January 1, to November 20, stock was quoted on the "Curb" and ranged (unofficially) as follows: High,......; low, ... From November 20, to December 31, it was quoted on the "unlisted" department of the New York Stock Exchange, viz.: November, 93½ low, 99½ high; December, 89¾ low, 96¾ high.

Year 1901 on "unlisted" department of New York Stock Exchange. For year: High, 130; low, 60½. By months: January, high 94¾, low 83¾; February, high 95, low 87¾; March, high 103¾, low 94½; April, high 128½, low 99⅞; May, high 125, low 90; June, high 130, low 118½; July, high 124½, low 109; August, high 122¾, low 110; September, high 120, low 88⅜; October, high 92⅛, low 83¼; November, high 89, low 72½; December, high 76⅜, low 60½.

Year 1902: Range for year, high 79, low 53. By months: January, high 78, low 67⅝; February, high 79, low 67¾; March, high 70½, low 61; April, high 68½, low 63½; May, high 71⅞, low 65; June, high 69¾, low 62¼; July, high 68¾, low 62; August, high 68¾, low 65; September, high 71½, low 63⅞; October, high 67¼, low 62; November, high 65½, low 53; December, high 64⅝, low 53¾.

Year 1903: Range for year, high 75¼, low 33¾. Range by months: January, high 67¾, low 62¼; February, high 75¼, low 66⅛; March, high 75⅝, low 64⅝; April, high 67½, low 60; May, high 67¼, low 56¾; June, high 58⅛, low 51; July, high 56½, low 35¾; August, high 52⅜, low 37; September, high 50, low 37⅜; October, high 42¾, low 33⅝; November, high 39⅝, low 35⅜; December, high 52⅝, low 38.

III. THE LARGEST RIVALS OF THE COPPER TRUST:

(The following five companies are the larger competitors of the Trust. They do not, however, represent anywhere near a majority of the total copper production outside of the Trust. As will be seen, the world's total production of copper approximates 1,200,000,000 pounds, and of this total these five concerns represent only about 270,000,000 pounds. The remainder represent the combined production of several hundred smaller companies. See *Stevens Copper Hand Book* for full statistics regarding copper production in this and other countries.)

CALUMET & HECLA MINING CO.—Incorporated under Michigan laws in 1871. The company's mines are located at Calumet and Red Jacket, Houghton County, Mich., and are rated as among the richest copper producing properties in the world. The company owns extensive smelting works and stamp mills, with several thousand acres of land.

Capital stock, $2,500,000. Par, $25, on which only $12 per share has been paid. Dividends for year ended April 30, 1895, 60%; 1896, 100%; 1897, 120%; 1898, 160%; 1899, 280%; 1900, 320%; 1901, 260%; 1902, 100%; 1903, 140%.

Officers: Alex. Agassiz, Pres.; T. L. Livermore, Vice-Pres.; Geo. A. Flagg, Sec'y. & Treas. Directors: A. Agassiz, F. L. Higginson, F. W. Hunnewell, Quincy A. Shaw, Jr., J. N. Wright.

Total production, 1902, 81,248,739 pounds.

GREENE CONSOLIDATED COPPER CO.—Incorporated under West Virginia laws September 15, 1899, and also organized under Mexican laws under the name of the Cananea Consolidated Copper Co. The company owns the stock of the latter company and the two are identical in all respects. Its property consists of one of the largest copper mines in the world, and embraces 10,000 acres of mining property and nearly half a million acres of other lands at La Cananea, Sonora, Mexico, about 50 miles south of Bisbee, Ariz. The production of the company for the year ended September 1, 1902, exceeded 34,000,000 pounds. Its capacity is said to be about 50,000,000 pounds per annum. The company also owns saw mills, electric light plants, 50 miles of railroad, town sites, water systems, timber lands, etc.

Capital stock, authorized and issued, $7,200,000. Par, $10. No bonds. Dividends have been paid as follows: 1901, 4%; 1903, 4%.

Officers: Wm. C. Greene, Pres.; M. L. Sperry, Vice-Pres.; A. W. Burchard, 2d Vice-Pres. and Comptroller; George S. Robbins, Secretary; E. B. Tustin, Treasurer. Directors: The above and M. W. Parker, E. C. Rice, Alfred Romer, A. C. Latimer, J. B. Showalter, A. Bleecker Banks, Thomas H. Anderson, Emery F. Blount, George Mitchell, Henry Ollesheimer, Jacob Weldman, Charles Adsit, E. Berolzheimer, H. E. Huntington, H. T. Scott.

Rio Tinto Company, Ltd.—Incorporated under English laws March 29, 1873. The mines of the company are located in the Province of Huelva, Spain, and embrace about 16,000 acres of freehold. These mines are very old, and it is said were probably originally worked by the Phœnicians, and were certainly operated by the Carthaginians, Romans and Moors. They were also worked for many centuries in a spasmodic way by the Spanish Government until taken over by the present company in 1873. It has been estimated that at least 20,000,000 tons of ore was extracted from these mines in ancient times, and at the present time it is claimed that the borings show untouched ore bodies of about 130,000,000 tons, giving sufficient reserves for about 70 years' production at the present rate of output.

The company employs at its mines about 10,000 men, and its annual output amounts to about 2,000,000 long tons of ore. Production, 1901, 79,179,520 pounds.

The capital consists of £3,250,000, of which one-half is in 5% cumulative preferred stock. The par value is £5 per share. There is also a bonded debt on the properties of £3,241,640, redeemable after June 30, 1905. As last reported, 5% per annum was being paid on the preferred stock, and 72½% on the common stock. The gross profits for 1901 amounted to £1,811,149.

The Rio Tinto Mines are the largest and richest group of mining properties in the world, and are the only formidable rivals of the American copper producers. The Rio Tinto Company is controlled by the Rothschilds.

Directors: J. J. J. Keswick, Chairman; A. E. A. Ellis, C. W. Fielding, J. M. Macdonald, J. MacFarlan, L. C. G. Sartoris. Trustees for bondholders: A. C. de Rochschild, J. M. Macdonald. Secretaries: G. J. G. McCloud, S. J. Bowes.

The United Copper Co. of Montana.—Incorporated under New Jersey laws April 28, 1902, as a consolidation of the Montana copper properties developed and controlled by F. August Heinze and associates, and covering the production of about 40,000,000 pounds of copper, 1,000,000 ounces of silver, and 12,000 ounces of gold per annum. The concerns owned or controlled embrace the Montana Ore Purchasing Co., the Nipper Consolidated Copper Co., Minnie Healy Mining Co., Corra Rock Island Copper Mining Co., and Belmont Mining Co.

Capital authorized, $5,000,000 6% preferred and $75,000,000 common stock. Outstanding, all the preferred and $45,000,000 common. Dividends of 6% are paid on the preferred.

Officers: F. August Heinze, Pres.; Arthur P. Heinze, Vice-Pres.; John MacGinniss, Vice-Pres.; Stanley Gifford, Sec'y and Treas. Directors: F. Aug. Heinze, Arthur P. Heinze, John MacGinniss, James Langeloth, F. W. Whitridge, Henry Budge, G. Reusens, S. E. Nash, A. A. Brownlee.

UNITED VERDE COPPER CO.—Incorporated under West Virginia laws September 2, 1899, succeeding a New York corporation of the same name. The company owns extensive copper mines at Jerome, Yavapai County, Ariz. The company is conducted as a close corporation and Senator W. A. Clark, of Montana, is said to own about 90% of the capital stock. The latter amounts to $3,000,000 in shares of $10 each. The company also has a bonded debt outstanding of $2,299,680. The production of the present plant when worked to its full capacity, is about 45,000,000 pounds per year. Recently the production has ranged between 22,000,000 pounds in 1896, to 44,000,000 in 1899. In 1901, 34,520,695. In 1902, the production was only about 30,000,000 pounds, owing to a long shut-down of the plant and smelter, during an extensive fire.

Large dividends have been paid on the United Verde Co., they having begun in 1892, at the rate of 25 cents per month for each $10 share. In 1896, the rate was increased to 50 cents, and in 1898, to $1 per month. In 1901, the rate was 75 cents per month, but in 1902, was again increased to $1. The company has paid in dividends up to the present time, more than $26,000,000.

Officers: Wm. A. Clark, Pres.; James A. McDonald, Vice-Pres.; J. C. Kennedy, Sec'y and Treas. Directors: W. A. Clark, J. A. McDonald, Chas. W. Clark, Henry G. Atwater, James Kitchen.

IV. ANALYSIS:

In reviewing the formation and history of the so-called Copper Trust, one fact stands out above all others, and is easily apparent to even the most superficial and casual of observers:

The Copper Trust has no monopoly.

Coupled with the above all-important fact is another which is in many ways equally discernible—the capitalization of the company was greatly inflated from the very start. An examination of the figures on page 14 will show that in the original consolidation, before the Boston & Montana and the Butte & Boston properties were taken over, $75,000,000 of stock was issued in the process of acquiring about $22,000,000 of Anaconda Copper Mining stock and about $12,000,000 of various other stocks, or a total of less than $34,000,000 in all. Now, while it is extremely difficult to point out in a mining consolidation the exact line of demarkation between the intrinsic value and the "water" in the capitalization, yet this can to some degree be determined by the earning or dividend paying power of the properties. The fact in this instance is that a fair valuation of the stocks absorbed could not well be placed above $50,000,000 at the very outside, thus leaving $25,000,000, or about 50% "water." Later, when the Boston & Montana and the Butte & Boston properties were taken over, $80,000,000 of Amalgamated stock was issued in exchange for $5,750,000 (par) in the stocks of the former companies. The "water" was not, however, materially increased by the later amalgamation, as the intrinsic or *earning* value of the newly acquired stocks was not many millions below the price actually paid by the Trust.

The original plan of the promoters of the Copper Trust was a most comprehensive one, and had it been within their power to carry it through to a conclusion, the charge of issuing "watered" stock would never have been brought to their door. As was said by the *Commercial & Financial Chronicle* at the time of its inception, it was intended that its policy should be "distinguished as enterprising and broad," and, it was pointed out, that "the names connected with the organization not only represent financial strength, but, better still, *unsurpassed industrial character and experience.*"

While the result turned out far otherwise, in the original plan both judgment and sanity prevailed, for it was purposed, not merely to form a combination of a few of the larger producers, embracing a copper production of only about 150,000,000 pounds per annum out of a total of about 1,200,000,000 pounds as the world's production, but to logically proceed from this nucleus to a much larger Trust which would first perhaps take in the United Verde, Calumet & Hecla and other larger copper mining interests of this continent, and extend ultimately to other continents, embracing the Rio Tinto properties of the Rothschilds, as well as all other important producers. In the carrying out of these plans, it was estimated that to acquire approximate control of the entire copper production of the world (about 1,200,000,000 pounds per annum) would involve the issuance of an approximate share capital of $1,200,000,000; thus capitalizing copper production at the rate of $1 for each pound of copper produced.

The original formation of the Trust was, therefore, based on a sane proposition (from the standpoint of its promoters), and on the only broad, rational basis that any Trust that contemplates the issuing of "watered" capitalization in large amount, can be based on and be successful. It aimed at *and saw the necessity for acquiring a monopoly of the copper production of the world;* the purpose being to restrict the production to what might be the legitimate demand at about 22 cents per pound.

Could the plan have been carried to success, and a practical monopoly secured, instead of being criticized and condemned on every hand, as it has been for several years, the Copper Trust would, in the course of time *(if not by this time),* come to be looked upon as one of the most brilliant demonstrations of modern business mastery and success. In the place of being pointed at as a speculative football and gigantic gamble, as it is at present, its stock would be regarded as a most conservative investment security. With aggressive and efficient business management, there is no logical reason why, in time, it could not have assumed a large amount of additional "water" in the shape of new capitalization, and yet rank in the public mind and in the investment field with corporations as conservative and sound as the New York Central or Pennsylvania railroads. Had this been the case, public opinion toward the Trust might have been far different from what it is to-day, and there would probably have been no occasion or opportunity for such criticism of the methods of the Trust, as that contained in a recent magazine issue, entitled, "The Blind Pool," by Mr. Henry George, Jr.

The attempt to secure such a monopoly, however, was too great a task even for these giants of finance, and, chiefly because of its magnitude, it broke down completely. Whether the attempt will again be made in this generation is problematical, but it seems certain that a time will come in the not far distant future when its feasibility will be far more demonstrable.

In the present outcome, however, is embraced one of the most forcible demonstrations given in this generation of the truth that no combine or Trust can succeed under a load of "watered" capitalization, unless it possesses a monopoly (some legal or natural advantage) *which tends, at least, to offset in value the amount of capitalized "water."* Trusts without "water," or with but little, are sometimes eminently successful, it is true; but if they possess no monopoly element, they are successful because of the *efficiency of their service,* and only because of that. The Copper Trust, in its original organization, was unfortunate in this respect: Its promoters made the mistake of giving it a monopoly capitalization before it had secured a monopoly possession. It failed to secure the latter and therefore succumbed.

The successful and business-like method would seem to be the reverse—possession of monopoly first and capital expansion afterwards.

American Smelting and Refining Company and Affiliated Properties.

"The Smelters' Trust."

(Standard Oil domination.)

I. DESCRIPTION: Incorporated under New Jersey laws April 4th, 1899. It owns and fully controls the business and plants of the following thirteen corporations engaged in the smelting of ores and treatment of lead bullion, copper bullion and copper matte: (The principal merchantable products are bar gold and silver, pig lead, electrolytic copper and blue vitriol.)

United Smelting & Refining Co., Helena and Great Falls, Mont.
Omaha & Grant Smelting Co., Omaha, Neb., and Denver, Colo.
National Smelting & Refining Co., Chicago, Ill.
San Juan Smelting & Mining Co., Durango, Colo.
Hanauer Smelting Works, Salt Lake City, Utah.
Pueblo Smelting & Refining Co., Pueblo, Colo.
Consolidated Kansas City Smelting & Refining Co., El Paso, Texas; Kansas City, Mo.; Leadville, Colo.; El Carner, Chihuahua, and Sierra Mojada, Mexico.
Pennsylvania Lead Co., Salt Lake City, Utah, and Pittsburg.
Pennsylvania Smelting Co., Salt Lake City, Utah, and Pittsburg.
Globe Smelting & Refining Co., Denver, Colo.
Bi-Metallic Smelting Co., Leadville, Colo.
Germania Lead Works, Salt Lake City, Utah.
Chicago & Aurora Smelting & Refining Co., Chicago and Aurora, Ill., and Leadville, Colo.

The foregoing companies operated in all seventeen smelters and five refineries. The plants of the company are said to include the only ones in operation east of the Rocky Mountains, and have a capacity to smelt and refine the entire product of all the mines east of the Rocky Mountains producing smelting ores.

In April, 1901, the property and business of M. Guggenheim's Sons were acquired; thus very largely increasing the size and scope of the corporation. The Guggenheim properties included smelting, refining and electrolytic copper plants at Perth Amboy, N. J. Also smelting, refining and copper reduction plants at Pueblo, Colorado, and Aguas Calientes, Mexico; and smelting plants at Monterey, Mexico. Also large mining and smelting interests in South America, etc. Recently it acquired the Torreon Smelting Co., at Torreon, Mexico, a former rival. The only Mexican competitor of the Trust is now at Monterey.

In addition to the companies mentioned below, the company owns stock interests in the United States Zinc Company, at Pueblo, Colorado, and in the Carbon Coal & Coke Company, the latter owning valuable coal lands in Colorado and interests in mining and lime rock quarry properties.

The American Smelting & Refining Company is closely allied to the interests which control the American Linseed Company, known as the Linseed Oil Trust; the National Lead Co., known as the Lead Trust, and the United Lead Co. (formed in 1903), and these various corporations operate in harmony. It also controls a corporation, known as the American Smelters' Steamship Company, which operates steamers in its interest between New York and other ports in the United States and Mexico, where the American Smelting & Refining Company has large interests. In addition, it is interested in the Federal Mining & Smelting Co., a new corporation, formed in 1903, which is now acquiring other mining properties.

The capital stock of the American Smelting & Refining Company consists of $50,000,000 7% cumulative preferred and $50,000,000 common. Par, $100. Dividends at the rate of 7% per annum have been paid on the preferred since the organization of the company, in quarterly installments of 1¾% each. Dividends were begun on the common stock in December, 1903, by the payment of 1¼%.

The company has no direct bonded debt, but is responsible for the payment of $774,000 6% bonds of the Omaha & Grant Smelting Company, due March 1, 1911, and $191,000 Pueblo Smelting & Refining Company 6s, due 1913.

The last income account submitted to the stockholders was for the year ended April 30, 1903. It was in brief, as follows:

Gross earnings, $9,403,710; net earnings, $7,576,785; less appropriation for improvements and metal stock account, $2,155,682; balance net income, $5,421,102. From this total there was deducted for preferred stock dividends, $3,500,000, leaving a surplus for the fiscal year of $1,921,102. Including the surplus carried forward from previous years, the undivided profits at this time were reported as $4,873,071. For the year ended April 30, 1904, the net earnings will probably exceed $9,000,000.

Officers: Daniel Guggenheim, Chairman Executive Committee; E. W. Nash, President; Edward Brush, Secretary; Isaac Guggenheim, Treasurer; Henry Suhr, Assistant Treasurer. Directors: E.

W. Nash, Daniel Guggenheim, Isaac Guggenheim, Solomon R. Guggenheim, Morris Guggenheim, Simon Guggenheim, H. L. Terrell, J. B. Grant, Guy C. Barton, H. L. Higginson, Barton Sewell, M. D. Thatcher, D. H. Moffat, Dennis Sheedy, A. R. Meyer, N. Witherell, A. Eilers, Grant B. Schley, Edward I. Newhouse, Edward Brush.

New York office, 72 Broadway.

II. HISTORY.

The American Smelting & Refining Company was incorporated at Trenton, New Jersey, April 4th, 1899, with an authorized capital of $32,500,000 in 7% preferred, and $32,500,000 common stock. The company was formed as stated in the Prospectus "to acquire the following concerns engaged in smelting and refining lead and silver ore." The plants, machinery, tools, patents and other properties of the Omaha & Grant Smelting Co., with plants at Omaha, Denver and Durango, Colo.; United Smelting & Refining Co. with plants at Chicago, Great Falls & Helena; Colorado Smelting & Refining Co., with plant at Pueblo, Colo.; Pueblo Smelting & Refining Co., with plant at Pueblo, Colo.; Globe Smelting Co., with plant at Denver; Germania Smelting Co. with plant near Salt Lake City, Utah; Hanauer Works, plant near Salt Lake City, Utah; Pennsylvania Lead Co., plant at Pittsburg, Pa.; Pennsylvania Smelting Co., with plant at Salt Lake City, Utah; Bi-Metallic Smelting Co., with plant at Leadville, Colo.

"Also the capital stock of the Kansas City Smelting & Refining Co., which owns two plants at Leadville (The Arkansas Valley & The Union), one plant near Kansas City, one plant at El Paso, Tex., and large mining and other properties in Mexico."

The Prospectus also stated that $27,400,000 common and $27,400,000 preferred stock would be immediately issued to provide for the purchase of these properties and also to supply $7,500,000 cash working capital. It was stated that the consolidated properties had earned in excess of $3,100,000 net in 1898; which was equivalent to 7% on the preferred stock and over 4% on the common. Through economies, etc., it was surmised that this would be largely increased by the consolidation.

The underwriting was in the control of Messrs. Moore & Schley, and Lewisohn Bros., the basis on which the syndicate offered the stock, being 10 shares of preferred and 7 shares of common stock for each $1,000 in cash.

In February, 1900, the company, after announcing its regular quarterly dividend on the preferred stock, reported that the stockholders of the Consolidated Kansas City Smelting & Refining Company, had voted to retire the $2,000,000 of preferred stock of that company. In this connection the following official statement was made:

"The $2,500,000 common stock of the Consolidated Kansas City Smelting & Refining Company, and the stock of the San Juan Smelting & Refining Company, all of which is owned by the American Smelting & Refining Company, will be retired at some future time. The $1,000,000 bonds of the first named company will be due May 1, 1900, and will be paid at maturity, out of earnings. The Omaha & Grant Smelting Company has $1,133,000 of bonds outstanding, which will become due March 1, 1911. These are provided for by a sinking fund, $66,000 of them being payable March 1, 1900. The reduction of the stock of the subsidiary companies is preparatory to their liquidation."

The statement of the company for its first fiscal year ending April 30, 1900, was as follows: Earnings, $4,634,027; less repairs, betterments, general expenses, interest and taxes, $1,109,067. Net profits, $3,524,960. From this amount three quarterly dividends have been paid on the preferred stock, leaving a surplus of $1,979,-907.

The net earnings here reported were materially in excess of the estimate made in the Prospectus at the time of consolidation.

It was announced on December 1st, 1900, that an increase of the capital stock to $100,000,000 would be made in order to acquire the so-called Guggenheim properties, and to increase the cash resources about $15,000,000. It was stated that this would make the company's output cover about 85% of the entire silver and lead production of the country.

In January, 1901, an official circular was issued to the stockholders announcing a special meeting for February 16, of that year, to act upon the proposed increase of stock to $100,000,000. In reference thereto, the circular said:

"Such increase is deemed advisable by the board of directors in order to enable the company to acquire the smelting and refining plants, appurtenant property and business of M. Guggenheim's Sons, and add to its working capital to the extent stated below.

"In consideration of (1) the transfer to this company of the said plants, property and business, (2) the payment in cash or in working capital of a sum equal to two-thirds of this company's working capital on January 1, 1901, and (3) the payment in cash of the further sum of $6,066,666, there is to be delivered by this company $45,200,000 capital stock, one-half thereof to be preferred and one-half common. The present authorized capital stock is $65,000,000, one-half preferred and one-half common, of which $10,200,000, one-half preferred and one-half common is unissued. This unissued stock, together with the proposed increase of $35,000,000, one-half of which is preferred and one-half common, will provide the $45,200,000 of stock required as above.

"The properties to be acquired include plants and the property appurtenant thereto as follows: At Perth Amboy, N. J., smelting and refining and electrolytic copper plants at Pueblo, Colo., smelting and refining and copper reduction plants; at Aguas Calientes, Mexico, smelting and refining and copper reduction plants; at Monterey, Mexico, a smelting plant; in South America, mining and smelting interests; also valuable leases and contracts running a term of years in the United States, Mexico and South America. After a careful investigation into the condition of these properties and also into the business and income thereof, their acquisition upon the terms hereinbefore stated seems to your officers and board extremely desirable in the interests of the stockholders."

In February, 1901, H. H. Rogers and Leonard Lewisohn resigned from the directorate, for the reason, so stated, that the pending consolidation with the Guggenheim interests would result in the latter using their facilities for handling the foreign business of the Trust, instead of giving it to the United Metals Selling Company, with which Lewisohn and Rogers were identified.

The increase of the stock issue was approved by the stockholders at the meeting on February, 16th, but immediately thereafter, notice of a temporary injunction restraining the company to increase the stock was served on the officials. The restraining order was secured in the New Jersey Chancery Court by William H. Curtiss, Wm. M. Donald, John W. Gordon, S. V. White, A. Sartorius, and Henry Zimmer, who, as stockholders, disapproved of the proposed purchase of the Guggenheim properties.

Subsequently the Chancellor granted a modified order, permitting the stockholders to proceed to vote on the proposition, but without authorizing the directors to issue the additional stock, unless the injunction should thereafter be vacated. There was then cast 215,032 shares of the preferred stock, and 219,352 shares of the common, a total of 534,384 shares, out of the 548,000 then outstanding, all in favor of increasing the capital from $65,000,000 to $100,000,000.

Referring to the foregoing increase and consolidation, President Nash, of the company, made the following statement, as quoted in the *Commercial & Financial Chronicle* of March 2, 1901:

"The company's annual business amounts to $75,000,000. It is borrowing only $5,000,000. None of this matures until April, and then only $350,000, and it has on hand subject to check $1,000,000 in cash. The remainder matures at later dates upon time paper. The company could liquidate its entire debt in 30 days without inconvenience, using only its gold and silver or using only its copper and lead on hand, since, while its debt is $5,000,000, its quick assets amount to over $14,000,000.

"The company's net quick assets over all indebtedness, represented by gold and silver, copper and lead, is approximately $9,000,000. The company has increased its original working capital to this amount by accumulation of earnings, besides paying off $1,250,000 of mortgage bonds, subject to which it took over its plants, and having put $2,000,000 into new construction.

"Its net earnings for the year ending October 31, 1900, exceeded $4,500,000. For the months of November and December, 1900, they exceeded $1,200,000. The January earnings are not yet in. The plants and property of the company were never in better condition; its earning capacity was never so great; its prospects of a profitable business were never so good and its financial condition was never stronger."

Inasmuch as under the New Jersey laws a company cannot sell its treasury stock for less than par, but may use it to purchase property, the company arranged at this time that the proposed issue of $35,000,000 of new stock be paid direct to M. Guggenheim's Sons for their properties, the Guggenheims then reselling to the directors and stockholders of the company $10,000,000 of the stock, at 90 for the preferred and 50 for the common; the proceeds to go into the company's treasury.

March 11th, 1901, the application for an injunction was denied, but a legal stay was granted, the situation being reported in the *Commercial & Financial Chronicle* as follows:

"Vice Chancellor Stevens in Chancery Chambers, Jersey City, on Monday, denied the application for a permanent injunction to restrain the company from increasing its capital stock from $65,000,000 to $100,000,000, and to restrain the directors from purchasing the plants of M. Guggenheim & Sons for $45,200,000. The charge that the deal involved an arrangement by which a block of the stock was to be returned at 80 for the preferred and 50 for the common, the court finds was not sufficiently supported, and it was, moreover, denied by the defendants. Touching the question whether the Guggenheim plants, etc., were over-valued, the Court also decided in favor of the defendants. The decision says in part:

"'But the complainants say it is shown that the various plants controlled by the Guggenheims are not worth more than from $8,000,000 to $10,000,000, and that the cash which they are to contribute does not exceed $12,000,000. For this $20,000,000 or $22,000,000 they are to receive, it is said, $54,000,000. But this leaves out of view the good will of the Guggenheim business, the contracts and leases connected with it, the saving in freights, their business connections in both hemispheres, the getting rid of a competitor, a legitimate item of value according to the cases, and several other considerations mentioned in the affidavit of Mr. Nash. It may be that all of these together, and in addition the earning capacity of the property, do not make up a value of $24,000,000; but inasmuch as the directors think that they do, it is for the complainant to show not only that they do not, but that these directors cannot honestly and in good faith be of that opinion.'

"The court finds that there is no verification other than belief that the company's capital is impaired, whereas there is much evidence to the contrary.

"On Wednesday the Court of Errors and Appeals, however, granted a stay to prevent the carrying out of the purchase pending the argument on the matter before that Court on or about Tuesday next and its decision thereon. This, it is thought, will result in at least two or three weeks' further delay."

Following this, on March 28th, 1901, the Court of Errors and Appeals at Trenton, granted the injunction and the situation was explained and commented upon by the President of the company in the following way:

"The decision will not prevent a union of the two interests. All that the Court of Errors decides is that the plaintiffs in the present suit are allowed to have a trial before the present plan is carried out. But it does not by any means follow that we need adhere to that precise plan or suffer any delay. The decision will not interfere with an effective consolidation on lines that are now being considered. Meantime both businesses are highly prosperous, and we are working in harmony, and are both earning more money than ever before. It was proved that the Guggenheims' net profits for the current year from August 1 are at the rate of over $4,500,000 and those of the American Company about $5,900,000, which shows about 30 per cent. on the price of $50,000,000 of common stock after paying 7 per cent. on the preferred stock."

On Monday, April 7th, 1901, the injunction was permanently dissolved and the purchase of the Guggenheim properties was consummated.

As a result of the settlement, the United Metals Selling Company continued as selling agent for the company's copper output, but Rogers and Lewisohn did not re-enter the directorate.

On April 22d, 1901, the several members of the Guggenheim family were made directors to represent the Guggenheim interests.

The profit and loss account of the company for the year ended April 30th, 1901, including earnings for four months of the Guggenheim plants, amounted to $5,988,049. From this there was deducted for betterments, repairs, general expenses, taxes and the four dividends on the preferred stock $4,077,608, leaving a surplus, including that carried forward from the previous year, amounting in all, to $3,890,349.

The net earnings of the Guggenheim plants for the eight months of the fiscal year, not included in this statement, were $2,756,661, which, added to the net earnings of the combined companies for the periods reported above, would make the entire property show net profits of $6,585,103.

It was reported in May, 1902, that interests identified with the company had obtained an option on the Mexican mining properties of Angel Garcia, including the Refugio mine. The price was stated to be about $3,000,000 in gold.

On June 30th, 1902, Attorney-General Post of Colorado, at Denver, instituted proceedings against the Trust for an alleged attempt to restrict competition. It was said that the managers of the company looked upon this action as a political move.

In July, 1902, it was reported that "interests identified with the company are negotiating in their individual capacity with the owners of zinc and lead properties in Missouri, with a view to a consolidation of the leading zinc companies. The Smelting Company, it is stated, has no part in these negotiations, but would naturally work in harmony with the new company, which would in effect be an auxiliary corporation."

The earnings for the year ended April 30th, 1902, amounted to $7,038,681, in comparison with $5,988,049 the previous year. The surplus for the year after the payment of dividends, etc., amounted to $1,361,619.

The following announcement was made in October, 1902: "Negotiations have been completed, by which the National Lead Company will acquire by purchase, a large number of kindred concerns. The American Smelting & Refining Company and other important financial interests will be associated in the enlarged corporation. Details are now being formulated and will be announced when perfected."

It was reported that this new company would be capitalized at $60,000,000, and would take in the great majority of manufacturers of white lead, lead pipe, sheet lead and shot. Among them were to be included the Union Lead & Oil Co. Thomas F. Ryan, Wm. C. Whitney, Daniel Guggenheim, H. H. Rogers, and the Morton Trust Co. have been prominently identified in the negotiations.

The foregoing plans did not, however, materialize, but the net result has been that very close relations have been established between the American Smelting & Refining Co., the National Lead Co., and the American Linseed Co., the latter having practically acquired control of the business, which was to be further expanded and developed under the Union Lead & Oil Co. All of these latter properties are now dominated by Standard Oil interests. In January, 1903, the United Lead Co. was formed by these same interests and is really carrying out the plan originally proposed by the Union Lead & Oil Co. All of these allied properties are described in the pages immediately following. It will thus be seen that the American Smelting & Refining Co., or Smelters' Trust, is in harmony with and closely allied with all of these various Standard Oil enterprises.

The earnings of the Trust for the year ended April 30th, 1903, were $9,403,710, in comparison with $7,038,681 during the previous year. The surplus after deducting all expenses, betterments, interest, taxes, and extraordinary appropriations amounted to $5,421,-102, out of which 7% dividends were paid on the preferred, leaving a surplus for the fiscal year of $1,921,102.

In August, 1903, a new corporation called the Federal Mining & Smelting Co. was formed in the interest of the Trust. At this writing (January, 1903) this new corporation is reported to be negotiating for the purchase of the Daly West and Silver King mines of Utah, valued at $17,000,000.

(Descriptions of the Trust's large allied corporations are appended.)

CORPORATIONS ALLIED TO SMELTERS' TRUST.

AMERICAN LINSEED COMPANY.

"The Linseed Oil Trust"—(allied with the Smelters' Trust).

(Standard Oil domination.)

Incorporated under New Jersey laws December 5th, 1898, to consolidate a number of independent mills with those of the National Linseed Oil Co., then in the process of reorganization. The business of the company includes the manufacture of American and Calcutta linseed oil, raw, boiled and refined varnish, oil cake, oil meal, and crushed flaxseed.

Following is a list of the properties which have been acquired, and practically all of which are owned in fee simple:

Crown Linseed Oil Works, St. Louis, Mo.
Close Linseed Oil Works, Iowa City, Iowa.
Burlington Linseed Oil Works, Burlington, Iowa.
Hawkeye Linseed Oil Works, Marshalltown, Iowa.
Hall Linseed Oil Works, Chicago, Ill
Mankato Linseed Oil Works, Mankato, Mo.
Sioux City Linseed Oil Works, Sioux City, Iowa.
Missouri Linseed Oil Station, St. Louis, Mo.
Woodman Linseed Oil Works, Omaha, Neb.
Grove Linseed Oil Co., Philadelphia, Pa.
Ottumwa Linseed Oil Works, Ottumwa, Iowa.
Des Moines Linseed Oil Works, Des Moines, Iowa.
Dubuque Linseed Oil Works, Dubuque, Iowa.
Kansas City Lead & Oil Works, Kansas City, Mo.
St. Paul Linseed Oil Works, St. Paul, Minn.
North Western Lead & Oil Works, Chicago, Ill.
Cedar Rapids Linseed Oil Station, Cedar Rapids, Iowa.
Evans Linseed Oil Works, Indianapolis, Ind.
Topeka Linseed Oil Station, Topeka, Kan.
Leavenworth Linseed Oil Works, Leavenworth, Kan.
Gilman Linseed Oil Works, Gilman, Ill.
Marion Linseed Station, Marion, Ind.
Logansport Linseed Oil Works, Logansport, Ind.
Leonard Linseed Oil Works, Piqua, Ohio.
Detroit Linseed Oil Works, Detroit, Mich.
Dayton Linseed Oil Works, Dayton, Ohio.
Portland Linseed Oil Works, Portland, Ore.
La Crosse Linseed Oil Works, La Crosse, Wis.

Wright & Lawther Oil & Lead Works, Chicago, Ill.
Buffalo Linseed Oil Works, Buffalo, N. Y.
Emerson Linseed Oil Works, Racine, Wis.
W. P. Orr Linseed Oil Works, Piqua, Ohio.
Mansfield Linseed Oil Works, Mansfield, Ohio.
Cleveland Linseed & Oil Co., South Chicago, Ill.
Metzger Linseed Oil Co., Chicago, Ill.
Leonard & Daniels, Piqua, Ohio.
Douglas & Co., Cedar Rapids, Iowa.
Cleveland Linseed & Oil Co., Cleveland, Ohio.
Metzger Linseed Oil Co., Toledo, Ohio.
Douglas & Co., Minneapolis, Minn.
Archer & Co., St. Paul, Mo.
Toledo Linseed Oil Co., Toledo, Ohio.
Campbell & Thayer, New York City.
Deane Linseed Oil Co., New York City.
Griswold Linseed Oil Co., Warren, Ohio.
Wright & Hills Linseed Oil Co., Chicago, Ill.
Western Linseed Oil Co., Minneapolis, Minn.

It was estimated that these properties represented about 85% of the linseed oil production of the United States.

In May, 1901, a proposition was made to consolidate this property with the Union Lead & Oil Co., but this was subsequently abandoned, and Standard Oil interests, which are also identified with the National Lead Co., became the dominant element in this company.

The capital stock authorized consists of $25,000,000 7% non-cumulative preferred and $25,000,000 common stock. Outstanding $16,750,000 preferred and $16,750,000 common. Par value, $100. No dividends have been paid on the preferred stock since September, 1900. There is at present no mortgage on the property, the $6,000,000 of 5% gold notes having been called and paid off in August, 1901.

Officers: J. A. McGean, President; L. M. Bowers, Vice-President; Wm. A. Jones, Secretary.

Directors: John D. Rockefeller, Jr., Frederic T. Gates, E. P. Prentice, Geo. W. Murray, L. M. Bowers, J. A. McGean, Guy G. Major, R. H. Adams, Homer C. Wise, Augustus M. Eddy, Edw. V. Cary, Geo. D. Rogers, Fred. J. Lovatt, Wm. A. Jones, J. W. Hurst.

Main office, 100 William street, New York.

National Lead Company.

"The Lead Trust"—(allied with the Smelters' Trust).

(Standard Oil domination.)

Incorporated under New Jersey laws December 7th, 1891, as successor to the National Lead Trust. The property of the company consists of white lead works, smelters and refineries in New York, Pennsylvania, Missiouri, Ohio, Massachusetts, Illinois, and other States, and comprises 26 plants. It manufactures white lead, oxides, and kindred products, also castor oil, American and Calcutta linseed oil, linseed oil cake and meal, and refines and smelts lead.

In December, 1902, a movement was on foot to consolidate this property with the Union Lead & Oil Co. and the American Linseed Co., but the plan was not carried out. Relations are harmonious, however.

Capital stock authorized $15,000,000 7% cumulative preferred and $15,000,000 common stock. Outstanding $14,904,000 preferred and $14,905,400 common. Dividends of 7% per annum are paid on the preferred. None have been paid on the common since 1900.

Net earnings during the past few years have been as follows: 1900, $1,192,334; 1901, $1,043,280; 1902, $1,202,514.

Officers: L. A. Cole, President; F. W. Rockwell, First Vice-President; J. A. Stevens, Second Vice-President; Chas. Davison, Secretary.

Directors: W. H. Thompson, E. C. Goshron, F. W. Rockwell, L. A. Cole, R. R. Colgate, A. P. Thompson, D. B. Shipman, J. A. Stevens, Geo. O. Carpenter, Chas. F. Wells, Reginald P. Rowe, Edw. F. Beale, Jr., Walter Tufts.

Main office, 100 Willian street, New York.

United Lead Company.

(Allied with Smelters' Trust.)

(Standard Oil domination.)

Incorporated under the laws of the State of New Jersey in January, 1903, by interests affiliated with the American Smelting & Refining Co., the latter a Guggenheim-Rockefeller property. The Whitney-Ryan and Standard Oil parties are also interested in the United Company.

Purpose of the company was to take over the various lead and linseed manufacturing plants controlled by the parties above-named.

Following is a complete list of the concerns whose plants were taken over by the United Lead Co.:

James Robertson Lead Co., Baltimore, Md.
Omaha Shot & Lead Co., Omaha, Neb.
Northwestern Shot & Lead Works, St. Paul, Minn.
Collier Shot Tower Works, St. Louis, Mo.
Bailey & Farrell Shot Works, Pittsburg, Pa.
Markle Lead Works, St. Louis, Mo.
Gibson & Price, Cleveland, Ohio.
Le Roy Shot & Lead Works, New York.
Union Lead & Oil Works, Brooklyn, N. Y.
Sportsman's Shot Works, Cincinnati, Ohio.
Chicago Shot Tower Co., Chicago, Ill.
Hoyt Metal Co., St. Louis, Mo.
Tatham & Bros., New York City.
Raymond Lead Co., Chicago, Ill.
E. W. Blatchford & Co., Chicago. Ill.
Thomas W. Sparks, Philadelphia, Pa.
Chadwick-Boston Lead Co., Boston, Mass.
Lausten Lead Works, Chicago, Ill.
McDougall White Lead Co., Buffalo, N. Y.

The United Company is negotiating for purchase of the Pitcher Lead Works, Joplin, Mo., but the deal looking to this end has been delayed.

Control of the Chadwick-Boston Lead Co. was effected on the basis of $125 in 5% 40-year bonds for each of its $100 shares (total issue of stock, $800,000). The $281,000 first mortgage 5% sinking fund bonds of the Chadwick Co. were not disturbed by the merger. There are no other underlying bonds.

Capital stock: Originally there was $15,100,000 stock, $100,000 of which was 7% preferred, but in May, 1903, the issue was increased to $25,000,000; of the last-named amount $10,000,000 is 6% cumulative preferred, the rest common stock. Par value of shares, $100.

Bonds: $12,000,000 debenture gold 5s, dated 1903, due July 1st, 1943. Interest, January and July.

$281,000 Chadwick-Boston Lead First Mortgage gold 5s, due April 1st, 1921; interest, April and October.

Officers: Barton Sewell, President; E. R. Hoyt, Vice-President; F. W. Hills, Secretary; Thomas J. Phillips, Treasurer. Directors: Daniel Guggenheim, Morris Guggenheim, Simon Guggenheim, Thos. F. Ryan, Barton Sewell (American Smelting & Refining Co.); Edward W. Nash (President American Smelting & Refining Co.); J. J. Morsman, Chicago; Chas. Tatham, E. R. Hoyt, St. Louis.

Office, 71 Broadway, New York City.

(Although officials of the company decline to divulge nature of proposed plans, consensus of opinion in well-posted quarters is that there is to be a union in some way with the National Lead Co., and that total authorized capital of the United will eventually reach $65,000,000, including $30,000,000 stock, par $100, all common, and some $35,000,000 of 5% bonds.

It is said that there is an arrangement which amounts to practically a guaranty of bonds of the United Lead Co. by interests affiliated with the American Smelting & Refining Co.)

III. ANALYSIS:

The five years history of the Smelters' Trust shows a somewhat different record from that of the Copper combine. Formed in 1899 to consolidate the leading smelting interests of the country and to eliminate excessive competition, as well as give stability to prices, it has been managed, from a business standpoint, with great intelligence and commercial and financial success. At the beginning, no serious attempt was made to anticipate the future by inflating the capitalization, and the plants absorbed were taken over at more conservative valuations than had been the case with many other consolidations of that Trust forming period. Thus, there was issued at the inception $27,400,000 7% preferred stock and a like amount of common. Conservative judges were of the opinion at that time that the properties acquired were easily worth the par value of the preferred and that the added commercial (not monopoly) advantages which were immediately created because of the consolidation, fully equalled the market price of the common stock issued, which was at that time about $30 per share, or approximately $8,000,000 in all.

The business policy from the beginning was one of conservative progression, and further absorptions were made from time to time, until with the acquisition of the Guggenheim properties, control was acquired of more than 85% of the entire silver and lead smelting business of the country.

It was at this juncture that the Rockefeller interests entered the property and showed their far-sightedness by linking it in interest with the Linseed Oil and Lead Trusts (which they already controlled), these latter being described in the preceding pages.

With its present scope and affiliations, the Smelters' Trust is very strong commercially, industrially and financially. It not only controls a very large proportion of the sources of supply of its special products, but because of its affiliations with the great distributors of its own and allied products, and its alliance with the great Rockefeller financial interests, its position has gradually changed from one of more or less uncertainty to be practically impregnable. It is an example of a strong combination of monopolistic advantage and industrial efficiency.

Number of concerns acquired or controlled.......... 28
Acquired by or embraced in "affiliated" corporations.. 93
Proportion of industries dominated or controlled .....85% to 95%
Products: Smelting of ores, etc.; merchantable products, bar gold and silver, pig-lead, electrolytic copper, etc. Products of allied corporations: White lead, oxides, kindred products, oils, linseed, etc.; all lead products:
Element of monopoly: Important (ownership of sources of supply, raw material, trade alliances, and so forth; strength also aided greatly by efficient methods).
Total approximate capital of parent and affiliated companies (stock and bonds) in hands of public: Par value, $201,550,400; market value (Jan. 2, 1904)..$108,460,000

American Sugar Refining Company.

"The Sugar Trust."

(Havemeyer control.)

I. DESCRIPTION: Incorporated under New Jersey laws January 10th, 1891, as successor to the Sugar Refineries Company, otherwise known as the Sugar Trust, which was itself formed in 1887 to consolidate the sugar refining business of the United States. The property acquired in 1891 consisted of over twenty refineries located in New York, Boston, New Orleans, St. Louis, San Francisco, and Portland, Ore.

Since its formation in 1891, the company has acquired control of other corporations from time to time and formed many new ones, and it now has large interests in the sugar beet business, and also in Cuban sugar plants.

Among the sugar beet plants which it controls or dominates, are the following:

American Beet Sugar Co., Colorado and California.
Alameda Sugar Co., Alameda, Cal.
Valley Sugar Co., Saginaw, Mich.
Saginaw Sugar Co., Saginaw, Mich.
Alma Sugar Co., Alma, Mich.
Bay City-Michigan Sugar Co., Bay City, Mich.
Tawas Sugar Co., East Tawas, Mich.
Peninsular Sugar Refining Co., Caro, Mich.
Sebewaing Sugar Refining Co., Sebewaing, Mich.
Sanilac Sugar Refining Co., Sanilac, Mich.
Menominee River Sugar Co., Menominee, Mich.

The National Sugar Refining Company of New Jersey which was formed in 1900 to consolidate the Mollenhauer Sugar Refining Company of Brooklyn, the National Sugar Refining Company of Yonkers, and the New York Sugar Refining Company of Long Island City, began as rivals of the Sugar Trust, but are now operated in entire harmony with that company. This is also the case with several so-called "independent" properties, which were ostensibly formed to fight the Trust.

Capital stock authorized and issued, $45,000,000 7% cumulative preferred, and $45,000,000 common stock. Par $100. The preferred stock has no preference as to assets. Dividends on the preferred have been regularly paid at the rate of 7% per annum, since the formation of the company. Common stock dividends were paid at the rate of 12% per annum from 1894 to January, 1900. In 1900, 7¾%; 1901 to date 7% per annum.

The Sugar Trust, from its inception, adopted the policy of making no public statements to its stockholders, regarding earnings or financial conditions. The only statement which becomes public regarding this corporation is that which it is obliged to file with the State of Massachusetts annually. This statement is simply an annual balance sheet, showing the assets and liabilities of the corporation, in a greatly condensed form, issued on December 31st of each year.

Officers: Henry O. Havemeyer, President; Arthur Donner, Treasurer; C. R. Heike, Secretary. Directors: H. O. Havemeyer, W. B. Thomas, John E. Parsons, Lowell M. Palmer, J. Mayer, C. H. Semff, Arthur Donner.

New York office, 71 Wall street.

II. HISTORY:

The American Sugar Refining Company was incorporated at Trenton, on January 10th, 1891, to take over the entire assets and business of the various companies represented by the certificate of the Sugar Refineries Company, which was itself reorganized in June, 1890. The Sugar Refineries Company was originally formed in 1887, but in 1889, the Trust, after two years of practically no competition, and very large profits, began to feel the vigorous competition of the plants built by Claus Spreckels, at Philadelphia, Pa., and also Arbuckle Brothers, Claus Doscher of New York, and others. This keen competition continued for several years, and was not ended until the absorption of all competitors, a few years later.

The authorized capital of the American Sugar Refining Company at the time of consolidation was $37,500,000 common, and an equal amount of preferred. Par, $100. The most condensed statement of the formation of the Trust, and its absorption of its predecessor was contained in the report of the company to its stockholders for the year 1891, and was as follows:

"The circular submitted to the certificate holders at the time of organization provided for the issue of capital stock of $50,000,000, of which $25,000,000 were to be common stock and $25,000,000 preferred stock. Of the common stock, $11,000 was subscribed in cash at the organization of the company. The remaining $24,989,000 of common stock and the entire amount, *i. e.*, $25,000,000 of preferred stock were issued to pay for the assets of the Sugar Refineries Company.

"The circular above referred to contained the following statement:

"'Upon completion of the plan of reorganization and after the distribution of five per cent. in cash (to holders of certificates of the Sugar Refineries

Company) it is estimated that the American Sugar Refining Company will commence operations with cash assets and investments exceeding $9,000,000, with the power to raise upon mortgage $10,000,000 additional if required.

"'The value of cash assets and investments actually taken over by the American Sugar Refining Company, and after deducting the expense of reorganization, was $8,739,000, which, together with the $11,000 cash capital paid in, made the amount of cash assets and investments represented by the capital stock $8,750,000. The remainder of the stock, $41,250,000, representing the real estate and plant transferred to the company.

"'The liquidation of the cash assets and investments above referred to has thus far realized a surplus of $55,908.36, and of the amount issued for plant, after providing for all the outstanding certificates of the Sugar Refineries Company, there came back to the treasurer available for the purchase of additional property 3,583 shares of common stock, and 3,695 shares of preferred stock with the accumulated dividends $54,515.

"'There have been issued in accordance with the authority conferred by the stockholders $10,000,000 six per cent. bonds, none of which, however, has been disposed of up to this time.

"'Of these bonds 2,560 have been lodged, in accordance with the terms of the reorganization agreement, with the receivers pending the completion of the dissolution proceedings of the old corporations in Kings County. The decree of the court dissolving these corporations has been granted, and the bonds will soon be returned to the treasury of the company.'"

In January, 1892, the stock was increased to the full amount authorized, the proceeds to be used for buying up other refineries and for buildings. Accordingly in March of that year, a controlling interest was purchased in the E. C. Knight Co. of Philadelphia, $800,000; The Franklin Sugar Co. of Pennsylvania, $5,000,000; The Spreckels Sugar Refining Co. of Penna., $5,000,000, and the Delaware Sugar House, $96,000. Legal proceedings to prevent the completion of these sales were instituted, but were ultimately set aside. These purchases practically eliminated the Philadelphia competition.

Dividends were begun on the common stock in July, 1891, when 4% was paid. In 1892, the company paid 10½%; 1893, 11½%; 1894, 12%; and from 1894 to January, 1900, the rate paid was 12% per annum. In 1900, the rate was reduced to 7¾%, and since that year, 7% only has been paid.

During the period from 1894 to 1900, the competition with the Trust was not severe, and its earnings were said to be very large. Its most important competitors were Arbuckle Brothers, and one or two less important concerns. At this time the beet sugar industry had not developed to any extent.

On June 2d, 1900, the National Sugar Refining Company of New Jersey was formed as a consolidation of the Mollenhauer

Sugar Refining Company of Brooklyn; National Sugar Refining Company of Yonkers, and New York Sugar Refining Company of Long Island City. The capacity of this company was stated to be about 3,500,000 pounds of refined sugar per day. This company was formed as a rival to the large trust, and its capital consisted of $20,000,000, one-half common and one-half preferred. It has, however, operated in complete harmony with the larger corporation.

In March, 1899, the American Beet Sugar Company was formed under New Jersey laws to consolidate beet sugar plants at Oxnard and Chino, California, and Norfolk and Grand Island, Nebraska. These four factories were said to have a capacity of 3,450,000 tons daily. Shortly after its formation, the company erected a fifth factory at Rocky Ford, Colorado, with a capacity of 1,000 tons daily. The capital of the American Beet Sugar Company consists of $5,000,000 6% preferred and $15,000,000 common stock. Dividends have been regularly paid on the preferred from the beginning.

This company operated for several years as a rival to the American Sugar Refining Company, or "Sugar Trust," but early in the year 1903, harmonious relations were brought about between the competing interests, and it is now authoritatively stated that the Sugar Trust owns or controls a majority of the Beet Sugar Company's stock.

Since 1901, several large sugar plants have been established in Cuba, one of which is known as the Chaparra Sugar Company. The latter is controlled by the same interests that dominate the National Sugar Refining Company of New Jersey, and is, therefore, in harmony with the Trust. While the Trust itself does not announce its investment holdings in other companies to its stockholders in detail, yet these holdings are, without doubt, much more extensive than those named above. In its balance sheet to the State of Massachusetts on December 31st, 1902, its investments in other companies were given a valuation of $45,270,776, which was an increase of more than $6,000,000 over the same item one year previous.

This last increase was chiefly represented by the purchase of a number of Michigan beet sugar factories, during 1902. The American Beet Sugar purchase does not figure in the 1902 report.

At the annual meeting of the company, held on January 14th, 1903, Mr. H. O. Havemeyer, President of the company, made the following statement regarding the history of the business and its present conditions:

"The average price at which refined has been sold is 4.45 cents a pound. This includes 1.81 cents a pound which goes to the Government. It thus

SUGAR PRODUCTION OF THE UNITED STATES.

Based on Willett & Gray's tables, we find that the American consumption of sugar for 1902 was 2,521,359 tons. Of this amount the American Sugar Refining Company or "Sugar Trust," produced over 57%. Independent refineries so-called, produced 36½% and the various beet sugar refineries but 5½%. These proportions are graphically indicated on the chart below.

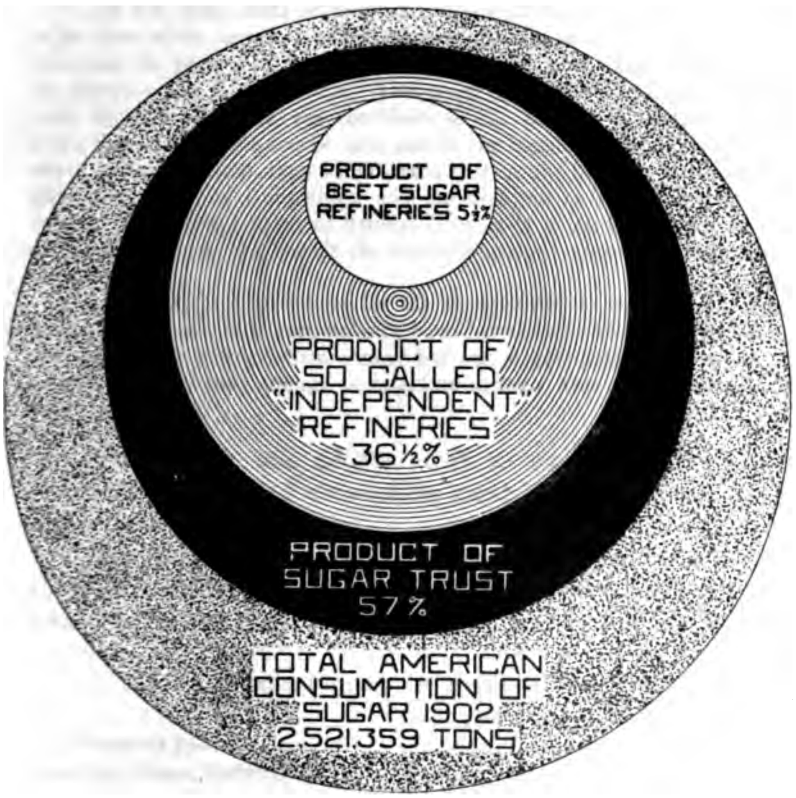


CHART No. III.

It will be noted that while the Sugar Trust proper produced but 57%, yet in view of the fact that a number of the so-called "independent" refineries are really allied with the Sugar Trust (as are also the leading beet sugar producers) the Trust really dominates the market as completely as it would if it directly produced 90%. Full details are given in text.

appears that the net price has been reduced to 2.64 cents a pound, as against a net price which in 1877, at the time of the formation of the Sugar Refineries Company, was 3.50 cents. I refer to the matter particularly at this time because of the proposed legislation, the professed object of which is to regulate business done by corporations as against that which is done by individuals. Any such legislation overlooks the fact that a corporation is an aggregation of individuals. We have 11,274 stockholders. Every stockholder is interested in the conduct of the business, and the business is done at an economy which would be impossible if stockholders were to attempt to carry it along individually on their own account.

"The low price leads to increased consumption, and enables the business to be done at the lowest possible margin. The natural increase of consumption, year by year, may be stated to be 4.75 per cent. During the last year the increase was 8.17 per cent. This must be attributed to the reduction in price brought about by the combination. It is only by keeping the price down that competition can be met, and if our legislators would inform themselves of the situation, they would learn that in our industry there is no such thing as preventing competition and the building of new refineries. Interference with the operation of natural laws leads to an increase of price, and although this may not benefit the manufacturer, it certainly cannot help the consumer.

"Apparently it is solicitude for the stockholders to which is due the proposed legislation. Our stockholders have heretofore shown confidence in the management in a way which cannot but afford gratification. It would seem that it would be time enough to interfere in their interest when stockholders make the request."

A resolution was adopted that all surplus earnings beyond dividends be reserved as working capital. The retiring directors were re-elected.

Willett & Gray's *Sugar Trade Journal* of this city on Jan. 8, 1903, gave the following estimate of the amount of refined sugar consumed in the United States during each of the last two years:

CONSUMPTION OF REFINED SUGAR.

	Calendar year.		Per cent.	
Produced by—	1902.	1901.	1902.	1901.
American Sugar Refining Co......	1,436,474 tons	1,325,406 tons	56.97	57.9
Independent refiners	924,106 tons	812,048 tons	36.65	35.5
Beet sugar factories.............	136,276 tons	107,859 tons	5.41	4.7
Foreign refiners	24,503 tons	42,515 tons	0.97	1.9
Total consumed	2,521,359 tons	2,287,828 tons	100	100

The National Sugar Refining Co., included with the independent refiners, produced about 350,000 tons in 1902, against 276,000 tons in 1901.

On the basis also of Willett & Gray's calculations, the following is obtained in cents:

	1902.	1901.	1900.	1899.	1898.
Average price of granulated sugar......	4.455	5.050	5.320	4.919	4.965
Average price of raw sugar	3.542	4.047	4.566	4.419	4.235
Difference	0.913	1.003	0.754	0.500	0.730

Assuming, as testified by the refiners at the hearing in Washington, that ⅝-cent a pound covers the cost of refining, shipping, office expenses, etc., the company's net earnings from its sugar business for the last three years would, on the above basis, compare as follows:

	1902.	1901.	1900.
Net earnings	$8,274,000	$10,020,000	$3,780,000

The preferred dividends call for $3,150,000 yearly and 7 per cent. on the common for the same amount.—*As published in the Commercial & Financial Chronicle.*

During the year 1903 further acquisitions were undoubtedly made in the line of controlling the beet sugar industry.

At the annual meeting of the company on Jan. 8, 1904, President Havemeyer stated that the average price at which refined sugar sold during the year has been 4.64c a pound, including 1.84c a pound paid to the Government, making net price 2.80c. This compares with the net price in previous year of 2.74c. Mr. Havemeyer further said:

"We have at present 13,000 stockholders. Any information which they as a body ask for, the directors will at all times be prepared to furnish. Up to the present time stockholders have determined that special information shall not be given to individual stockholders.

"A year ago I reported to the stockholders that the average price at which refined sugar had been sold during the year was 4.55c a pound and that this included 1.81c a pound to the Government, thus reducing the net price to 2.74c a pound, as against a net price which in 1877 at the time of the formation of the American Sugar Refining Co. was 3.350c a pound."

"I further stated, it was not my purpose to criticize or comment upon the various plans, which are under consideration to hurt corporate business. What I say is intended for our own stockholders. It is due to them that business of the company shall be carried on so far as it fairly and reasonably can be in their interests and this course the directors propose to pursue, conforming always, of course, to whatever shall become the law of the land. I repeat the statement as applicable to the present situation.

"The dividends for the past year have been continued at the 7% rate, any surplus of earnings or accumulative profits being reserved as working capital. Stockholders have heretofore approved this policy and they are asked to do so at this time.

"A year ago I also made the point that a business corporation is an aggregation of individuals and that there were obvious objections to giving to competitors information about corporate affairs."

Note: So many analyses and reviews of the famous sugar combination have appeared, during the past ten years, and the subject has been worn so threadbare that the writer will not give space here to any particular review of the subject. A feature which, however, stands out very conspicuously is the Trust's practical domination of the entire American market. Although supplying, technically, only about 53% of the consumption, yet the ramifications and influences of the combination among its ostensible rivals are so complete that its control over the situation, as far as America is concerned, is all inclusive. It is a splendid example of one sort of monopoly—the kind of monopoly which has been succinctly described as a combination of "special privilege, efficient labor and brain power."

Number of corporations acquired, dominated or controlled ....(about) 55
Proportion of industry controlled (possibly).........70% to 90%
Products: Raw and refined sugar cane and beet.
Element of monopoly: Strong (Tariff benefits, control of raw material, etc.).
Total approximate capital issued of parent and affiliated companies: Par value (about) $145,000,000; market value $130,000,000

Consolidated Tobacco Company and Affiliated Corporations.

"The Tobacco Trust."

(*Ryan domination—Standard Oil affiliations.*)

I. DESCRIPTION: Incorporated at Trenton, New Jersey, under New Jersey laws in June, 1901. The company was organized as a security-holding corporation to acquire, control and consolidate the interests of the American Tobacco Company, the Continental Tobacco Company, and their various allied and subsidiary corporations. The company controls at the present time, through majority stock ownership, the following-named large operating corporations, all of which represent enormous consolidated lines of industry themselves:

American Tobacco Co.	Capital	$70,000,000
Continental Tobacco Co.	"	100,000,000
American Cigar Co.	"	10,000,000
American Snuff Co.	"	25,000,000
Havana Tobacco Co.	"	42,500,000
British-American Tobacco Co., Ltd.	"	30,000,000
American Stogie Co.	"	11,976,000
International Cigar Machinery Co.	"	10,000,000
United Cigar Stores Co.	"	2,000,000
		$301,476,000

The Consolidated Tobacco Company, at the time of its formation, acquired the common stocks of the American Tobacco Company and the Continental Tobacco Company by issuing its own 4% 50-year gold bonds in exchange, on the basis of $200 in bonds for $100 par value of American Tobacco Company, and $100 in bonds for $100 par value of Continental Tobacco Company stock. The other operating companies are all controlled through either the American or Continental companies who, in all cases, own a majority of their respective stocks.

The capital stock, authorized and issued, of the Consolidated Tobacco Company is $40,000,000. Par, $100. The first annual dividend, amounting to 20%, was paid to the Consolidated Tobacco Company stockholders on January 3rd, 1903, and represented the profits to be divided for the year 1902.

The bonded debt of the Consolidated Tobacco Company consists of $156,593,400 first collateral trust mortgage 4% bonds; due

August 1st, 1951. Interest payable February and August 1st, at Morton Trust Company, trustee. These bonds are secured by deposit of practically the entire common capital stocks of the American and Continental Tobacco companies.

The report of the Consolidated Company for the year ended December 31st, 1902, showed net earnings, after deducting all charges and expenses of management, of $13,291,459. The interest on the bonds required $6,376,254, leaving a surplus of $6,915,-205. The 20% dividend involved $6,000,000, as the amount of stock outstanding at that time was only $30,000,000, having since been increased to $40,000,000.

These figures did not include the Consolidated Tobacco Company's share of equity, amounting to over $13,718,000 of the surplus as of December 31st, 1902, on the books of the American and Continental companies, of which amount about $2,818,000 is estimated as the Consolidated Company's share of the undivided net earnings of these corporations for the year.

Officers: James B. Duke, President; Thos. F. Ryan, First Vice-President; J. B. Cobb, Second Vice-President; C. K. Faucette, Third Vice President; Wm. R. Harris, Treasurer; C. S. Keene, Secretary. Directors: James B. Duke, Oliver H. Payne, Thomas F. Ryan, J. B. Cobb, W. W. Fuller, Grant B. Schley, Anthony N. Brady, F. H. Ray, C. C. Dula, Wm. R. Harris, P. A. B. Widener, Percival S. Hill, B. M. Duke, Charles E. G. Halliwell.

Main office, 111 Fifth avenue, New York.

II. HISTORY.

The American Tobacco Company, the original tobacco consolidation, was formed under New Jersey laws January 31st, 1890. At the time of its organization, the company acquired the entire plants, good-will, and business of Allen & Ginter, Richmond, Va.; W. Duke's Sons & Co., New York and Durham, N. C.; Kinney Tobacco Company, New York and Virginia; W. S. Kimball & Co., Rochester, N. Y., and Oxford, N. C.; and Goodwin & Co., New York.

The capital stock at the time of organization consisted of an authorized issue of $10,000,000 8% non-cumulative preferred, and $15,000,000 common stock. Par value of the preferred shares was $100, and of the common, $50.

In September, 1890, the new company made application to have its preferred shares listed on New York Stock Exchange, and in doing so, furnished the following statement, embracing information regarding its finances, assets, etc., and also the personnel of those in control of the company:

"AMERICAN TOBACCO COMPANY.

"APPLICATION TO THE NEW YORK STOCK EXCHANGE.

"This company has had its preferred stock ($10,000,000) placed on the regular list of the New York Stock Exchange. The company was organized January 21, 1890, at Newark, N. J., under the general laws of the State of New Jersey. The capital stock is $25,000,000, divided into $10,000,000 of preferred stock, par value $100, and $15,000,000 of common stock, par value $50. At all meetings of the stockholders each stockholder shall be entitled to one vote for each share held by him.

"The preferred stock is not cumulative, and is entitled to a preferential dividend not exceeding 8 per cent., payable quarterly, before any dividends are payable upon the common stock, and also has a preference upon the assets of the company upon any final disposition or distribution thereof.

"The transfer agent is the Farmers' Loan & Trust Company of New York. The principal office of the company is at Newark, N. J. Its New York office is at 45 Broadway.

"The directors of the company, elected at the last meeting of its stockholders, January 22, 1890, are: Lewis Ginter, Richmond, Va.; John Pope, Richmond, Va.; George Arents, New York, N. Y.; James B. Duke, Jersey City, N. J.; Benjamin N. Duke, Durham, N. C.; George W. Watts, Durham, N. C.; Francis S. Kinney, Butler, N. J.; William H. Butler, Brooklyn, N. Y.; Charles G. Emery, Brooklyn, N. Y.; William S. Kimball, Rochester, N. Y. The officers of the company for the ensuing year are: James B. Duke, President; John Pope, First Vice-President; William S. Kimball, Second Vice-President; William H. Butler, Secretary; Charles G. Emery, Treasurer; Stephen Little, Comptroller.

"The company is organized for the purpose of curing leaf tobacco, to buy, manufacture and sell tobacco in all its forms, and to establish factories, agencies and depots for the sale and distribution thereof, and to do all things incidental to the business of trading and manufacturing aforesaid, etc., with power to carry on its business in all other States and Territories of the United States, and in Canada, Great Britain and all other foreign countries.

"The company has purchased and is the owner of all real estate, cigarette and tobacco factories, storage warehouses, leaf-curing houses, machinery, fixtures, patents, trade-marks, brands, good-will, etc., of Allen & Ginter, Richmond, Va.; W. Duke, Sons & Co., New York, N. Y., and Durham, N. C.; Kinney Tobacco Company, New York, N. Y., and Virginia; William S. Kimball & Co., Rochester, N. Y., and Oxford, N. C.; Goodwin & Co., New York, N. Y.

"The assets of the company consist of the above real estate, warehouses, factories, machinery, fixtures, patents, trade-marks, brands and good-will, leaf tobacco, raw material, cash and cash assets, as follows:

For real estate, factories, patents, brands, good-will, etc.	$22,365,353
Leaf tobacco and raw material	2,634,647
Total	$25,000,000
Cash and cash assets	$1,825,000

"The company has no mortgages, liens or liabilities, except the ordinary current liabilities incurred in carrying on its business, and which do not exceed the sum of $100,000.

"For further information, the following certificate from the Farmers' Loan & Trust Company is appended:

"The Farmers' Loan & Trust Company hereby certifies that, under an agreement dated March 10, 1890, between the stockholders of The American Tobacco Company and this company and others, the original of which has been filed with this company, it holds, in certificates deposited with it, in the names of such original owners and not negotiable, $15,000,000 of common stock, the entire issue, and $5,000,000 of preferred stock of said Tobacco Company, out of a total issue of $10,000,000 of such preferred stock, the same to be held by it until the first day of September, 1891, unless by the terms of said agreement, or by the unanimous consent of the parties thereto, the time for such deposit shall be sooner terminated. Upon such termination the said certificates will be returned to the owners thereof. This company further states that, in case the deposit of said stock is terminated, by limitation of agreement or otherwise, it will thereupon promptly notify your committee, in writing, of such termination.

"THE FARMERS' LOAN & TRUST COMPANY,
"W. D. SEARLS, Vice-President."

In April, 1891, announcement was made that the tobacco factories of Marburg Brothers and the Gail & Ax Company of Baltimore, had been bought by the new Tobacco Trust, and that the deal provided that all the interests for the manufacture of smoking tobacco controlled by the American Tobacco Company should be concentrated in Baltimore. The terms were said to be two-fifths in cash and the balance in common stock of the American Company.

In July, 1891, the stockholders of the Trust voted to increase the common stock issue from $15,000,000 to $21,000,000, and the preferred stock issue from $10,000,000 to $14,000,000, making the total authorized capitalization $35,000,000. It was not stated at the time what would be done with the cash secured from this increased capitalization, but this information developed later.

The company reported early in March, 1892, that it had earned sufficient during 1891 to pay 8% on its preferred, and 12% on its common stock, and still leave a surplus of $1,291,995. Beyond this, no actual figures were given out, nor was any report furnished at all for the year 1892. On December 31st, 1893, however, the following report was published:

Surplus for year 1892, above dividends, $4,107,893; net increase of surplus during 1893, $1,225,167; total surplus on December 31st, 1893, $5,333,062. This amount was left over after having paid 8% on the preferred and 4% on the common stock, for both years.

The report of the company for the year 1894 showed net earnings above charges of $5,069,416. From this amount, dividends of 8% on the preferred and 12% on the common were paid, and the company's total surplus, as reported at this time, amounted to $7,198,290.

In May, 1895, the common stock of the company was listed on the New York Stock Exchange. This statement furnished no important information that had not been published in the application of the company when listing its preferred stock, but announced that the company had paid 10% on its common stock in 1890, and 12% each year thereafter, to date.

Announcement was made in July, 1895, that negotiations were pending with a view to absorbing the large tobacco interests of P. Lorillard & Co. of New Jersey. In September of the same year, suits were in progress in both New York and Illinois to prevent the combination doing business within these States, and in New Jersey a suit was in progress to nullify the company's charter, etc. In October, 1895, bitter competition was reported between the Trust and the independent cigarette and plug manufacturers.

To the surprise of many the company announced on December 7th, 1895, that it would omit the usual quarterly dividend of 3% on the common stock in the following February. In doing this, it sent the following circular to the stockholders:

"*To the Stockholders of the American Tobacco Company*:

"The usual quarterly dividend of 2 per cent. on the preferred stock of this company will be paid in February, but no dividend will be paid at that time on its common stock.

"From the earnings of the company during the ten months of the current year it is estimated that the earnings of the year will permit the addition of over one and a quarter million dollars ($1,250,000) to surplus, after paying 8 per cent. on the preferred stock and 9 per cent. on the common stock.

"Yet, on account of the increasing volume of the company's business and the acquisition during the year of new plants and businesses, the company requires more cash working capital than heretofore.

"Therefore, in the judgment of its management, it is to the interest of the stockholders, and proper for the prudent prosecution of its growing business, that the sum necessary to pay further dividends on its common stock for this year be retained and applied to working capital.

"Thus the business of the company can be properly cared for and extended without departing from its consistent policy of not borrowing money and its assets kept as they now are, the free and unencumbered property of its stockholders. Very respectfully,

"THE AMERICAN TOBACCO COMPANY."

"December 6, 1895."

In explanation of the Trust's action in passing the dividend, the *New York Tribune* at this time published the following:

"A large holder of tobacco said:

"The tobacco war became virulent only last summer. Up to that time the company's sales were larger than ever before. Clearly in the last six months the tobacco war has resulted in enormous losses.

"Secretary Josiah Brown said:

"I can't say what will be done about future dividends on the common stock. Our surplus of $7,000,000 in January last was not in cash. It was represented by investments in our plant. As to whether the company intends to acquire opposition concerns, he had nothing to say. The company last summer paid $1,000,000 for the cigarette business in Canada, and, as reported, $250,000 for the Hall factory in New York. These two purchases equal in amount the company's estimated surplus for 1895."

The Treasurer's Report for the year ending December 31st, 1895, which appeared early in 1896, reported that the Trust had during the year 1895 purchased the business and assets of Hall's Between The Acts Cigarette Company, of New York; H. Ellis & Company, of Baltimore, Md.; H. W. Meyer Tobacco Manufacturing Company, of New York; Consolidated Cigarette Company, of New York; and James G. Butler Tobacco Company, of St. Louis, Mo. The amount paid for these plants was reported as $1,340,000 in cash and about $450,000 in scrip. During the year, 1895, the Trust invested $450,000 in foreign securities, making its total holdings of such securities, $1,264,600.

The earnings of the company for the year 1895 were reported as $3,971,521, in comparison with $5,069,416 for the previous year. Dividends paid, covering 8% on the preferred and 9% on the common stock, amounted to $2,569,440, leaving a surplus of $1,402,000. Adding to this the previous surplus, the company reported a balance of $8,600,871 in its favor.

The suits in the New Jersey courts still continued in 1896, and on April 1st, the company announced that it would pay a common stock dividend of 2% in cash and 20% in common stock scrip. This scrip was to be redeemable into common stock of the company at par, at the option of the company, and to bear interest at the rate of 6% per annum, payable only out of the net earnings of the company, after the payment of 8% on the preferred. A preferred stockholder by the name of Hall undertook to enjoin the payment of this scrip dividend, but his effort was set aside.

May 7th, 1896, the President and all the directors of the Trust were indicted for violating the Anti-Trust Law.

In August, 1896, the common stock dividend was omitted, as it was also in October, but in December, the common stockholders were agreeably surprised with a 4% cash dividend.

In January, 1897, 3% quarterly cash dividends were resumed on the common stock, and in March of the same year, the New Jersey suit was dismissed. In April following, only 2% was paid on the common, and at the same time it was stated that what had been known as "the secret factor agreement" had been abandoned

The Treasurer's report for the year 1896, which was issued at this time, showed net earnings over charges of $3,593,197, and left a surplus after payment of 8% on the preferred and 9% on the common, of $9,464,549. This book surplus was cut down to $5,884,549 by the distribution of the 20% common stock dividend.

In April, 1898, the company acquired control of the Brown Tobacco Company of St. Louis, Mo., and the Drummond Tobacco Company of the same city. It was also reported at this time that a new company, to be called the Continental Tobacco Company, would be formed to absorb all the plug tobacco charters of the company. At this time the net earnings for the previous year were announced as amounting to $4,179,460, and the surplus after payment of dividends had been increased to $7,447,849. An important new interest was now taken into the management of the Trust, and it was reported that Mr. Oliver H. Payne (of the Standard Oil Trust) had acquired large amounts of the stock, and also that Grant B. Schley, John G. Moore and others had become interested in the Trust.

Additional common stock to the extent of $3,100,000 was issued in May, 1898, for the purpose, as stated, "of acquiring new property," thus making the outstanding issue $21,000,000 in all. The report stated that the new stock was sold for cash.

About September 1st of this year the market price of the common stock of the Trust suddenly broke about 30 points. No reason was given for this at the time, but the following editorial comment was published in the *Commercial & Financial Chronicle:*

"Politics, the industrials and the wheat market appear to have occupied chief attention the current week. Perhaps we ought to put in place of industrials, American Tobacco stock, though following, as the break in Tobacco has, the decline in Sugar Refining, a tumble such as it has made (about 30 points in a few days) in a measure weakens confidence in the entire class of issues to which it belongs, and has been an unsettling influence to the whole Stock Exchange list. We do not suppose the general public has suffered to any great extent in this latest bout. The reasonable presumption is, that it must have been a very small and a very gullible crowd that would have followed the speculation up to the dizzy heights the stock was made to climb, and that the week's antics are a result of a struggle between insiders, instead of the usual attempt at bleeding the inexhaustible army of innocents forever vainly groping through Wall Street after a short road to wealth, but as a rule finding that all roads from that center lead to bankruptcy."

On October 1st, 1898, it was formally announced that all the plug tobacco business of the American Tobacco Company would be consolidated with those of leading outside companies, excepting Liggett & Myers of St. Louis, Mo., probably under the name of the Continental Tobacco Company. The valuation of these plants would amount, in cash, it was reported, to about $27,000,000. In relation to this deal, the *New York News Bureau* of September 28th published the following:

"The following table shows the plants which it is proposed to consolidate in the Continental Tobacco Company, the approximate valuations placed on each for the purposes of amalgamation and the net earnings of each:

Plant.	*Price.*	*Net Earnings.*
Drummond	$3,500,000	$294,000
Finzer Bros.	1,750,000	259,000
Weissenger	500,000	55,000
Mayo	1,250,000	143,000
Scotten	1,477,000	213,000
Sorg	4,000,000	367,000
Lorillard	3,000,000	280,000
American Tobacco Co.'s plug plants, about	10,000,000	......
	$25,477,000	$1,613,000

"The Brown plant of St. Louis has been considered separately and bought outright. (It is said for $1,260,000.) The approximate output of the principal plug manufacturing concerns is as follows:

	Pounds.
Liggett & Myers, St. Louis, Mo	27,000,000
The P. J. Sorg Co., Middletown, Ohio	13,000,000
Drummond Tobacco Co., St. Louis, Mo	13,000,000
P. Lorillard & Co., Jersey City, N. J	13,000,000
Finzer & Bros., Louisville, Ky	9,000,000
National Tobacco Works, Louisville, Ky	7,000,000
J. G. Butler & Co., St. Louis, Mo	4,000,000
Wilson & McCally, Middletown, Ohio	3,000,000
Buchanan & Lyall, New York, N. Y	2,000,000
Weissinger & Bates, Louisville, Ky	2,000,000
American Tobacco Company	30,000,000
Total	123,000,000

"Regarding the above compilation, it may be said that much uncertainty exists regarding the state of the negotiations and the prices which it is proposed to pay for control of the several plants. For instance, it is asserted by some that the acquisition of the Drummond Company will cost not less than $10,000,000, all in cash, and not $3,500,000 as above suggested. Liggett & Myers last week made a cut of 10 per cent. in the prices on all its brands."

The purchase of the Drummond Tobacco Company was consummated on Saturday, October 11th, 1898, and the purchase price, which was paid in cash, was $3,457,500. This was one of the largest plants in the country, having a daily capacity of 175,000 pounds of plug tobacco and 1,000,000 cigarettes.

Commenting on this absorption by the Trust, the *St. Louis Globe-Democrat* said:

"The Drummond plant occupies an entire block between Third and Fourth, Spruce and Valentine streets. It contains three buildings seven stories high, and three five stories in height, and employs several hundred people. It is estimated the entire plant could be replaced, with modern appliances in every particular, for $450,000, and this Mr. Drummond smilingly acknowledged was true. Placing this figure at $500,000, it appears that the 'good-will, trade-marks, etc.,' were worth $3,000,000 to the trust. The *et cetera* in this case is said to represent the trust's desire to acquire the plant and shut off the competition which was hurting it. Only the Liggett & Myers concern now remains as a thorn in the flesh of the trust, and interesting developments cannot long be postponed."

The new company was incorporated under New Jersey laws under the name of Continental Tobacco Company in November. The capital authorized was $75,000,000, half of which was preferred stock. The immediate issue was $30,000,000 of each, common and preferred. The companies which were actually acquired at this time were the following:

P. J. Sorg Tobacco Co., Middletown, Ohio.
P. Lorillard & Co., Jersey City, N. J.
John Finzer & Bros., Louisville, Ky.
P. H. Mayo & Bro., Richmond, Va.
Daniel Scotten & Co., Detroit, Mich.
Henry Weissinger Tobacco Co., Louisville, Ky.
Drummond Tobacco Co., St. Louis, Mo.

The latter was taken over from the American Tobacco Company, which had previously acquired it directly. It was reported that the combined output of the several plants consolidated exceeded 105,000,000 pounds per annum.

During the negotiations for the forming of this new company, the capital stock of the American Tobacco Company fluctuated very widely on the Stock Exchange, being depressed at one time on rumors of a hitch in the negotiations.

The company reported a half-yearly statement at this time for the six months ending June 30th, showing net earnings of $2,434,391, the surplus above dividends being $1,070,211.

In January, 1899, the Catlin Smoking Tobacco Company of St. Louis was purchased by the American Tobacco Company for $3,000,000 in cash.

It was announced on February 25th, 1899, that the Union Tobacco Company, a former rival, was now acting in a friendly manner toward the American and Continental companies, and that the Union Company had secured control of the Liggett & Myers plant of St. Louis, Mo., whose former owners could not be induced to accept the terms offered directly by the Trust.

On March 4th, 1899, subscribers to the Union Tobacco Company's securities were informed that instead of receiving their securities they would be given 135% in American Tobacco Company common stock for the amount of their cash subscriptions. The *New York Sun* of this date stated:

"It is understood that the new issue of stock which the American Company will authorize will be large enough to declare a stock dividend upon the amount of American Tobacco Co. common now outstanding. The amount of the scrip dividend is not stated, but it is believed that it will be 100%."

On March 11th, the *Sun* also announced:

"Subscribers to Union Tobacco Co. securities are to receive 135% in American Tobacco Co. new stock for the amount of their cash subscription. Assuming that the increased capitalization of the American Company will sell at half the price of the present stock, say 97, it appears that Union Tobacco subscriptions figure out about 130."

On March 28th, 1899, a stockholders' meeting was held to vote on a proposition to increase the common stock from $21,000,000 to $56,000,000; also to amend the charter so that the number of directors should be fifteen, and be so classified that the terms of five directors would expire in each year; also to amend the By-Laws so that all directors elected after the year 1899 should be elected for three years. The increase in the stock issue was made without opposition, and the following new directors were chosen to make up the fifteen: Anthony N. Brady, Thomas F. Ryan and P. A. B. Widener.

Immediately after the above meeting, the directors of the American Tobacco Company declared a 2% cash dividend on the common stock, and also a 100% stock dividend, payable May 1st, 1899. The stock dividend, it was said, was to be "taken out of the surplus."

This stock dividend required the issuance of $21,000,000 in new common stock. The balance of the new issue, it was reported, was to be used to acquire the Union Tobacco Company and "for other purposes." As soon as this deal had been closed, it was rumored that the acquisition of the Union Tobacco Company did not, after all, include control of the Liggett & Myers plant. Regarding this, the New York *Sun*, on Thursday of that week, said:

"The break in the tobacco stocks elicited the fact that the acquisition of the Union Tobacco Co. by the American Co. does not include the option on the Liggett & Myers plant, which was secured and is still held by a syndicate of capitalists that were active in promoting the Union Tobacco Co. As two or three of the members of that syndicate were elected directors of the American Tobacco Co. to-day, it would appear that the Street was rather hasty in jumping to the conclusion that the option referred to is likely to be exercised to the detriment of the American and Continental companies. It may be, however, that the managers of those companies consider the price named in the option too high, and that it may therefore be allowed to lapse. In that case there would possibly be a renewal of hostilities between the Continental Company and the St. Louis concern. Still another plausible view is that the Liggett & Myers plant may be taken over by the syndicate holding the option and operated as an independent concern, yet in harmony with the two companies that control practically the entire tobacco business of the United States."

The Continental Tobacco Company at this time applied for admission to quotation in the unlisted department of the New York Stock Exchange, and made the following official statement:

"*Organization.*—Organized Dec. 9, 1898, under laws of N. J. Authorized capital: pref. non-cumulative 7 per cent. stock, $37,500,000; common stock, $37,500,000. Par value of shares $100 each. No personal liability. Amount outstanding: preferred, $31,145,000; common, $31,146,500. Registrar, Chase National Bank, New York. Transfer Agent, Manhattan Trust Co.

"Owns the properties, rights, trade-marks, trade names and assets of every kind heretofore owned by the following concerns, viz.: John Finzer & Bro., Louisville, Ky.; P. H. Mayo & Co. (incorporated), Richmond, Va.; Daniel Scotten & Co., Detroit, Mich.; P. J. Sorg Co., Middletown, Ohio; Drummond Tobacco Co., St. Louis, Mo.; Brown Tobacco Co., St. Louis, Mo.; J. Wright Co., Richmond, Va.; Wright Bros. Tobacco Co., St. Charles, Mo. Also owns the common stock amounting to $3,000,000 par value, of the P. Lorillard Co., Jersey City, N. J., and the plug tobacco business and assets pertaining thereto of the American Tobacco Co. The preferred stock of the P. Lorillard Co., of the par value of $2,000,000, is exchangeable for the preferred stock of the Continental Tobacco Co., in the proportion of seven shares of the former for eight of the latter.

"CERTIFICATE OF ORGANIZATION.—The certificate of organization provides that upon dissolution of the corporation and after the payment of its debts, the preferred stock shall be redeemed at par if the assets are sufficient. If the assets are not sufficient, then they shall be distributed ratably among the holders of the preferred stock. 'If the assets are more than sufficient to redeem the preferred stock at par, all remaining after such redemption shall be divided ratably among the holders of the general or common stock.' The directors shall be classified, and at the first election the several classes shall be elected as follows: Five for one year, five for two years and five for three years, and at the expiration of their respective terms their successors shall be elected for three years, so that the term of each director, after those elected at the first election, shall be three years. If the number of directors shall be at any time changed, the board of directors shall have power to re-arrange the classification of the directors. The board of directors have the power, by vote of a majority of all the directors, and without the assent or vote of the stockholders, to make, alter, amend and rescind the By-Laws, to fix the amount to be reserved as working capital, and to fix what number of directors shall constitute a quorum of the board.

"OFFICERS—James B. Duke, President; Harrison I. Drummond, First Vice-President; Frank F. Ray, Second Vice-President; Oren Scotten, Third Vice-President; P. Lorillard, Jr., Treasurer; D. A. Keller, Secretary.

"DIRECTORS—James B. Duke, Oren Scotten, Herbert L. Terrell, Marks Leopold, Robert B. Dula, Harrison I. Drummond, Pierre Lorillard, Jr., Oliver H. Payne, Basil Doerhoefer, Joseph B. Hughes, Frank H. Ray, John B. Cohn, Thomas Atkinson, Grant B. Schley, Paul Brown."

Shortly after, the stockholders of the Continental Company were asked to vote at a meeting to be held April 21st, on a proposition to increase the common stock from $37,500,000 to $50,000,000 and the preferred stock to an equal amount. Just previous to this, a new corporation, called the S. J. R. Reynolds Tobacco Company, was incorporated at Trenton, N. J., with an authorized capital of $5,000,000. This new company was said to be affiliated directly with the Continental Tobacco Company.

On April 29th, immediately after the increase in capital had been authorized by the stockholders of the Continental Company, the Liggett and Myers plant was acquired, this being the concern which the American Company stockholders erroneously thought they were buying when they authorized an increase of their own stock from $21,000,000 to $56,000,000. The *Commercial and Financial Chronicle* of the same week published the following facts regarding the deal:

"On Monday $659,000 of the $1,100,000 stock of the Liggett & Myers Tobacco Co., of St. Louis, was transferred to Watson B. Dickerman, of Dominick & Dickerman, representing the purchasing syndicate. The remainder of the issue was expected to be turned over to him before the end of the current week. In St. Louis it is said that the average price paid will make the total cost of the plant to the purchasers about $12,500,000. The stockholders of the Continental Tobacco Co. met yesterday and authorized the proposed increase of $25,000,000 in the capital stock of their company. The purpose of the increase is not announced, but the general impression seems to be that after all, the Continental Tobacco Co. will acquire the plant of the Liggett & Myers concern, and for that purpose will use a considerable portion of the additional stock, half of which is to be preferred. No positive information on the subject was obtainable yesterday.

"The Liggett & Myers plant is described as occupying an area of 2,400 by 271 feet, and as employing on the average 3,000 persons. President Moses

C. Wetmore, in a typewritten statement, says in regard to the company: During the last five years, for which term I have been its President, it has made an average of over $900,000 annually, and the prospect for increased trade was never better than at the present time. On the day of transfer of the certificates of stock of the company there was on its books approximately 1,000,000 pounds of unfilled orders for tobacco. I received at the rate of $15,000,000 ($1,366 per $100) for my stock."

The report of the American Tobacco Company for the year ended December 31st, 1898, which was published at this time, showed net earnings over charges of $4,957,804. The company reported a surplus from all sources of $22,557,689, including that carried over from the previous year, and $11,700,000, this being the proceeds of the sale of the plug business to the Continental Company. The 100% stock dividend was, of course, afterwards deducted from this surplus. In submitting this report to the stockholders, the Treasurer of the company made the following statement:

"The company has issued and sold during the year $2,065,000 preferred stock, $3,100,000 common stock, making total amount issued $14,000,000 preferred stock and $21,000,000 common stock. The proceeds of the $2,065,000 preferred stock and $3,100,000 common stock were used to purchase the businesses of the Drummond Tobacco Co. and the Brown Tobacco Co., both of St. Louis, Mo., and to retire $182,000 eight per cent. preferred scrip issued in October, 1895, and the remainder was put in the company's treasury to be used in the prosecution of its general business. The company has sold to the Continental Tobacco Co. all assets, brands, real estate and good-will pertaining to its plug tobacco business situated in Louisville, Ky., and St. Louis, Mo., including the National Tobacco Works, of Louisville, Ky., purchased in 1891; the James G. Butler Tobacco Co., purchased in 1895; the Drummond Tobacco Co. and Brown Tobacco Co., purchased in 1898, all of St. Louis, Mo., receiving therefor preferred and common stock of Continental Tobacco Co. amounting to $30,274,200."

In listing $12,500,000 of additional common stock in May, 1899, the American Company stated that this amount was issued to acquire the entire capital stock of the Union Tobacco Company. The following facts were given regarding the Union Tobacco Company:

"Common stock, $12,000,000; preferred stock, $9,600,000. The Union Company has no bonded debt, and among its assets 'shall be $3,000,000 in cash and at least 157,273 shares of the capital stock out of the total issue of 160,000 shares of the par value of $25 per share, of Blackwell's Durham Tobacco Co., and all other assets, tools, machinery, tobacco, stocks in other companies owned by said Union Tobacco Co., on Feb. 21, 1899.' The Blackwell's Durham Tobacco Co. is a corporation organized under the laws of North Carolina, Jan. 11, 1887, to manufacture smoking tobaccos. Its authorized capital is $4,000,000; the company has no bonded debt, and has paid dividends on its capital stock at the rate of 6 per cent. per annum to Jan. 18, 1898, and 2 per cent. to the date of purchase by the said Union Tobacco Company."

Announcement was made on July 17th of this year that the American Company had acquired control of the Gradel & Strotz Tobacco Company of Chicago, one of the oldest tobacco concerns in that city. In the same month, the quarterly dividend of 1% on the American Tobacco common stock was increased to 1½%.

On July 15th, 1899, the subscribers to the Union Tobacco Syndicate, now dissolved, received for each $100 actually paid in by them, as a result of the sale to the American Tobacco Company, $170 par in American Tobacco common stock. The amount of American Tobacco stock thus sold and distributed was 91,800 shares of $50 each; equal at par to $4.590,000.

Parties identified with the American Tobacco Company purchased on August 3rd, 1899, the tobacco plant of August Beck & Co., Chicago. During this same month, the Continental Tobacco Company acquired the property of the Buchanan & Lyall Tobacco Company. A director of the last named company stated in relation to this sale:

"The deal has gone through. In some respects it is analogous to that by which the Union Tobacco Co. acquired the Liggett & Myers concern of St. Louis. William Buchanan was the sole owner of the old concern, and he dealt directly with James B. Duke, President of the Continental Tobacco Co. The details will remain, I expect, private for some time, if they are ever made public. The price, I assume, was in the neighborhood of the capital of the incorporation, $4,000,000."

"The Continental secures a very old and profitable business and plant, which of course in a measure helps along the American Tobacco Co. The deal annuls the plans of alliance with outside interests."

The *Commercial & Financial Chronicle* of October 7th, 1899, published the following official statement regarding the Continental Tobacco Company:

"Continental Tobacco Co. was incorporated Dec. 9, 1898, under the laws of New Jersey. Acquired by purchase the entire business and assets of the J. P. Sorg Co., Middletown, Ohio; Daniel Scotten Co., Detroit, Mich.; John Finzer & Bros. (incorporated), Louisville, Ky.; P. H. Mayo & Bro. (incorporated), Richmond, Va.; J. Wright Co., Richmond, Va.; Wright Bros. Tobacco Co., St. Louis, Mo.; Brown Tobacco Co., St. Louis, Mo.; Drummond Tobacco Co., St. Louis, Mo.; Liggett & Myers Tobacco Co., St. Louis, Mo.; Buchanan & Lyall, Brooklyn, N. Y.; and purchased the plug-chewing tobacco business of the American Tobacco Co. and the common stock of $3,000,000 of P. Lorillard Co., Jersey City, N. J.. Original capital, $75,000,000, divided equally into 7 per cent. non-cumulative preferred stock and common stock. April 21, 1899, the capital stock was increased to $100,000,000 by the addition of $12,500,000 preferred stock and $12,500,000 common stock. There is outstanding at present $48,844,600 (par value) of preferred stock, and $48,846,100 (par value) of common stock. Officers: James B. Duke, President; Charles E. Halliwell, First Vice-President; Frank H. Ray, Second Vice-President; Oren Scotten, Third Vice-President; H. D. Kingsbury, Treasurer; C. C. Dula, Secretary. On Aug. 31, 1899, declared a dividend of 1¾ per cent. on the preferred stock, payable Oct. 2. Fiscal year ends Nov. 30, 1899."

In February, 1900, Messrs. Baring, Magoun & Co. issued a circular regarding the purchase of the preferred stock of the P. Lorillard & Co. in the interest of the Continental Company,

"offering the preferred stockholders the right until April 1, 1900, to exchange their shares for 5-year 7 per cent. Continental Tobacco gold debentures at par. This offer is dependent upon its being accepted by two-thirds in interest of the preferred shareholders. The contract states that it shall not be binding until at least 13,400 shares shall have agreed to the exchange. An undertaking is to be executed under which the Continental Tobacco Co. agrees that should any mortgage or incumbrance be put upon the Lorillard property the debentures may be declared payable at a premium to equal a 5 per cent. investment to maturity. Baring, Magoun & Co. state that for business reasons, which seem to us sound, they have been anxious that the Continental Co. should acquire the $2,000,000 preferred in addition to the $3,000,000 (entire) common stock acquired last year."

In March, 1900, it was reported that the Trust would go into the snuff business, and that negotiations were on foot for the control and consolidation of the Atlantic Snuff Company and the Helme Snuff & Tobacco Works. The reports of the American and Continental Companies published at this time for the year 1899 showed a surplus for the American Company, above dividends, of $2,575,430, and for the Continental of $323,195.

Control of Rice & Vaughan, plug manufacturers of Louisville, Kentucky, was acquired by the Continental Company for cash in September, 1900.

On March 12th, 1900, the American Snuff Company was formed under New Jersey laws in the interest of the American and Continental Companies, to acquire control of about 95% of the snuff output of the United States. The capital stock of the Snuff Company consisted of $12,000,000 in preferred and $11,000,000 in common stock. The American Tobacco Company received in payment for its snuff business, preferred and common stock in the American Snuff Company amounting to $4,405,000.

The following official statement describing the American Snuff Company in full was afterwards submitted to the New York Stock

Exchange, where the shares had been placed on the unlisted department:

"This company, organized March 12, 1900, under the laws of New Jersey, with $12,500,000 each of authorized common and preferred stock, recently had its outstanding stock (viz., $12,000,000 6 per cent. non-cumulative preferred and $11,001,700 common stock) placed on the unlisted department of the New York Stock Exchange. An official statement to the Exchange furnishes the following data:

"(1) ENTIRE PLANT OWNED IN FEE SIMPLE.

"Atlantic Snuff Co., Philadelphia; George W. Helme Co., Helmetta, N. J.; Southern Snuff Co., Memphis, Tenn.; Bruton & Condon, Nashville, Tenn.; Stewart Ralph Snuff Co., Clarksville, Tenn.

"(2) ENTIRE SNUFF BUSINESS AND ASSETS PERTAINING THERETO OF ALLIED COMPANIES ACQUIRED IN FEE SIMPLE.

"American Tobacco Company's plant at Baltimore, Md., which is encumbered by a ground rental of less than one-half of 1 per cent. of its value, leased for 99 years at an annual rental charge of $945.

"Also same company's Swedish snuff business, formerly conducted at Chicago, Ill., since transferred to Helmetta, N. J.

"Continental Tobacco Company's plant at Changewater, N. J., known as the Bowers Snuff & Tobacco Co.

"P. Lorillard Company's, consisting of a factory in Jersey City, N. J.

"(3) ENTIRE CAPITAL STOCK OWNED.

"W. E. Garret & Sons, Inc., Philadelphia, $600,000.

"Stewart Ralph Snuff Co., Philadelphia, $750,000.

"Dental Snuff Co., Lynchburg, Va., $300,000.

"Helmetta Mercantile Co., Helmetta, N. J., $18,000.

"During the year ending Dec. 31, 1899, all the factories herein mentioned sold about 13,000,000 lbs. of snuff.

"BALANCE SHEET DEC. 31, 1900.

Assets—		Liabilities—	
Plant, patents, good-will, etc.	$[illegible]	Capital stock ($12,500,000, less $500,000 in treasury)	$12,000,000
Supplies, etc.	1,276,240		
Stock in other companies (book value):		Common ($12,500,000, authorized, less $1,498,300 in treasury)	11,001,700
W. E. Garret & Sons, Inc.	6,825,000		
Stew't Ralph Snuff Co.	*508,100	Reserved fund	62,650
Dental Snuff Co.	314,300	Accounts payable	30,801
Helmetta Merc. Co.	18,000	Total profit March 13 to Dec. 31	435,537
Cash	438,750		
Bills and acc'ts receivable	280,240		
Total assets	$23,530,689	Total liabilities	$23,530,689

"*The reason that the stock in the Stewart Ralph Snuff Co. is stated in the balance sheet to be only $508,100, while the capital of that company as shown is $750,000, is because the machinery and fixtures and all apparatus pertaining to the manufacture of goods at that factory have been moved to Clarksville, Tenn., and installed in the plant at that point, the real estate still remaining intact."

"(*Official Statement.*)

The certificate of incorporation states as follows the rights of the preferred stock:

"The holders of said preferred stock shall be entitled to receive in each year, out of the accumulated profits of the corporation, in excess of such sum, if any, as shall have been fixed and reserved as a working capital, a non-cumulative dividend of 6 per cent., payable quarterly, half-yearly, or yearly, as the directors may from time to time determine, before any dividend shall be set apart or paid on the general or common stock of the corporation. If the accumulated profits, in excess of the sum fixed and reserved as a working capital, shall not be sufficient to pay in any year a dividend of 6 per cent. on said preferred stock, then such dividend shall be paid thereon as such excess of accumulated profits will suffice to pay; but the dividend thereon shall not be cumulative, but shall be payable for each year only out of the accumulated profits in excess of the sum fixed and reserved as a working capital, and not out of the accumulated profits of any subsequent year or years. Upon dissolution of the corporation, or upon final distribution of its assets, and after the payment of its debts, the preferred stock shall be redeemed at par if the assets of the corporation, including surplus and accumulated profits, are sufficient. If the assets are not sufficient to redeem said stock at par, then all said assets or their proceeds shall be distributed ratably among the holders of such preferred stock. If the assets are more than sufficient to redeem the preferred stock at par, all remaining after such redemption shall be divided ratably among the holders of the general or common stock of the corporation. No mortgages or incumbrances of any kind shall be placed upon any of the property of this company as a prior lien to the preferred stock, without the assent of two-thirds in interest of each class of stockholders."

The American Cigar Company, with an authorized capital of $10,000,000, was incorporated January 11th, 1901, to carry on the manufacture of cigars for the Trust. It began business by taking over the plant of Powell, Smith & Co. of New York. The *Southern Tobacco Journal* said at this time:

"The formation of the American Cigar Company makes the Tobacco Trust complete, and it is now organized for the monopoly of tobacco manufacture in all its forms."

January 14th, 1901, another new corporation, called the International Cigar Machinery Company, was organized under New Jersey laws by the same interests. This company had acquired control of a number of important patents for the manufacture of cigars, and arranged to acquire other corporations in the same line of business. Capital authorized, $10,000,000.

It was announced on February 7th of this same year, that the American Cigar Company had absorbed the Hummel-Vogt Company of Louisville, Kentucky, and that negotiations were on foot for the control by the Trust of the Havana Commercial Company. The latter was a corporation formed in March, 1899, as a consolidation of a number of manufacturers of cigars and cigarettes in Havana, Cuba, including F. Garcia, Brother & Company, dealers in leaf tobacco. At the time of formation, the company was said to have had a capacity of over 100,000,000 cigars per annum. It was capitalized for $20,000,000, of which $7,500,000 was 7% cumulative preferred. No dividends had ever been paid, however.

On March 7th, 1901, announcement was made that the Continental Tobacco Company had purchased the Wellman-Duree Tobacco factory of St. Louis, Mo.

The report of the American Tobacco Company for the year 1900, issued about this time, showed net earnings over charges of $6,303,498, and a surplus above dividends of $4,308,094.

In April, 1901, the cheroot factory of P. Whittock, Richmond, Va., was purchased by the American Tobacco Company.

In the same month of this year the shareholders of both the American and Continental companies approved amendments to their certificates of incorporation, *permitting the directors of each, by a two-thirds vote, to guarantee the principal or interest, or both, of securities issued by allied companies.*

In May, 1901, the American Cigar Company secured control of the Havana-American Cigar Company, which was itself successor to the Havana-American Company. This company owned about ten large Havana cigar factories. The purchase was effected by an issue of $4,000,000 of 4% notes, these being guaranteed by the American and Continental Tobacco companies.

A new security-holding corporation, entitled the Consolidated Tobacco Company, was incorporated under New Jersey laws June 5th, 1901, with an authorized capital of $30,000,000. The entire capital was immediately paid in in cash, and the interests dominant in the control of the American and Continental companies acquired all of the stock. No shares were offered to the public. The new company thereupon offered to exchange an issue of 4% 50-year bonds for the common stock of the American and Continental companies on the following basis: For each $100, par value, of American Tobacco common, $200 in bonds; for each $100, par value, of Continental Tobacco common, $100 in bonds. The outstanding common stock of the American Company was $54,500,000, and that of the Continental Company $48,844,600. The exchange therefore involved in all, an issue of $157,844,600 of the new 4% bonds. On June 15th, it was announced that "the leading consideration in the organization of the Consolidated Tobacco Company is the importance of concentrating the control of the American and Continental companies so as to insure their harmonious operation. Each of the old concerns owns 35% of the stock of the American Cigar Company, and their amalgamation will prevent the latter company from passing to outside interests."

The officers and directors of the new company, as announced, were all men who were already identified with the Trust.

To facilitate the exchange of securities, a syndicate was formed which was managed by Messrs. Kuhn, Loeb & Company, and Thomas F. Ryan, and which agreed to provide $25,000,000 in cash. Stockholders in the American and Continental companies who were to receive more than $70,000,000 of the new bonds agreed, it was stated, not to sell them until the syndicate operations were completed. Nearly all the holders of the largest amounts announced their determination to keep the bonds for permanent investment.

The new mortgage of the Consolidated Company was filed in August, 1901, in favor of the Morton Trust Company, and was limited to $158,000,000. The bonds were to fall due August 1st, 1961, and to bear 4% interest. The mortgage deed covers all common stock of the American and Continental companies which was acquired under the plan of exchange, and which was to be deposited as collateral under this issue. The bonds were also to be secured as follows:

"Upon all the companies' own, present and future net income, earnings and profits, and upon all its right, title and interest in the net earnings and profits of the American and Continental companies. The Consolidated Company covenants not to mortgage its property without confirming this charge as a prior lien upon its net income, earnings and profits, and if either the American or Continental Company shall make a mortgage, the bonds of the Consolidated Company secured by the mortgage now filed shall be deemed in default."

Purchase of Foreign Properties.—The shareholders of Ogden's Limited, a Liverpool company, manufacturing cigarettes, voted yesterday to accept a proposition reported as coming from the American Tobacco Co., but believed to have been made on behalf of the Consolidated Tobacco Company, to purchase the entire £200,000 capital stock and all the £60,000 4½ per cent. debentures of the Ogden Company. The ordinary stock of £100,000 has been receiving dividends at the rate of 10 per cent. per annum; the preferred stock (also £100,000) receives 5½ per cent. per annum. The par value of single shares is £1; the ordinary shares were quoted about Sept. 1 at £1⅝ and the preferred at £1⅛. A press despatch says:

The Americans offer 25 shillings for the £1 preference shares, 50 for the ordinary shares and 111½ for debenture shares, stipulating that 75 per cent. of each class must be purchasable.

The "New York News Bureau" says:

It is understood that two officials of the Consolidated Tobacco Co. who have been abroad for some little time have been negotiating to secure control of the tobacco business in Great Britain. Also that negotiations to this end are pretty well advanced and that the proposition to the Ogdens Co. is only one step in the movement. Already large tobacco interests have been acquired in Australia, a large plant has been secured in Belfast, Ireland, and also valuable property in India. It is thought probable that the Consolidated Co. will issue bonds for the securities of all companies which it may absorb.*

Following the above announcement, a new corporation entitled the *British Tobacco Company* was registered in London on September 28th, 1901, to acquire, it was understood, the assets of Ogden's, Limited, and other English concerns. This was to be done in the interest of the American Trust, the Consolidated Tobacco Company.

Following this, on October 19th, another new corporation, the *Imperial Tobacco Company,* was formed by British tobacco manufacturers to fight the Trust.

The American Cigar Company, on November 1st, 1901, purchased the cigar factory of Brown Brothers Company of Detroit, Mich. Its capacity was reported as 40,000,000 cigars per annum.

On November 23rd, the American Tobacco Company acquired by outright purchase the entire properties and business of D. H. McAlpin & Company, who had for a long time been fighting the Trust, and was at this date the only large concern in the East which was still outside of the combination. The purchase price was not made public.

In December, 1901, a first dividend, amounting to 2%, was paid on the Continental Tobacco Company common stock. *About 99% of this stock had at this time been acquired by the Consolidated Tobacco Company.*

The Consolidated Tobacco Company purchased in November, 1901, the machinery and leaf tobacco plant of the Wetmore Tobacco Company, which was organized in 1899 as a competing concern, by Col. M. C. Wetmore, the former President of the Liggett & Meyers Tobacco Company, at the time the latter was sold to the Continental Company. The Wetmore Company had at this time discontinued business and dissolved. The Continental Company also acquired by purchase the plant of Wilston & McTallay Tobacco Company of Hamilton, Ohio.

*From *Commercial & Financial Chronicle.*

On December 28th, 1901, announcement was made that the Trust had completed the purchase of the Jasmatzi Cigarette Works of Dresden, Germany, and that it would shortly extend its field of operation into Russia. The Trust was also reported to have acquired interests in the plants of Kyriazi Brothers of Berlin, Germany.

The Universal Tobacco Company, an American corporation formed to fight the Trust, acquired control in London about February 1st, 1902, of the Henry Clay-Bock Company, a large Cuban tobacco concern. At about this same period, the Imperial Tobacco Company of Great Britain and Ireland, the new English concern with £15,000,000 ($75,000,000) capital,* which had been organized primarily to fight the American Trust, was attempting to unite and perfect the English tobacco interests, and was reported to have secured the co-operation of the Salmon & Gluckstein interests, which operated over 200 stores in London and on the Continent.

The old-established Cuban factory, known as H. D. Cabanas y Carbajai, was purchased by the Consolidated interests at this time, and in February, 1902, a New Jersey corporation of the same name was incorporated with an authorized capital of $2,500,000 to continue the business of the original company. During this same month, the American Snuff Company purchased the property of the Stewart Snuff Company of Clarksville, Tennessee.

Shortly after this it was announced that the Imperial Tobacco Company of Great Britain had acquired control of fourteen large concerns in London. These companies were stated to have shown annual profits, during the previous three years, after deducting all expenses, of £1,062,922.

In April of this year the Continental Tobacco Company increased its quarterly dividend on the common stock to 2½%, the benefit, of course, accruing to the Consolidated Tobacco Company, which had now acquired practically all the stock. The Continental Company's net earnings for the year 1901 were announced as $7,600,740, and surplus, above dividends, of $3,204,696. The American Tobacco Company reported net earnings for the same period of $6,647,114, and surplus, above dividends, of $6,384,317.

Bitter competition began in March, 1902, between the Imperial Tobacco Company and Ogden's, Limited, the latter being now controlled by the Consolidated Company (the American Trust), through the British Tobacco Company. The Ogden's company

*Afterwards increased to £20,250,000.

telegraphed to 7,000 retailers *that it would give its entire profit of $1,000,000 a year in cash for the next four years to its customers, if they would purchase its goods.* This offer was made to counteract an offer of the Imperial Company, sent out a few days before, *wherein the latter agreed to give large bonuses to those customers who would undertake not to sell American goods for a term of years.* A large London retail house, at this time, issued a notice stating that inasmuch as the Imperial Tobacco Company was now really competing with the retailers, it would not sell the Imperial Company's goods in the future.

While this fight was going on in England, the American Cigar Company purchased the cigar factory of Roth, Bruner & Feist, Cincinnati, Ohio, and the American Tobacco Company increased its quarterly dividend on the common stock to 2½%. The actual offer of the Ogden's, Limited, to the retail dealers in Great Britain, as given in the *Commercial & Financial Chronicle,* was as follows:

"Commencing April 2, 1902, we will for the next four years distribute to such of our customers in the United Kingdom as purchase direct from us our entire net profits on the goods sold by us in the United Kingdom. In addition to the above, we will, commencing April 2, 1902, for the next four years distribute to such of our consumers in the United Kingdom as purchase direct from us the sum of £200,000 per year. The distribution of net profits will be made as soon after April 2, 1903, and annually thereafter, as the accounts can be audited and will be in proportion to the purchases made during the year. The distribution of the £200,000 per year will be made every three months, the first distribution to take place as soon after July 2, 1902, as accounts can be audited, and will be in proportion to the purchases during the three months' period. To participate in this offer, we do not ask you to boycott the goods of any other manufacturer."

Commenting on above, the *Chronicle* stated: "If, then, as claimed, the net profits of the Ogdens' Company's branch, are £40,-000 per annum, its total yearly distribution, by way of bonus, would be £240,000. The Imperial Tobacco Co., on the other hand, offers one-fifth of its certified net business, namely, it is said, about £150,-000 out of £750,000."

In the latter part of May, 1902, formal announcement was made that the Trust had now acquired control of the Havana Commercial Company, and also the Henry Clay-Bock Company. While negotiations had some time previously been started for the control of the Havana Commercial, it was thought that these had fallen through, and it was believed that the recently formed competitor of the Trust, known as the Universal Tobacco Company, had acquired control of both the Havana Commercial and Henry Clay-Bock Companies. As a matter of fact, the Universal Tobacco Company *did* secure options on these companies, but the final outcome was that they were both turned over to the Consolidated Tobacco Company. The details regarding this matter were at the time announced as follows:

"Arrangements have been made for the control of the Havana Commercial Co. of New Jersey and the concern known as 'Henry Clay and Bock & Co.' of London and Havana, both of which companies it was recently believed were held in the interest of the Universal Tobacco Co. A new corporation, the 'Havana Company,' organized in New Jersey with $35,000,000 capital stock and $10,000,000 bonds, will acquire not less than two-thirds of the $16,600,000 capital stock of the Havana Commercial Co. (see that company), all the outstanding shares of H. de Cabanas y Carbajal, a New Jersey corporation, and it is understood the controlling interest in the Clay-Bock Company—see 'Havana Company' below for further particulars.

"The facts regarding the purchase of the ordinary shares of the Clay-Bock Company, 65 per cent. of whose total stock is now said to be controlled, are as follows:

"In April last Geo. Pierce Butler, representing the syndicate 'having control of the Havana Commercial Co.,' purchased at £17 per £10 share 90 per cent. of the £160,000 ordinary stock of 'Henry Clay and Bock & Co.' on condition that the purchasers, as owners of such ordinary shares shall not within ten years attempt to wind up either the Clay-Bock Company or the Havana Cigar & Tobacco Factories, Limited; or if they do that the 8 per cent. preferred stock (£170,000) and the first mortgage debenture 6s (£170,000) of the former company and the 7 p. c. preferred stock (£270,000 and the 5½ p. c. debentures (£260,000) of 'the latter company shall be bought up at their fair market value' (see London *Financial News* of April 22). The Clay-Bock Company was organized in 1888 and acquired the tobacco and cigar business of the firms of Alvarez and Gonzalez and of Bock & Co.; it also undertook to carry on for 50 years the business of the Havana Cigar & Tobacco Factories, Limited, guaranteeing a net annual profit of £33,200, available for payment of interest on the latter's debentures and preferred shares.

"The intention expressed by the purchasers at the time of the sale was to reorganize the Havana Commercial Co. under another name with large working capital and to place it with the other companies under the control of Mr. Bock, thus bringing the 'practical control of the Havana cigar trade' under one management."*

Control of these Cuban interests having been acquired, the Havana Commercial Company was merged into a new company, the Havana Tobacco Company, under the following plan:

"'Havana Tobacco Co.' will be organized with the following capitalization: $10,000,000 20-year 5 per cent. gold bonds, of which $2,500,000 shall be in the treasury unissued; $5,000,000 5 per cent. non-cumulative preferred stock, and $30,000,000 common stock. The Havana Tobacco Co. is to acquire

**Commercial & Financial Chronicle.*

all the outstanding shares of H. de Cabanas y Carbajal, a New Jersey corporation, and is to issue $6,640,000 of common and $3,600,000 of preferred shares in exchange for the stock of the Havana Commercial Co., as follows:

Each $100 *of*	*Will be exchanged for* *New Common.*	*New pref.*
Havana Commercial common ($10,600,000)........	$40	....
" " preferred ($6,000,000)	40	$600

The new company was incorporated in New Jersey with $35,000,000 authorized capital stock, of which $5,000,000 to be 5 per cent. non-cumulative preferred, as per plan above. The new company will make an issue of $10,000,000 20-year 5 per cent. gold bonds, of which $2,500,000 will remain in the treasury.

H. B. Hollins & Co., the bankers, said:

"The Havana Tobacco Co., organized to-day, has acquired the Havana Commercial Co., the Henry Clay and Bock & Co. and the Cabanas Company. This company has been organized and is controlled by the American and Continental Tobacco interests. Among the directors who will be elected are: James B. Duke, John B. Cobb, Oliver H. Payne, Thomas F. Ryan, Anthony N. Brady, Grant B. Schley, P. A. B. Widener, Frank H. Ray, R. A. C. Smith, H. B. Hollins, R. R. Govin, John C. Tomlinson and other gentlemen, some representing strong financial institutions, and others prominent in the tobacco and cigar industry, whose names will be announced later."

The fierce competition with the Imperial Tobacco Company of Great Britain continued, and in August, 1902, the English company announced the purchase of an American headquarters in Richmond, Virginia, where they proposed to erect a large factory and enter into direct competition with the American Trust. A few months previous to this, the Imperial Company entered into an agreement to purchase the business of Mardon, Son & Hall, Ltd., of Bristol, and were planning for the acquisition of other large undertakings. At the end of the Imperial Tobacco Company's fiscal year, October 31st, 1902, the following official announcement was made regarding the progress of the company:

"In addition to the purchases mentioned in the prospectus and the acquisition of Ogden's business, the following other businesses have been acquired: Messrs. Mardon, Son & Hall, of Bristol; Faulkner, of London; Davies & Williams, of Chester, and Churchman, of Ipswich. Since the close of the financial year the capital has been increased from £15,000,000 [£5,000,000 of each class] to £18,000,000 by the creation of £1,000,000 preference, £1,000,000 preferred ordinary and £1,000,000 deferred ordinary shares. The directors have also taken steps to increase the debenture stock by the addition of £750,000, bringing the total authorized amount up to £2,250,000, and making the total authorized share and loan capital £20,250,000."

In the meanwhile, negotiations were on foot to arrive at an understanding and bring about harmonious relations between the Imperial interests and the American Trust. This was finally accomplished, and as a result, the business of Ogden's, Ltd., was transferred to the Imperial Tobacco Company, and a joint company was formed, entitled the British-American Tobacco Company, Ltd., the capital stock of which was $30,000,000. Mr. James B. Duke was made the president of the new corporation.

Mr. Thomas F. Ryan, who conducted the negotiations for this large consolidation in England, announced at this time that "the Consolidated Tobacco Company will now pursue its business in the American field, including not only the United States, but Cuba, Porto Rico, the Hawaiian Islands, and the Philippines. The Imperal Company will carry on the business in the United Kingdom of Great Britain and Ireland, including Scotland and Wales. In the new British-American Tobacco Company, Ltd., the Imperial Company has one-third of the stock, and the Consolidated Tobacco Company two-thirds. The British-American Tobacco Company will carry on the entire business in all foreign countries, including India, Canada and Australia."

It was reported from the City of Mexico on October 1st, 1902, that the Tobacco Trust had bought for the sum of $9,000,000 three of the largest tobacco factories in Mexico.

In December, 1902, the independent retail tobacco dealers in the leading cities of the United States organized for mutual protection against what they believed to be an attempt of the Consolidated Company to control the retail tobacco business. To counteract this, a concern called the United Cigar Stores Company, which was incorporated in New Jersey with $2,000,000 capital stock, began opening stores in the leading cities. The United Cigar Stores Company really represented the Trust, although this was unofficially denied. Competition was very keen between the Independent Cigar Stores Company and this company, up to September, 1903, but during the latter month a settlement was reached, and all competition has now ended.

On January 3rd, 1903, a cash dividend of 20% was paid to the stockholders of the Consolidated Tobacco Company out of the profits for the year 1902. The report of the Consolidated Company showed net earnings for the year of $13,291,460, and surplus, after payment of interest on the 4% bonds, of $6,915,206. The 20% dividend required $16,000,000. Immediately after this, the capital of the Consolidated Company was increased to $40,000,000, the new shares being sold to the stockholders at par.

The Harry Weissinger Tobacco Company of Louisville, Ky., was about this time purchased by the Continental Tobacco Company.

The American Tobacco Company report for the year 1902 showed net earnings over charges of $7,450,576, and that of the Continental Company of $11,776,934. During the year 1902, the American Company paid 11% on its common stock, and the Continental Tobacco Company 10%.

The American Stogie Company, which was incorporated in February, 1903, completed its organization in July. Its stock consists of $11,976,000, of which $976,000 is preferred. It was formed in the interest of the Consolidated Company and its sub-companies. The new company will do the entire stogie and toby manufacturing business of the Trust. It has also bought the entire bond issue ($1,500,000) and a large majority of the stock issue of $3,875,000 of the U. S. Cigar Company. The latter corporation owns many plants and has an output of about 280,000,000 stogies per year. The Trust, it is said, will now have an output of 700,000,000 stogies per year.

In June, 1903, a decision was handed down in the London courts which found that Ogden's, Ltd., was not relieved, when it sold its business to the Imperial Tobacco Company, from the agreement to distribute to the retailers $1,000,000 annually for four years by way of bonuses. The decision was in a test case, and litigation on the subject continues.

A recent acquisition of the Trust is that of N. F. Dortch & Sons Company of Louisville, Ky. The capacity of this plant is reported as nearly 500,000,000 pounds of tobacco per year. Negotiations were also under way a few months ago, for an alliance with the Louisville Tobacco Warehouse Company, one of the few important concerns in the country now outside of the Trust. The large rehandling tobacco plant of W. S. Matthews & Sons of Louisville, Ky., was purchased for about $2,000,000 a little earlier in the year. The British-American Tobacco Company, which has charge of the export business of the Trust, were the *actual* purchasers of the Matthews plant, and also the plant of T. C. Williams Company of Richmond, Va. These companies, however, are as closely allied with the Trust as any, the British-American Tobacco Company simply acting as intermediary in the transaction.

The German business of the Trust for the first year was referred to in July last as follows:

"The past year's trading of the Jasmatzi Company of Dresden, which is controlled by the American company, shows an increase in the company's inland sales of cigarettes to the extent of 57 per cent. and in the exports by 715 per cent., and a considerable advance was also noticed in the turnover of tobacco; but after providing for the expense of advertising and propaganda, reserve and depreciation, the year shows net profits amounting to only £1,390, which does not allow of the payment of a dividend. It is expected that the daily output of cigarettes will be increased to over 3,000,000 on the completion next month of the constructional alterations at the factory."

The acquisition of the Harry Weissenger Tobacco Company, through an arrangement with the Universal Tobacco Company, created a good deal of discussion, and early in the present year a member of the syndicate which carried through the deal made the following statement:

"The Universal Company did not pay for the Weissinger Company. This syndicate did pay for it and take up the stock. The Universal Company was released from all obligations to the Weissinger Company and Mr. Tilford and Mr. Wilson retired from the directorate of the Universal Company on account of personal differences with Mr. Butler.

"As regards the sale of the Bock Company to the Havana Commercial Co. (controlled by the Consolidated Tobacco Co. interests), the facts are these: The Bock Company was owned by a syndicate including Mr. Tilford, Mr. Govin of H. B. Hollins & Co., Mr. Wilson and Mr. Butler. Mr. Tilford and Mr. Govin were the syndicate managers, with full power to act. When Mr. Butler insisted on bringing into the syndicate Bourke Cockran and Camille Weidenfeld, who were back of Mr. Butler, Mr. Tilford and Mr. Govin decided that in order to save litigation they had better sell the Bock Company at once. They sold it to the Havana Commercial Company at a good profit, turning over to Mr. Butler his share of the profit. As may be imagined, relations between Mr. Tilford and Mr. Wilson on the one side and Mr. Butler on the other have since been hardly cordial."

Since that time, an extensive airing has been given to the Universal Tobacco management in general, in the New Jersey courts, where litigation is still going on.

III. ANALYSIS:

The development of the Tobacco Trust from a modest consolidation in 1890, of Eastern tobacco and cigarette manufacturers, to a world-combination of every form of tobacco production and distribution, is a phenomenon of most absorbing interest. To-day, the tobacco combine makes its influence felt in every clime, and dominates the tobacco industry in all its branches on both sides of the Atlantic. It grows the raw tobacco, transports it, converts it into its various uses in the shape of cigars, cigarettes, chewing tobacco, snuff and so forth, and distributes it to the four quarters of the globe.

The element of monopoly is comparatively light in the Tobacco Trust, and its stability and success up to the present time have been due quite largely to the fact that its promoters have from the beginning recognized this lack of a strong monopoly element and have seen that they would inevitably be forced to do one of two things: either to progressively absorb all competition as rapidly as it might spring up, until they finally controlled the tobacco production of the world, or else succumb to open competition from all comers, and operate entirely on the basis of low-cost production, and non-inflated capitalization.

The latter course, however, while more conservative, was the least inviting, particularly as the combine had started with a watered capitalization; and therefore the resolve was doubtless made early in the history of the Trust to progressively reach out and control the entire industry, buying in competitors as rapidly as they might spring up and become formidable. That this policy, so bold and venturesome, has, up to the present day, succeeded so well, is a living testimonial to the genius of the remarkable group of men who stand at the head of this wonderful aggregation of consolidated industry. The Tobacco Trust to-day stands out as a shining example of the adherence to an ambitious, bold, aggressive policy in modern finance, which, up to the present time, appears to have reaped marked success. Like the Copper Trust, it began its work with no monopoly, but with the hope of gradually acquiring one; but unlike the ill-fated Copper combine, it has never yet "fallen down" in its program. By steady, progressive steps, now covering a period of fourteen years, it has gradually taken unto itself all that is important or profitable in the tobacco and its allied industries.

At the beginning, in 1890, the Trust controlled only 8 plants, and its capitalization was but $25,000,000. At the present writing it has acquired, in all, more than 150 different plants, and the outstanding capitalization of the various corporations which comprise the Trust is in excess of $500,000,000.

Number of plants acquired .... about 150
Proportion of industry controlled (American) 90%;
(foreign) ....40% to 60%
Element of monopoly: Moderate.
Total capitalization of parent and allied companies afloat:
Par value, $502,000,000; market value, (about) $470,000,000

GROWTH OF THE "TOBACCO TRUST."

The accompanying chart indicates the growth of capitalization during the 14 years existence of the Tobacco combination. Starting in 1890 with a capital of only $25,000,000 and operating within a limited territory and as producers of cigarettes only, it has steadily expanded in both scope and capitalization, until to-day its business embraces all lines of tobacco production and distribution, and its operations extend throughout the entire civilized world. The total issued and floating capitalization of the parent and subsidiary companies now exceeds $500,000,000.

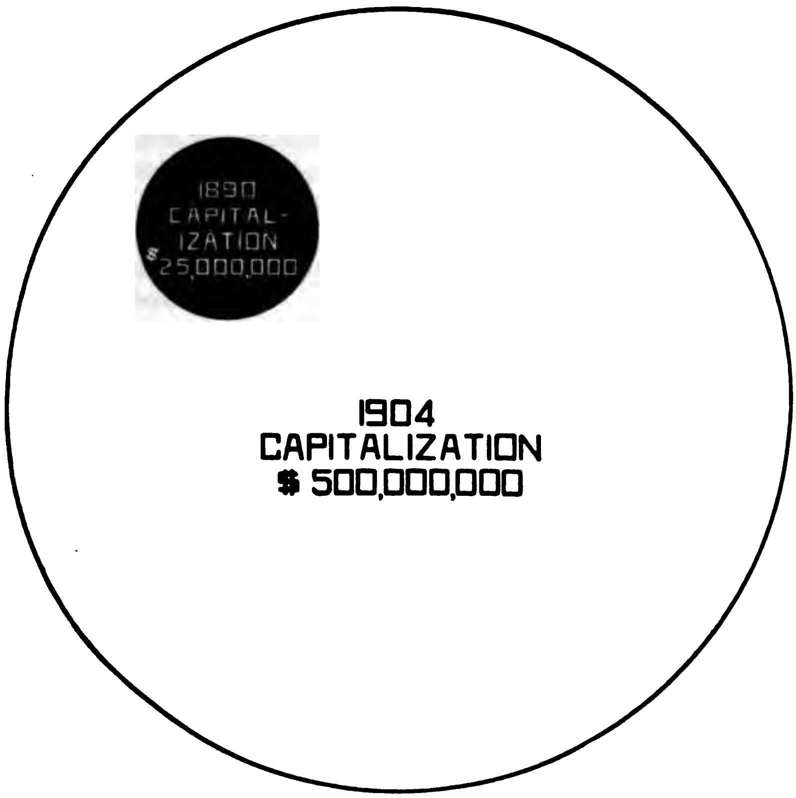


CHART No. IV.

INTERNATIONAL MERCANTILE MARINE COMPANY.

"The Shipping Trust."

(Morgan domination.)

I. *DESCRIPTION:* Incorporated under New Jersey laws in October, 1902, as a consolidation of the following lines of steamships operating between the United States and Europe:

White Star Line.	American Line.
Red Star Line.	Leyland Line.
Atlantic Transport Line.	Dominion Line.

The American and Red Star lines were previously operated by the International Navigation Co. The Atlantic Transport Line had previously been acquired in the interest of J. P. Morgan & Company from its former owners, who were chiefly Baltimore people. The other lines had been operating independently for a number of years, but the Leland Line had also been recently acquired by the Morgan interests.

The authorized capital stock of the consolidation was $60,000,000 6% cumulative preferred and $60,000,000 common stock. Par, $100. Outstanding, $54,600,000 preferred and $48,000,000 common. The dividends on the common are not to exceed 10% per annum as long as any of the bonds of the company are outstanding.

The bonded debt consists of $52,000,000 collateral trust 4½% debentures, due October 1, 1922. Interest payable April and October. Sinking fund, $250,000 per annum, increasing to $500,000 on May 1, 1905. The authorized issue of these bonds is limited to $75,000,000. They are subject to call at the option of the company on October 1st, 1907, or any interest date thereafter, at 105 and interest. In addition, there are outstanding $13,686,000 5% bonds of International Navigation Co., and $2,500,000 of F. Leyland Co.

Officers: Clement A. Griscom, President; Clinton E. Dawkins, Vice-President in Great Britain; Philip A. S. Franklin, Vice-President in America; James S. Swartz, Treasurer; James F. Fahnestock, Jr., Assistant Treasurer; Emerson E. Parvin, Secretary; James J. Hope, Assistant Secretary; Francis Lynde Stetson, General Counsel. Directors: C. A. Griscom, P. A. B. Widener, B. M. Baker, John I. Waterbury, E. J. Berwind, George W. Perkins, James H. Hyde, Charles Steele, Clinton E. Dawkins, W. J. Pirie, Henry Wilding, Charles F. Torrey, J. Bruce Ismay.

New York office, 71 Broadway.

II. *HISTORY.*

The International Mercantile Marine Company, commonly known as "The Shipping Trust," was incorporated in October, 1902, as the result of a plan which was formulated several months before by Messrs. J. P. Morgan & Company to consolidate the various steamship lines running between the United States and Europe. The original intention was to absorb all lines if possible, including the Cunard Steamship Company. This comprehensive scheme did not materialize, and the plan which finally was adopted embraced only the following six lines:

White Star Line.	American Line.
Red Star Line.	Leyland Line.
Atlantic Transport Line.	Dominion Line.

In February, 1902, an agreement had been entered into by J. P. Morgan with representatives of the various steamship companies, and also the firm of English shipbuilders of Belfast, the Harland & Wolf Shipbuilding Company. This agreement was embraced in an article published in the New York *Journal of Commerce & Commercial Bulletin,* on May 19, 1902, and which outlined the entire plan of amalgamation as then proposed. This was as follows:

Capitalization.

The new company is to have $120,000,000 capital stock, of which $60,000,000 preferred stock, 6 p. c. cumulative, and $60,000,000 common stock, limited to dividends of 10 per cent. per annum so long as there shall be outstanding any of the debentures, and $50,000,000 of collateral trust debentures, bearing interest at the rate of 4½ per cent. per annum, payable semi-annually, the principal to be payable in twenty years, with the right to the corporation at any time after five years to redeem the same at 105.

Properties to Be Acquired.

(*a*) All shares, namely, 750 shares of £1,000 each of the Oceanic Steam Navigation Co., together with new vessels building for the company, and all rights in the "White Star Line" name, etc.; also the business, etc., of Ismay, Imrie & Co., excluding certain properties and rights reserved.

(*b*) All the shares of the Dominion Line (the British & North Atlantic Steam Navigation Co. and the Mississippi & Dominion SS. Co.), including all new vessels building, name and good-will; also the business, etc., of Richards, Mills & Co., agents of the line, except certain properties and rights specified.

(*c*) The capital stock, properties and assets of the International Navigation Co. (American and Red Star lines), including new vessels building.

(*d*) The capital stock and property of the Atlantic Transport Co., including new vessels building.

(*e*) 118,463 ordinary shares and 58,703 preference shares of Frederick Leyland & Co. [viz., £1,184,630, being all of the common stock, also £587,030 of the £1,402,030 preferred stock, but none of the £500,000 of 4 p. c. debentures].

The corporation may decline to take any one of the properties of which less than three-fourths shall be delivered on or before Dec. 20, 1902. The White Star Line and the Dominion Line are to be taken over as of Jan. 1, 1901, with interest on the purchase prices at 5 per cent. to the date of payment.

Valuations Placed on the Several Properties.

(*a*) The shares of the White Star Line are to be valued on a basis of capitalizing the net profits for 1900 at 10 per cent. (after deducting from profits an amount for depreciation equal to 6 per cent. on book value of steamers and other items); and the same method is to be adopted with regard to the firm of Ismay, Imrie & Co. Sums paid on or before Dec. 31, 1900, on vessels building are to be repaid.

(*b*) The Dominion Line stock is to be valued on substantially the same basis as the White Star Line, and so also is the business of Richards, Mills & Co.

(*c*) The aggregate valuation of the American Line and Atlantic Transport Line shall be $34,158,000, subject to $19,686,000 5 per cent. bonds of the American Line.

(*d*) The valuation of the Leyland Line shares shall be $11,736,000, there being left outstanding £815,000 5 per cent. preference shares and £500,000 4 per cent. debentures not included in the purchase.

Method of Payment.

(*a*) For the total valuation of the White Star, the business of Ismay, Imrie & Co., and the Dominion Line, with the business of Richards, Mills & Co., determined in each case as aforesaid (exclusive of new tonnage and except as otherwise provided in collateral agreements), payment is to be made of 25 per cent. in cash, 75 per cent. in preferred stock, and 37½ per cent. in common stock of the new company.

(*b*) For the American Line and the Atlantic Transport there are to be paid $18,314,000 preferred stock, and $9,157,000 common stock, and for the new tonnage and indebtedness, $15,844,000 cash.

(*c*) For the stock of the Leyland Line there is to be paid $11,736,000 cash, with interest at not exceeding 6 per cent.

Sale to Syndicate—Working Capital.

(*a*) The remainder of the stock of the new company and its collateral trust bonds are to be sold to a syndicate for $50,000,000 cash, except that there are to be contributed to the corporation as working capital $786,000 preferred stock and $6,643,000 common stock, the syndicate receiving for the $50,000,000 cash and in full payment for its services the said $50,000,000 debentures and $2,500,000 of preferred stock and $25,000,000 common stock.

BUILDERS' AGREEMENT.

All orders for new vessels and for heavy repairs, requiring to be done at a shipyard of the United Kingdom, are to be given to Harland & Wolff, but "nothing herein contained shall prevent the purchasers from placing orders for new steamers and repairs at shipyards in the United States." In return Harland & Wolff agree not to build ships for any person not in the combination, except the Hamburg-American Company, so long as orders from the combination keep the builders' works busy. Harland & Wolff are to be paid the cost of the work plus 5 per cent. on new ships, 10 per cent. on new machinery in old vessels, and 15 per cent. on repairs. This agreement runs for ten years and is terminable thereafter only on five years' notice from either side.

As the plan for merging the Cunard Line with the others did not succeed, the English owners of the former company began to take measures for protecting their own interests against the Morgan combine. In June, 1902, the Cunard steamship stockholders were notified that negotiations were in progress with a view to forming a combine against the Morgan syndicate, which would control the Cunard Steamship Company, the Elder, Dempster & Company's lines, and the Union-Castle Mail Steamship Company, Ltd., and possibly other companies.

Shortly after this, and in the same month, it was announced that the Morgan Syndicate had entered into an agreement with the German lines, including the Hamburg-American Company, and the North German Lloyd Steamship Company. This agreement was published in the *Journal of Commerce*, and the following condensation printed in the *Commercial & Financial Chronicle* of June 14th, 1902:

1. The syndicate is forbidden to acquire shares in the German companies, either directly or indirectly, and vice versa.

2. To enable each of the contracting parties to have a direct interest in the business of the other, the two German companies undertake to pay over annually to the syndicate a portion of their dividends which would correspond to the ownership of at least 20,000,000 marks (£1,000,000) in shares. This arrangement was made at a time when the capital of each of the two companies in shares amounted to 80,000,000 marks (£4,000,000). In the event of an increase in the capital such as has since taken place, the syndicate has the right to raise the amount on which its quota of the dividend is reckoned to 25 p. c. of the share capital. Per contra, the syndicate undertakes to pay the two German companies from its own funds an interest of 6 p. c. upon the same amount—that is to say, upon at least 20,000,000 marks.

3. To secure advantageous co-operation a committee consisting of two representatives of the syndicate and two representatives of the German companies, is to be appointed.

4. The contracting parties undertake to support one another against outside competition.

5. The right to supply each other's temporary needs for chartered vessels is reserved to the contracting parties on certain conditions.

6. The syndicate undertakes not to send its vessels to a German port without the consent of the two German companies. On the other hand, the German companies undertake to observe certain restrictions in respect to British ports. These obligations do not, however, prevent—(a) the maintenance of connections already established; (b) the future inclusion of British ports for any connections to places to which the syndicate itself has not liners running from England; (c) the future adoption of British ports for the lines of the German companies to South America, Mexico or the West Indies, even if the syndicate buys lines to those places from England.

7. The syndicate undertakes not to let more than two of its vessels per week touch on the outward or homeward voyage at any French port. Reciprocally, the German lines undertake not to call at Belgian ports with their vessels that ply to and from North America; and they promise that neither of them shall let their vessels plying to and from North America call at English ports more than 75 times in the year on the outward and 75 times on the homeward voyage—that is to say, not more than 300 times in all. If the German companies increase their sailings from French ports, as they are at all times at liberty to do, the syndicate is likewise entitled to make a proportionate increase in its sailings.

8. The establishment of new steamship lines, or the extension of an existing connection when considerable enough to represent the doubling of the number of sailings (Expeditionen), shall, before being carried into effect, form the subject of deliberation by the committee mentioned in Clause 3. And in case of such extensions each party to this agreement is bound to offer the other the option of participation to the extent of a third of the enterprise, on the following basis: The participating party shall pay the party which undertakes the enterprise, interest at the rate of 5 p. c. on the third part of the capital required for the extension; and in return it shall participate to the extent of one-third in the profit or loss derived from the extension.

9. The North Atlantic saloon-passenger traffic will be regulated by a separate agreement, having in view a pool, and the pool arrangements regarding third-class passengers will remain in force.

10. Similar arrangements with reference to freights are not for the present contemplated beyond existing agreements.

11. Differences which the joint committee are unable to settle shall be referred to a commission chosen by both parties, or to an impartial court of arbitration.

12. The agreement is to cease during any war between Germany, the United States and England, or any two of them.

13. The agreement is for a period of twenty years; but each party shall have the option of proposing a revision at the end of ten years, and of withdrawing at the end of the ensuing year if the revision cannot be effected in a satisfactory manner.

14. The Hamburg-American Line—without prejudice to the provisions of Clause 8—shall have exclusively the traffic between New York and East Asia and between New York and the West Indies.

About the same time the Royal Mail Steamship Company issued a circular to its stockholders, stating that preliminary negotiations had been opened by which this company's operations would be greatly developed by association with the other British lines which were planning to consolidate in opposition to the Morgan combine.

In August it was announced that a Canadian line was being planned which would be backed by the Canadian Pacific Railway Company, and would operate in competition with the Morgan combine.

October 4th, 1902, the actual organization of the International Mercantile Marine Company was announced, and the capitalization which was to be authorized was as stated above, $120,000,000 in stock and $75,000,000 in bonds. It was stated at the same time that the new combine had entered into a strong alliance with the Harland & Wolf Shipbuilding Company of Belfast, which itself, had acquired in the previous February, a large interest in the Holland-America Line, and it was reported that the latter company was practically a part of the combination, at least as far as rates were concerned.

At this time, the exact relations of the new company to the subsidiary corporations was not explained, except that the combine would include all of the various companies which had been acquired by the Morgan Syndicate. The relations of the new company to the English Government were fixed by a 20-year agreement, renewable by five years' notice from each party, and provided, among other things, as follows:

"The British vessels shall remain British, not merely nominally, but in reality. A majority of the directors of the English subsidiary companies shall be of British nationality, the vessels shall fly the British flag, their officers shall be British, and a reasonable portion of their crews shall be drawn from the same nation."

In the meanwhile, much agitation had been carried on in England, and particularly in the British Parliament, in reference to the effect of the new combination on English trade and on the independent English lines, such as the Cunard Steamship Company. As an outcome, the English Government at this time entered into an agreement with the Cunard Steamship Company to give the latter a subsidy of $750,000 annually, the company to build two new large steamers for the Atlantic trade. This agreement further provided "that it remain in force twenty years after the completion of the second steamer. The Government will lend the money for the construction of the two steamers, charging interest at the rate of 2¾% per annum, the loan to be repaid in annual installments, extending over twenty years. The company agrees that under no circumstances shall the management of the company be in the hands of any but British subjects, nor shall the shares of the company or its vessels be so held."

Up to this time no official announcement had been made of the prices paid by the combine for the various lines, but information came about November 1st, by way of London, that the purchase price of the White Star Line was $53,497,180, of which $15,736,180 was payable in cash, $25,174,000 in preference shares and $12,587,000 in common stock, the shareholders of the White Star Line thus receiving more than $50,000 in cash and securities for each $1,000 (par) share.

On December 1st, 1902, the Atlantic Transport Company stock, the total issue of which was $3,000,000, was exchanged for stock in the International Mercantile Marine Company on the basis of one $100 share of the Atlantic Transport Company for three shares ($300) of the preferred stock, and one share ($100) of the common stock of the new company, and $15 in cash. The cash payment represented an adjustment of the dividend which had been withheld by the Atlantic Transport Company, pending the merger, the last quarterly distribution of 2½% having been for the third quarter of 1901.

For the shares of the International Navigation Company, were given $9,314,000 preferred and $6,057,000 common stock. The International Navigation bonds were assumed.

The shares of the Leyland Line were turned into the combination for $11,780,000 in cash, this being the cost price to J. P. Morgan & Company.

In December, it was reported that the various exchanges of stock had been completed, and that after having acquired all the property, the new company had in its treasury about $10,000,000 of the common stock, and about $8,000,000 of the preferred. It was stated that a large part of the $50,000,000 in cash which was to be provided by the syndicate who underwrote the plan, would go to pay for new vessels, which were under construction for the constituent companies at the time the plan was accepted. It had previously been agreed that these vessels should be paid for by the new corporation.

From time to time the syndicate was called upon to make its payments, and up to the last of January, 1903, it had paid in 90% of the amount of underwriting, or $45,000,000. The remaining $5,000,000 was paid some months later.

In view of the steady fall in the prices of the securities almost immediately after the consolidation, a great deal of criticism was at once raised, and in the latter part of April, 1903, the banking house of Hambleton & Company, of Baltimore, made the following statement in their weekly circular with particular reference to the status of the Atlantic Transport property in the new consolidation:

"Taking the bonds at par, $66,186,000; the preferred stock at 35, $18,200,000; and the common at 12, $5,760,000, the total in round figures is $90,000,000. Taking the present tonnage, 1,100,000 (not including ships building), we have a ton valuation of about $83. This valuation is far below the actual cost of the fleet. To show how great a shrinkage in values has taken place, we may compare the prices of Atlantic Transport stock before the merger and under present conditions. Atlantic Transport (par $100 and capital $3,000,000) was selling at 275, and the company was paying 10 per cent. dividends. The holder of each 100 shares received 300 shares of International Mercantile Marine preferred and 100 shares of common. (The $1,500 in cash we do not include because it represented deferred dividends.) At present prices this is equivalent to 117 for Atlantic Transport, or less than $4,000,000 for the entire property, which probably could not be duplicated for double this amount, and which was taken into the combine on a capitalization of $12,000,000."

A week later Hambleton & Company issued another circular in which they commented on the condition of the consolidation as follows:

"It will be well for those who are selling International Mercantile preferred at 37 and common at 13 to reflect a little upon the figures showing the average of net earnings per annum for four years prior to the amalgamation of the several properties acquired.

White Star Line	$2,063,675
American Line, International Navigation Co.	1,116,000
Leyland Line	1,565,000
Dominion Steamship Company	628,000
Atlantic Transport Company	735,000
Total net earnings	$6,107,675

"For the purpose of paying for the properties the International Mercantile Marine Co. created $75,000,000 collateral trust debenture 4½% bonds, of which $50,000,000 have been issued; $60,000,000 6% stock, of which $52,000,000 have been issued, and $60,000,000 common stock, of which $48,000,000 have been issued. Deducting the new company's fixed charges of $3,034,300 from the total net earnings of $6,107,675, a surplus over fixed charges remains of $3,073,375."

The foregoing were practically the only figures which had up to this time been compiled and published showing the actual earning capacity of the combined properties.

In the meanwhile discussion was still going on regarding the relations of the Trust with the British Government, but on April 30th, 1903, it was announced that a satisfactory agreement had finally been arranged. The main points of this agreement were as follows:

"A majority of the directors of the British companies in the combination are to be of British nationality. Every ship now flying the British flag and half the ships hereafter to be built for the combination shall continue to be British ships and shall continue to fly the British flag; they shall be officered by British officers and manned in reasonable proportion by British crews. Further, in the event of the combination pursuing a policy hostile to the British mercantile marine, the British Government is empowered to terminate the agreement, which is for a period of twenty years, and renewable by five years' notice from each party to it."

In June, 1903, the Cunard Steamship Company, which had been a party to a passenger agreement between the various steamship companies, gave notice that it would withdraw from this agreement on July 2nd, owing to the fact that the White Star Line had changed its sailing days to Fridays. It had already receded from the freight agreement with the North Atlantic conference. It is well to say here, that these agreements were entered into with the understanding that they might be discontinued at pleasure.

About this time it was quite generally rumored that a plan was pending for a financial readjustment of the affairs of the new Trust, but this was emphatically denied, and it was stated that the combine had shown net earnings which were amply sufficient to cover the interest charge, notwithstanding the depressed condition of the ocean freight business.

In the latter part of July, the British Admiralty announced its intention to give notice on April 4th, 1904, of the withdrawal of all subsidies in 1905. This will have the effect of cutting off the sum paid annually to the White Star Line, for the right to use as armored cruisers, the Oceanic, Majestic and Teutonic. The annual loss to the company, it was reported, would amount to $40,000 or $50,000. It was stated that this withdrawal would not affect the Cunard Steamship Company, which would continue to receive at least a part of its annual subsidy of $140,000.

An excellent condensed statement of the condition of the Shipping Trust in the fall of 1903, was published in the *Wall Street Journal* of October 28, and is as follows:

"The International Mercantile Marine Company—the Morgan Ship Combination—is understood to have made an agreement with the United States Steel Corporation to handle its entire export trade for the year 1904.

"The Mercantile Marine Company is also said to have closed long term contracts with the Chicago packing houses for shipping live cattle and dressed meat for the export trade, all of which will greatly add to its net earnings and its volume of business.

"Officials of the Mercantile Marine Company say that when the board of directors sees proper to make public the report of the first year's operations, the company will take higher rank in the public valuation of its stocks and bonds.

"The total authorized capital issues of the company aggregate $217,500,000, of which there is now outstanding an approximate total of $170,786,000.

"The authorized and issued stocks and bonds of the combine may be summarized thus:

	Authorized.	Issued.
Common stock	$60,000,000	$48,000,000
Preferred stock	60,000,000	54,600,000
Int. Navig. Co. 1st m. 5s	20,000,000	13.686,000
Mercantile Marine deb. 4½s	75,000,000	52,000,000
F. Leyland 4% 1st deb. 4s	2,500,000	2,500,000
Total	$217,500,000	$170,786,000

"The total current market value of all the issues is approximately $83,326,000, showing a decrease or shrinkage of nearly $100,000,000.

"Estimates of the value of the 1,100,000 tonnage of the Mercantile Marine Company's fleets fix it at $38,276,000, and the same basis of computation gives the probable net earnings of the company, with the new and favorable contracts, at $10 per ton per annum, or $11,000,000 minus debenture and interest charges and depreciation funds of $6,150,000, which would leave after payment of all charges and dividends on the preferred, net earnings of $1,800,000, equivalent to 3% on the common stock.

"The dividend policy of the Mercantile Marine Company will not be determined until October, 1907, by the present voting trust, which means that Mr. Morgan will say when dividends shall begin to be paid on the 6% cumulative preferred stock.

"The fact that the syndicate underwriting the company's bonds will continue its operations practically throughout 1904 is assumed to mean that after December the syndicate will proceed to make a market for the issues. As announced later, the syndicate has been extended to March 1, 1905.

"It has $50,000,000 in cash in the underwriting, and it could not wind up its underwriting at this time without heavy loss."

III. *ANALYSIS.*

In the summer of 1902, shortly before the steamship combine had become an accomplished fact, the writer issued a small pamphlet which was quite generally circulated throughout the United States, under the title of "The Morganization of Industry." In that pamphlet, Mr. Morgan's large scope of mind as a general of finance, was pointed out in the following words:

"Mr. Morgan is essentially the inspirer, the creator and the dominator of current American industrial forces. He is unquestionably the boldest, the ablest and the most far-seeing of any of the modern 'generals of finance' who stand at the head of the modern movement for the consolidation idea in the production and distribution of wealth. This is easily proven by the fact that the enterprises in which his influence is paramount to-day are among the strongest and most ably planned of any of the great combinations or 'trusts.' Mr. Morgan is at the head of no industry which does not have some special element of security and strength, outside of mere ability in management. In other words, his corporations all have an element of positive advantage or strength which prevents them from ever becoming subject to the merciless competition of indiscriminate rivals. And it is herein that Mr. Morgan displays his real scope of mind. While many other less secure and more weakly planned combinations will sooner or later go to the wall, the Morgan properties all contain additional elements of strength which, in the worst of times, will add vastly to their security. For instance, the United States Steel Corporation owns and controls enormous sources of supply; its competitors, in many cases, do not. The 55,000 odd miles of railroad with which Mr. Morgan is identified, control rights of way, coal lands, terminals, competing lines, steamship connections and the like. Thus, in addition to their essentially able management, *they all stand on a broad and solid foundation of special advantage which would seem to make their future in many respects doubly secure.*"

The foregoing statement regarding Mr. Morgan's foresight was at the time entirely true, and may still be true. It probably is a fact that in forming the steamship combination Mr. Morgan was following out certain plans, which, if they could have been brought to fruition, would have given the combine that element of special strength and advantage which is so necessary for the successful carrying through of the trust idea when heavy capitalization is involved.

As events have turned, however, the full program was apparently not carried through, and it must be plain to even the most superficial observer to-day that the entire trouble with the Shipping Trust is its total lack of a monopoly advantage. It is subject to free and open competition from companies which are fully as well equipped, and in addition have important advantages themselves in the shape of government subsidies, not to mention their less weighty capitalizations.

In the short career of the steamship combine is found another vivid proof of the contention that the chief element of success under the Trust method is a broad and solid foundation of special advantage.

Number of lines acquired... 6
Proportion of Atlantic lines controlled................ about 40%
Element of monopoly: Practically none.
Total capitalization outstanding: Par value, $170,786,000;
market value ....about $70,000,000

Standard Oil Company.

"The Oil Trust."

(Rockefeller domination.)

I. *DESCRIPTION:* Incorporated under New Jersey laws June 16th, 1899, as a successor to the Standard Oil Trust. The Standard Oil Trust, which was composed of a large number of independent corporations allied together through a private trust agreement, was the successor, in 1882, of what had been known previous to that time as the Standard "alliance." The Standard "alliance" was the outcome of a union of different establishments in the oil industry about 1867, the most important of which were William Rockefeller & Company, Rockefeller & Andrews, Rockefeller & Company, S. F. Harkness, and H. M. Flagler. (For a full history of the development of this Trust, see pages 111 to 126.

Because of adverse litigation, the Standard Oil Trust, as formed in 1882, was practically dissolved in 1892, but the men who had been the former trustees still held a majority of the stock in all the different companies which made up the Trust, so that in effect there was no vital change in the status of the organization. The formation in 1899, of the Standard Oil Company of New Jersey, resulted in the practical consolidation into one corporation, of the twenty constituent companies which had formerly been controlled through the holding of certificates by the trustees. These twenty companies, which were taken into the new corporation at that time, were reported to be as follows:

	Appraised Value.	Capitalization.
Anglo-American Oil Co., Ltd.	$6,913,639.49	$5,000,000
Atlantic Refining Co.	8,631,376.67	5,000,000
Buckeye Pipe Line Co.	7,941,038.15	10,000,000
Eureka Pipe Line Co.	1,547,055.16	5,000,000
Forest Oil Co.	3,528,813.11	5,500,000
Indiana Pipe Line Co.	2,014,053.91	1,000,000
National Transit Co.	25,796,712.97	25,455,200
New York Transit Co.	4,999,300.00	5,000,000
Northern Pipe Line Co.	707,067.00	1,000,000
Northwestern Ohio Natural Gas Co.	1,396,760.00	3,278,500
Ohio Oil Co.	8,260,378.04	2,000,000
Solar Refining Co.	711,793.87	500,000
Southern Pipe Line Co.	3,279,918.28	5,000,000

South Penn Oil Co.	3,021,654.87	2,500,000
Standard Oil Co. of Indiana	1,038,518.61	1,000,000
Standard Oil Co. of Kentucky	3,604,800.78	1,000,000
Standard Oil Co. of New Jersey	14,983,943.30	10,000,000
*Standard Oil Co. of New York	16,772,186.29	7,000,000
Standard Oil Co. of Ohio	3,426,014.72	3,500,000
Union Tank Line Co.	3,057,187.41	3,500,000
Totals	$121,631,312.63	$102,233,700

Since 1899 the Standard Oil Company has acquired control of many other properties in addition to those which were absorbed at the time of the formation of the company in 1899 and which are tabulated above. Among these may be mentioned the East Ohio Gas Company, the Shawmut Oil Company, the Cumberland Pipe Line, the Pacific Coast Oil Company, the Peoples' Natural Gas Company of Pittsburgh, and others. It is also said to dominate the J. M. Guffey Oil interests. Its interests in oil fields extend throughout the entire country, and now cover all those of important value in California and Texas, as well as its original fields in Pennsylvania, Ohio, Kentucky, West Virginia, and so forth. At one time the Standard Oil combination absolutely controlled about 95% of the oil business of the United States. It now controls approximately 90% of the export trade, and about 84% of the domestic trade in oil. In addition, its interests in various by-products are enormous. It is opposed by one important combination, the Pure Oil Company, a corporation of $10,000,000 capital, which works in harmony with an independent seaboard pipe line, the United States Pipe Line Company (in which the Standard Oil Company has a minority interest) and by about 60 independent refineries, most of the latter being very small.

Because of its control of the pipe line situation, the Standard Oil Company has, in most cases, become independent of the railroads, and through its apparent control of the sources of supply, it has been able to greatly influence the course of prices of petroleum.

The authorized capital stock of the Standard Oil Company is $100,000,000 common stock and $10,000,000 5% non-cumulative preferred stock. Of the common, there is now outstanding and in the hands of stockholders, $97,500,000. The preferred stock was originally held in the treasury, and no announcement of its sale has ever been made. Par of shares, $100.

Dividends have been paid since the organization of the Trust in 1882 as follows (The figures given previous to 1898 are of course

*The capitalization of this company has recently been increased to $15,000,000.

somewhat uncertain, as there is nothing to show exactly what amount of capitalization these dividends were paid on prior to the formation of the present company, and it may be that additional profits were distributed in other ways. However, from 1899 to date, the dividends as paid have been on approximately $97,500,000 of outstanding capitalization.):

	Per cent.		Per cent.
1881	5½	1893	12
1883	6	1894	12
1884	6	1895	17
1885	10½	1896	31
1886	10	1897	33
1887	10	1898	30
1888	11½	1899	33
1889	12	1900	48
1890	12	1901	48
1891	12	1902	45
1892	12.21	1903	44

In addition to the above, a stock dividend of 20% was declared in 1897.

No statements of net earnings have ever been made public by the management of the Standard Oil Company, but the rate of dividends paid during recent years would indicate that the net profits have been exceedingly large. Thus, during the past four years, the Trust must have earned above every possible expense, including depreciation, reserve funds, accumulations for additional working capital, etc., not less than $50,000,000 net per annum, which is more than 50% on the amount of capital stock outstanding.

Officers: John D. Rockefeller, President; W. H. Tilford, Treasurer; Charles M. Pratt, Secretary. Directors: John D. Rockefeller, Wm. Rockefeller, John D. Archbold, Henry M. Flagler, Henry H. Rogers, Oliver H. Payne, C. W. Harkness, F. Q. Barstow, J. A. Moffett, Walter Jennings, E. T. Bedford.

Main office, 26 Broadway, New York City.

II. *HISTORY.*

In the year 1865, Mr. John D. Rockefeller began to refine petroleum in a small way at Cleveland, Ohio. At that time the oil industry was in its infancy, and prior to 1859, when the famous Drake oil well was discovered at Titusville, Pennsylvania, it had been necessary to distill coal into petroleum before refining petroleum into kerosene. Within a year, however, of Drake's success, many new wells had been sunk around Oil City and the Alleghany river.

For several years after this, the production of petroleum grew enormously, and the demand became so great by 1865 that the refineries at that time could not possibly handle the enormous amount of business that was thrust upon them. Mr. Rockefeller was one of the first to recognize the necessity of handling the business on a larger scale, in order to secure the various economies in refining which had not been acquired up to that time. Therefore, in 1867, he united into the firm of Rockefeller, Andrews & Flagler, the refineries of Wm. Rockefeller & Company, Rockefeller & Andrews, Rockefeller & Company, S. F. Harkness, and H. M. Flagler. The reason for this union, as given to the Industrial Commission in 1900 by Mr. J. D. Rockefeller, was as follows: "The cause leading to the combination was the desire to unite our skill and capital, in order to carry on a business of some magnitude and importance in place of the small business that each had separately heretofore carried on."

The business of this enlarged firm grew rapidly, and in 1870 they were succeeded by the Standard Oil Company of Ohio, with a capital stock of $1,000,000. At the time of its organization, the Standard Oil Company of Ohio was a larger concern than most of its competitors, and produced about 4% of all the oil refined. The capacity of the company at this time, and its relations to the industry in general, may be indicated by the following testimony furnished the Industrial Commission in 1900 by Lewis Emery, a prominent opponent of the Standard Oil Company:

"Mr. H. M. Flagler swore they had a capacity of 600 barrels per day of crude oil in their refinery, the production at that time (1870) being about 16,000 barrels a day. That would give them 4% of the refining business at that time. At that time, there existed in the oil country, spread from Louisville, Kentucky, to Portland, Maine, more than 250 refineries."

The progress of the Standard Oil Company, both in growth of business and in increasing control of the oil situation, was very great from 1870 to 1877, it having increased its proportion of the entire business of the country from 4% in 1870, to 95% in 1877. Its chief advantage during these years in gaining this enormous growth was apparently through its successful struggle for securing advantageous transportation rates. This enormous increase in its business all came before the organization of the seaboard pipe lines, and it was therefore, through the railway discriminations which it was able to obtain, that the company gained its greatest strength.

There was no uniform and permanent arrangement with the various lines to carry the Standard's output at special rates, beyond those which were obtained in the customary methods of those times, until 1871. It was then that the famous South Improvement Company was organized. This company was incorporated by an Act of the Pennsylvania Legislature on May 1, 1871. By its charter, the powers of the company included authority "to construct and operate any work or works, public or private, designed to include, increase, facilitate or develop trade, travel or the transportation of freight, live stock, passengers or any traffic by land or water, from or to any part of the United States." Of the 2,000 shares of this company 900 were owned by Messrs. J. D. Rockefeller, Wm. Rockefeller, J. A. Bostwick, O. H. Payne, and H. M. Flagler. The remainder were held by O. F. Waring, W. G. Warden, P. H. Watson, R. S. Waring, Charles Lockhart, John P. Logan, Wm. Frew and W. P. Logan.

On January 18, 1872, contracts were completed between the South Improvement Company, on the one hand, and the Pennsylvania, New York Central and Erie railroads, on the other. These contracts provided that the South Improvement Company should agree to ship 45% of all the oil transported by it over the Pennsylvania Railroad, and divide the remainder equally between the New York Central and Erie railroads; to furnish suitable tankage facilities for shipping petroleum and receiving it at its destination, and to keep records of the amount of petroleum and its products shipped over the railroads, both by itself and by other parties. The railroads agreed to allow the South Improvment Company rebates on all petroleum and its products carried by them, regardless of who the shipper might be, and to charge all other parties not less than full rates as specified in the contract. Also, to furnish to the South Improvement Company way-bills of all petroleum or its products transported over their lines, by any parties whatsoever, and also "at all times to co-operate as far as it legally may, with the party hereto of the first part, to maintain the business of the party hereto of the first part against loss or injury by competition, to the end that the party hereto of the first part may keep up a remunerative, and so a full and regular business, and to that end shall lower or raise the gross rates of transportation over its railroads and connections, as far as it legally may, for such times and to such extent as may be necessary to overcome such competition."

The foregoing contract went into effect February 27th, 1872, and at once created great criticism among the producers and shippers, and also strong popular disapproval. The producers at once placed a complete embargo on the sale of oil to the South Improvement

Company. Committees were hurriedly despatched to the railway officials, to Harrisburg, and to Washington, and on March 15th, a resolution was introduced in Congress to investigate the South Improvement Company. The agitation was so strong that on March 25th, the railroads publicly abrogated their contract with the South Improvement Company, and announced that "all arrangements for the transportation of oil after this date shall be upon a basis of perfect equality to all shippers, producers, and refiners, and that no rebates, drawbacks, or other arrangements of any character shall be made or allowed that will give any party the slightest difference in rates or any discrimination of any character whatever"; and, with this announcement the railroads issued new rates, about 40% lower than those provided for by the contract. On April 6th, the South Improvement Company was summarily deprived of its charter by the Pennsylvania Legislature.

The South Improvement Company's scheme has been both defended and condemned, according to the point of view. It has been justified, and was justified at that time, because of the conditions which predominated in the oil industry from 1867 up to that time. From 1867 to 1869 it was claimed that the ruination of most of the smaller refineries had been brought about by competition in refining methods, and that by 1869, all but 15 refineries had for this reason been obliged to sell out to more efficient concerns. The competition between the railways in 1869 had immediately resulted in personal discrimination in rates, and, therefore, hastened the extermination of those refineries which were already declining. The overproduction of oil in 1870 and 1871 still further increased the depression, so that by 1872, the larger refineries were also feeling the bad effects of the so-called disastrous competition. The Standard Oil Company, being at that time the largest concern in the oil region, far exceeded the capacity of the unorganized refiners, and the railroads naturally saw the business advantage of allying themselves in some special way with this strong group of shippers. This was the point of view that seemed to justify the special contract, and it was these conditions that brought about the movement which resulted in the formation of the South Improvement Company.

Although the South Improvement Company immediately went out of existence, and its charter was forfeited, yet the conditions which it was planned to bring about in the matter of concentrating an advantage to the large shippers, seemed to continue, and throughout 1872, 1873 and 1874, the small refiners continued to be driven into insolvency or were forced into selling. The discrimination of freight rates in favor of the Standard Oil Company were continued by various methods steadily from this time on, and in spite of the fact that the South Improvement contract was never formally resumed.

Early in 1872, the Standard Oil Company of Ohio increased its capital stock from $1,000,000 to $2,500,000, and in the same year combined with the Standard Oil Company of Pittsburgh, the Cleveland Standard Refining Company, the Pittsburgh Refinery, the Atlantic Refining Company of Philadelphia, and Charles Pratt & Company of New York. These various concerns were all independent refineries, and had formerly been the Standard's most important competitors. The combination which was this year brought about, was known as the Standard "alliance," and became, ten years later, the basis of the Standard Oil Trust. It was not a union of corporations, but of stockholders, and the several companies continued to conduct their business as before. As stated by Mr. S. C. T. Dodd, the present solicitor of the Standard Oil Company, "they ceased to be competitive with one another in the sense of striving to undersell one another. They continued to be competitors in the sense that each strove to show at the end of each year, the best results in making the best product at low cost. From time to time new persons and additional capital were taken into this association. Whenever and wherever a man showed himself skillful and useful in any branch of the business, he was sought after. As business increased, new corporations were formed in various States in the same interest, some as trading companies, some as manufacturing companies." The official name of the "alliance" was the Central Association of Refiners, of which Mr. John D. Rockefeller was President, and Mr. Charles M. Pratt, Secretary and Treasurer.

By the year 1874, the Standard Oil Company of Ohio, continuing to grow, had increased its capital to $3,500,000, and the control of the Standard "alliance" had been extended over more than 50% of the refining industry, and the combination was preparing to enter upon the purchase and construction of pipe lines. From this time on, the Trust became less and less dependent on the railroads, and ultimately, through the construction of pipe lines to the seaboard, it became practically independent of them altogether. However, its important growth and increase in strength during the years up to about 1877, was very largely due to its ability to secure advantageous rates from the railways. Commenting on the remarkable development of the Standard Oil Trust, Mr. Wm. H. Vanderbilt stated before the Hepburn Committee in 1879, in reply to certain questions:

"I never came in contact with any class of men as smart and as able as they are (meaning the Standard Oil people) in their business, and I think that a great deal of their advantage is to be attributed to that. They never could have got in the position they are in now without a great deal of ability, and one man would hardly have been able to do it. It is a combination of men. *I don't believe that by any legislative enactment or anything else, through any of the States or all of the States, you can keep such men down. They will be on top all the time. You see if they are not.*"

While the growth of the refinery business had been steadily tending towards concentration in the Standard Oil "alliance," the business of building pipe lines had begun, and by 1874, was quite extensive. The first extended system of pipe lines was that of the Mutual Pipe Line Company, laid in Clarion County, Pa. This was in 1869. Shortly after this, the Pennsylvania Transportation Company was organized with $2,000,000 capital and controlled about 500 miles of pipes in this section. By 1874, the United Pipe Line system, The American Transfer Company, and the Empire Transportation Company, were in full operation. Most of these lines were at this time not more than 10 or 15 miles long, and extended simply from the oil wells to the nearest points on the railroads. In 1874, the several companies mentioned above were practically united with the system of Vandergrift & Forman, and the name changed to the United Pipe Line Company. The officers of this company included Mr. Vandergrift, President; and six officials of the Standard "alliance" among its nine directors. A uniform schedule was then agreed upon and the patrons of the consolidated system were allowed special discriminations by the railroads. This new agreement, which was announced in what was known as the Rutter Circular, dated September 9th, 1874, increased the charges for transporting oil, nearly to the rates fixed by the contract of the South Improvement Company, and allowed a rebate of 22 cents on all oil coming from the United Pipe Line system, and others which maintained the uniform schedule of charges. The result was that this movement brought about a quick consolidation of various smaller lines into larger ones, and, of course, tended to greatly increase the predominance of the Standard "alliance" and the United Pipe Line system. Following this movement, the United Pipe Line Company gradually acquired, by one method or another, the greater part of the pipe lines which had not participated in the agreement, and with the Columbia Conduit Company and the Empire Transportation Company it gradually absorbed all the others. At this time, the Columbia Conduit Company and the Empire Transportation Company were ostensibly rivals of the United Pipe Line Company, which was the Standard "alliance" organization.

Early in 1875, it was discovered that the Pennsylvania Railroad was granting secret discriminations to the Empire Transportation Company, and, as a result, the pipe line agreement was broken, the Columbia Conduit Company formed an alliance with the Baltimore & Ohio Railroad, the Empire Transportation Company attached itself openly to the Pennsylvania Railroad, and the United Pipe Line Company, through the Standard Oil "alliance," made an agreement with the Erie and New York Central railroads, whereby it was to give to each road 50% of its traffic, guaranteeing to the Erie Railroad 27% of the entire oil traffic in the oil regions. In return for these agreements, the United Pipe Line Company was to receive upon all shipments, a rebate of 10%.

Operations continued under these new arrangements with the three rival pipe lines and their allied railways, through 1875 and 1876. But early in 1877, the Empire Transportation Company acquired control of a refinery at Communipaw, New Jersey, and began constructing others at Philadelphia. The Standard Oil interests greatly resented this move, as it indicated a purpose of diverting the transportation of oil to New York, from the Erie and New York Central railroads, to the Pennsylvania Railroad. Therefore, on March 18, 1877, the Standard "alliance" precipitated a war between the pipe lines, and their allied roads, by ceasing to send any freight over the Pennsylvania Railroad.

This struggle continued bitterly for six months. While it was going on, the Columbia Conduit Company connected with a branch of the Reading Railroad, and thus controlled the traffic in the newly discovered Bradford district. In the meanwhile, the Empire Transportation Company endeavored by a tremendous effort to crush the United Pipe Line Company and the Standard Oil "alliance." The Pennsylvania Railroad carried oil at 8 cents a barrel less than cost, and ordered the refineries of the Empire Transportation Company to sell oil in the territory of the Standard "alliance" at any price. But in spite of these drastic measures, the Pennsylvania Railroad Company was forced to abandon the struggle, and on October 17th, 1877, it signed a contract which gave the Standard Oil "alliance" practically the monopoly of the production and transportation of oil in the United States. By this contract, the Standard Oil Company was given full power to apportion the oil traffic in the following ratio:

Sixty-three per cent. of the traffic to go to New York City, and 37% to Philadelphia and Baltimore. Of the traffic going to New

York City, the New York Central, the Erie and the Pennsylvania railroads were each to carry one-third. Of the traffic going to Philadelphia and Baltimore, the Pennsylvania was to carry 70% and the Baltimore & Ohio 30%. By the terms of the contract, the Pennsylvania Railroad was guaranteed an annual traffic of not less than 2,000,000 barrels and the Empire Transportation Company was purchased for $3,000,000 by the Standard Oil "alliance" and the United Pipe Line Company. Furthermore, the Standard Oil Company was remunerated as follows: After May 1st, 1878, when the contract between the Pennsylvania Railroad and its shippers expired, the Standard Oil Company received a rebate of 10% on all its freight. In addition, it was allowed a rebate of 68½ cents in order that it might be on an equality with those refineries who shipped by the Erie canal. The American Transfer Company, which had now been united with the United Pipe Line Company, was allowed 22½ cents as its share of the through rate. When the Erie Canal was closed in December, 1878, however, the Pennsylvania Railroad ceased making favorable rates for the independent refiners, and only the Standard "alliance" interests continued to have this advantage.

By the end of 1879, therefore, the dominance of the Standard Oil Company, in both the handling and refining of oil, was very striking. It owned the terminal facilities of the New York Central Railroad for handling oil at New York; it leased the terminal facilities of the Erie Railroad, at New York; it owned or leased practically all the oil cars on the Pennsylvania, New York Central and Erie railroads, and, through the United Pipe Line Company and American Transfer Company, it had acquired, one after another, the twenty-six pipe lines that threatened competition.

Thus, the Standard "alliance" had by this time very greatly increased its strength, and included the following companies:

Standard Oil Co. of Ohio.	Standard Oil Co. of Pittsburg.
Acme Oil Co. of N. Y.	Imperial Oil Co., Oil City.
Atlantic Refining Co., Phila.	Camden Company of Md.
Charles Pratt & Co. of N. Y.	J. A. Bostwick & Co., Phila.
Stone & Fleming Mfg. Co., Phila.	Warden, Frew & Co., Phila.

Baltimore United Oil Co. of Md.

In addition to the above, the "alliance" also controlled the great pipe line interests, the development of which has already been described.

While this growth of the Trust had been going on, the petroleum producers, with a few independent refiners, had not been idle, and formed various unions for protection against the further aggressions of the Trust. These unions, however, did not, in the long run, accomplish very much, and the industry continued to grow in the direction of concentrated control. By 1881, therefore, the Trust was dominant in all branches of the oil industry. At that time the concern which was afterwards officially known as the Standard Oil Trust had not come into existence, but the arrangement known as the Standard Oil "alliance" still continued. It was, however, at this time that the famous Trust was actually formed. This Trust was simply an agreement, as has been explained by Mr. Dodd, placing all the stocks of the various companies in the hands of a Trustee, declaring the terms on which they were held, and providing for the issuance of a certificate showing the amount of each owner's interest in the stock so held in trust. There were three classes of parties to the Trust agreement: first, all the stockholders and members of the Standard "alliance," together with members of some other companies; second, all the more important officers and stockholders of these various companies; third, a portion of the stockholders and members of some additional corporations and limited partnerships. Provision was also made for the admission of new companies and individuals, and for the formation, whenever advisable, of a Standard Oil Company in any State or territory in the Union. The parties of the several classes were to transfer all their property to the Standard Oil companies in the several States, in consideration of which they would receive stock equal, at par value, to the appraised value of the property so transferred. The stock so received was to be delivered to trustees and held by them and their successors, and no additional issues of stock could be made by the companies except to the trustees. In exchange for the stock entrusted to them, the trustees were to deliver "Trust certificates" of the par value of the stock of the several Standard Oil companies to be established, and the appraised value of the stocks of other companies delivered to the trustees. The trustees, however, were given power to decide what companies should convey their property and when the sale should be made. The powers of the trustees, therefore, were to collect on the stock which they held the dividends of the several constituent companies, and afterwards upon the Trust certificates outstanding, to disburse these receipts as dividends.

The date of this Trust agreement was January 2, 1882, and the trustees, nine in number, were the following: John D. Rockefeller, Wm. Rockefeller and Oliver H. Payne, to hold office until 1885; J. A. Bostwick, H. M. Flagler and W. G. Warden, to hold office until 1884; Charles Pratt, Benjamin Brewster and John D. Archbold, to hold office until 1883. The certificate owners were to elect at each annual meeting, three trustees for three years each to fill vacancies due to the expiration of the term.

As afterwards reported to the Industrial Commission, there were three classes of companies that entered into the combination in 1882. First, they had all been stockholders and members of the following fourteen companies:

Acme Oil Co. of N. Y.	Acme Oil Co. of Penna.
Atlantic Refining Co., Phila.	Bush & Co., Ltd.
Camden Consol. Oil Co.	Elizabeth Acid Works.
Imperial Refining Co., Ltd.	Chas. Pratt & Co.
Paine, Ablett & Co., Ltd.	Standard Oil Co. of Ohio.
Standard Oil Co. of Pittsburg.	Smith Ferry Oil Trans. Co.
Solar Oil Co., Ltd.	Stone & Fleming Mfg. Co., Ltd.

A second class of companies which were included in the combination consisted of the interests of W. C. Andrews, John D. Archbold, and a long list known as "the individual owners," who signed the original Trust agreement.

The third class consisted of twenty-six corporations which assigned a controlling interest in the companies to the trustees. They were as follows:

American Lubricating Oil Co.	Baltimore United Oil Co.
Beacon Oil Co.	Bush & Denslow Mfg. Co.
Central Refining Co., of Pitts.	Chesebrough Manufacturing Co.
Chess Carley Co.	Consolidated Tank Line Co.
Inland Oil Co.	Keystone Refining Co.
Maverick Oil Co.	National Transit Co.
Portland Kerosene Oil Co.	Producers' Consol. Land & Petroleum Co.
Signal Oil Works, Ltd.	
Devoe Manufacturing Co.	Thompson & Bedford Co., Ltd.
Empire Refining Co., Ltd.	Eclipse Lubricating Oil Co., Ltd.
Galena Oil Works, Ltd.	Franklin Pipe Co., Ltd.
Germania Mining Co.	Galena Farm Oil Co., Ltd.
H. C. Vantine & Co.	Vacuum Oil Co.
Waters-Pierce Oil Co.	

The foregoing were the companies which were reported to have been included at the time of consolidation in 1882, but at the time of an official investigation into the affairs of the Trust, which was made by the special investigating committee appointed by the New York Legislature, in 1888, the following list was furnished as showing the number of companies *then* in the Trust, their capital stock and business, and to what extent the Trust controlled them:

NEW YORK STATE.

Capital Stock.	Name of Company.	Business.	Per cent. Covered by Trust.
$300,000	Acme Oil Co.,	Oil products,	entire.
200,000	Atlas Refining Co.,	Oil products,	entire.
25,000	American Wick Mfg. Co.,	Lamp wicks,	entire.
300,000	Bush & Denslow Mfg. Co.,	Oil products,	50
500,000	Chesebrough Mfg. Co.,	Oil products,	2661-5000
200,000	Central Refining Co.,	Oil products,	67½
300,000	Devoe Manufacturing Co.,	Packers of oils,	entire.
100,000	Empire Refining Co., Ltd.,	Oil products,	80
100,000	Oswego Manufacturing Co.,	Wood cases,	entire.
500,000	Pratt Manufacturing Co.,	Oil products,	entire.
5,000,000	Standard Oil Co. of New York,	Oil products,	entire.
250,000	Stone & Fleming Mfg. Co.,	Oil products,	entire.
250,000	Thompson & Bedford,	Oil products	80
25,000	Vacuum Oil Co.,	Oil products,	75

NEW JERSEY.

350,000	Eagle Oil Co.,	Oil products,	entire.
75,000	McKirgan Oil Co.,	Oil products,	entire.
3,000,000	Standard Oil Co. of N. J.,	Oil products,	entire.

PENNSYLVANIA.

300,000	Acme Oil Co.,	Oil products,	entire.
400,000	Atlantic Refining Co.,	Oil products,	entire.
175,000	Eclipse Lubricating Oil Co.,	Oil products,	entire.
150,000	Galena Oil Works,	Oil products,	86¼
300,000	Imperial Refining Co.,	Oil products,	entire.
1,000,000	Producers' Consol. Land & Petro. Co.,	Crude oil,	65.32
25,455,200	National Transit Co.,	Crude oil,	94
400,000	Standard Oil Co. of Pa.,	Oil products,	entire.
100,000	Signal Oil Works,	Oil products,	38¾

OHIO.

1,000,000	Consolidated Tank Line Co.,	Petroleum products,	57
50,000	Inland Oil Co.,	Petroleum products,	50
3,500,000	Standard Oil Co. of Ohio,	Oil products,	entire.
500,000	Solar Refining Co.,	Oil products,	entire.

KENTUCKY.

600,000	Standard Oil Co. of Ky.,	Petroleum products,	entire.

MARYLAND.

500,000	Baltimore United Oil Co.,	Oil products,	5059-6000

WEST VIRGINIA.

200,000	Camden Consol. Oil Co.,	Oil products,	entire.
119,100	West Virginia Oil Co.,	Oil products,	47½

ILLINOIS.

500,000	P. C. Handford Oil Co.,	Oil products,	51

MINNESOTA.

100,000	Standard Oil Co. of Minn.,	Oil products,	entire.

MISSOURI.

400,000	Waters-Pierce Oil Co.,	Oil products,	50

MASSACHUSETTS.

100,000	Beacon Oil Co.,	Oil products,	entire.
100,000	Maverick Oil Co.,	Oil products,	entire.

IOWA.

600,000	Standard Oil Co. of Iowa,	Oil products,	60
300,000	Continental Oil Co.,	Oil products,	62½

About this period a fierce contest was being carried on and was continued for more than a year thereafter, between the railroads and the Tidewater Pipe Line Company. The effect of this war was, of course, to particularly benefit the largest shipper of oil, which was the Standard Oil Trust. But about this time the Standard itself began building pipe lines and in 1883, the Tidewater Pipe Line Company was finally forced to cease its opposition to the Trust. The Tidewater Company was never absorbed by the Standard Oil Trust directly, but it was obliged to enter into an agreement with the National Transit Company signed October 9th, 1883, whereby it consented to accept as its share of the oil traffic, 11½% of the total pipe line transportation to the seaboard, and was guaranteed $500,000 in annual profits for fifteen years.

Because of the great production of oil from 1883 onward, there was a new general movement among producers in 1884, to restrict production, and this led to the formation ~~of the Producers'~~ Associated Oil Company. This latter company entered into an agreement with the Standard Oil Company, in October, 1887, to restrict production. From this time on there was no lack of harmony between the Producers' Association and the Standard people.

In the meanwhile and extending over several years, more or less litigation was carried on in relation to the question of rebates with the railroads. There were various departures from the regular tariff rates in favor of the Standard people which tended to keep agitation alive. This state of things kept up until the pipe lines were finally completed to the seaboard.

During these years of transition in methods of transportation, the Standard Oil Company took advantage of its competitors in many ways, but more particularly by locating its refineries at points near the places of consumption. It transferred most of its Cleveland business to Whiting, Indiana, in order to be nearer the Southern and Western markets, and also began to supply the entire Eastern and export markets from its refineries at Bayonne, New Jersey. During the period from 1882 to 1892, the business of the company grew in all directions, and the valuations of the various companies absorbed by the Trust in 1882, increased during that period, according to estimate, from $75,000,000 to about $121,000,000. It was stated that 50% of this increase had come from profits invested, and the remainder from additional capital subscribed.

Early in 1891, an action was begun by the Attorney-General of the State of Ohio, to oust the Trust of its corporate rights, on the ground that it had abused its corporate franchises in becoming party to an agreement against public policy. This litigation continued for a year, and the Ohio court finally handed down a decision in favor of the plaintiff. The decision, which was given March 2, 1892, based its rule on substantially the following:

"A corporation, apart from the persons who compose it, is by the fiction of the law, to be regarded as a legal entity only for convenience in the transaction of its business. When all or a majority of the stockholders of a corporation do an act which affects the property and business of the company, and which, through the control their numbers give them over the selection and conduct of the corporate agencies, does affect the property and business of the company in the same manner as if it had been a formal resolution of its Board of Directors, and the act so done is *ultra vires* of its corporation, and against public policy, the act should be regarded as the act of the corporation, and, to prevent the abuse of the corporate power, may be challenged by the State. The Trust Agreements in question are acts which must be regarded as the acts of the corporations, and as such, *ultra vires;* and tending as they do, to the creation of a monopoly, to the control of prices as well as of production, these acts are also against public policy, and accordingly contrary to law."

The decision thus handed down in the Ohio court was one of great importance. It not only forbade members of several corporations to combine as such, and merge their interests in a Trust, but it also declared such combinations to be in restraint of trade, and therefore illegal, and quite opposed to public policy. The result was that this decision practically put an end to the old trust form of business consolidation.

Influenced by this decision, the Standard Oil Trust, as formed in 1882, was dissolved, and the separate establishments and plants were reorganized into the following twenty constituent companies:

Name.	Capitalization.
Anglo-American Oil Co., Ltd.	$5,000,000
Atlantic Refining Co.	5,000,000
Buckeye Pipe Line Co.	10,000,000
Eureka Pipe Line Co.	5,000,000
Forest Oil Co.	5,500,000
Indiana Pipe Line Co.	1,000,000
National Transit Co.	25,455,200
New York Transit Co.	5,000,000
Northern Pipe Line Co.	1,000,000
Northwestern Ohio Natural Gas Co.	3,278,500
Ohio Oil Co.	2,000,000
Solar Refining Co.	500,000
Southern Pipe Line Co.	5,000,000
South Penn Oil Co.	2,500,000
Standard Oil Co. of Indiana	1,000,000
Standard Oil Co. of Kentucky	1,000,000
Standard Oil Co. of New Jersey	10,000,000
Standard Oil Co. of New York	7,000,000
Standard Oil Co. of Ohio	3,500,000
Union Tank Line Co.	3,500,000
Total	$102,233,700

Although the Trust as it had existed was formally dissolved, yet this did not mean that the Standard Oil interests had in any sense disintegrated. On the contrary, the consolidation was made more secure, as the men who had been the trustees still held a majority of the stock in all the different companies which now composed the Trust, some of the smaller of which had been consolidated into larger companies, and their interest therefore made more staple.

The first attempt on the part of independent refiners to build a pipe line to the seaboard was made in 1890, when the United States Pipe Line Company was projected. The building of this pipe line was carried on with great difficulty, and much litigation ensued. It succeeded finally in getting as far east as Wilkesbarre, but only after it had spent over $150,000 in litigation. It is apparent that the chief opposition against the building of this pipe line came from the railroads, and that the Standard Oil Company was not so actively interested. The United States Pipe Line never succeeded in getting any further east than Washington, New Jersey. It is, even down to to-day, obliged to transport its oil from this point over the Central Railroad of New Jersey to New York. While the construction of this pipe line was going on, the Standard Oil Trust bought a large interest in the stock of the Producers' Oil Company, but was not able to control it. It did, however, through the National Transit Company, secure an interest in the United States Pipe Line Company, and, although it has never been able to acquire a majority of the stock, it now has one director upon the Pipe Line board every year.

In June, 1895, the Pure Oil Company was organized under New Jersey laws to consolidate independent companies which were operating outside of the Standard Oil companies. The business of this company has been chiefly that of marketing refined oil, mainly in Germany. Its capitalization at the start was $1,000,000, but this has since been increased to $10,000,000. As far as is publicly known, the Pure Oil Company is still entirely independent of the Standard.

The present Standard Oil Company of New Jersey, which is the successor to the Trust, as formerly operated and controlled, was organized June 16, 1899. This new corporation was, in form, a continuation of the old Standard Oil Company of New Jersey, with an amended charter, and capital increased from $10,000,000 to $110,000,000. Of the latter, $10,000,000 is 5% preferred and $100,000,000 common. This change was made in order to more completely unify the Trust, and also to strengthen its position as a concentrated industry. As reported by the Industrial Commission, in 1900, "The new Standard Oil Company of New Jersey was formed with the intention of transferring the stock of the different corporations into the stock of the new company, so that when the transfer has been finally made, one single corporation, the Standard Oil Company of New Jersey, will own outright the property now owned by the separate companies which are commonly known and mentioned together under the name of the Standard Oil Company."

Since 1899, the growth of the Trust has continued in various directions, and it now controls in addition to the properties which were taken in at its formation in 1899, many other interests of importance in different parts of the country. Since that time the immense discoveries of oil in both Texas and California have taken place, and the Standard has now acquired control of all the important wells in these two large fields. It is also said to control the J. M. Guffey Petroleum Company, which had previously absorbed the best fields in Texas, and through the Pacific Oil Company, it has acquired all the paying wells in California. Its pipe lines extend, not only throughout the East, but it has recently put in operation a full system of lines in California, which carry oil from the Kern oil fields to San Francisco Bay, and to the large new refinery of the company at Port Richmond, California. It is claimed that the output of the Kern River fields in California now aggregates about 3,000,000 barrels per annum. The entire annual output of oil for the United States, in 1902, was in excess of 80,000,000 barrels.

The business of the Standard Oil Trust is not, in any sense, confined to the United States, but it has for many years past developed an enormous foreign trade. Since 1871, its export of petroleum products has increased nearly 700%, and of all the exports of oil from this country to-day, the Trust ships over 90%. It competes successfully with the large oil interests in Russia, which are controlled by the Rothschilds, and by Nobel Brothers. The Standard Company, to meet competition and to gain trade, has established agencies for the sale of oil all over the world, and owns bulk tank ships for transporting its own products. It controls the export price of oil everywhere in the world, except in the Far East, where the Russian competition is most keen.

At the present time, the Trust controls 84% of the domestic trade in oil, and over 90% of the export trade. Its only important competitor in the export trade is the Pure Oil Co. In the domestic trade, there are, perhaps, fifty or sixty small refineries which carry on the sixteen per cent. of business which is not touched by the Standard.

III. *ANALYSIS.*

The Standard Oil Company has probably been more bitterly attacked, and its methods and purposes more thoroughly ventilated, criticized and condemned than have those of any other industrial combination in existence to-day. And, on the other hand, it has been as consistently pointed to by its friends as a vivid and shining product of great business sagacity and executive ability.

A few extracts from recent commentaries, treating the subject from both points of view, are appended herewith:

"It is now twenty-one years since Mr. Rockefeller completed his trust. Alarmed by the injustice which he and others were able to do in business by the illegal acts of the railroads, Congress took fright, and in 1887 passed an interstate commerce law, forbidding railroad discrimination and appointing a commission to see that fair play prevailed. It is a well-known fact that in spite of the most faithful efforts of the commission railroads still systematically favor one shipper to the harm of others—build up one locality to the ruin of others. Because no such wholesale and unrighteous acts of stealing are possible as that on which the Standard Oil Trust was founded, it cannot be argued that the public is to-day receiving fair play from the railroads.

One has only to study the reports of the Interstate Commerce Commission, of the recent Industrial Commission, to study the phenomenal growth of certain businesses, as the so-called beef trust, to know that evasions of the laws against railroad discrimination are incessant. Indeed, it is less than five years since the business of the country was thrown into confusion by Mr. Cassatt's announcement that henceforth the law would be obeyed on the Pennsylvania system and no rebates would be granted to any one. Such a revolutionary policy was this announcement of obedience to law that Mr. Andrew Carnegie actually refused to do business henceforth with the Pennsylvania, and began to build his own road. He created a commotion which has resulted in the monstrous steel trust, an organization which may be said to be a monument to Mr. Carnegie's unwillingness to do business if he could not enjoy illegal privileges. Indeed, there rests with the public to-day, no less than in 1882, when Mr. Rockefeller completed his dazzling conquest, the imperative duty of continuing the struggle for justice on the railroads. The railroads exist by the consent of the people. The gentlemen who control them are allowed their franchises, allowed the great fortunes they make from them, on the theory that they can give a better administration than can be obtained by State administration. And unquestionably these gentlemen can do so if they will. It seems to have been pretty clearly demonstrated, however, that they will not—unless forced to it. The necessity of forcing fair-play on the railroads is the great lesson of this first series of articles on the Standard Oil Trust, for it is evident that it would not be in existence to-day if it had not been for the abuses of injustice on which it fattened."

"As may be seen from this brief outline of the forthcoming chapters of Miss Tarbell's history, its chief value is, as in the case of the First Part, to demonstrate the necessity of fair play in business, if we are to develop our commerce on lines of decency and dignity. There is no right-thinking person who is not willing and glad to have the best man win if he plays fair. There is no right-thinking person who does not feel that the most important thing in the world is that men play fair, whatever the game. If they will not do it from innate decency and self-respect and a sense of the rights of their fellows, then they must be compelled by laws, by social ostracism, by all of the outside influences which society has devised to constrain them. It is evident from Miss Tarbell's story that Mr. Rockefeller has used methods from the beginning of his trust-building, which, if applied on the foot-ball field, would cause him to be kicked off in disgust. Why young men should be allowed to admire in business what they are taught to despise in athletics is not clear. It is of vast importance to the future manhood of this country that scorn of unfairness should be universal. Above all, let it be applied strenuously to unfairness in business. We are a commercial people. Our boys must go into commerce. Our professions are so mingled with commerce that it is often hard to distinguish if they be professions. If we are to wink at unscrupulousness in commerce, then we are doomed to become a race of tricksters and manhood is dead within us."—*From Editorial in McClure's Magazine on Ida M. Tarbell's History of the Standard Oil Company.*

"If it were not for the apparently hostile comment which is injected here and there into Miss Tarbell's history, it would almost seem as if the whole account were devised as a means of glorifying the Standard Oil Company and extolling the high executive and business skill of Mr. Rockefeller. For anything that has yet been brought to light, it would appear that the oil resources of the United States have been conserved and carefully applied by this company, and that these resources if left to the exploitation of blind competition, would have been wasted to an appalling extent. The cost to the consumer has been reduced over a long period of time by the careful conservation and utilization of all oil products rendered possible by the farsighted and skillful management of the Standard Oil Company. If the lumber and timber resources of the country had been brought under a similarly powerful and farsighted control, there would probably be less room for complaint that the forests of the United States are in danger of exhaustion in the near future.

"In the strict sense of the term the Standard Oil Company is not a monopoly. It has not been assisted to secure the control of the oil business by special legislation or governmental grant. The conditions under which it has consolidated its power have been the same as those which any citizens or corporations might have availed themselves of. And the same may be said of the other alleged oppressive trusts. In the largeness of these combinations which merely concern the utilization of some natural product, there should be no reason for popular or political apprehension. It is not necessary to recite the arguments which prove that these combinations of capital were the outgrowths of natural laws. Every one must know that they are a necessity in the collection and distribution of products in a nation possessing so great a territory and such diversities of soil and climate. To undertake to stop the growth of corporate bodies, by means of oppressive laws, is to increase the monopolistic power of those already in existence. The natural check on the abuse of power by a great corporation is the fear of competition by other combinations of capital. Unwise government interference, by making it more difficult for new corporations to enter the field really strengthens the position and tends to foster the arrogance of the corporate bodies which are already well established."—*Editorial, Bankers' Magazine, January,* 1904.

"The Standard Oil Company, the most hated of all large corporations, is another conspicuous illustration of this fact.* The immense investment involved in thousands of miles of pipe-line and millions of gallons of storage capacity, which takes the oil from the wells, and delivers it at the seaboard without the touch of human hand, and the immense sums expended in experimentation for an improved quality of the product, which have resulted in reducing the price of oil (in gold) 75 per cent since that corporation was organized, required tens and even hundreds of millions of capital, which only a colossal corporation could furnish. This corporation, by its immense capital, preserves the oil industry to this country. But for it the American market for petroleum would be supplied by Russian producers. Russia protects its oil producers by a 200 per cent. tariff; we put ours upon the free list. Only the competition of the Standard Oil Company through the immense economies it has developed, of which the smaller concerns now have the benefit, keeps Russian oil out of the American market. That company furnishes an unlimited cash market for every barrel of petroleum that it produces in this country. Moreover, it gives employment to 35,000 American laborers, pays $100,000 a day in wages, and exports, in competition with Russia, into Europe and Asia, nearly 1,000,000,000 gallons of oil a year, bringing about

*Economical production, etc.

$60,000,000 in gold into the country. Here is an industry, all told, which furnishes employment to about 45,000 American laborers, paying about $125,000 a day in wages, bringing a balance of $60,000,000 in gold a year into the country, all of which would be lost to this country but for the economic energy and superiority of the Standard Oil Company. Small refineries, such as those now outside the Standard, could not hold the American market a month in competition with the Russians. In short, it has preserved the industry to this country, and at the same time improved the quality of the people's light and reduced its price 75 per cent.; and all this without government aid, purely as a highly-developed productive enterprise competing against the government-aided capital of Russia. I could go through the whole list of industries where great improvements have been made and large reduction in prices accrued, and substantially the same facts will be found."—*Professor George Gunton, before Industrial Commission.*

"The vexed question of the effect of the Standard Oil combination on the price of refined oil will probably never be settled. Opponents of the Standard Oil Company declare that the Standard has not reduced the price of refined oil as compared with crude oil to any such degree as would be the case under open competition. The effect of the combination, they point out, is to be gauged only from the margin between the prices of refined and crude oil; and the reduction of this margin, though steady, is, in their opinion, by no means commensurate with the improvements in the process of refining. In reply, Mr. Archbold, of the Standard Oil Company, has declared that his company is unable permanently to exact excessive prices. Temporarily, it might have such power; but, if it used this power arbitrarily, it would provoke heavier competition. There is, he admits, a certain amount of monopolistic power, coming from the aggregation of capital itself, which keeps prices higher than they would be under severe competition; but at present this power and its effect upon prices are very slight, and the lessened cost of doing business on a large scale more than compensates in lowered prices for the slight monopolistic power of getting higher prices. Perhaps the most significant criticism which the independent refiners pass upon the price which the Standard Oil Company gets for its oil is that the improved methods of utilizing by-products in recent years have made by-products as remunerative as the refined oil itself; and yet the margin of price between refined oil and crude oil during this period has only slightly decreased. The statement has frequently been made that the Standard has reduced its prices in the territory of its competitors, and maintained prices at more profitable rates at non-competitive points. Such a practice, as an instance of ordinary business competition, is not extraordinary. A similar charge could be brought against most large businesses; and, as those who bring the charge seldom take into account the varying cost of transportation to markets of varying means of communication, small probative value can be attached to their bare statement of difference in price. Of more serious nature are the charges that the Standard Oil Company suborns the employees of its competitors to secure information as to their shipments and customers, and that it resorts to unfair tests and adulteration of its oils and to the copying of brands with the design to deceive purchasers. On all these points the evidence is at best vague and inconclusive. The officials of the Standard Oil Company testify that it is their practice to ask their salesmen to keep their eyes open, and to inform the company as to those from whom different dealers are buying; but they flatly deny the charge of suborning the employees of their rivals, and very conclusively explain away the charges of fraud in the copying of brands and in the tests and adulteration of their products. The energy of the Standard Oil Company, in developing new departments of the industry, and its enterprise in undertaking the production of all the chemicals and materials incidental to the process of refining, has been recognized, even by independent refiners, as truly great, and quite beyond what smaller competitors could have attempted. The leading by-products are gasoline, naphtha, paraffine, lubricating oils, and vaseline products. In addition to these, fully two hundred other by-products are extracted and used for medical purposes and for aniline dyes. To utilize all these by-products requires the greatest specialization of methods, encouragement of invention, investment of capital, and extension of plant. A refinery of a capitalization of $500,000 cannot realize such economies. The undoubtedly large profit accruing to the Standard Oil Company from the utilization of by-products is owing entirely to its superior mechanical efficiency and organization.

"Aggregation of capital has brought to the Standard Oil Company its greatest advantage in the development of foreign trade. In its contest on the Continent, and especially in Russia, with the great oil interests of the Rothschilds, of the Nobel Brothers, and of prominent English capitalists, its success has been entirely due to its great capitalization. Since 1871 the export of petroleum products has increased seven times, and of the present exports the Standard Oil Company ships ninety per cent. In Russia the competition between the Standard and the Nobel Brothers is keen. The price of Russian crude oil is lower than that of American oil; and the Nobels are at present shipping it in tank steamers to India, China, and Japan. To meet this competition, the Standard Oil Company has established agencies all over the world, and has built bulk-tank-ships for transporting its product. With the exception of the trade in the Far East, where Russian competition is especially keen, the export price of oil has always been kept above the American price.

"The present position of the Standard Oil Company is one of abundant prosperity and power. It is opposed by a combination—The Pure Oil Company—which works in harmony with an independent seaboard pipe-line—The United States Pipe-Line—and with sixty-six independent refineries. The Standard controls ninety per cent. of the export trade and eighty per cent. of the domestic trade. By its control of the pipe-line situation it has become quite independent of the railroads. By its preponderant purchases of crude oil it has been able to steady and roughly direct the course of prices of petroleum. By its advantages in locating its refineries near their several markets and in utilizing by-products it has effected enormous economies in transportation and manufacture, and increased its dividends from twelve per cent. in 1892, when the Standard Oil Trust was dissolved, to forty-eight per cent. in 1901. The power of the Standard Oil Company is tremendous, but it is only such power as naturally accrues to so large an aggregation of capital; and in the persistence with which competition against it has continued in the quickness with which that competition increases when opportunity for profit under existing prices appears, and in the ever-present possibility of competition which meets the Standard Oil Company in the direction of every part of its policy, lie the safeguards against the abuse of this great power."—From *The Rise and Progress of the Standard Oil Company*, by *Gilbert Howard Montague.*

The foregoing comments all contain both truth and falsehood. They are all biased, the criticisms are more or less intemperate in tone, while the defences dwell mainly on features of the subject which are, in the public mind, largely beside the question. Every fair-minded person must admit the contentions of both Professor Gunton and Mr. Montague, that the concentration of the oil industry under a single head has resulted in certain advantages to the public at large, which they could never have had under a system of small scale or disintegrated production. Even the most bitter critic of Standard Oil methods will recognize the truth of this.

But the mere matter of the advantage of large-scale production is really not the cause of the Standard Oil agitation. The vital question which perturbs the public mind is how to curb the tremendous influence and "power" of the Standard Oil Trust. The critics strike blindly at it, pointing out this "power," and, by way of reply, its defenders calmly point to the advantages of large-scale production over the primitive and costly methods of earlier times. Thus, both sides appear to beg the question.

The real question of the source of the Standard Oil power and the proper attitude of the public in relation to it, is, indeed, an interesting one. In 1879 in testifying before the Hepburn committee, Mr. William H. Vanderbilt said:

> "I never came in contact with any class of men as smart and able as they are (meaning the Standard Oil people) in their business, and I think that a great deal of their advantage is to be attributed to that. They never could have got in the position they are in now without a good deal of ability, and one man would hardly have been able to do it. It is a combination of men. I don't believe that by any legislative enactment or anything else, through any of the States, or all of the States, you can keep such men down."

Every word of the foregoing is true, and the ill-considered assertions of those who claim that "anybody" could have done what the Rockefellers and associates did, had they had the same opportunities, are not to be seriously considered for a moment.

But that the Standard Oil Company has been subject to free competition, that it has not had enormous benefits and advantages of a monopolistic nature, and that it to-day does not rest largely upon special advantage, are all the emptiest of assertions, and contain not a shred of truth. For its entire financial strength, success and power *does* rest upon the possession of this great special power, *ably and broadly handled.* The men at the head of this vast industry have from its very inception recognized this great fact, and with their large and splendid natural abilities, have built up upon this basis of special advantage an organization such as the civilized world has never seen before. They not only dominate the oil industry, and take wise and shrewd advantage of the possibilities of every by-product and enterprise incidental to their main business, but, through the course of years, their gradually increasing financial power has enabled them to branch out and more or less dominate every other important line of industry. To-day, every great commercial movement is dominated by or feels the influence, in one way or another, of this wonderful consolidation of far-sighted brain-power and monopoly advantage. Finance, transportation, public-utility-enterprises, and a hundred others are all tinctured by this dominating influence. And, furthermore, it is idle to deny that the legislative influence of these interests, both direct and indirect, is very great.

As stated in the Introduction, in the general discussion of Trusts, the writer believes that there has all along been a lack of sincerity displayed by both sides in this dispute over the question of monopoly. Men have spent their time too largely in an indiscriminate use of the word "monopoly," each using it in a different sense. This has been especially true of the Standard Oil combination. "It is *not* a monopoly," say its champions; "It *is* a monopoly," reply its critics, and often neither is sincere.

If the term monopoly means anything at all, then the Standard Oil Trust is certainly built up on a monopoly-power. But this is equally true of almost every line of modern industry and is absolutely essential to the carrying on of business under current social standards. The whole intent and purpose of the modern captains of industry is to in some way gain an advantage, legal or otherwise, over their fellows; and the vital charge against the Standard Oil Company merely consists in the fact that it has succeeded, to a monumental extent, in accomplishing what nearly all men, and aggregations of men, in modern industrial channels, are trying to do.

Number of plants which have been purchased, acquired or controlled, (approximately)	400
Proportion of oil industry controlled: Export trade, 90%; domestic trade	84%
Products: Oil, crude and refined. Also over 200 by-products.	
Element of monopoly: Large (controls sources of supply, rights of way, shipping terminals. Secures preferential benefits of many kinds. In its by-products has tariff benefits, patent rights, etc. Also greatly strengthened by efficient methods.).	
Total capitalization afloat (not including controlled properties): Par value, $97,500,000; market value (about)	$650,000,000

United States Steel Corporation.

"The Steel Trust."

(Morgan domination—Standard Oil influence.)

I. *DESCRIPTION:* Incorporated under New Jersey laws, the original certificate having been filed at Trenton, February 25th, 1901, and the amended certificate, April 1st, 1901. By the amended certificate the authorized capital stock of the corporation was fixed at 11,000,000 shares of the par value of $100 each, equally divided into $550,000,000 7% cumulative preferred, and $550,000,000 common stock. Par, $100.

It was provided by the certificate of incorporation as follows:

"Article III.—The objects for which the corporation is formed are:

"To manufacture iron, steel, manganese, coke, copper, lumber, and other materials, and all or any articles consisting, or partly consisting, of iron, steel, copper, wood, or other materials, and all or any products thereof.

"To acquire, own, lease, occupy, use, or develop any lands containing coal or iron, manganese, stone, or other ores, or oil, and any wood lands or other lands for any purpose of the company.

"To mine, or otherwise to extract or remove coal, ores, stone, and other minerals and timber from any lands owned, acquired, leased, or occupied by the company, or from any other lands.

"To buy and sell, or otherwise to deal or to traffic in, iron, steel, manganese, copper, stone, ores, coal, coke, wood, lumber, and other materials, and any of the products thereof, and any articles consisting, or partly consisting thereof.

"To construct bridges, buildings, machinery, ships, boats, engines, cars, and other equipment, railroads, docks, slips, elevators, water works, gas works, and electric works, viaducts, aqueducts, canals, and other waterways, and any other means of transportation, and to sell the same, or otherwise to dispose thereof, or to maintain and operate the same, except that the company shall not maintain or operate any railroad or canal in the State of New Jersey.

"To apply for, obtain, register, purchase, lease, or otherwise to acquire, and to hold, use, own, operate, and introduce, and to sell, assign, or otherwise to dispose of, any trade-marks, trade names, patents, inventions, improvements, and processes used in connection with, or secured under letters patent of the United States, or elsewhere, or otherwise; and to use, exercise, develop, grant licenses in respect of, or otherwise to turn to account any such trade-marks, patents, licenses, processes, and the like, or any such property or rights.

"To engage in any other manufacturing, mining, construction, or transportation business of any kind or character whatsoever, and to that end to acquire, hold, own, and dispose of any and all property, assets, stocks, bonds, and rights of any and every kind; but not to engage in any business here-under which shall require the exercise of the right of eminent domain within the State of New Jersey.

"To acquire by purchase, subscription, or otherwise, and to hold or dispose of, stocks, bonds, or any other obligations of any corporation formed for or then or theretofore engaged in or pursuing, any one or more of the kinds of business, purposes, objects, or operations above indicated, or owning or holding any property of any kind herein mentioned; or of any corporation owning or holding the stocks or the obligations of any such corporation.

"To hold for investment, or otherwise to use, sell, or dispose of, any stock, bonds, or other obligations of any such other corporation; to aid in any manner any corporation whose stock, bonds, or other obligations are held or are in any manner guaranteed by the company, and to do any other acts or things for the preservation, protection, improvement, or enhancement of the value of any such stock, bonds, or other obligations, or to do any acts or things designed for any such purpose; and while owner of any such stock, bonds, or other obligations, to exercise all the rights, powers, and privileges of ownership thereof, and to exercise any and all voting power thereon.

"Article IV.—The total authorized capital stock of the corporation is eleven hundred million dollars ($1,100,000,000), divided into eleven million shares of the par value of one hundred dollars each. Of such total authorized capital stock, five million five hundred thousand shares, amounting to five hundred and fifty million dollars, shall be preferred stock, and five million five hundred thousand shares, amounting to five hundred and fifty million dollars, shall be common stock.

"From time to time, the preferred stock and the common stock may be increased according to law, and may be issued in such amounts and proportions as shall be determined by the board of directors, and as may be permitted by law.

"The holders of the preferred stock shall be entitled to receive when and as declared, from the surplus or net profits of the corporation, yearly dividends at the rate of seven per centum per annum, and no more, payable quarterly on dates to be fixed by the by-laws. The dividends on the preferred stock shall be cumulative, and shall be payable before any dividend on the common stock shall be paid or set apart; so that, if any year dividends amounting to 7% shall not have been paid thereon, the deficiency shall be payable before any dividends shall be paid upon or set apart for the common stock.

"Whenever all cumulative dividends on the preferred stock for all previous years shall have been declared and shall have become payable, and the accrued quarterly installments for the current year shall have been declared, and the company shall have paid such cumulative dividends for previous years and such accrued quarterly installments, or shall have set aside from its surplus or net profits a sum sufficient for the payment thereof, the Board of Directors may declare dividends on the common stock, payable then or thereafter, out of any remaining surplus or net profits.

"In the event of any liquidation or dissolution or winding up (whether voluntary or involuntary) of the corporation, the holders of the preferred stock shall be entitled to be paid in full both the par amount of their shares and the unpaid dividends accrued thereon, before any amount shall be paid to the holders of the common stock; and after the payment to the holders of the preferred stock of its par value, and the unpaid accrued dividends thereon, the remaining assets and funds shall be divided and paid to the holders of the common stock according to their respective shares."

Pursuant to the powers conferred by its charter, the corporation has acquired practically all of the issues of capital stock of the companies named in the following table, the old holders of such stocks receiving in exchange for each $100 par value thereof, the amount set opposite thereto in preferred or common stock of the United States Steel Corporation at par. The corporation also acquired (July 1, 1902) $159,757,000 of The Carnegie Co. collateral trust bonds, for which an equal amount of U. S. Steel collateral bonds was issued.

Name of Company and Class of Stock Acquired.	Amount of New Stock Received in Par Value.	
	Pref'd Stock.	Com'n Stock.
Federal Steel, Preferred Stock	$110 00	......
Federal Steel, Common Stock	4 00	$107 50
National Tube, Preferred Stock	125 00	......
National Tube, Common Stock	8 80	125 00
A. S. & W. Co. N. J., Preferred Stock	117 50	......
A. S. & W. Co. N. J., Common Stock	......	102 50
National Steel, Preferred Stock	125 00	......
National Steel, Common Stock	......	125 00
American Tin Plate, Preferred Stock	125 00	......
American Tin Plate, Common Stock	20 00	125 00
The Carnegie Company, viz.:		
For $64,000,000 of Stock	153 55	141 06
For $96,000,000 of Stock there were issued $144,000,000 of United States Steel Collateral Trust Bonds		
American Steel Hoop, Preferred Stock	100 00	......
American Steel Hoop, Common Stock	......	100 00
American Sheet Steel, Preferred Stock	100 00	......
American Sheet Steel, Common Stock	......	100 00
American Bridge, Preferred Stock	110 00	......
American Bridge, Common Stock	......	105 00
Lake Superior Consolidated Iron Mines	135 00	135 00
Shelby Steel Tube, Preferred Stock	37 50	......
Shelby Steel Tube, Common Stock	......	25 00

In addition to acquirement of stocks of the companies named in the foregoing table, the United States Steel Corporation also acquired a one-sixth interest in the stock of the Oliver Iron Mining Company, and the Pittsburg Steamship Company, the remaining five-sixths interest in these stocks being owned by The Carnegie Company.

The United States Steel Corporation also provided at its organization a cash surplus of $25,000,000.

"DETAILS OF ISSUE OF STOCKS AND BONDS.

"(1) 4,247,688 shares of the common stock and 4,249,716 shares of the preferred stock and $303,450,000 face value of bonds of the Corporation were issued in payment for the $25,000,000 in cash, paid to the Corporation by the Syndicate Managers, and for the stocks and bonds set forth in the following table, excepting 1,644 shares otherwise acquired, and directors' qualifying shares, viz.:

NAME OF COMPANY.	Common Stock.	Preferred Stock.	Bond.
Federal Steel Company	$46,483,700	$53,260,200	....
National Steel Company	31,970,000	26,996,000	....
National Tube Company	40,000,000	40,000,000	....
American S. & W. Co. of New Jersey	49,981,400	39,999,000	....
American Tin Plate Company.......	28,000,000	18,325,000	....
American Steel Hoop Company......	19,000,000	14,000,000	....
American Sheet Steel Company.....	24,499,600	24,499,600	....
Carnegie Company	160,000,000	....	$159,450,000

"(2) 722,025 shares of common stock, and 741,915 shares of preferred stock of the Corporation were issued for the acquisition of $29,413,905 par value of stock of the Lake Superior Consolidated Iron Mines and $30,946,-400 of common stock and $31,348,000 of preferred stock par values of the American Bridge Co.;

"(3) 92,500 shares each of common and preferred stock of the Corporation were issued for the acquisition of an outstanding one-sixth interest in the Oliver Iron Mining Co. and in the Pittsburgh Steamship Co., thus securing the ownership of all of the stock of those two companies not owned by the Carnegie Co., except directors' qualifying shares; and

"(4) 20,045 shares of common stock and 17,910 shares of preferred stock of the Corporation were issued for the acquisition of $8,018,200 of common stock and $4,776,100 shares of preferred stock, par values, of the Shelby Steel Tube Co. under the contract above mentioned.

"The Aragon Iron Mines leasehold and the stock of the Bessemer Steamship Co. have been purchased for cash paid and payable by this Corporation or by some of the subsidiary companies above mentioned.

"All of the bonds of the Carnegie Co. and all of the stocks of the companies acquired as above mentioned by the United States Steel Corporation, have been lodged with the United States Trust Co., as Trustee, for the benefit of the Corporation and its stockholders, and to secure the payment of the $304,000,000 bonds of the Corporation authorized by the deed of trust of April 1, 1901. This deposit affords security to stockholders as well as bondholders against diversion or depletion of these important assets of the Corporation.

"Circulars, dated March 2, and April 2, and 8, 1901, addressed to the holders of shares of the several companies therein specified were issued and published by the Syndicate Managers. At the rates offered in the circular dated March 2, 1901, the Syndicate acquired the common stocks and preferred stocks of the seven companies (other than the Carnegie Co.) as above mentioned, and thereupon sold and transferred the same to this corporation under the contract of March 1, 1901. The Syndicate delivered to the holders of such stocks of said seven companies in the aggregate 2,694,909 shares of common stock and 2,616,957 shares of preferred stock of this Corporation. The Syndicate acquired 60% ($96,000,000) of the stock of the Carnegie Co., and $159,450,000 face value of the 5% bonds of the Carnegie Co. by delivering to the holders thereof said $303,450,000 of bonds of this Corporation and $1,200,000 in cash; and the Syndicate acquired the remaining 40% ($64,000,000) of the stock of the Carnegie Co. by delivering to the holders thereof 982,771 shares of preferred stock and 902,790 shares of the common stock of this Corporation.

"The residue of the common and preferred stock of this Corporation delivered to the Syndicate under the contract of March 1, 1901, and not used for the acquisition by it of the stocks of the specified companies, being the shares which, as stated in the Syndicate circular of March 2, 1901, were to be retained by and to belong to the Syndicate, amounted to 649,987 shares of preferred stock and 649,988 shares of common stock. This residue of stock or the proceeds thereof, after reimbursing the Syndicate the $25,000,000 in cash which it paid to the Corporation, and approximately $3,000,000 for other syndicate obligations and expenses, constituted surplus or profit of the Syndicate.

"The transactions between this Corporation and the Syndicate having been concluded, an agreement of final settlement and mutual release, dated January 3, 1902, was executed between this Corporation and the Syndicate Managers.

"It will be noted that this Corporation has received and now owns in the aggregate more than 99¾% of the shares of all the specified companies. The acquisition of so large a proportion of the shares has enabled the Corporation promptly to enter upon the accomplishment of the principal objects which induced its formation, and has facilitated the fulfillment of the original expectations of large reductions in expenditures for improvements, of increased earnings applicable to dividends, and of greater stability of investment, without increasing the prices of manufactured products.

"LEASE OF POCAHONTAS COAL LANDS.

"Subsidiary companies of the Corporation have secured a lease of fifty thousand acres of the best Pocahontas coking and fuel coal property, on a royalty basis, and on favorable terms for production and transportation. Plans for the prompt development of this property on a large scale are under consideration, and it is expected that in the near future there will be received from this field a large supply of coke and fuel coal. With this acquisition, it is estimated that there is now controlled by subsidiary companies a sufficient quantity of the best and cheapest coking coal to provide, on the basis of present consumption, for the necessities of all the furnaces of these companies during the next sixty years. The Corporation has guaranteed the performance of this lease on the part of the lessees."

UNITED STATES STEEL CORPORATION, CAPITAL STOCK AND BONDS, JULY 1, 1902.

Common Stock Issued ($100 shares)	$508,302,300
Preferred Stock Issued ($100 shares)	510,280,900
Fifty-year 5 per cent. Gold Bonds	303,757,000

FIFTY-YEAR 5 P. C. GOLD BONDS.

Issued	$303,757,000
Reserved for The Carnegie Company Collateral Trust Bonds not yet exchanged	243,000
Authorized	$304,000,000

Bonds due April 1, 1951, interest payable semi-annually, at office of J. P. Morgan & Co., New York, N. Y. After April 1, 1911, series A, C, and E of the bonds, amounting to $154,000,000, are subject to call in whole or in part at 115% and accrued interest. Series B, D, and F cannot be paid before maturity. There is a sinking fund of $3,040,000 per annum, beginning June 1, 1902, which may be used in the purchase of bonds whenever they can be bought at a rate not exceeding 115% and accrued interest; and after April 1, 1911, the fund must be applied for the purchase of bonds of Series A, C, and E, drawings to be made by lot. All bonds purchased for the sinking fund remain alive and continue to draw interest, the accretions being invested in same manner as provided for the installments.

The bonds are secured by deposit in trust of all securities owned by the corporation which may be held by it for permanent investment.

CONVERSION PLAN:

The following circular, issued by J. P. Morgan & Co., March 3, 1903, sets forth the plan for exchanging $200,000,000 preferred stock for 5% bonds, and issuing $50,000,000 additional bonds:

"To Holders of the Preferred Stock of the United States Steel Corporation, of record on March 16, 1903:

"For account and in behalf of the United States Steel Corporation, and under and in pursuance of the provisions of a certain agreement between that Corporation and the undersigned, dated April 1, 1902, and approved by the stockholders of the Corporation at a special meeting held May 19, 1902, the undersigned hereby offer to every holder of preferred stock of the United States Steel Corporation, of record at the close of business on the sixteenth day of March, 1903, for and during the period of 60 days from and after such date:

"(1) The preferential opportunity to subscribe for, and to take at par, the 10-60-year 5% sinking fund gold bonds of the United States Steel Corporation, in such even amounts (*i. e.*, $500 or multiples thereof) as such holder of preferred stock may desire, in the aggregate not exceeding $200,000,000, nor in any instance exceeding 40% of the par amount of the preferred stock standing in the name of such holder of preferred stock at the closing of the books on March 16, 1903. Such subscriptions shall be payable in preferred stock of the United States Steel Corporation at par, that is to say, five shares of such preferred stock for each $500 of such bonds; and also

"(2) The like opportunity, at his further option, to make an additional subscription, payable in cash, for bonds of such issue, at par and accrued interest, to an even amount approximately equal to 10% of the par amount of the preferred stock standing in the name of such preferred stockholder on March 16.

"The said bonds are to bear date April 1, 1903, and are to be part of an authorized issue of $250,000,000, and the form thereof, as well as of the indenture of mortgage, lien or pledge securing the same, is to be satisfactory to the undersigned.

"The indenture of mortgage, lien or pledge securing said bonds is to bear date April 1, 1903, and is to be next in rank and similar in form to that securing the bonds of the United States Steel Corporation for $304,000,000, issued under and secured by the Indenture to the United States Trust Co. of New York, dated April 1, 1901. The proposed form thereof (which, however, until the date of execution thereof, will be subject to modification in any particular not herein specified) may be examined by any recorded holder of preferred stock on or after March 16, 1903, at the office of the Transfer Agent, 71 Broadway, New York, or at this office.

"The bonds are to bear interest at the rate of 5% per annum, from their date, April 1, 1903, and every deposit of preferred stock under this offer shall operate as a transfer to the Steel Corporation of all right to dividends accruing on such deposited stock after April 1, 1903. The deposited preferred shares will be held in the names in which they are deposited until after the preferred stock books shall have been closed. The coupon bonds are to be redeemed first.

"An annual sinking fund of $1,010,000 is to be provided by the United States Steel Corporation for the redemption of the bonds. The bonds will be issued as coupon bonds, each for the principal sum of $1,000 or $5,000, and as registered bonds each for the principal sum of $500, $1,000, $5,000 or of any multiple of $5,000 that may be authorized by the Steel Corporation. The coupon bonds are to be exchangeable at any time for registered bonds, and the registered bonds when presented in even amounts of $1,000 are to be exchangeable for coupon bonds, at the will of the holders, upon terms to be stated in the said indenture.

"Under the said bonds and the instrument securing the same no action or proceeding, either at law or in equity, can be instituted or maintained for the enforcement or collection of interest on the bonds, or for maturing the principal thereof by reason of a default by the Steel Company in the payment of any instalment of interest, until after such default in the payment of such instalment shall have lasted for the period of two years continuously."

UNION-SHARON PURCHASE.

In December, 1902, the Corporation acquired the entire issue of capital stock of the Union Steel Company, which latter company had absorbed the Sharon Steel Company and had acquired the entire issues of capital stock of the Sharon Ore Company, the Sharon Coke Company, the Sharon Sheet Steel Company, the Donora Mining Company, the Republic Coke Company, the River Coal Company, and a controlling interest in the capital stock of the Sharon Tin Plate Company and the Sharon Coal & Limestone Company. Such acquisition was effected by direct negotiation with the owners, on the basis of actual cost of the properties to the vendors, except as to certain ore and coal property and other lands, and as to them on a basis not exceeding actual present value.

In consideration of the transfer of the Union Steel Company's stock the Steel Corporation guaranteed the principal and interest of the Union Steel Company's fifty-year first mortgage and collateral trust 5% gold bonds issued and to be issued to the aggregate principal sum of $45,000,000. The amount of these bonds which were outstanding at the time the stock was formally turned over to the Steel Corporation was............................$29,114,000

The balance of the issue of the above bonds is reserved for the following purposes:	
Sold for cash at par to be taken in monthly instalments during 1903 by the vendors of Union Steel Co.'s stock, in accordance with agreement with them..	8,512,000
The cash received from the sale of these bonds is to be used for completing furnaces, mills, additions and extensions to the property under way on December 1, 1902, and to provide working capital.	
Reserved to retire outstanding bonds of the Sharon Steel properties at their maturity...............	3,500,000
Reserved for future use for additions, construction and improvements	3,874,000
Total authorized issue....................	$45,000,000

The property acquired through the capital stock of the Union Steel Company, completed and under construction, is as follows:

Manufacturing Plants at Donora and Sharon, Pa.—5 Blast Furnaces, 24 O. H. Furnaces, 2 Blooming, Slabbing and Sheet Bar Mills, 4 Rod Mills, 2 Wire and Nail Mills, 1 Skelp Works, 1 Tube Works, 1 Plate Mill, 1 Tin Plate Plant, 1 Sheet Plant, By-Product Coke Plant, 212 ovens.

Coking coal property in Lower Connellsville district, 4,740 acres of coal and 810 acres of surface.

Steam coal property on Monongahela River, 1,524 acres of coal and 179 acres of surface.

The Sharon and Penobscot mines (in fee) and Donora and Sweeny mines (leases) on the Mesaba Range, containing approximately 40,000,000 tons of iron ore.

Two modern steel ore steamers.

Purchase of Troy Steel Products Co.

The American Steel & Wire Co. acquired as of January 1, 1903, the entire issues of capital stock and first mortgage bonds of the Troy Steel Products Co., at the price of $1,100,000.

The property owned by above company is situated on Breaker Island, in the Hudson River, at Troy, N. Y., together with property and accessory works on the east side of the river. The property consists of three blast furnaces, steel works and rolling mill.

The properties owned by the various subsidiary companies, or by operating companies, which are in turn controlled by said subsidiary companies, through ownership of capital stock, is shown as follows:

(Practically all the capital stock of these companies is owned by the United States Steel Corporation. The financial operations of these companies, also of subsidiary companies thereof, are embraced in the statements of earnings, balance sheet and Bonded Debt Summary printed on following pages.)

SUBSIDIARY COMPANIES OF U. S. STEEL CORPORATION

ORGANIZATION.

	Incorporated.		Preferred Stock Issued.	Common Stock Issued.
	State.	Date.		
The Carnegie Co.	New Jersey	Mar., 1000	....	$160,000,000
Federal Steel Co.	"	Sept., 1898	$53,260,900	46,484,300
National Tube Co	"	Feb., 1899	40,000,000	40,000,000
American Steel & Wire Co. of New Jersey	"	Jan., 1899	40,000,000	50,000,000
National Steel Co	"	Feb., 1899	27,000,000	32,000,000
American Tin Plate Co	"	Dec., 1898	18,325,000	28,000,000
American Steel Hoop Co.	"	Apr., 1899	14,000,000	19,000,000
American Sheet Steel Co.	"	Mar., 1900	24,500,000	24,500,000
American Bridge Co	"	Apr., 1900	31,373,800	30,950,800
Lake Superior Consolidated Iron Mines.	"	July, 1893	....	29,887,448
Shelby Steel Tube Co.	"	Feb., 1900	5,000,000	8,151,900

The property owned by the foregoing companies, or by operating companies which are in turn controlled by said companies through ownership of capital stock, is shown in the subjoined schedules:

Property owned by subsidiary companies—iron and steel manufacturing properties.—Carnegie Steel Co. (Capital stock owned by The Carnegie Co.); Edgar Thomson Works, Bessemer, Pa.; Duquesne Works, Cochran, Pa.; Howard Axle Works, Howard, Pa.; Lower Union Mills, Pittsburg, Pa.; Homestead Works, Munhall, Pa.; Carrie Furnaces, Rankin, Pa.; Upper Union Mills, Pittsburg, Pa.; Lucy Furnaces, Pittsburg, Pa.

Illinois Steel Co. (Capital stock owned by Federal Steel Co.): South Works, South Chicago, Ill.; Union Works, Chicago, Ill.; Milwaukee Works, Milwaukee, Wis.; North Works, Chicago, Ill.; Joliet Works, Joliet, Ill.

Lorain Steel Co. (Capital stock owned by Federal Steel Co.): Lorain Works, Lorain, Ohio; Johnstown Works, Johnstown, Pa.

National Steel Co. (Capital stock owned by U. S. Steel Corporation): Ohio Works, Youngstown, Ohio; Mingo Works, Mingo Junction, Ohio; Niles Works, Niles, Ohio; Sharon Works, Sharon, Pa.; Columbus Works, Columbus, Ohio; Bellaire Works, Bellaire, Ohio; Zanesville Furnace, Zanesville, Ohio; New Castle Works, New Castle, Pa.

American Steel Hoop Co. (capital stock owned by U. S. Steel Corporation): Isabella Furnaces, Etna, Pa.; Painter Mills, Pittsburg, Pa.; Duncansville Mills, Duncansville, Pa.; Greenville Mills, Greenville, Pa.; Upper Union Mills, Youngstown, Ohio; Warren Mills, Warren, Ohio; Mingo Mills, Mingo Junction, Ohio; Bridgeport Mills, Bridgeport, Ohio; Clark Mills, Pittsburg, Pa.; McCutcheon Mills, Allegheny, Pa.; Monessen Mills, Monessen, Pa.; Lower Union Mills, Youngstown, Ohio; Girard Mills, Girard, Ohio; Pomeroy Mills, Pomeroy, Ohio; Atlanta Mills, Atlanta, Ga.

National Tube Co. (Capital stock owned by U. S. Steel Corporation): Monongahela Furnaces, McKeesport, Pa.; Monong Steel Works, McKeesport, Pa.; Boston Steel Works, McKeesport, Pa.; Republic Iron Works, Pittsburg, Pa.; Pittsburg Mills, Pittsburg, Pa.; Allison Works, Philadelphia, Pa.; Chester Works, South Chester, Pa.; U. S. Seamless Tube Works, Christy Park, Pa.; Oil City Works, Oil City, Pa.; Cohoes Works, Cohoes, N. Y.; Riverside Furnaces, Benwood, W. Va.; Steubenville Furnaces, Steubenville, Ohio; National Rolling Mills, McKeesport, Pa.; National Pipe Mills, McKeesport, Pa.; Elba Rolling Mills, Pittsburg, Pa.; Continental Pipe Mills, Pittsburg, Pa.; Pennsylvania Mills, Pittsburg, Pa.; National Galvanizing Works, Versailles, Pa.; American Works, Middletown, Pa.; Standard Seamless Tube Works, Elwood City, Pa.; Syracuse Works, Syracuse, N. Y.; Morris-Tasker Works, New Castle, Del.; Riverside Works, Benwood, W. Va., and Wheeling, W. Va.; Youngstown Works, Youngstown, Ohio; Warren Works, Warren, Ohio.

Shelby Steel Tube Co. (capital stock owned by U. S. Steel Corporation): Auburn Works, Auburn, Pa.; Greenville Works, Greenville, Pa.; Toledo Works, Toledo, Ohio; Elwood Works, Elwood, Ind.; Shelby Works, Shelby, Ohio; Albany Works, Albany, Ind.; Hartford Works, Hartford, Conn.

American Steel and Wire Co. of New Jersey. (Capital stock owned by U. S. Steel Corporation): Central Works, Worcester, Mass.; Allentown Works, Allentown, Pa.; Allegheny Furnace, Allegheny, Pa.; Braddock Works, Braddock, Pa.; Neville Island Furnaces, Neville Island, Pa.; Shoenberger Works, Pittsburg, Pa.; 26th Street Works, Pittsburg, Pa.; Emma Furnaces, Cleveland, Ohio; Consolidated Works, Cleveland, Ohio; Newburg Steel Works, Cleveland, Ohio; Salem Works, Salem, Ohio; Bluff Street Works, Joliet, Ill.; Rockdale Works, Joliet, Ill.; DeKalb Works, DeKalb, Ill.; North Works, Worcester, Mass.; South Works, Worcester, Mass.; Beaver Falls Works, Beaver Falls, Pa.; New Castle Works, New Castle, Pa.; Rankin Works, Rankin, Pa.; South Side Works, Pittsburg, Pa.; Central Furnaces, Cleveland, Ohio; American Works, Cleveland, Ohio; H. P. Works, Cleveland, Ohio; Newburg Wire Works, Cleveland, Ohio; Anderson Works, Anderso Ind.; Meeker Ave. Works, Joliet, Ill.; Scott Street Works, Jolie Ill.; Waukegan Works, Waukegan, Ill.; Pacific Works, San Fran cisco, Cal.

American Tin Plate Co. (Capital stock owned by U. S. Ste Corporation): American Works, Elwood, Ind.; Anderson Work Anderson, Ind.; Morewood Works, Gas City, Ind.; Elwood Work Elwood City, Pa.; Banfield Works, Irondale, Ohio; Laughlin Work Martins Ferry, Ohio; New Castle Works, New Castle, Pa.; Monon gahela Works, Pittsburg, Pa.; Star Works, Pittsburg, Pa.; Hun bert Works, South Connellsville, Pa.; Crescent Works, Clevelan Ohio; Great Western Works, Joliet, Ill.; National Works, Mone sen, Pa.; Irondale Works, Middleton, Ind.; Atlanta Works, Atlant Ind.; Beaver Works, Lisbon, Ohio; Falcon Works, Niles, Ohio; L Belle Works, Wheeling, W. Va.; Cambridge Works, Cambridg Ohio; Shenango Works, New Castle, Pa.; Pittsburg Works, Ne Kensington, Pa.; Pennsylvania Works, New Kensington, Pa United States Works, McKeesport, Pa.; Cannonsburg Works, Ca nonsburg, Pa.; Johnstown Works, Johnstown, Pa.; Reeves Work Canal Dover, Ohio; Champion Works, Muskegon, Mich.

American Sheet Steel Co. (Capital stock owned by U. S. Ste Corporation): Aetna Standard Works, Bridgeport, Ohio; Canto Works, Canton, Ohio; Dresden Works, Dresden, Ohio; Hyde Par Works, Hyde Park, Pa.; Saltsburg Works, Saltsburg, Pa.; Ne Philadelphia Works, New Philadelphia, Ohio; Piqua Works, Piqu Ohio; Reeves Works, Canal Dover, Ohio; Apollo Works, Apollo Pa.; Wood Works, McKeesport, Pa.; Cambridge Works, Cam bridge, Ohio; Dennison Works, Dennison, Ohio; Falcon Works Niles, Ohio; Kirkpatrick Works, Leechburg, Pa.; Midland Works Muncie, Ind.; Old Meadow Works, Scottdale, Pa.; Scottdale Works Scottdale, Pa.; Struthers Works, Struthers, Ohio; Vandegrif Works, Vandegrift, Pa.; Wellsville Works, Wellsville, Ohio.

American Bridge Co. (Capital stock owned by U. S. Steel Cor poration): Pencoyd Steel Works & Bridge Plant, Pencoyd, Pa (Owned and operated by A. & P. Roberts Co., capital stock of whic is owned by American Bridge Co.): Lassig Bridge Plant, Chicago Ill.; American Bridge Plant, Chicago, Ill.; Post-McCord Bridg Plant, Brooklyn, N. Y.; New Jersey Bridge Plant, Trenton, N. J. Edge Moor Bridge Plant, Edge Moor, Del.; Berlin Bridge Plan East Berlin, Conn.; Elmira Bridge Plant, Elmira, N. Y.; Hilto Bridge Plant, Albany, N. Y.; Rochester Bridge Plant, Rocheste N. Y.; Buffalo Bridge Plant, Buffalo, N. Y.; Keystone Bridg

Plant, Pittsburg, Pa.; Pittsburg Bridge Plant, Pittsburg, Pa.; Schultz Bridge Plant, Pittsburg, Pa.; Shiffler Bridge Plant, Pittsburg, Pa.; Walker Bridge Plant, Pittsburg, Pa.; Union Plant, Athens, Pa.; Youngstown Bridge Plant, Youngstown, Ohio; Toledo Bridge Plant, Toledo, Ohio; Columbus Bridge Plant, Columbus, Ohio; Canton Bridge Plant, Canton, Ohio; La Fayette Bridge Plant, La Fayette, Ind.; Milwaukee Bridge Plant, Milwaukee, Wis.; Gillette-Herzog Bridge Plant, Minneapolis, Minn.; Detroit Bridge Plant, Detroit, Mich.

The furnaces, mills, etc. etc., comprised in the foregoing manufacturing works and plants, together with the products thereof, are shown in the following summary:

75 blast furnaces, producing pig iron, ferro-manganese and spiegel.

15 open hearth steel plants, comprising 116 O. H. furnaces, producing O. H. steel ingots.

17 Bessemer steel plants, comprising 37 converters producing Bessemer steel ingots.

6 steel rail mills.

68 blooming, slabbing, bar and billet mills, located in 36 different plants.

13 structural shape mills, located in 5 different plants.

12 plate mills, sheared and structural plates, located in 5 different plants.

16 plants, comprising 357 puddling furnaces, product of which is principally manufactured into skelp.

73 merchant mills, producing bar iron and steel, skelp, hoops, cotton ties, etc., located in 21 different plants.

51 plants, comprising 435 hot mills, producing black plate for sale, for tinning, galvanizing, etc.; also producing all kinds of sheets and light plates for the trade. At 34 of these plants are departments for tinning and galvanizing black plate.

24 rod mills, located in 13 different plants.

22 wire plants, includes departments for the production of wire of all kinds, wire nails and tacks, cable, rope, springs, field fence, wire specialties, etc.

27 tube plants, producing welded and seamless tubes of all natures. In above plants are located 47 mills for the production of muck bar, skelp and blanks, necessary for the manufacture of tubes.

25 bridge and structural plants, all classes of structural, bridge, railroad and highway work.

21 complete foundries.

Miscellaneous, comprising armor plant, axle plant, cement plants, bolt, nut and spike factories, cut nail works, horse shoe works, roofing plant, frog shops and switch works, machine shops, etc.

Iron Ore Properties.—The following active iron ore mines, located in the ranges named, in the Lake Superior iron region, are owned by the respective companies stated, all of such companies being controlled through ownership of capital stock by companies whose capital stock is owned by the United States Steel Corporation.

Owned by	Marquette Range.	Menominee Range.	Gogebic Range.	Vermillion Range.	Missabe Range.
Oliver Iron Mining Co	Lake Superior (¾ Int.)	Columbia	Norrie	Pioneer	Mt. Iron
	Queen (¼ Int.)	Riverton	Norrie-Aurora	Zenith	Virginia.
	Bessie	Michigan	Aurora	Savoy	Stephens.
	Hartford	Mansfield	Tilden		
		Hope	Chicago.		
Minnesota Iron Co.				Soudan	Fayal.
				Chandler (½ Int.)	Genoa.
					Auburn.
American Mining Co	Negaunee	Hilltop	Atlantic		Sauntry.
	Moore	Cuff			Chisholm.
	Stegmiller				Clark.
Lake Superior Consolidated Mines.					Adams. Spruce. Day. Sellers. Rust. Pillsbury. Hull. Glen. Burt. Duluth.
Chapin Mining Co.		Chapin			
Winthrop Iron Co.	Winthrop				
Cundy Iron Co		Cundy			
National Tube Works Co		Aragon			
Pewabic Company		Pewabic (½ Int.).			
Union Ore Co.				Union (½ Int.).	

In addition to the active mines as scheduled, there are owned on the ore ranges named, extensive acreages of land, much of which contains large quantities of ore yet unopened, and on which also there are great quantities of standing timber designed for future use in mining operations.

Coal and Coke Properties.—The coal and coke properties owned and their location are as follows: Coking Coal: Owned by H. C. Frick Coke Co., South West Connellsville Coke Co., American Coke Co. and Continental Coke Co. Located in Westmoreland and Fayette Counties, Pa., and comprises 57,000 acres of coking coal and 16,000 beehive coke ovens, with necessary equipment for operating the mines, ovens and plants, also houses for employees, etc., etc. One-half interest is also owned in the Juniata Coke Co., which has 250 coke ovens, and 180 acres of coking coal in Fayette County, Pa. The National Tube Co. also owns 120 bi-product coke ovens at Benwood, W. Va. The corporation also owns the lease of 50,000 acres of coking coal property in McDowell County, W. Va. This property is located in the famous Pocahontas region.

STEAM COAL.—About 34,000 acres of steam and gas coal are wned, located principally in Washington, Allegheny, Somerset, reene and Fayette Counties, Pa., and in Williamson County, Ill. hese properties are owned by the following companies: American oke Co., National Mining Co., Mingo Coal Co., Illinois Steel Co., ıd Ingleside Coal Co.

TRANSPORTATION PROPERTIES.—The transportation properties ›ntrolled by the several subsidiary companies of the United States teel Corporation, are as follows: Union Railroad Co., Bessemer Lake Erie R. R. Co., Pittsburg, Bessemer & Lake Erie R. R. Co.; oughiogheny Northern R. R. Co.; Chicago, Lake Shore & East-n Ry. Co.; Elgin, Joliet & Eastern Ry. Terminal R. R. Co.; Johns-›wn & Stony Creek Ry. Co.; Masontown & New Salem R. R. Co.; uluth & Iron Range R. R. Co., Duluth, Missabe & Northern Ry. o., McKeesport Connecting Ry. Co.; Benwood & Wheeling Con-ecting Ry. Co., Pittsburg & Ohio Valley Ry. Co., Northern Lib-ties Ry. Co., Newburg & South Shore Ry. Co.; Waukegan & Miss-sippi Valley Ry. Co., Elwood, Anderson & La Pelle R. R. Co., tna & Montrose R. R. Co., Pittsburg Steamship Co., American teamship Co.

In addition to the above, the following miscellaneous properties ·e owned or controlled by subsidiary companies of the United tates Steel Corporation:

MISCELLANEOUS PROPERTIES.

The miscellaneous properties owned or controlled by subsidiary ›mpanies of the United States Steel Corporation, are as follows:

NAME OF COMPANY.	CHARACTER OF BUSINESS.	LOCATION OF PROPERTY.
ughiogheny Water Co.	Furnishing Water	Fayette and Westmoreland Counties, Pennsylvania.
. Pleasant Water Co.	" "	
otter Water Co.	" "	
. Union Water Co.	" "	
irchance Water Co.	" "	
ıron Water Co.	" "	
ndard Water Co.	" "	
ion Supply Co.	General Merchandising	Fayette and Westmoreland Counties, Pa.
ke Erie Supply Co.	" "	Conneaut, Ohio.
ndard Supply Co.	" "	Fayette County, Penna.
tsburgh & Conneaut Dock Co.	Receiving, handling and shipping iron ore at Lake Erie ports	Conneaut, Ohio.
onesota Dock Co.		Ashtabula, O., and Buffalo, N. Y.
m. & Lake Erie Dock Co.		Fairport, Ohio.
rnegie Natural Gas Co.	Furnishing Natural Gas	Pennsylvania and West Virginia.
tsburgh Limestone Co.	Quarrying and furnishing Limestone	Pennsylvania.
lumbus Stone Co.		Ohio.
bella Limestone Co.		Pennsylvania.

The following schedule shows the complete capital stock out-ınding and authorized, the direct funded debt outstanding and ıthorized, and the bonds and stocks of subsidiary and constituent mpanies outstanding and authorized, as the same stood on De-mber 1st, 1903:

	Total Bonds.	Held by Trustees of Sinking Funds.	Balance in Hands of Public.	Maturity.	Interest. Rate.	Interest. Payable.
U. S. Steel Corp. 50-year bonds	$303,757,000	$2,698,000	$301,059,000	....	..	....
The Carnegie Co. Collateral Trust	243,000	....	243,000	Apr. 1, 2000	5	....
Illinois Steel Co. Convertible Debentures	2,872,000	....	2,872,000	Jan. 1, 1910	5	Jan. and July.
Illinois Steel Co. Non-Convertible Debentures	6,900,000	....	6,900,000	Apr. 1, 1913	5	Apr. and Oct.
The Johnson Co. (now Lorain Steel Co.) First Mortgage	1,208,000	....	1,208,000	$100,000 each Sept. 1......	6	Mar. and Sept.
Am. S. & W. Co.—Allegheny Furnace Mortgage	78,000	....	78,000	Aug. 1, 1911	5	Feb. and Aug.
National Steel Co. Bonds, viz.:						
Ohio Steel Co. First Mortgage	845,000	....	845,000	Var. Am'ts on June 1 to 1908	6	June and Dec.
Bellaire Steel Co. First Mortgage	301,000	....	301,000	Mar. 2, 1906	6	Mar. and Sept.
Rosena Furnace Co. First Mortgage	250,000	....	250,000	Dec. 1, 1912	5	June and Dec.
Buhl Steel Co. First Mortgage	200,000	....	200,000	Nov. 1, 1903	6	May and Nov.
King, Gilbert & Warner First Mortgage	100,000	....	100,000	May 1, 1905	6	May and Nov.
American Tin Plate Co. Bonds, viz.:						
New Castle Steel and Tin Plate Co	75,000	....	75,000	Mar. 1, 1906	6	Mar. and Sept.
American Sheet Steel Co. Bond, viz.:						
W. Dewees Wood Co. First Mortgage	2,000,000	....	2,000,000	May 1, 1910	5	May and Nov.
Total.	....	....	$316,131,000	....	..	....
Coal and Coke Companies.						
H. C. Frick Coke Co. First Mortgage	$1,600,000	....	$1,600,000	$100,000 each July 1......	5	Jan. and July.
H. C. Frick Coke Co. Purchase Money Mortgage	300,000	....	300,000	$150,000 each Jan. 1.......	5	Jan. and July.
Host.-Con. Coke Co. First Mortgage	1,000,000	....	*1,000,000	July 1, 1942	5	Feb. and Aug.
Host. Coke Co. Mortgage	175,000	....	*175,000	$25,000 each Aug. 1.....	5	Feb. and Aug.
Continental Coke Co. Purchase Money Mortgage	900,000	....	900,000	$100,000 each Feb. 1......	5	Feb. and Aug.
Continental Coke Co. Purchase Money Mortgage	629,000	....	629,000	$37,000 each Apr. 27.....	4½	Apr. 27
	....	....	$4,604,000	....	..	....
* Less, one-half of these bonds, which are a liability versus minority interest in stock of Host Con. Coke Co	....	....	587,500	....	..	....
Balance of coal and coke companies' bonds	....	....	$4,016,500	....	..	....

Transportation Companies.						
Union R. R. Co., First Mortgage	$2,000,000	....	$2,000,000	Sept. 1, 1946	5	Mar. and Sept.
Pittsburg Bess. & Lake Erie R. R. Bonds:						
Pitts., Shen. & Lake Erie Ry. First Mortgage	3,000,000	....	3,000,000	Oct. 1, 1940	5	Apr. and Oct.
P., Shen. & Lake Erie Ry. First Mortgage Con	658,000	....	658,000	July 1, 1943	5	Jan. and July.
P., Bess. & Lake Erie Ry. First Mortgage Con	6,342,000	....	6,342,000	Jan. 1, 1947	5	Jan. and July.
P., Bess. & Lake Erie Ry. Debenture Gold	1,500,000	....	1,500,000	June 1, 1919	5	June and Dec.
P., Bess. & L. E. Ry. Bess. Equip. Trust	300,000	....	300,000	$75,000 each July 1......	6	Jan. and July.
P., B. & L. E. Ry. Conneaut. Equip. Trust	350,000	....	350,000	See Note "A"	6	Mar. and Sept.
P., B. & L. E. Ry. Shenango Equip. Trust	725,000	....	725,000	See Note "B"	5	Apr. and Oct.
P., B. & L. E. Ry. Greenville Equip. Trust	1,000,000	....	1,000,000	See Note "C"	3	May and Nov.
P., B. & L. E. Ry. Butler Equip. Trust	2,050,000	....	2,050,000	Apr. 1, 1921	5	Apr. and Oct.
Car Equipment Warrants	36,622	....	36,622	Monthly....	..	....
Note "A"—$50,000 March 1, 1903, and $60,000 each March 1 thereafter.						
Note "B"—$72,000 April 1, 1904 to 1908, $73,000 each April 1 thereafter.						
Note "C"—$100,000 May 1, 1911 to 1920.						
Bessemer & L. E. R. R.:						
Erie Equip. Trust	1,220,000	....	1,220,000	Mar. 1, 1922	5	Mar. and Sept.
Elgin, Joliet and Eastern Ry. First Mortgage	8,500,000	....	8,500,000	May 1, 1941	5	May and Nov.
Duluth and Iron Range R. R. Co. Bonds:						
First Mortgage	6,732,000	....	6,732,000	Oct. 1, 1937	5	Apr. and Oct.
Second Mortgage	4,500,000	$3,500,000	1,000,000	Jan. 1, 1916	6	Jan. and July.
Duluth, Missabee & No. Ry. Co. Bonds:						
First Division First Mortgage	1,174,000	....	1,174,000	Jan. 1, 1922	6	Jan. and July.
Consolidated First Mortgage	2,326,000	550,000	1,771,000	Jan. 1, 1923	6	Jan. and July.
Consolidated Second Mortgage	2,621,000	408,000	2,213,000	Jan. 1, 1918	5	Jan. and July.
Pittsburg Steamship Co. Bonds:						
First Mortgage (P. S. S.)	2,437,000	....	2,437,000	Jan. 1, 1915	5	Jan. and July.
No. Lake SS. Co. Mortgage	60,000	....	60,000	$10,000 each Sept. 1.....	5	Mar. and Sept.
American SS. Co. First Mortgage	5,280,000	361,000	4,889,000	Nov. 1, 1920	5	May and Nov.
	....	....	$48,421,000	....	..	....
*** Less, proportion of P., B. & L. E. R. R. Bonds, versus minority interest in that company's stock**	$7,854,599	....	7,854,599	....	..	....
Grand total	....	....	$360,754,326.77	....	..	....

The corporation has paid, up to the present time, 10 quarterly dividends of 1¾% on its preferred stock, the same being payable quarterly, February 15th. On the common stock, there has been paid, nine dividends of 1% each, and one dividend of ½%. The last dividend paid was ½%, and was declared in October, 1903. None since.

The following financial statement of the Corporation and its subsidiary companies, showing the unfilled orders on hand on Dec. 31, 1903, and also the earnings for the late calendar year (the results for December, 1903, being partly estimated), was given out on Tuesday after the regular monthly meeting of the directors. We give in comparison the results for the corresponding periods since the organization of the company in March, 1901. The "net earnings," as here shown, "were arrived at after deducting each month the cost of ordinary repairs, renewals, and maintenance of plants and interest on bonds and fixed charges of the subsidiary companies."

The quarterly dividend on the common stock for the last quarter was passed, and that payable Dec. 30, 1903, was reduced from 1% to ½%, making the total dividends on the common stock from the earnings of the year 2½%, contrasting with 4% last year.

UNFILLED ORDERS ON HAND—

December 31, 1903	3,215,123 tons
October 1, 1903	3,728,742 tons
December 31, 1902	5,347,253 tons
October 1, 1902	4,843,007 tons
November 1, 1901	2,831,692 tons

NET EARNINGS FROM OPERATION FOR YEAR ENDING DEC. 31.

	1903.	1902.	1901.
January	$7,425,775	$8,901,016	....
February	7,730,361	7,678,583	....
March	9,912,571	10,135,858	....
First quarter	$25,068,707	$26,715,457	....
April	10,905,204	12,320,766	$7,356,744
May	12,744,324	13,120,930	9,612,349
June	12,992,780	12,220,362	9,394,747
Second quarter	$36,642,308	$37,662,058	$26,363,840
July	12,384,647	12,041,914	9,580,151
August	10,918,174	12,972,729	9,810,880
September	9,120,134	11,930,846	9,272,812
Third quarter	$32,422,955	$36,945,489	$28,663,843

October	$7,675,141	$12,652,707	$12,205,774
November	4,069,901	10,686,906	9,795,841
December	*3,100,000	8,646,146	7,758,298
Fourth quarter	$14,845,042	$31,985,759	$29,759,913
Total for year	$108,979,012	$133,308,763	$47.81...

INCOME ACCOUNT FOR CALENDAR YEARS 1903 AND 1902.

	1903.	1902.
Total net earnings (see introductory remarks)	$108,979,012	$133,308,763
Deduct—		
For sinking funds (bonds subsidiary companies)	$1,590,352	$624,064
Depreciation and extinguishment funds (regular provision)	4,485,120	4,834,710
Extraor. replacement funds (regular provision)	9,194,715	9,315,615
Special fund for depreciation, improvements and construction	10,000,000	10,000,000
Total of above deductions	$25,270,187	$24,774,389
Balance of net earnings	83,708,825	108,534,374
Also deduct—		
U. S. Steel Corporation, interest on bonds	19,086,945	15,187,850
U. S. Steel Corporation, sinking funds	3,797,500	3,040,000
Total int. and sink. fund U. S. Steel Corp.	$22,884,445	$18,227,850
Balance	60,824,380	90,306,524
Less: Charged off for depreciation in inventory valuations and for adjustment of sundry accounts (estimated)	5,750,000	....
Balance available for dividends	$55,074,380	$90,306,524
Dividends—		
Preferred (7 per cent.)	30,404,173	35,720,177
Common (2½)	12,707,562	(4) 20,332,690
Undivided profits or surplus for the year	$11,962,645	$34,253,657

Employes and Payrolls.

The average number of employees in the service of all properties during the entire year (1902) was 168,127. The aggregate amount paid during the same year for salaries and wages of employees was $120,528,343.

The following shows the classification of the number of employees and payrolls between the several departments named:

Employees of—	Number.
Manufacturing properties	125,326
Coal and coke properties	16,519
Iron mining properties	13,465
Transportation properties	11,160
Miscellaneous properties	1,657
Total	168,127

NUMBER OF STOCKHOLDERS.

The following shows the number of stockholders in the United States Steel Corporation in March, 1903, in comparison with the number at corresponding date in preceding year:

	1902.	1903.	Increase.
Preferred	25,296	31,799	6,503
Common	17,723	26,830	9,107
Total	43,019	58,629	15,610

The foregoing does *not* include the subscriptions for preferred stock by 27,379 employees under plan offered them under date of December 31, 1902. See under Part II., History.

Officers: Wm. E. Corey, President; James Gayley, First Vice-President; Francis Lynde Stetson, General Counsel; Richard Trimble, Secretary and Treasurer; W. J. Philbert, Controller. Directors: Elbert H. Gary, Chairman; Francis H. Peabody, Chas. Steele, Wm. H. Moore, Norman B. Ream, P. A. B. Widener, James H. Reed, Henry C. Frick, Wm. Edenborn, J. Pierrepont Morgan, John D. Rockefeller, Henry H. Rogers, Chas. M. Schwab, Geo. W. Perkins, Edmund C. Converse, James Gayley, Marshall Field, Daniel G. Reid, John D. Rockefeller, Jr., Alfred Clifford, Robert Bacon, Nathaniel Thayer, Clement A. Griscom, Wm. E. Corey.

Main office, 71 Broadway, New York City.

II. HISTORY:

The United States Steel Corporation is not an operating company, but is what is publicly known as a security-holding corporation. At the time of its organization, in April, 1901, it acquired the control, through exchange of securities, of nearly all the large steel interests of the United States. The companies which it acquired were themselves, all consolidations of large interests which had previously been competitive, with the exception of the Carnegie Steel Co. The lattter company, which was by far the most important acquisition, had not previously been formed as a consolidation of rival interests, but was itself the outcome of a business development, extending over a period of more than thirty-five years.

The several consolidations or trusts, which were at this time absorbed into the greater corporation, were the following:

Name of Company.	Common Stock.	Preferred Stock.	Bonds.
American Bridge Company......	$30,527,800	$30,527,800	....
American Sheet Steel Company..	24,500,000	24,500,000	....
American Steel Hoop Company..	19,000,000	14,000,000	....
American Steel and Wire Co....	50,000,000	40,000,000	....
American Tin Plate Company...	28,000,000	18,325,000	....
Carnegie Company	156,800,000	....	$160,000,000
Federal Steel Company..........	46,484,300	53,260,900	....
Lake Superior Consol. Iron Mines	28,722,000	....	....
National Steel Company........	32,000,000	27,000,000	....
National Tube Company.........	40,000,000	40,000,000	....
	$456,034,100	$247,613,700	$160,000,000

Carnegie Company: The large Pennsylvania steel interests which were at this time concentrated under the name of the Carnegie Company were the outcome of an enterprise begun on a small scale in 1858 by Andrew Kloman, and his brother, at Millvale, Pa., now a part of Allegheny. At this time the plant was valued by its owners at only $4,800. Although such a small enterprise, it was successful from the start, and its business grew rapidly. The first partnership which carried on this business was known as Kloman Brothers. Later, the name was changed to Kloman & Co., and Thomas N. Miller, of Allegheny, was made a partner. In 1859, Henry Phipps became interested in the enterprise, and the name of the firm was changed to Kloman & Phipps. The business grew, and in the year 1863, Andrew Carnegie, who was at that time a young man of thirty, was induced to take an interest in the enterprise, and it was thereupon enlarged, and in the course of time became known as Carnegie, Phipps & Company, Ltd. By this time, the working capital of the concern had increased to over $300,000, and the company was making $30,000 or $40,000 per annum. As time went on, other concerns were acquired, and in 1886, the corporation of Carnegie, Phipps & Company had acquired a number of its competitors and was by far the largest concern in the business. Carnegie, Phipps & Company continued to exist until 1881, when by a consolidation of various properties, until then outside of the large concern, a further change was made, and the business was continued under the name of Carnegie Brothers & Co., Ltd. Its business had grown very largely at this time.

The successor corporation to the Carnegie Brothers & Company, Ltd., was the Carnegie Steel Company, Ltd. The latter included many large enterprises, which had been formed as the business grew, among them being the Edgar Thomson Steel Works. The Carnegie Steel Company, Ltd., continued as the controlling corporation until the year 1900, when a new corporation was formed known as the Carnegie Company of New Jersey. The Carnegie Company was the outcome of a compromise between various interests in the company, who had not been working in harmony. It was Mr. Andrew Carnegie's desire, at this time, to retire from business, and he had made one or two attempts to sell his interest to others.

The Carnegie Company, formed under New Jersey laws at this time, was a corporation with a capital stock of $160,000,000, and a bonded debt of a like amount. This corporation acquired all the stock of the Carnegie Steel Company, the H. C. Frick Coke Company, all their subsidiary companies, and the stocks of all other companies which were then held by the Carnegie Steel Company, Ltd. The par value of the shares in the new corporation was $1,000, and as shown by the list of stockholders and bondholders, after the new company had been formed, the following were the ten largest stock and bond holders:

Name.	Stock.	Bonds.
Andrew Carnegie	$86,382,000	$88,147,000
Henry Phipps	17,227,000	17,577,000
Henry C. Frick	15,484,000	15,800,000
George Lauder	5,482,000	5,593,000
Charles M. Schwab	3,980,000	4,061,000
Henry M. Curry	2,829,000	2,885,000
William M. Singer	2,830,000	2,886,000
Lawrence C. Phipps	2,654,000	2,707,000
Alexander R. Peacock	2,653,000	2,707,000
Lucy C. Carnegie	2,459,000	2,510,000

The remainder of the bonds and stock was divided between 52 additional stockholders, whose holdings ran from $1,000,000 down.

The Carnegie Company of New Jersey was absorbed by the United States Steel Corporation in April, 1901, on the following basis:

The stock holdings of Andrew Carnegie, Mrs. Lucy C. Carnegie and George Lauder were paid for entirely in United States Steel Corporation first mortgage bonds at the rate of $1,500 per share. Thus, for $96,000,000 par value of stock in the Carnegie Company, they received $144,000,000, par value, in first mortgage bonds of the United States Steel Corporation. The $160,000,000 in bonds of the Carnegie Company was exchanged at par, for $160,000,000 of the first mortgage bonds of the United States Steel Corporation. The remainder of the Carnegie stock, $64,000,000, par value, was exchanged for $98,277,120 par in preferred stock and $90,279,040 par, in the common stock of the United States Steel Corporation.

Federal Steel Co.: The Federal Steel Co., one of the most important constituent companies of the Steel Trust, was incorporated under New Jersey laws September 9th, 1898, as a security holding company, and acquired the entire capital stock of the Minnesota Iron Co., the Illinois Steel Co., the Lorain Steel Co. of Ohio, the Lorain Steel Co. of Pennsylvania, and the Elgin, Joliet & Eastern Railway Co.

The Minnesota Iron Co. owned about 150,000 acres of mineral lands, located in the States of Minnesota and Michigan, and controlled the Duluth & Iron Range Railroad, the Minnesota Steamship Co., and the Minnesota Dock Co. The Duluth & Iron Range Railroad extended from Duluth into the iron regions owned by the Minnesota Iron Co. The Minnesota Steamship Co. owned a fleet of twelve steel steamships and ten steel barges, operating on the Great Lakes.

The Illinois Steel Co. was the most important subsidiary company of the Federal Steel Co., and owned large works at North and South Chicago, also at Chicago, at Joliet, Ill., and at Milwaukee, Wis. In addition the Illinois Steel Co. owned all the stocks and bonds of the Chicago, Lake Shore & Eastern Ry., the Chicago & Kenosha Ry., Chicago & Southeastern Ry., the Joliet & Blue Island Ry., and the Milwaukee, Bay View & Chicago Ry. In addition to this, it owned the entire capital stock of the Southwest Connellsville Coke Co., and also the Cundy Iron Mine at Quinnesec, Mich., and about 7,000 acres of ore and mineral lands in Dodge, Iron and Gogebic Counties, Michigan.

The Elgin, Joliet & Eastern Ry., known as the Chicago Outer Belt Line, extends from Waukegan, Ill., around Chicago to Porter, Ind., and connects with every railroad entering Chicago. It also has branches to Aurora, Ill., and to the Standard Oil Works at Whiting, Ind., and South Chicago, where it owns extensive wharfs and other terminal property.

The property of the Lorain Steel Co. of Ohio consisted of a large steel plant at Lorain, with 880 acres of land on the Black River. The Lorain Steel Co. of Pennsylvania, formerly known as the Johnson Company, owned a plant and 150 acres of land at Johnstown, Pa.

In addition to the properties enumerated above, the Federal Steel Co. owned the entire capital stocks of the Lake Terminal Railroad, and the Johnstown & Stony Creek Railroad, which owned respectively the terminal roads connecting the steel works at Lorain, Ohio, and Johnstown, Pa.

The authorized capital stock of the Federal Steel Co. was $100,000,000 preferred and $100,000,000 in common. There was never issued, however, more than $53,260,200 preferred and $46,483,700 common. The company had no direct bonded debt, being simply responsible for the mortgages of its subsidiary companies.

At the time of absorption by the United States Steel Corporation in 1901, the capital stocks of the Federal Steel Co. were taken in on the following basis:

For each share of preferred stock of Federal Steel Co. of $100 par value, there was given $110 in preferred stock of the United States Steel Corporation. For each share of common stock of the Federal Steel Co. there was given $4.00 in preferred and $107.50 in common stock of the United States Steel Corporation.

American Steel & Wire Co.: The American Steel & Wire Co. was incorporated under New Jersey laws January 13th, 1899, as successor to the American Steel & Wire Co. of Illinois, and also a large number of other properties in the same line of business. The American Steel & Wire Co. of Illinois had been organized only a few months previous to this, as a consolidation of Western plants. The enlarged corporation, however, embraced the following concerns:

American Steel & Wire Co. of Illinois. Plants at Anderson, Ind.; De Kalb, Evanston, and Joliet, Ill.; St. Louis, Mo.; Cleveland, Salem, and Findlay, Ohio; Allentown, Beaver Falls, and Rankin, Pa.

Washburn & Moen Mfg. Co. Plants at Worcester, Mass.; Waukegan, Ill., and San Francisco, Cal.

Worcester Wire Co., Worcester, Mass.

Cleveland Rolling Mill Co., Cleveland and Newburg, Ohio, with iron mine property at Negaunee, Mich.

Indiana Wire Fence Co., Crawfordsville, Ind.
Garden City Wire & Spring Co., Chicago, Ill.
Consolidated Barb Wire Co., Joliet, Ill., and Lawrence, Kan.
Laidlaw Bale Tie Co., Joliet, Ill.
Cincinnati Barb Wire Co., Cincinnati, Ohio.
Union Rolling Mill Co., Cleveland, Ohio.
Portage Iron Co., Duncansville, Pa.
Newburg Wire & Nail Co., Newburg, N. Y.
Allegheny Furnace Co., Allegheny, Pa.
Pittsburg Wire Co., Braddock, Pa.
Shenango Valley Steel Co., New Castle, Pa.
Oliver Wire Co., Pittsburg, Pa.
Oliver & Snyder Steel Co., Pittsburg, Pa.
Shoenberger Steel Co., Pittsburg, Pa., with coal lands and coke ovens in Fayette and Westmoreland counties.
Puget Sound Wire Nail & Steel Co., Everett, Wash.
Alpena Mine, Virginia, Minn.
Edgar Zinc Co., St. Louis, Mo., and Cherry Vale, Kan.
Cuff Iron Co., Iron Mountain, Mich.
Puritan Coke Co., Baggelay, Pa.
Puritan Store Co., Baggelay, Pa.
Clark & Sauntry, Mine at Virginia, Minn.
Juniata Coke Co., Dawson, Pa.
Standard Supply Co., Dawson, Pa.
American Coke Co., Fayette Co., Pa.

At the time of consolidation, these plants produced a large majority of all the products of wire manufactured in the United States.

Capital stock of the American Steel & Wire Co. was $40,000,000 7% cumulative preferred, and $50,000,000 common. Par, $100. All outstanding. The company had no direct bonded debt, and its subsidiary companies had only one or two very small mortgages.

The shares of the American Steel & Wire Co. were acquired by the United States Steel Corporation in 1901, on the following basis:

For each share of the preferred stock, par $100, $117.50 of the preferred stock of the United States Steel Corporation. For each share of the common stock, par $100, was given $102.50 of the common stock of the United States Steel Corporation.

American Tin Plate Co.: The American Tin Plate Co. was incorporated under New Jersey laws December 14th, 1898, as a consolidation of 265 mills engaged in the tin plate industry in the

United States, and producing approximately over 8,000,000 boxes of tin plate per annum. This was said to represent about 95% of the tin plate production in the United States.

The following named companies were included in this consolidation:

Aetna Standard Iron & Steel Co., Bridgeport, Ohio, 6 mills; American Tin Plate Co., Ellwood, Ind., 20 mills; American Tin Plate Co., Montpelier, Ind., 6 mills; Atlanta Steel & Tin Plate Co., Atlanta, Ind., 6 mills; Baltimore Tin Plate Co., Lisbon, Ohio, 6 mills; Britton Rolling Mill Co., Cleveland, Ohio, 3 mills; Canonsburg Iron & Steel Co., Canonsburg, Pa., 2 mills; Cincinnati Rolling Mill & Tin Plate Co., Cincinnati, Ohio, 4 mills; Crescent Sheet & Tin Plate Co., Cincinnati, Ohio, 6 mills; Cumberland Sheet & Tin Plate Co., Cumberland, Md., 5 mills; Ellwood Tin Plate Co., Ellwood, Pa., 5 mills; Falcon Tin Plate & Sheet Co., Niles, Ohio, 6 mills; Great Western Tin Plate Works, Joliet, Ill., 4 mills; Humbert Tin Plate Co., Connellsville, Pa., 6 mills; Irondale Steel & Iron Co., Middletown, Ind., 6 mills; Johnstown Tin Plate Co., Johnstown, Pa., 4 mills; La Belle Iron Works, Wheeling, W. Va., 10 mills; Laughlin Nail Co., Martin's Ferry, Ohio, 14 mills; Marshall Brothers & Co., Philadelphia, Pa., 6 mills; Monongahela Tin Plate Co., Pittsburg, Pa., 14 mills; Morewood Co., Gas City, Ind., 8 mills; Morton Tin Plate Co., Cambridge, Ohio, 5 mills; National Tin Plate Co., Anderson, Ind., 6 mills; National Tin Plate Co., Monessen, Pa., 14 mills; Neshannock Sheet & Tin Plate Co., New Castle, Pa., 6 mills; New Castle Steel & Tin Plate Co., New Castle, Pa., 20 mills; Ohio River Sheet & Tin Plate Co., Remington, Pa., 2 Mills; Pennsylvania Tin Plate Co., New Kensington, Pa., 6 mills; Pittsburg Tin Plate Co., New Kensington, Pa., 6 mills; Reeves Iron Co., Canal Dover, Ohio, 4 mills; Shenango Valley Steel Co., New Castle, Pa., 30 mills; Somers Brothers, Brooklyn, N. Y., 3 mills; Star Tin Plate Co., Pittsburg, Pa., 8 mills; Stickney Iron Co., Baltimore, Md., 2 mills; United States Iron & Tin Plate Mfg. Co., Demmler, Pa., 8 mills; Wallace, Banfield & Co., Demmler, Pa., 8 mills; Wallace, Banfield & Co., Irondale, Ohio, 4 mills; Washington Steel & Tin Plate Mills, Washington, Pa., 4 mills.

Capital stock authorized was $20,000,000 7% cumulative preferred and $30,000,000 common stock. Outstanding, $18,325,000 preferred and $28,000,000 common. Par, $100. The company had no bonded debt.

The shares of the American Tin Plate Co. were exchanged for those of the United States Steel Corporation on the following basis:

For one share of preferred stock, par $100, was given $125 in he preferred stock of the United States Steel Corporation. For ne share of common stock, par $100, was given $20 of preferred nd $125 of the common stock of the United States Steel Corporaion.

American Steel Hoop Co.: This company was incorporated nder New Jersey laws, April 14, 1899, as a consolidation of manucturers of all kinds of steel bands, hoops, bars, and like products. he plants which were acquired at the time of its formation were e following:

Union Iron & Steel Co., Youngstown, Ohio, and Warren and irard, Pa.; Isabella Furnace Co., Pittsburg, Pa.; Monessen Steel ., Pittsburg, Pa.; J. Painter & Sons Co., Pittsburg, Pa.; Wm. ark & Sons Co., Pittsburg, Pa.; Lindsay & McCutcheon, Pittsrg, Pa.; P. L. Kimmerly Co., Sharon and Greenville, Pa.; meroy Iron & Steel Co., Pomeroy, Pa.; Portage Iron Co., (part), uncansville, Pa.; Mahoning Ore & Steel Co., (one-fifth interest), ahoning, Pa.; National Mining Co., (one-fifth interest).

The output of the consolidation was stated to aggregate about 0,000 tons of finished material per annum.

The capital stock was $14,000,000 7% cumulative preferred and 9,000,000 common, all outstanding. Par $100. The company d no bonded debt.

The shares of this company were exchanged in 1901 for the ares of the United States Steel Corporation on the following sis:

For each share of preferred stock, par $100, was given $100 the preferred stock of the United States Steel Corporation. For ch share of the common stock, par $100, was given $100 in the mmon stock of the United States Steel Corporation.

American Sheet Steel Co.: This company was incorporated der New Jersey laws, March, 1900, as a consolidation of the folwing concerns engaged in the manufacture of sheet steel of all nds:

Apollo Iron & Steel Co., Vandergrift, Pa.; Cambridge Iron & eel Co., Cambridge, Ohio; Canton Rolling Mill Co., Canton, Ohio; artiers Iron & Steel Co., Pittsburg, Pa.; Corning Steel Co., Hamnd, Ind.; Dennison Rolling Mill Co., Dennison, Ohio; Dresden n & Steel Sheet Co., Dresden, Ohio; Falcon Iron & Nail Co., les, Ohio; Hyde Park Iron & Steel Co., Hyde Park, Pa.; Kirktrick & Co., Ltd., Pittsburg, Pa.; P. H. Laufman & Co., Pittsburg, Pa.; Midland Steel Co., Muncie, Ind.; Aetna Standard Works, Bridgeport, Ohio; New Philadelphia Iron & Steel Co., New Philadelphia, Ohio; Old Meadow Rolling Mill Co., Scottdale, Pa.; Piqua Rolling Mill Co., Piqua, Ohio; Pittsburg Sheet Mfg. Co., Shousetown, Pa.; Scottdale Iron & Steel Co., Scottdale, Pa.; Struthers Iron & Steel Co., Struthers, Ohio; Chester Rolling Mill Co., East Liverpool, Ohio; Coshocton Rolling Mill Co., Coshocton, Ohio; Girard Smelting Works, Girard, Mo.; Dewees-Wood Co., McKeesport, Pa.; Reeves Iron Co., Canal Dover, Ohio; West Pennsylvania Sheet Steel Co., Leechburg, Pa.; Wellsville Plate & Sheet Iron Co., Wellsville, Ohio.

Capital stock authorized was $26,000,000 7% cumulative preferred, and $26,000,000 common. Outstanding, $24,500,000 preferred and $24,500,000 common. Par $100. The company had no bonded debt.

The shares of the company were exchanged in 1901 for the shares of the United States Steel Corporation on the following basis:

For each share of preferred stock, par $100, was given $100 in the preferred stock of the United States Steel Corporation. For each share of the common stock, par $100, was given $100 in the common stock of the United States Steel Corporation.

American Bridge Co.: This company was incorporated under New Jersey laws April 14, 1900, as a consolidation of the following named bridge manufacturing companies:

A. & P. Roberts Co. (Pencoyd Iron Works), Philadelphia, Pa.; Keystone Bridge Works, Pittsburg, Pa.; Berlin Iron Bridge Co., East Berlin, Conn.; Post & McCord, Brooklyn, N. Y.; Elmira Bridge Co., Ltd., Elmira, N. Y.; Union Bridge Co., Athens, Pa.; Edgemoor Bridge Works, Edgemoor, Del.; Lassig Bridge & Iron Works, Chicago, Ill.; Shiffler Bridge Co., Pittsburg, Pa.; Detroit Bridge & Iron Works, Detroit, Mich.; Rochester Bridge & Iron Works, Rochester, N. Y.; Groton Bridge & Manufacturing Co., Groton, N. Y.; Youngstown Bridge Co., Youngstown, Ohio; J. H. Wagner Co., Milwaukee, Wis.; Wrought Iron Bridge Co., Canton, Ohio; New Columbus Bridge Co., Columbus, Ohio; Gillette-Herzog Mfg. Co., Minneapolis, Minn.; Lafayette Bridge Co., Lafayette, Ind.; Pittsburg Bridge Co., Pittsburg, Pa.; Schultz Bridge & Iron Works, Pittsburg, Pa.; Buffalo Bridge & Iron Works, Buffalo, N. Y.; Koken Iron Works, St. Louis, Mo.; Hilton Bridge Construction Co., Albany, N. Y.; Horseheads Bridge Co., Horseheads, N. Y.; American Bridge Works, Chicago, Ill.; New Jersey Steel & Iron Co., Trenton, N. J.

The foregoing companies were reported as controlling about % of the bridge tonnage of the United States.

Capital stock authorized was $35,000,000 7% cumulative pre-red and $35,000,000 common. There was outstanding, $30,527,-) preferred and an equal amount of common. Par $100. The npany had no bonded debt.

The shares of this company were exchanged in 1901 for the ires of the United States Steel Corporation on the following basis:

For each share of the preferred stock, par $100, was given 10 in the preferred stock of the United States Steel Corporation. r each share of the common stock, par $100, was given $105 in : common stock of the United States Steel Corporation.

National Tube Co.: This company was incorporated under :w Jersey laws originally as the United States Tube Co., on Feb-ary 15th, 1899. The name was changed to the National Tube Co. June 16th of the same year, and the company acquired, by con-yance, the works and property of the following corporations:

Allison Mfg. Co.'s Tube Mill, American Tube & Iron)., Chester Pipe & Tube Co., Cohoes Tube Works, Delaware Iron)., Morris, Tasker & Co., National Galvanizing Works, Ohio Tube)., Oil City Tube Co., Oil Well Supply Co.'s Tube Works, Con-iental Tube Works, Elba Iron Works, Pennsylvania Tube Works, verside Iron Works, and Syracuse Tube Co.

It also acquired the entire capital stock of the National Tube 'orks Co., and a large interest in the Western Tube Co.

The consolidated corporation was reported to have an annual pacity of over 1,000,000 tons of tubular goods, representing about % of the capacity of the United States. This was stated to be out four times the annual output of the entire British mills of the me class.

Capital stock of the company was $40,000,000 7% cumulative eferred and $40,000,000 common, all of which was outstanding. ır, $100. The company had no bonded debt.

The shares of the National Tube Co. were exchanged in 1901 r the shares of the United States Steel Corporation on the follow-g basis:

For each share of the preferred stock, par $100, was given $125 the preferred stock of the United States Steel Corporation. For ch share of common stock, par $100, was given $8.80 in preferred ıd $125 in the common stock of the United States Steel Corpora-m.

National Steel Co.: This company was incorporated under New Jersey laws February 27, 1899, as a consolidation of the following plants:

Ohio Steel Co., Youngstown, Ohio; Shenango Valley Steel Co., New Castle, Pa.; Union Iron & Steel Co., Youngstown, Ohio; Buhl Steel Co., Sharon, Pa.; King, Gilbert & Warner Co., Columbus, Ohio; Bellaire Steel Co., Bellaire, Ohio; Aetna Standard Iron & Steel Co., Bridgeport, Ohio; Rosena Furnace Co., New Castle, Pa. These companies were reported to have a yearly capacity of over 1,800,000 tons of steel. The company also acquired 800 acres of coking lands in Westmoreland County, Pennsylvania, and a one-sixth interest in all the iron ore produced by the Oliver Iron Mining Co.

Capital stock authorized and issued was $27,000,000 7% cumulative preferred and $32,000,000 common. Par $100. The company had no direct bonded debt, but its constituent companies had outstanding about $2,750,000 in bonds.

The shares of this company were exchanged in 1901 for the shares of the United States Steel Corporation on the following basis:

For each share of the preferred stock, par $100, was given $125 in the preferred stock of the United States Steel Corporation. For each share of the common stock, par $100, was given $125 in the common stock of the United States Steel Corporation.

Lake Superior Consolidated Iron Mines: This company was incorporated under New Jersey laws in 1893 to acquire and operate iron mines in the Mesaba Range, Minnesota. The company owned extensive properties in that region, leasing some of its mines to the Carnegie Company and other large steel manufacturrs. It also owned the Duluth, Mesaba & Northern Railway, extending from Duluth to Iron Mountain, Minn., and embracing about 130 miles of road.

Capital stock authorized was $30,000,000, of which $28,722,000 was outstanding. Par $100. The bonded debt consisted of about $3,350,000 in two mortgages on the Duluth, Mesaba & Northern Ry.

The shares of this company were exchanged in 1901 for the shares of the United States Steel Corporation on the following basis:

For each share, par $100, was given $135 in new preferred stock of the United States Steel Corporation, and $135 in common stock.

The carrying through of the consolidation of the foregoing combinations in the spring of 1901 into the larger corporation known as the Steel Trust was entirely under the supervision of Messrs. J. P.

Morgan & Co., as syndicate managers. Under date of March 2nd, 1901, the syndicate, which had been formed, and had deposited $25,000,000 in cash to guarantee the success of the consolidation, issued a circular to the shareholders of the several corporations to be acquired announcing the terms on which the common and preferred stocks of the seven corporations named above would be acquired. By the circular, the syndicate delivered to the holders of the stocks in the seven companies, 2,694,909 shares of common stock and 2,616,957 shares of the preferred stock of the new corporation. The Syndicate acquired 60% of the stock of the Carnegie Company, and $159,450,000 of the 5% bonds of the Carnegie Company, by delivering to the holders thereof $303,450,000 bonds of the United States Steel Corporation and $1,200,000 in cash; and they acquired the remaining 40% of the stock of the Carnegie Company by delivering to the holders thereof, 982,771 shares of preferred stock and 902,790 shares of the common stock of the Steel Corporation. The balance of the common and preferred stocks of the Steel Corporation was delivered to the Syndicate, and deducting the amounts held in reserve for the exchange of the stocks of the acquired companies not yet turned in, there was left in the hands of the Syndicate $64,998,700 (par value) of preferred stock, and $64,998,800 (par value) common stock of the Steel Corporation. This stock, or the proceeds of same when sold, after reimbursing the syndicate the $25,000,000 in cash, which it paid to the corporation, and approximately $3,000,000 in cash, for expenses and other obligations, constituted the net profit of this underwriting syndicate. At the market prices then prevailing for the stocks, this commission amounted, after deducting the items mentioned above, to about $62,000,000 in cash. The accounts of this syndicate were closed on January 3rd, 1902, as far as the corporation was concerned.

At the time of consolidation, the properties controlled were reported to embrace in all 149 different steel works, with an annual capacity of about 9,000,000 tons of finished material; 78 blast furnaces, with an annual capacity of over 6,500,000 tons of pig iron; more than 18,000 coke ovens; 71,000 acres of coal lands; more than 70% of the ore mines of the Lake Superior region, which produced in 1900 12,725,000 tons of ore; over 30,000 acres of surface lands in the coke region. 125 vessels on the Great Lakes, and other property.

Shortly after its organization, the United States Steel Corporation acquired the stocks of the Shelby Steel Tube Co. by exchanging $37.50 of preferred stock for each $100 share of Shelby Steel Tube preferred, and $25 of common stock for each $100 share of the

Shelby Steel Tube common stock. In addition, the company shortly thereafter acquired a one-sixth interest in the Oliver Iron Mining Co. and the Pittsburg Steamship Co., the remaining five-sixths interest in these stocks being owned by the Carnegie Company.

In the fall of 1901, arrangements were made with the Pocahontas Coal & Coke Co.; which is controlled by the Norfolk & Western Ry., to secure, by lease, about 50,000 acres of the best Pocahontas coking and fuel property on a royalty basis, through its subsidiary companies for the benefit of the Trust. Through this acquisition the Trust acquired a sufficient quantity of the best and cheapest coking coal to provide on the basis of current consumption for the necessities of all its furnaces during the next 60 years.

Immediately after the formation of the Steel Trust in the spring of 1901, there was much public discussion as to the value of the properties which had been brought together and capitalized at a par value of more than $1,350,000,000. In relation to this matter, some facts were brought to light in the investigation of the Industrial Commission at Washington. This Commission examined into the situation and secured the testimony of various experts regarding the Trust and its formation, which was of much public interest. The testimony which drew most attention to the Corporation was that of President Charles M. Schwab. Mr. Schwab's estimate of the value of the property was briefly as follows:

PRESIDENT CHARLES M. SCHWAB'S ESTIMATE OF VALUE OF PROPERTY.

The properties owned and represented by the United States Steel Corporation are of enormous value, and many of them could not be duplicated in the United States or elsewhere at any price. The following items of value are, in my opinion, substantially below the real values of the properties themselves, and are below the actual value of the properties to the United States Steel Corporation:

Iron and Bessemer ore properties, practically inexhaustible and conservatively worth	$700,000,000
Plants (including 400 producing mills, many of them the most valuable in the world), mill fixtures, machinery equipment, tools and real estate..................................	300,000,000
Coal and coke fields (87,589 acres, of which 54,269 acres are coking coal and 33,320 acres are steam coal, in the best coal regions of the U. S.); worth, though not fully developed	100,000,000
Transportation properties, including railroads (1,467 miles), terminals, docks, ships (112), equipment (23,185 cars and 428 locomotives), etc., valuation made after deducting the bonded indebtedness of $40,340,000 held against the various properties (it is believed that the properties could not be duplicated for less than $120,000,000)....................	80,000,000

Blast furnaces, could not be duplicated for..................	$48,000,000
Natural gas fields, could not be duplicated for................	20,000,000
Limestone properties, could not be duplicated for.............	4,000,000
Cash and cash assets, as of June 1, 1902 (could not be duplicated at less than $200,000,000)........................	148,291,000
Total	$1,400,291,000

The foregoing items of value do not include any allowance for the value of the good-will and established business of the various plants and properties, nor do they include anything for the very valuable patents, trade-marks, and processes owned or controlled.

As a reverse view to that of Mr. Schwab, regarding the tangible value of the Steel properties, and their various subsidiary concerns, some expert testimony was furnished to the Commission by Mr. Byron W. Holt, Secretary of the Tariff Reform Committee of the Reform Club. Mr. Holt contended that the Steel Trust was enormously overcapitalized, and that its strength lay almost entirely in its special legal privileges. Among other things, Mr. Holt said:

"In the original exchange of securities, the Steel Corporation issued $1,297,184,170 of stocks and bonds in exchange for a total of $894,988,800 stocks and bonds of the constituent companies. Thus, the new capitalization exceeds the old by $402,195,370, an increase of 45%. A fair estimate of the value of the actual assets of the old companies, aside from their special privileges or monopoly powers, was that two-thirds of their capital was water. As the consolidation of these companies has added nothing except $25,000,000 cash and an increased monopoly power to the value of these consolidated companies, it is fair to say that the actual visible assets of the United States Steel Corporation are only about $300,000,000, or the amount of its bonds, and that all of both kinds of stock is what is commonly called water. That is, the visible assets constitute 25%, and the invisible assets 75% of the value of this great corporation, according to its capitalization. That this estimate is not a wild one, is probable from the statistics of the census of 1890, grossly inaccurate though they probably are. These show that the total capital then invested in the iron and steel industry was only $414,000,000. Supposing that the capital invested has since increased 46%, it would now be about $600,000,000. The Trust probably does not control more than 40% of the capital invested, for there are many lines of goods which it does not touch. Add to its iron and steel holdings $60,000,000 for the actual value of its other holdings, and the sum will not much exceed $300,000,000. In this estimate no allowance is made for good-will."

Under date of April 17th, 1902, the United States Steel Corporation announced a plan for the exchange of $200,000,000 of the preferred stock of the company for a like amount of second mortgage collateral trust bonds, and asked the stockholders for authority to create a mortgage on the property, limited to $250,000,000, of which $50,000,000 was to be sold for cash and the balance exchanged in the manner referred to above for preferred stock. (See under Part I, page [illegible].)

The announcement of this plan to convert a large percentage of the preferred stock into an interest bearing mortgage, and, in addition, sell $50,000,000 more bonds, immediately caused a great sensation throughout the country. The surprise was particularly great because of the fact that the company had, about this time, made public its earnings for the previous nine months, which showed a most surprising surplus in the profit and loss account. It was assumed up to this time that the company had ample working capital, and would be more likely to have a surplus to invest rather than be obliged to go to the extremity of borrowing a large sum of money such as was now asked for. However, at the special meeting held in April, the proposition was voted on and was approved by a vote of 3,745,731 shares of preferred stock of a par value of $374,573,100, and of [illegible] shares of common stock of a par value of $395,855,700.

W[illegible] the conversion plan was ratified, suit [illegible] the New York Supreme Court by certain owners [illegible] bonds and retiring of stock [illegible] Chancellor Emery of N[illegible] conversion should not be re-[illegible] The suit was filed by R. [illegible]

During the latter part of May, 1902, Messrs. J. P. Morgan & Company, as managers for the original underwriting syndicate, distributed $10,000,000 to the members of the syndicate as additional profits. Previous to this, they had received $10,000,000 also, making up to the present time $20,000,000 in all. This syndicate originally guaranteed to pay into the hands of the syndicate managers, if necessary, $200,000,000. Only $25,000,000 of this guarantee was ever called for, and this was returned in November, 1901, about seven months after the formation of the Trust.

The company having made its appeal from the Vice-Chancellor's decision, restrained it from converting a portion of the preferred shares into bonds, and no further action could be taken until a decision had been rendered. In the meanwhile, much discussion regarding this matter was carried on, particularly in the public press. The *New York Evening Post* contained several editorials reviewing the situation from the standpoint of the opponents of the scheme, while the *Financial Chronicle* took the stand that the movement was justified. These diverse points of view are best indicated by the following editorial extracts:

"We have frequently pointed out that the more serious pitfalls in the way of this notable undertaking were financial, not industrial. The directors last week approved the proposition to issue $250,000,000 bonds, of which $50,000,000 go to raise money for needed improvement to the mills, and $200,000,000 to take up an equal amount of preferred share capital. As to the first appropriation, we have already expressed the opinion that the money should have come, in part at least, from the funds diverted into dividends on the common stock. The plan for converting one-fifth of the company's share capital into bonds, however, raises a more serious question. The main objection to this project has been tersely expressed by so sound and experienced a trade organ as the *Engineering and Mining Journal*, which remarks:

> "'In a business which is subject to such fluctuations as the iron and steel trade, it is never wise nor safe to substitute fixed charges, which must be met, for dividend payments, which can be postponed in a bad year. This is an axiom which even so powerful a company cannot disregard.'

"The conversion of share capital into bonds is an experiment always to be undertaken with the utmost regard to future possibilities of diminished earnings, and to be rejected, in our judgment, unless circumstances make it imperatively necessary. Had there, for instance, been an adjacent property which the Steel Corporation absolutely needed for its business purposes, and had the money market been in such condition that the requisite capital could not be raised except through the sale of bonds, we think the expedient would have been defensible.

"But the Steel Corporation's proposed conversion is not a case in point. The $200,000,000 funded debt to be created adds not a dollar's worth of property to the company. It saves undoubtedly in annual outlay as compared with the fiscal year just closed. The transformation of two hundred million dollars' capital from 7% shares into 5% second mortgage bonds will save four million dollars annually to the company, so long as the dividend on the existing preferred share capital is earned. The directors were also careful to point out that conversion is not compulsory. No one who chooses to take his chances for future 7% dividends on his stock will be forced to accept a 5% bond instead. But that phase of the matter is, we should say, somewhat beside the question.

"It is the financial wisdom of the policy, from a corporation's own point of view, which is under debate. The Chicago, Milwaukee & St. Paul Railway has outstanding upward of forty millions' worth of 7% preferred shares. The conversion of this respectable sum of capital into 5 per cents. would save $800,000 annually, and enable the company to pay nearly 2% extra on its common shares. Instead of proposing such a policy, even when the stock was selling at low prices, the company made some older mortgages convertible into stock, and has thus converted thirty millions of its funded debt in the past generation. The Chicago & Northwestern's $22,000,000 7% preferred stock would have offered a similar annual saving of some $400,000 through such a funding plan. The Lackawanna Company pays 7% on $26,000,000 common shares. If it had funded half of this capital into bonds at 5%, it could obviously pay 9% on what was left. Why have these companies, with their shrewd and alert financial management failed, in the numerous vicissitudes of trade and prices, to make use of this philosopher's stone of profit? If the expedient was wise for the Steel Corporation, surely the railway companies have been remiss in their duty to their shareholders.

"We have had a number of striking illustrations very lately of the possibilities involved in such a policy. Each month emphasizes the conviction that these huge industrial corporations are experiments. We are confronted, on the other hand, with perfectly unmistakable evidence that the tendency of the time, in many quarters, is to fling aside all restraint imposed by the bitter recollections of 1893, and to pile up the liabilities of ambitious corporations as if the present industrial 'boom' were to last forever. We say, therefore, that wholly irrespective of the result on the Steel Corporation's own finances, its move in this line is a very serious thing. There are interests to consider, it must not be forgotten, quite apart from the interests of the Steel Corporation's constituency. Glancing over the list at random we can point out nineteen separate industrial companies, with aggregate preferred share capital of $238,000,000, every dollar of which draws 7% annual dividends, largely cumulative, and every dollar of which has as much *prima-facie* right to conversion into bonds as the Steel preferred. People who argue that the Steel Corporation's action, as ratified by its Board of Directors, will not exert a most baleful influence on these other corporations, show that they do not understand the history of American finance. For we wish to make this point emphatically, that the inducement to such conversion, in the case of a board of managers which suspects disaster, will be tenfold greater than in a sound and solvent corporation."—*The Evening Post.*

"The plan has the unanimous approval of both the executive and finance committees and of all the members of the board of directors of the Corporation who were present at the April meeting. In converting $200,-

)00,000 of 7% cumulative preferred stock into 5% mortgage bonds, the Cor)oration saves 2% a year, equal to $4,000,000 annually, which will be offset :o the extent of only $2,500,000 by the interest charge on the $50,000,000 to)e sold for cash. Put in another way, the 5% interest on the whole of the $250,000,000 bonds will call for only $12,500,000 per annum, while even with :he addition of the $1,010,000 annual sinking fund contribution (which is to)e provided so as to affect the retirement of the bonds at the end of sixty rears), the annual call for the bonds will be only $13,510,000, as against the $14,000,000 per annum now required for the 7% dividend on the $200,000,-)00 of preferred stock to be converted. The financial arrangements out-ined thus accomplish the threefold object (1) of insuring to the company $10,000,000 to $15,000,000 annually from economies in manufacture; (2) of :apitalizing $15,000,000 expended for commitments made prior to the in-:orporation of the company and of providing the $10,000,000 yet to be paid 'or properties purchased when the Corporation was organized, and (3) of ırranging (in effect) for extinguishing completely as an item in the cap-talization of 40% of the existing preferred stock in sixty years, since at the :nd of that term the new bonds which are now to be issued in exchange 'or the same will all have been retired through the operation of the sinking und."—*The Commercial & Financial Chronicle.*

"In what way are the few minority preferred stockholders to be bene-ited through the failure to carry out the plan proposed by the management, vhich the plaintiff in this case will, by her proceeding against the company, ıave thwarted? We can discover no advantage to accrue from the litiga-ion to any one; on the contrary a positive loss will result to the minority nd also the majority of the preferred stockholders. The management of he United States Steel Corporation will sell their $50,000,000 of bonds and ecure the money they need. The difference, as the case now stands, will e that the portion of the device through which $1,500,000 was to be saved o the company each year will not be operative; in place of that there will e an additional outgo of $2,500,000 for interest required annually. As the eading spirit in the Steel Corporation is very fertile in invention, may we ıot hope that some other device, even better than the one the Court has et aside, will be the outcome of the dilemma?"—*The Commercial & Financial Chronicle.*

Mr. Wm. D. Guthrie, as counsel for the company, in his argu-nent referred to the underwriting agreement which had been put hrough in connection with this conversion plan in the following erms:

"J. P. Morgan & Co. and their syndicate had to take $100,000,000 of cap-tal and actually tie it up subject to the contingency that the stockholders night not see fit to approve the contract. The answer shows that $80,000,-)00 of preferred stock were acquired, at a time when the market value was)4, and that the stock was actually deposited in order that the syndicate night be prepared to perform its contract, should it be called upon to do so. Suppose, pending action by the stockholders, the preferred stock had fallen n value from 94 to 87½ (as it actually did), or even lower, and there was ı falling market occasioned by strikes or financial disaster, who would recompense the syndicate for the loss that it would sustain by the depreciation of the stock?"

At the time of the special meeting of stockholders called to act on the bond conversion plan, a certified list of the holders was filed with the Secretary of State at Trenton, and the names of the larger holders were afterwards published in several of the New York papers.

This list developed the fact that the largest individual holder was Bertram Cutler, whose interest in the corporation evidently amounted to $12,397,500, par value of preferred stock, and $2,536,-500, par value of common stock. It was stated that Mr. Cutler was a clerk in the offices of the Rockefellers, and it was therefore assumed that this represented the Rockefeller or Standard Oil interests in the Steel Corporation.

In addition to the above, there stood in the name of Messrs. Marx, Bultell, Mills & Company, of London, $23,781,800 par value of preferred and $24,929,200 common stock. These holdings no doubt represented the interest of a large number of foreigners who were interested, through the work of the syndicate abroad.

The hearing on the suit brought by the stockholders in New Jersey who opposed the conversion was postponed until July 23rd, but the answers of the corporation were filed on July 14th. Among the answers was the affidavit of President Charles M. Schwab, which was, in substance, as follows:

"In my opinion the net earnings of the second year's business, ending April 1, 1903, will greatly exceed those of the first year, and will equal and probably exceed $140,000,000. The properties are earning at the rate of over 14 per cent. upon the common stock, after deducting 7 per cent. cumulative dividend upon the preferred stock.

"In my opinion the actual intrinsic value of said properties exceeds the par value of the bonds and preferred and common stock now outstanding. I am individually the owner and holder of 61,602 shares of the preferred stock and 81,528 shares of the common stock, and I have greatly increased my holdings within the last six months; indeed, I have sold bonds of the Steel Corporation and purchased common stock in lieu thereof." *

The affidavit of Judge Gary, Chairman of the Executive Committee, stated, among other things, that in his opinion the expenditure of the additional funds to be procured by the issue of the new second mortgage bonds would increase the net earnings from $10,000,000 to $15,000,000 additional per year, and insure the permanent earning capacities of the plants. The directors, he said, carefully considered

*As reported in the *Commercial & Financial Chronicle.*

the earning capacity of the company before favoring the plan to retire the $200,000,000 of preferred stock, to make sure that there could never be a default in payment of interest and principal on the bonds. It was estimated by the directors that the earnings would have to decrease 75% to affect the new bonds, and that such a reduction could not take place in such valuable properties.

The expected argument on the Berger suit was not held on July 21st, but was postponed to September 19th. Argument in the additional suit of Wm. H. Curtiss and others to enjoin the conversion plan, was also adjourned to September 5th.

On August 13th, 1902, Messrs. J. P. Morgan & Company, as managers for the original underwriting syndicate, distributed $10,000,000 additional to members of the syndicate, making $30,000,000 up to this time paid in profits to the syndicate.

During August, 1902, it was persistently rumored that the Trust was about to absorb the Colorado Fuel & Iron Company, and that Mr. John W. Gates was arranging the consolidation. In this connection, Judge Gary made the following statement:

"About a year ago we did try to get possession of the Colorado Fuel & Iron Co., to the extent of making an offer for the property. They made us a counter offer and neither proposition was satisfactory. That ended the negotiations and they have not been renewed since. Mr. Gates is not acting for the United States Steel Corporation."

According to a statement prepared and published in September, 1902, by the American Iron & Steel Association, the United States Steel Corporation had, in 1901, controlled about 65% of the American steel industry. It was stated, however, that since that time, there had been a large expansion in the production of independent mills.

September 26th, 1902, the Court of Errors and Appeals, at Newark, N. J., handed down the following opinion in the Berger suit:

"The decree of the Court of Chancery in the above stated cause is reversed and the injunction dissolved. This Court holds that the methods adopted by the board of directors, and approved by a two-thirds vote of stockholders for retiring preferred stock is authorized by the Corporation Act of 1896, and is a lawful exercise of the granted power. The Court further holds that the Act of 1902 is constitutional, and that the scheme for the retirement of stock adopted by the defendant company is also a lawful exercise of the authority granted in the Act."

Later, on October 12th, the written opinion was filed at Trenton. This opinion was considered very important and it was then felt that everything would be clear for the issuing of the new mortgage, as the steel interest felt quite confident that the decision on the Hodge suit would also be in favor of the company. This proved to be the case, when the matter was tried, and decision handed down in 1903.

In the first week of October, 1902, Messrs. J. P. Morgan & Company, as managers, made a fourth distribution of $10,000,000 to the members of the original underwriting syndicate, making a total of $40,000,000 thus far paid to the syndicate in profits.

In the latter part of December, 1902, it was announced that the Steel Corporation had arranged to acquire the entire capital stock of the Union Steel Company and the Sharon Steel Company, together with their ore and other properties. As consideration for the stock, and the furnishing of $10,000,000 in cash for improvements, extensions, etc., the United States Steel Corporation arranged to guarantee an issue of $45,000,000 5% bonds. These bonds were later issued and are now an obligation of the Corporation.

The following description of these new plants was published at the time:

"These plants are located near Pittsburg, on the Monongahela River, and at Sharon, respectively. They were started some time before the formation of the United States Steel Corporation, and not in opposition to it. These properties have wire nail and other works in operation as going properties. When fully completed they will have 5 more blast furnaces and 25 open-hearth furnaces, capacity to manufacture 7,500 kegs of nails daily, new and modern tube mills, bar mills, tin mills, sheet mills, plate mills, etc. They have about 5,000 acres of coking coal in the Connellsville region, besides nominal railroads in the coke region, 6,200 acres of fuel coal on the Monongahela River, limestone properties, and valuable developed ore mines in the Mesaba region and Marquette region, containing about 40,000,000 tons of ore; two lake steamers and steel railroad cars."

Under date of December 31st, 1902, the Executive Committee of the United States Steel Corporation announced a plan for enabling the 168,000 employees of the Corporation and its constituent companies to become interested in the stock of the Trust. This was the famous profit-sharing plan, and is completely explained in the two circulars which follow, the first of which was addressed to the stockholders of the Steel Corporation and the second to the officers and employees, who were being given this opportunity to become stockholders:

"NEW YORK, December 31, 1902.

"*To the Stockholders of the United States Steel Corporation*:

"GENTLEMEN: Enclosed you will find copy of a circular letter this day issued to the employees of the United States Steel Corporation and its subsidiary companies.

"This circular sets forth two plans by which it is hoped to accomplish the following objects, viz.:

"First. To interest a large number of the employees of the Corporation and its subsidiary companies in becoming permanent stockholders.

"Second. To engage on a profit-sharing basis the services of the presidents, officers, managers, superintendents and all others charged with responsibility in managing the affairs of the Corporation, thus making these men actual partners with you in the ownership and management of the Corporation.

"At the time of the organization of the United States Steel Corporation, many of the subsidiary companies were managed, to a greater or less degree, by men who had a very large personal pecuniary interest in them, and naturally gave to the direction of the affairs of their companies a large part or all of their time.

"The aim of the Steel Corporation has been to devise some plan by which to maintain this same important incentive, but in place of having it center in comparatively few men, so to distribute its effect throughout the Corporation that every man, in his place, would feel that he had become a partner in the business and would work from that point of view.

"A profit-sharing plan of some kind has seemed to be the only way of reaching this most desirable end, and since the Corporation was organized two years ago the Finance Committee has given much thought to the consideration of such a plan.

"The plan now announced is one that has met with unanimous approval and it will be tried. After the test of use improvements can doubtless be suggested, and all such suggestions will be cordially welcomed and, if practicable, adopted.

"One of the main purposes has been to devise some plan that with equal fairness would apply to every man, from the President of the Steel Corporation itself to the man with pick and shovel working for one of the subsidiary companies.

"In addition it was desired to accomplish the following objects:

"1st. To interest the large number of young and able employees in the work of more closely organizing and systematizing the business in all its branches and ramifications, not only in connection with their own local concerns, but as an integral part of the Steel Corporation as an harmonious whole.

"2d. To interest these men in reducing the general expenses as well as the particular cost of manufacture.

"3d. To offer to these men an inducement to remain permanently in the Corporation's service.

"4th. To avoid the tendency of a profit-sharing plan pertaining solely to a constituent company to build up the profits of that company to the possible detriment of the broadest and best interests of the Corporation as an harmonious whole, and therefore to base the plan on the profits of the Corporation itself.

"5th. To devise a plan by which, in the apportionment of money for the improvement and development of plants, Company A, for instance, would be interested in what Company B was doing, and Company B in what Company A was doing, constituting, as nearly as possible, automatic regulation against unnecessary duplication of appropriations.

"The Finance Committee realizes that the accomplishment of all the above desirable results will severely test any one plan, and the plan recommended may fall short of our expectations. It has, however, been canvassed very carefully with the presidents of all the subsidiary companies, and it has met with their unanimous approval.

"It is believed that at the very beginning the plan will interest a substantial number of the most thrifty men, and that eventually it will interest many of them.

"It will be noted from the enclosed circular that of the stock which is offered for sale the workingmen have been allowed to subscribe for a much larger amount than the officers can subscribe for. This is because at present it is impossible to devise a plan for sharing with the laboring men profits based on their daily wages; but it is believed that profits can be shared with these men based, so to speak, on stock held by them, and especially with such men as shall continue permanently in the Corporation's service. This plan will embrace a large body of men who have no part in the direct management of the Corporation's affairs, are not directly responsible for results, and are not able, in any direct way, to affect the cost of manufacture or the net profits as a whole, and yet who, by their faithful service, are able to contribute much to the general gain of the Corporation and should be recognized in some substantial manner.

"In round figures, it requires $75,000,000 to pay the interest on the Corporation's bonds, dividends at the rate of 7 per cent. on its preferred stock, dividends at the rate of 4 per cent. on its common stock, and to make sinking fund deposits.

"At this date there are about 55,000 stockholders. These stockholders, of course, own the vast properties of the United States Steel Corporation. It is believed that they and other possible investors in the Corporation's bonds and stocks would feel a special sense of security in the continued earning power of the Corporation if they knew that the officers and the managing men generally of the entire organization were willing to enter into a contract by which part of their compensation for services rendered shall be paid only after the realization of $80,000,000 of profits; in other words, after interest on bonds, dividends on preferred and common stock, and sinking funds shall have been earned and paid or set aside.

"It has been and still is intended, therefore, to make such an adjustment of salaries as shall seem proper in order that every man in the employ of the Corporation or of any of its subsidiary companies will feel that he is receiving a fair and reasonable compensation for his services, and that over and above such sum he shall have an opportunity each year to earn a substantial extra sum of money, provided he and his associates shall have been successful in earning for the stockholders a substantial surplus over and above interest, dividend and sinking fund charges. The basis of this is outlined in the accompanying circular.

"In the matter of adjusting salaries, we have gone far enough to know that on and after January 1, 1903, we will have in the employ of the Steel Corporation and of all of its subsidiary companies not to exceed 12 men with salaries of $20,000 a year or over. This includes the salary of $100,-

000 which is fixed as belonging to the office of President of the Corporation itself. There will be not to exceed 50 men who will receive from $10,000 to $20,000 a year. There will be about 200 men who will receive from $5,000 to $10,000 a year, and something over 1,500 men who will receive from $2,500 to $5,000 a year.

"We believe that the profit-sharing plan proposed in connection with the men receiving these salaries will materially quicken the interest of a large number of our men in the general success of the Steel Corporation, and that it will retain them permanently in its service; that it will stimulate individual effort all along the lines, giving us an increasingly solid and compact organization working for one common end, and enabling us to get general support for all plans promising further economies in manufacture and in administration. In this way more than in any other not already adopted can we provide a guaranty of the continued success of the Corporation.

"An immediate, important, and far-reaching result of thus welding together the men of all the subsidiary companies and of interesting them in working for one common object is obtained through the following important arrangement for making appropriations for maintenance, alterations and extensions of plants during the year 1903:

"In the past, if any subsidiary company desired an appropriation for any purpose the president of the company made his recommendation to the officers of the Steel Corporation, who investigated it fully and referred it to the Executive Committee, which considered the matter from every point of view, and if approved, passed it on to the Finance Committee for final action.

"Now that we are to interest the presidents and the other officers of each subsidiary company in the profits of each of the other subsidiary companies, through a profit-sharing plan of the Steel Corporation as a whole, it will be found entirely practicable and highly advantageous to have the president of each subsidiary company give his opinion as to the advisability of a contemplated improvement or expenditure on any one of the plants, and to this end regularly to call the presidents of the subsidiary companies together as a manufacturing committee for conference. At such conferences all questions of contemplated expenditures and improvements on any plant will be discussed by the presidents of all the companies, and their recommendation will then go to the officers of the Steel Corporation and to the Executive Committee and ultimately to the Finance Committee.

"In the same way questions of purchasing supplies, and other questions of common interest, will be taken up at these presidents' meetings and will be dealt with from the broad point of view of the success of the Steel Corporation as a whole. In short, the idea, as far as possible, is to administer the interests of the Steel Corporation by committee work, and to impress on every one in authority wherever possible and of advantage to the Corporation as a whole, the importance of making such plant supplement, and co-operate with, every other plant of the United States Steel Corporation.

"By order of the Finance Committee.

"UNITED STATES STEEL CORPORATION,

"GEORGE W. PERKINS,

"Chairman."

"NEW YORK, December 31, 1902.

"*To the Officers and Employees of the United States Steel Corporation and of its Subsidiary Companies*:

"GENTLEMEN—For several months the Finance Committee has been engaged in perfecting a plan which, in its opinion, would make it your common interest to become permanent holders of the preferred stock of the Corporation.

"The Finance Committee has been endeavoring also to devise some comprehensive plan under which those of you who are charged with the responsibility of managing and directing the affairs of the Corporation, or of its several subsidiary companies, shall receive compensation partly on a profit-sharing basis.

"The committee has not been willing to adopt any system that shall not include every employee, from the president of the Corporation itself to the men working by the day in the several subsidiary companies.

"A plan which, in the judgment of the Finance Committee, will accomplish these results, was submitted to the Board of Directors at its December meeting, and by unanimous vote the Finance Committee was authorized to proceed to perfect and to promulgate the plan. It is now submitted to you, in the hope and belief that it will receive from all of you the same hearty approval that was given to it by the presidents of the several subsidiary companies, who were freely consulted while the plan was being thought out and put into shape.

"The plan is divided into two parts.

PART ONE:

"From the earnings of the Corporation during the year 1902 there will have been set aside at least Two Million dollars, and as much more as is necessary for the purchase of at least 25,000 shares of the Corporation's preferred stock for the purpose of making the following offer to all the employees of the Steel Corporation and of its subsidiary companies:

"At the present time there are in the service of the Corporation, and of its subsidiary companies, about 168,000 employees, whom we propose now to divide into six classes, as follows:

"CLASS A will include all those who receive salaries of $20,000 a year or over.

"CLASS B will include all those who receive salaries of from $10,000 to $20,000 a year.

"CLASS C will include all those who receive salaries of from $5,000 to $10,000 a year.

"CLASS D will include all those who receive salaries of from $2,500 to $5,000 a year.

"CLASS E will include all those who receive salaries of from $800 to $2,500 a year.

"CLASS F will include all those who receive salaries of $800 a year or less.

"During the month of January, 1903, the above-mentioned stock will be offered to any and every man in the employ of the Corporation, or any of its subsidiary companies, at the price of $82.50 per share; subscriptions for this stock to be made on blanks obtainable at the office of the treasurer of any subsidiary company.

"Every man can subscribe for as much stock as he chooses, not to exceed the sum represented by a certain percentage of his annual salary, as indicated in the following table:

"Any man who belongs in Class A, as indicated in the preceding classification, will be allowed to subscribe for an amount of stock represented by a sum not to exceed 5 per cent. of his annual salary.

"Class B, 8 per cent.

"Class C, 10 per cent.

"Class D, 12 per cent.

"Class E, 15 per cent.

"Class F, 20 per cent.

"If, on this basis of subscription, more than 25,000 shares shall be subscribed for, 25,000 shares will be awarded to the several subscribers in the order of the classes beginning with the lowest or Class F, the upper classes to receive only in case any stock shall remain untaken by the class below, and each class to receive ratably in the amount left for that class if there be not enough to satisfy the full subscription of that class, but each subscriber will be allotted at least one full share, even though this might make it necessary for the Finance Committee to purchase more than 25,000 shares.

"Payment of the subscriptions for the stock must be made in monthly instalments, to be deducted from the salary or wages of the subscriber, in such amounts as he may desire, not to exceed 25 per cent. of any one month's salary or wages.

"A man may take as long as he chooses, not exceeding three years, to pay for his stock.

"Dividends on the stock will go to the subscriber from the date on which he commences to make payments on account of his subscription.

"Interest at 5 per cent. will be charged on deferred payments on the stock.

"In case a man shall discontinue payments before his stock shall have been fully paid for, he can withdraw the money he has paid on account of principal and may keep the difference between the 5 per cent. interest he has paid and the 7 per cent. dividend he has received on the stock; and thereupon his subscription and all interest on the stock to which the same relates shall cease and determine.

"As soon as the stock shall have been fully paid for, it will be issued in the name of the original subscriber and the certificate will be given to him, and he can then sell it any time he chooses. But as an inducement for him to keep it and to remain continuously in the employ of the Corporation or of one or another of the subsidiary companies, and to have the same interest in the business that a stockholder or working partner would have, the following offer is made, viz.:

"If he will not sell or part with the stock, but will keep it and in January of each year, for five years, commencing with January, 1904, will exhibit the certificate to the Treasurer of his company, together with a letter from a proper official, to the effect that he has been continuously in the employ of the Corporation or of one or another of its subsidiary companies during the preceding year, and has shown a proper interest in its welfare and progress, he will during each of such five years receive checks at the rate of $5 a share per year. For example: If a man buys one share of this stock in January, 1903, he will undertake to pay $82.50 for it. If after paying for it he keeps it for five years he will in each year have received dividends at the rate of 7 per cent. on the par value of the stock, and also will have received each year an extra dividend, so to speak, of $5; this latter sum being paid him as special compensation for rendering continuous faithful service to the Corporation or to one or another of its subsidiary companies as shown by the exhibition of his certificate, together with a letter from a proper official showing that he has worked to promote the best interests of the company in which he has thus become practically a partner.

"If he shall remain continuously in the service of the Corporation or of one or another of its subsidiary companies for five years, at the end of the fifth year the Corporation intends that he shall receive a still further dividend, which cannot now be ascertained or stated, but which will be derived from the following source, viz.:

"All who subscribe for stock in January, 1903, and commence to pay for it, but who discontinue at any time during the five years, of course will not receive the $5 per share for such of the five years as remain after they discontinue. The corporation will, however, pay into a special fund each year the $5 payments that would have been made to such subscribers had they continued. This fund shall be credited with 5 per cent. annual interest, and at the end of five years period the total amount thus accumulated will be divided into as many parts as shall be equal to the number of shares then remaining in the hands of men who shall have continued in such employ for the whole five years, and the Corporation will then by its own final determination award to each man whom it shall find deserving thereof as many parts of such accumulated fund as shall be equal to the number of shares then held by him under this plan:

"Provided, however, that if a subscriber shall have died or shall have become disabled while faithfully serving the Corporation or one or another of its subsidiary companies, during such five years period, the money theretofore paid by him on account of the stock he was purchasing, or, if he has fully paid for it, the certificate of stock may be turned over by the Corporation to his estate or to him, together with a sum equal to $5 per share for each of the five years not then expired.

"If this plan shall be received favorably and shall meet with success, it is intended at the close of next year, to make a similar offer, excepting, of course, that the price at which the stock then will be offered cannot be guaranteed now; it is, however, the intention to offer it at about the then market price, and in all other respects to make the terms of the offer similar to those now submitted.

"The continuation of this policy would make it possible for a man to buy one or more shares of the stock each year under a contract with the Corporation upon terms offering a safer and more profitable investment than he could possibly find for his savings anywhere else.

PART TWO:

"During the year we have been and are now engaged in making changes and adjustments in the salaries of the men who occupy official and semi-official positions and who are engaged in directing and managing the affairs of the Corporation and of its several subsidiary companies in all the various branches of the departments of mining, manufacturing and transportation.

"We have been making these changes preparatory to inaugurating, on January 1, 1903, a plan by which all the men who are thus directly and indirectly charged with the responsibility of managing and operating these vast properties, will share with the stockholders in any profits made after a certain amount of annual net earnings shall have been reached, and to this end the following plan has been adopted:

"In round figures it requires about $75,000,000 to pay the interest on the bonds of the Corporation and of its several subsidiary companies, the dividends on the preferred and common stock, at the rates now being declared, and to make sinking fund deposits.

"The Board of Directors has approved the recommendation of the Finance Committee to the effect that,

"Whenever $80,000,000 and less than $90,000,000 is earned during 1903, 1 per cent. shall be set aside;

"Whenever $90,000,000 and less than $100,000,000 is earned during 1903, 1.2 per cent. shall be set aside;

"Whenever $100,000,000 and less than $110,000,000 is earned during 1903, 1.4 per cent. shall be set aside;

"Whenever $110,000,000 and less than $120,000,000 is earned during 1903, 1.6 per cent. shall be set aside;

"Whenever $120,000,000 and less than $130,000,000 is earned during 1903, 1.8 per cent. shall be set aside;

"Whenever $130,000,000 and less than $140,000,000 is earned during 1903, 2 per cent. shall be set aside;

"Whenever $140,000,000 and less than $150,000,000 is earned during 1903, 2¼ per cent. shall be set aside;

"Whenever $150,000,000 and less than $160,000,000 is earned during 1903, 2½ per cent. shall be set aside.

"It is intended that not only the presidents, officers, managers and superintendents shall share in these profits, but they shall be shared in as well by all other men charged with responsibility in managing the affairs of the Corporation, and the final selection of the men who shall share is to be made by the Finance Committee of the Steel Corporation.

"The question of what constitutes profits and all other questions shall be determined solely and finally by the Finance Committee, and as this committee will have no interest whatsoever, directly or indirectly, in the profit-sharing plan, its rulings must be accepted by all as fair, impartial and conclusive.

"We may not, in the first year, get an equitable apportionment, but it is not the intention to make permanent the above schedule or the apportionment of the same. The programme is hereby announced as the plan for the year 1903, and the Finance Committee reserves the right to modify any apportionment that is made at the end of each quarter during the year, and reserves the right to announce this or any other plan as a substitute for this, at the end of 1903 for the year 1904.

"Any profits distributed under the above schedule and to the above classes of men will be paid out as follows, for example: If $80,000,000 be earned during the year 1903, then $800,000 would be the sum set aside for distribution. It is proposed to distribute one-half of this sum in cash quarterly during the year; reserve the other half until the end of the year; and then invest it in preferred stock; divide the amount of stock thus purchased, distributing one-half to the employees who are entitled to it, and holding the other half in the hands of the treasurer of the Corporation, giving each man a certificate for his interest, the certificate to recite among other things:

"First. That if he remains continuously in the service of the Corporation or of one or another of its subsidiary companies for five years, the stock shall be delivered to him and he may do as he likes with it.

"Second. That if he dies or becomes totally and permanently disabled while in the employ of the Corporation or of one or another of its subsidiary companies, the stock will be delivered to his estate or to him.

"Third. That he can draw the dividends declared on the stock while it is held for his account and he remains in the employ of the Corporation or of one or another of its subsidiary companies.

"Fourth. That if without previous consent voluntarily he shall have quitted the service of the Corporation or of its subsidiary companies, he shall forfeit all right to this stock, and in such case it will be held in a fund which at the end of five years will be divided among such employees as shall have complied with all the conditions.

"Thus 25 per cent. of all the money set aside in this profit-sharing plan will be held for five years and will be given to such only as at the end of that period shall be in the employ of the Corporation or of one or another of its subsidiary companies from and since January 1, 1903.

"As the value of the interests of the United States Steel Corporation in the several subsidiary companies necessarily will be enhanced by everything that tends to increase their efficiency and earnings, this offer includes their employees as well as those of the Corporation itself.

"By order of the Finance Committee.

"UNITED STATES STEEL CORPORATION,

"GEORGE W. PERKINS,

"Chairman."

Public opinion was quite generally divided as to the wisdom of the profit-sharing plan, but the most substantial metropolitan dailies commended it in unmeasured terms. The following editorial, published in the *New York Times,* seemed to echo the views of many:

"PROFIT SHARING IN THE STEEL CORPORATION.

"The two circulars of the United States Steel Corporation printed elsewhere in this issue will be read with unusual interest. They detail the wisest and most far-sighted plan ever devised for identifying the interests, not merely of capital and labor, but of one class of labor with another. The project has been thought out with great intelligence, and its object is to attain results which cannot fail to have an immediate and permanent influence for good in shaping the direction of industrial development in this country.

"The gravest of the charges, in the impeachment of the trusts by popular judgment, is probably the recognition that they have tended to concentrate the profits of industrial enterprise in the hands of few men, and to close the door to those who under the industrial system they displaced had opportunity to become part owners, and, in a large or small way, according to their intelligence and thrift, partners. It has been urged that the individuality of the man who works for a trust is extinguished, and that he begins and ends a servant, with no incentive to ambition and no chance for advancement. This charge is dismissed in the case of the Steel Corporation by the plan of participation by which every officer, clerk, mechanic, and laborer may become a profit sharer on terms much more favorable than are offered to the capitalist. The various classes of employees are permitted to subscribe to the preferred stock of the Corporation at the upset price of $82.50, and as these shares bear 7 per cent. dividends, the interest guaranteed is equivalent to a little less than 8½ per cent. on the investment. The subscriber may pay for the stock he takes within three years, meanwhile drawing dividends, and if he chooses to discontinue payments and withdraw he can have back what he has paid in and keep the difference between the 5 per cent. charged on deferred payments and the 7 per cent. earned by the stock. The salaried or wage-earning stockholder who will hold his stock for five years and annually during that period exhibit it, with evidence that he has remained continuously in the employ of the Corporation and shown a proper interest in its welfare and progress, shall receive a bonus in the shape of a check for $5 per annum per share for each share he thus holds while continuously employed, and will thus add nearly 7 per cent. to the interest earnings of his investment. A guaranteed 16 per cent. investment is something which the capitalist would eagerly avail himself of—and search for in vain. This, however, is what is offered to the subscribing employees of the Steel Corporation under the plan referred to. The provision for the security of the returns promised is apparently ample.

"That the largest stock corporation in the world should have elaborated a plan so generous toward its labor is significant and refutes one of the strongest arguments which have been advanced against the principle of gigantic industrial consolidation. It offers a supreme test of the intelligence of labor and of the sincerity of the purpose underlying the struggle for the betterment of conditions and for the maintenance of the 'standard of comfort,' which have been pleaded in justification of strikes. It comes, not as a concession wrung from the reluctant employer by force majeure, but, in this instance, after a conclusive demonstration of the ability of the corporation to defeat labor and even to oppress it if such were the purpose. The company has not even been threatened with a strike since the defeat of the Amalgamated Association eighteen months ago. The workman and employee who does not eagerly avail himself of the opportunity of benefit which the plan offers deliberately turns his back upon an investment which the capitalist would pay a handsome premium to secure, and should he in future appeal to public sympathy as the victim of oppression he may expect to have very little attention paid to his representations.

"From the point of view of the stockholder who is merely an investor the plan has everything to commend it. The more closely those employed by the Steel Corporation are identified with its interests and made alert to the small economies of production, the better for him. It will give him a better basis of confidence in the ultimate value of the securities he holds than he now has to see the salaried men and the wage earners admitted as partners and profit sharers and to know that in a sense they are working for themselves as well as for the corporation. *We congratulate the management upon the plan and hope for the opportunity to congratulate the wage earners on their wisdom in accepting it and co-operating with it."*

The employees of the Corporation acted quite generally in favor of the proposition, and it was reported that in all about 27,000 had become stockholders by taking advantage of the plan. This 27,000 subscribed in all to 48,983 shares, representing in par value $4,898,-300 of preferred stock.

The annual report of the company for the year ended December 31st, 1902, was issued early in 1903, and gave a very elaborate statement of the business of the corporation. Its statistics were very complete as regards the income of the Trust itself, but it furnished no figures regarding the profits or gross earnings of the subsidiary corporations. It stated, among other things, that the gross business of the Trust for the year 1902 had exceeded $600,000,000, but as this included exchange of business between the subsidiary companies, it could not be looked upon as a guide to the actual gross business of the Trust. It is probable that the true gross amounted to approximately $500,000,000, and as the net earnings, as shown in the account, were $133,000,000, the Trust therefore apparently made a profit of about 27% on the business done.

Among the noticeable features of the balance sheet was the reduction of the undivided surplus of the Trust, from $174,344,229, as shown in the statement on November 30th, 1901, to $77,874,597, a falling off of nearly $100,000,000. This was accounted for by the statement that the surplus had been charged off of the property account, which was now being carried at a much lower valuation than had been the case in the previous year. This statement did not, of course, embrace any of the new income, which was to be acquired through the second mortgage bond issue, as the latter plan was not put through until some time after the close of the fiscal year.

Early in February, 1903, Judge Gary gave some further details regarding the subscriptions to the profit sharing plan, which were not embraced in the annual report. He stated that there had been 14,260 individual subscribers among the men receiving salaries ranging between $800 and $2,500 per annum, who had subscribed to $2,901,300 par value of preferred stock; and 12,170 subscribers among men receiving less than $800 per year, who had subscribed for $1,503,800 par value of preferred stock.

During this month, the New Jersey Court of Errors and Appeals unanimously reversed the decision of Vice-Chancellor Emery, who had granted an injunction in the Hodge suit. It was now stated that there would be no further obstacles to the carrying out of the conversion plan.

All the adverse decisions against the conversion plan having been reversed, Messrs. J. P. Morgan & Company announced, through the newspapers on Wednesday, March 4th, that the agreement which had been approved by the stockholders on March 19th, 1902, would now be carried out. In substance, the announcement was as follows:

"(1) The preferential opportunity to subscribe for $200,000,000 10-60-year 5 per cent. sinking fund gold bonds in even amounts (*i. e.*, $500, or in multiples thereof), but not exceeding 40 per cent. of the preferred stock standing in his name. Such subscriptions shall be payable in preferred stock at par; that is to say, five shares of such preferred stock for each $500 of such bonds.

"Stockholders intending to exercise this privilege should, before the closing of the books on March 16, 1903, have their stock split up in certificates of such amounts that they can surrender in payment of their subscription for bonds certificates of stock for the exact amount required. Depositing shareholders will receive the dividend payable May 15, 1903.

"(2) The like opportunity, at his further option, to make an additional subscription, payable in cash, for $50,000,000 bonds of such issue, at par and accrued interest, to an even amount approximately equal to 10 per cent. of the par amount of the preferred stock standing in his name.

"Subscriptions must be actually made on or before May 16 at the office of J. P. Morgan & Co. on warrants shortly to be issued by the Steel Corporation.

"The mortgage securing said bonds is to bear date April 1, 1903, and is to be next in rank and similar in form to that securing the bonds for $304,000,000 issued under the indenture dated April 1, 1901. The bonds are to bear interest at the rate of 5 per cent. per annum from their date, April 1, 1903, and are to be payable in sixty years, but will be redeemable at the pleasure of the corporation at any time after the expiration of 10 years from the date thereof at 110 and accrued interest. In case less than the whole issue is redeemed at any one time the bonds to be redeemed are to be designated by lot and the coupon bonds are to be redeemed first. An annual sinking fund of $1,010,000, is to be provided for the redemption of the bonds. The bonds will be issued as coupon bonds of $1,000 or $5,000, and as registered bonds for $500, $1,000, $5,000, or of any multiple of $5,000 that may be authorized by the Steel Corporation. The coupon bonds are to be exchangeable at any time for registered bonds, and the registered bonds when presented in even amounts of $1,000 are to be exchangeable for coupon bonds, at the will of the holders, upon terms to be stated in the said indenture. It will be provided in the deed of trust that no action or proceeding, either in law or in equity, can be instituted or maintained for the enforcement or collection of interest on the bonds, or for maturing the principal thereof by reason of a default in the payment of any installment of interest until after such default shall have lasted for the period of two years continuously."

A statement was published at the same time showing just where the proposed expenditures for extensions and improvements would be made, giving their estimated cost. The total cost of these improvements was published as being about $36,000,000, and it was also shown that these improvements were expected to result in an increase in earnings of not less than $12,000,000.

April 20th, 1903, at the time of the Annual Meeting, the report which had previously been issued was ratified by the stockholders, and the By-laws of the company were so changed that no further litigation could come up as to the legality of the bond issue.

The right of preferred stockholders to take advantage of the conversion plan and put their stock into second mortgage bonds, expired on May 16th. This privilege was, however, continued for the syndicate, up to October 16th, 1903.

On May 30th, were published details regarding the option of the syndicate. These, in brief, were as follows:

"The members of the syndicate which underwrote the subscriptions to $100,000,000 of the second mortgage bonds, agreeing to pay for the same, so far as not provided by the other shareholders, $20,000,000 in cash and $80,000,000 in preferred stock, have received under date of May 21 substantially the following notice from the syndicate managers:

"'The time for subscription by preferred stockholders having expired, we are now prepared to exchange for the new bonds the balance of the 800,000 shares of the preferred stock deposited with us and which was not required for exchange on the syndicate's agreement. Will you kindly advise whether you desire us to exchange your shares, to the return of which you are now entitled? Such exchange will be made only upon the understanding that the bonds received therefor will be held on deposit upon the same terms as the bonds already received by us on the syndicate agreement of March 12, 1902. Unless instructed by you to make such exchange on or before June 1, 1903, we will return to you the proportional part of the preferred stock deposited to which you are entitled as stated above.'

"As the bonds are quoted several points higher than the preferred stock and as, moreover, the syndicate gets a commission of 4 per cent. on all new bonds issued, it is probable that most members of the syndicate will avail themselves of the offer above described."*

The earnings of the corporation for the half-year ended June 30th, 1903, were published at this time and showed a net decrease of about $2,800,000. The three months ending June 30th, 1903, contributed less than half of this decrease.

In August, 1903, Mr. Charles M. Schwab tendered his resigna-

*As reported by the *Commercial & Financial Chronicle.*

tion as President of the corporation, and William E. Corey was elected in his place.

During the Summer months of 1903, and particularly after the first of July, the prices of iron and steel products, and also of pig iron, began to fall rapidly, and by the latter part of August, pig iron had dropped to about $9.00 per ton, from a previous extreme high price of $22, and the price of steel billets had also fallen several dollars.

About September 15th, 1903, Messrs. J. P. Morgan & Company issued a special circular to the syndicate which underwrote the new bond issue to the extent of $100,000,000. This circular and the facts regarding it were as follows:

"J. P. Morgan & Co., on Sept. 14, called upon the syndicate which underwrote the $250,000,000 bond issue to the extent of $100,000,000 ($80,-000,000 in preferred stock and $20,000,000 cash) for the payment on or before October 1st of the first installment, 25 per cent., of their cash subscriptions. The firm also gave notice of the proposed extension of the syndicate agreement from October 1, 1903, to July 1, 1904. Syndicate subscribers, however, have the option to withdraw October 1, on payment of the balance of their cash subscriptions under the agreement of March 12, 1902.

"The circular contains the following:

"'DEAR SIR—Referring to the syndicate agreement of March 12, 1902, we beg to remind you that under said agreement the syndicate will expire on October 1, 1903. Accordingly, the syndicate accounts will be made up as of that date and the several interests of the subscribers therein will then be determined.'

"'Subscribers who authorized the exchange of their excess of preferred stock for bonds under our circular of May 21, 1903, will, as hereinafter stated, be entitled to receive their bonds so exchanged, and we will be prepared to deliver the same on and after October 1, 1903, upon presentation at our office of their syndicate participation receipts to be suitably stamped.

"'The duration of the syndicate was fixed so as to continue during the period of our contract with the United States Steel Corporation mentioned in said syndicate agreement, and which originally was to terminate October 1, 1903. Owing to the vexatious litigations which for nine months delayed the beginning of the conversion, it became necessary to extend for the like period the time for performance of that contract, and accordingly the same was extended until July 1, 1904, as authorized by the original contract. In order that the syndicate may have the benefit of any further exchanges of preferred stock for bonds under said contract after October 1, 1903, it has been suggested by large holders of syndicate interests that the syndicate also should be extended for such period of nine months, so as to terminate contemporaneously with our contract with the corporation. Accordingly, deeming it to be for the interests of the subscribers, we have readily consented to such extension for such subscribers as may desire it.

"'Such extension is purely voluntary, and subscribers who prefer not to extend will be entitled to receive their ratable proportion of the net assets of the syndicate as of October 1, 1903, as soon as the syndicate accounts are adjusted, upon presentation and surrender at our office of their syndicate participation receipts, suitably indorsed, and upon payment in cash of the balance of the cash subscriptions for bonds under the agreement of March 12, 1902. After October 1, 1903, such subscribers will have no interest in the syndicate.

"'J. P. MORGAN, Syndicate Managers.'

"The syndicate agreement of March 12, 1902, states that 'on signing this agreement each subscriber has delivered to J. P. Morgan & Co. certificates of preferred stock of the Steel Company in the amount indicated in his stock subscription hereto,' which preferred stock was to be exchanged for second mortgage bonds, $ for $, to the extent necessary to meet the guaranty that the total subscriptions payable in preferred stock on account of said bond issue should aggregate $80,000,000. The agreement further provides that the bonds received in this exchange shall remain under the control of J. P. Morgan & Co. until October 1, 1903, the firm to have the right to sell all or any part thereof for account of the syndicate at any time and at any price.

"The subscriptions received from the preferred stockholders were currently reported last May to have aggregated between $40,000,000 and $50,000,000. If the report was correct, then to that extent the syndicate was absolved from its $80,000,000 subscription in preferred shares, but as the price of the bonds has constantly ruled higher in the market than the price of the preferred shares, the syndicate subscribers would naturally authorize the exchange of the entire $80,000,000 of stock for bonds. This no doubt explains the allusion to 'the exchange of their excess of preferred stock,' in the above circular.

"There has been much speculation as to what extent, if any, J. P. Morgan & Co. may have availed themselves of the syndicate's option on the entire $250,000,000 bond issue over and above that portion taken by the preferred stockholders. Nothing authoritative has been given out on this point, but it may be noted that of the issue $50,000,000 can, it would seem, be sold only for cash, and at par, this amount including the $20,000,000 the subscription for which the syndicate guaranteed. Deducting this $50,000,000 and the supposed subscriptions of the preferred shareholders and the syndicate payable with preferred stock, aggregating say $40,000,000 and $80,000,000, respectively, there would remain, say, $80,000,000 of bonds for which the syndicate would also have the option of subscribing in preference shares. Evidently with a view to enabling the making of such subscriptions, the syndicate managers are authorized under the agreement of May 12, 1902, at their discretion, to make purchases or sales either of the preferred stock or the second mortgage bonds, or to procure loans, and to secure the same in such manner as they may deem expedient for the purposes of this agreement.

"*Dividend Prospects.*—A prominent director is quoted by the *New York News Bureau* as saying:

"'There is no probability of a reduction in the dividend on Steel common while earnings remain above $100,000,000. It was on this basis that dividends were started on the common stock, and purchasers of common stock could justly complain should a different policy be pursued. The earnings for this year will be $125,000,000. Prices of finished steel have not been reduced in any branch of the business, and if pig iron is lower it will only increase the profits of the Steel Corporation, since it is a purchaser of pig, not a seller. To me the low price of steel (stock) is inexplicable.' "*

The members of the syndicate practically all consented to the extension asked for by J. P. Morgan & Company to July 1st, 1904.

During this month, there was increased interest shown regarding the condition of the steel and iron business, more particularly in view of the fact that several of the Trust's plants had shut down. Commenting on the situation, and also on the course of prices, the *Iron Age*, of September 25th, made the following statement:

"If the movement inaugurated by furnacemen, both east and west, within the past week, brings about the restriction of production expected, a change will undoubtedly be felt in the pig iron trade, which has thus far been the weakest branch of the iron and steel business. * * * No definite plan was announced, but it is understood that as soon as possible a number of furnaces are to be blown out. It was found on interchanging views that few Northern furnace companies are now in a position to manufacture pig iron at a profit. Action of this kind is imperative, as the consumption of pig iron is being reduced from week to week. The continuous lowering of prices causes buyers to hold off and checks business all along the line.

"The lessened demand for finished products is shown by the closing of some important establishments during the past week. The outlook for the future in the structural trade is exceedingly bright, it being stated by leading manufacturers, who have made a thorough canvass of the situation, that, after eliminating all doubtful projects, the work in sight aggregates 200,000 tons more than at the corresponding time a year ago. Still, mills cannot be run on prospects, and meanwhile some of the structural works are being closed to await the placing of further orders in this line.

"The manufacturers constituting the Billet Association met in this city on last Thursday and decided that no benefit would result from any reduction in price (now $27) at this time, notwithstanding the lower rates being named by outside manufacturers.

"It is refreshing in the midst of unsatisfactory trade reports to learn that the wire trade is in phenomenally good condition. The actual business placed for immediate shipments of wire and wire products thus far this month is the largest in three years.

"Labor troubles among vesselmen on the Lakes will curtail the movement of iron ore from the mines to lower Lake ports, and may cause the indefinite closing of important mining operations in the Lake Superior district. This will not affect the operations of furnaces, however, as the ore supply under any conditions will be ample for the coming winter."

The continued decline in the stocks of the company had created a good deal of dissatisfaction among the employees who had subscribed to the preferred stock under the offer made in January.

*As reported by the *Commercial & Financial Chronicle*.

Therefore, the Finance Committee of the Trust issued, on October 1st, the following circular to those who had subscribed:

"The Finance Committee sees no reason to change its opinion as to the intrinsic value of the preferred stock subscribed for, pursuant to the company's circular, but, of course, it recognizes that the decline in the market or selling price naturally may occasion anxiety in the minds of the subscribers under the circular. Accordingly it deems it proper now, to dispel apprehension of loss by the following additional offer, or guaranty:

"'The corporation will at any time during January or February, 1908, pay to every subscribing officer and employee who shall have retained his stock for the full period of five years, and otherwise complied with the terms of the circular, $82.50 per share for the stock, less the rebates and benefits he shall have been entitled to under the circular (not including benefits received on account of difference between interest and dividends, which he will in any event retain), provided he wishes to sell the stock for that price at that time.'"

On Tuesday, October 6th, the directors of the Corporation reduced the quarterly dividend on the common stock from 1% to ½%. At the same time, the earnings for the quarter ended September 30th, were published, and showed a decrease of $4,600,000 in net, as compared with the previous year.

Further reductions in the prices of steel billets, steel rails, foundry iron, etc., were made during the months of November and December, 1903.

About the middle of November, 1903, it was officially announced that the Trust would take drastic measures to reduce expenses, and, among other things, the following statement was made:

"The plan of economy and retrenchment now rapidly being put into effect has resulted up to date thus:

"About 25 per cent. of the plants have been closed down, effecting a reduction in output of finished products of 15 per cent. The pig iron production has been reduced at least 40 per cent., but as the corporation sells practically no pig iron, this has no effect on the general market. The number of men employed in the operating department has been reduced about 10 per cent., and the forces in the executive department about 4 p. c. At the ore mines and in the ore fleet reductions aggregate 50 per cent., but this is due to the fact that the end of the season was at hand when the plan was put into effect. The transportation department has been cut about 5 per cent. Other changes are to be made here.

"The retrenchments to be accomplished through reductions in wages cannot count for much before Jan. 1. They will total at least 20 per cent. In the salaries the plan contemplates a saving of approximately 30 per cent. through discharges and reductions. In freight rates we hope to save at least 10 per cent., which will net us $5,000,000 a year. When the work now under way is completed, it will be tantamount to a reorganization. High salaried but not absolutely essential places will all have been abolished. The wage schedule, now ridiculously out of line with present prices, will be passed down. Many departments will be combined.

"It is in the operation of plants, however, that the greatest economy will be effected. Plants not properly situated when closed this time will be dismantled or removed before being reopened. The concentration of plants and offices at or near Pittsburgh will be the most important of all the results brought about by the present depression."

On November 19th, 1903, the following official statement was given out by Mr. E. H. Gary, Chairman of the Executive Committee of the Board of Directors:

"At a meeting of the Finance Committee, held yesterday, it was by unanimous vote decided to suggest to Messrs. J. P. Morgan & Co. that the syndicate contract for the conversion of preferred stock into second mortgage 5 per cent. bonds should be canceled and terminated beyond the amount of $150,000,000, which figure has very nearly been reached.

"Messrs. J. P. Morgan & Co. immediately acceded to the request of the Finance Committee, and no further exchanges will be made for account of the syndicate beyond the amount stated.

"The matter now stands as follows:

"OUTSTANDING BONDS.

Bonds already issued in exchange for stock received and canceled	$146,388,500
Bonds remaining to be issued in exchange for preferred stock to be converted by the syndicate	3,611,500
Bonds sold at par for cash and paid for in full October 1, and already issued	2,902,000
Bonds sold at par for cash upon which 25 per cent. was paid to the corporation October 1, and which will be issued whenever the remaining 75 per cent. shall be called for and paid.	17,098,000
Total outstanding issue	$170,000,000

"ADDITIONAL BONDS.

Balance of $30,000,000 of bonds available for sale for cash will be executed as stipulated in the indenture and be placed in the treasury as an asset	30,000,000
This will make the total bonds issued	$200,000,000
The $50,000,000 remaining available for exchange for preferred stock will be held subject to the exclusive right of the corporation itself to deal with from time to time as the board of directors may see fit	50,000,000
Total authorized issue	$250,000,000

"It is not the present intention of the corporation to make any further conversion of preferred stock into bonds."

As $20,000,000 of the bonds were taken by the syndicate at par, the total cash received by the company from the transaction is

$20,000,000, from which must be deducted the syndicate's commission of 4%, which if figured on the $170,000,000 of bonds outstanding would call for $6,800,000, leaving the net return to the company, $13,200,000.

On January 1, 1904, the profit-sharing offer of the previous year to the employees was renewed on the same basis as before, the only change being that the price named was $55 per share, whereas the year before it had been $82.50 per share. It is not known that any very considerable number of the employees took advantage of the new offer.

Fluctuations in prices of Steel Trust Stocks:

1901 (March to December, inclusive). Common: high, 55; low, 24. Preferred: High, 101⅞; low, 69. By months: *(common):* March, high, 46½; low, 42¾; April, high, 55; low, 45⅜; May, high, 54½; low, 24; June, high, 52⅜; low, 47½; July, high, 48⅞; low, 37; August, high, 45¾; low, 39⅝; September, high, 45⅞; low, 40¼; October, high, 44¾; low, 41; November, high, 44½; low, 41¼; December, high, 43⅝; low, 39⅝. *(Preferred):* March, high, 96¼; low, 92¾; April, high, 101⅞; low, 93⅛; May, high, 101⅞; low, 69; June, high, 100⅜; low, 96⅞; July, high, 99½; low, 86; August, high, 95¼; low, 89; September, high, 95¾; low, 90; October, high, 95; low, 90⅛; November, high, 94; low, 90½; December, high, 94; low, 89⅝.

1902. (Full calendar year): Common, high, 46¾; low, 29¾. Preferred, high, 97¾; low, 79. *Common:* January, high, 46¾; low, 41⅝; February, high, 44¾; low, 43; March, high, 43½; low, 41¾; April, high, 43⅞; low, 40⅞; May, high, 42⅛; low, 38¾; June, high, 40¼; low, 36¾; July, high 41; low, 37⅛; August, high, 41⅝; low, 39⅜; September, high, 42⅝; low, 38¾; October, high, 41⅝; low, 38⅝; November, high, 40¼; low, 35⅜; December, high, 37⅛; low, 29¾.

Preferred: January, high, 97¾; low, 92⅜; February, high, 95¼; low, 93; March, high, 95¾; low, 93⅜; April, high, 94¾; low, 92⅛; May, high, 92¾; low, 88¾; June, high, 90⅜; low, 87½; July, high, 92⅛; low, 88¾; August, high, 90¾; low, 89¼; September, high, 92; low, 87½; October, high, 91⅝; low, 87½; November, high, 88½; low, 82⅝; December, high, 86; low, 79.

1903. (Full calendar year): Common, high, 39⅞; low, 10. Preferred, high, 89¾; low, 49¾. By months. *Common:* January, high, 39; low, 36½; February, high, 39⅞; low, 37⅛; March, high, 38¾; low, 35⅛; April, high, 36½; low, 33⅞; May, high, 35⅝; low, 30½; June, high, 32⅜; low, 28⅜; July, high, 31⅝; low, 21⅜; August, high, 24¾; low, 20⅜; September, high, 23⅜; low, 14⅞; October, high, 18⅛; low, 12½; November, high, 13½; low, 10; December, high 12⅞; low, 10.

Preferred: January, high, 89¾; low, 86¼; February, high, 89⅝; low, 87; March, high, 87⅞; low, 84½; April, high, 87⅜; low, 83; May, high, 85⅛; low, 80; June, high, 82⅜; low, 78⅛; July, high, 82⅛; low, 68½; August, high, 73⅞; low, 67; September, high, 71¾; low, 58¾; October, high, 66; low, 57¼; November, high, 59¾; low, 49¾; December, high, 59; low, 51⅝.

III. IMPORTANT STEEL CORPORATIONS ALLIED WITH OR OUTSIDE OF "THE STEEL TRUST."

AMERICAN STEEL FOUNDRIES COMPANY.

(*Steel Trust Interests dominate.*)

Incorporated under New Jersey laws June 26th, 1902, as a consolidation of the American Steel Castings Co., Reliance Steel Castings Co., Leighton & Howard Steel Co., Franklin Steel Castings Co., the Sargent Co. of Chicago, American Steel Foundries Co. and the American Bolster Co.

Capital stock authorized $20,000,000 common and $20,000,000 preferred; outstanding, $15,000,000 common and $15,500,000 preferred. No bonded debt.

CAMBRIA STEEL COMPANY.

(*Pennsylvania Railroad domination.*)

Incorporated under Pennsylvania laws November 14th, 1898, to succeed to the business of the Cambria Iron Co. In 1901, it acquired control of the Conemaugh Steel Co. of Johnstown, Pa. The properties of the company are located at Johnstown and vicinity.

Capital stock authorized $50,000,000, of which $45,000,000 is outstanding. A majority interest has been acquired by the Pennsylvania Railroad and affiliated roads. There are no bonds.

Colorado Fuel and Iron Company.

(Gould-Rockefeller domination.)

Incorporated under Colorado laws in 1892 as a consolidation of the Colorado Fuel Co. and the Colorado Coal & Iron Co. It owns the entire stock of the Colorado & Wyoming Railway, controlling 170 miles of road. Its plants are large and important, and have an annual capacity of finished steel products amounting to about 550,000 tons. The company was formerly controlled by John G. Osgood, with an important interest represented by John W. Gates and others. In 1903, the Gould-Rockefeller interests acquired control.

The capital consists of $2,000,000 of 8% preferred and $38,000,000 of common stock. Of the latter there is outstanding about $24,000,000. No dividends on the common. The bonded debt, including all underlying issues, amounts to $22,000,000.

Crucible Steel Company of America.

(Steel Trust influence.)

Incorporated under New Jersey laws July 21st, 1900, as a consolidation of about 13 properties, the most important of which was the Park Steel Co. The company was said to represent at that time about 95% of the output of crucible steel in the United States. Later the company acquired the stocks and bonds of the Clairton Steel Co., which had absorbed the St. Clair Steel Co. and the St. Clair Furnace Co.

Capital stock consists of $25,000,000 preferred and $25,000,000 common. Bonds outstanding amount to $10,250,000.

Jones and Laughlin's Steel Company.

(Independent enterprise.)

Incorporated under Pennsylvania laws in June, 1902, to succeed to the former partnership of Jones & Laughlins, Ltd. The company owns a large steel plant in Pittsburg, and controls various sub-companies, railroads and extensive ore and coal properties. It also owns a private railroad extending from its works to Lake Erie.

Capital stock $30,000,000. In addition $10,000,000 bonds have been authorized, but none issued as yet.

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Lackawanna Steel Company.

(Vanderbilt-Rockefeller interest.)

Incorporated under New York laws February 15th, 1902, as successor to the Lackawanna Iron & Steel Co. The company formerly owned a much smaller plant, but now has under construction, at West Seneca, near Buffalo, N. Y., a plant for the manufacture of plate and all classes of structural steel, steel rails and billets, with a capacity of about 1,250,000 tons of finished products per annum. The company also owns ore properties in Minnesota, Michigan, Wisconsin and New York, which are stated to have more than 50,000,000 tons of ore in sight. It also owns about 22,000 acres of bituminous coal lands in Pennsylvania, blast furnaces at Colebrook, Pa., coke ovens at Lebanon, Pa., and also interests in the Cornwall Iron Co. and the Cornwall Railroad Co. It owns also about one-third of the capital stock of the Cornwall & Lebanon Railroad.

Capital authorized, $60,000,000; outstanding, $40,000,000, of which one-half is stated to be 60% paid. The bonds authorized amount to $20,000,000, and of these $15,000,000 have been issued. There is also an underlying issue of $1,775,000 prior lien bonds.

National Steel and Wire Company.

(Independent enterprise.)

This company, incorporated under the laws of the State of Maine, owns the securities of the following constituent companies: National Wire Corporation, New Haven, Conn.; New Haven Wire Manufacturing Co., New Haven; De Kalb Fence Co., De Kalb, Ill.; Union Fence Co., De Kalb; Pacific Steel & Wire Co., Oakland, Cal. Annual capacity of the first-named concern is 90,000 gross tons of wire rods, 40,000 tons of wire, 100,000 kegs of wire nails, and 10,000 tons of wire fencing, wire rope, etc.; the De Kalb Fence Co.'s capacity is 12,000 tons of fence, the Union Fence Co.'s about 8,000 tons, and the Pacific Steel & Wire Co.'s about 10,000 tons annually. This makes a total output for all the National plants of about 268,000 tons of the various products. The National also owns the Kansas Steel & Wire Works, Kansas City, Mo., but this is only a distributing concern, doing no manufacturing.

Capital stock of the parent company was originally $5,000,000, of which $2,500,000 was 7% cumulative preferred and $2,500,000 common, but this has since been increased to $10,000,000. There is no bonded indebtedness.

Pennsylvania Steel Company.

(Pennsylvania Railroad domination.)

Incorporated under New Jersey laws April 29th, 1901, as a consolidation of the former Pennsylvania Steel Co. and the Maryland Steel Co. Later the company acquired the capital stock of the Spanish-American Iron Co., which owned about 5,000 acres of land near Santiago, Cuba. Later the company acquired an interest in the Cornwall Ore Banks Co. of Lebanon, Pa., the Lebanon Furnaces, Lebanon, and a majority of the stock of the Cornwall & Lebanon Railroad. The company operates plants at Steelton, Pa., and Sparrow's Point, Md., embracing blast furnaces, with an annual capacity of 750,000 tons of pig iron, 800,000 tons of Bessemer steel, one open hearth plant, two rail mills, frog and switching plants, and also a shipbuilding and bridge building plant.

Capital stock authorized, $25,000,000, of which there is now outstanding $10,750,000. A majority of the stock is owned by the Pennsylvania Railroad. There is also outstanding $16,500,000 7% preferred stock. The bonded debt outstanding, including underying bonds, amounts to about $14,000,000.

Republic Iron and Steel Company.

(Independent consolidation. Rockefeller influence.)

Incorporated under New Jersey laws May 3rd, 1899, to consolidate about 29 plants, making bar and forge iron, and embracing nearly all the plants of this kind in the Central and Southern States west and south of Pittsburg. It also owns seven blast furnaces, mining properties in the Mesaba Range, extensive iron and coal lands at Birmingham, Ala., and the coke plant of the Connellsville Coke Co.

Capital stock outstanding, $20,416,900 preferred and $27,191,000 common. No bonded debt.

Tennessee Coal, Iron and Railroad Company.

(Rockefeller interest.)

Incorporated under Tennessee laws in 1860 as the Tennessee Coal & Railroad Co. In 1892, the company absorbed the Debardeleben Coal & Iron Co., the Cahaba Coal & Mining Co., and the Excelsior Coal Co. In 1898, the Alabama Steel & Shipbuilding Co. was organized in the interest of this company to build and operate a steel plant at Ensley, Ala., six miles west of Birmingham. The company also acquired the Ensley Land Co., and in June, 1899, the property of the Sheffield Coal, Iron & Steel Co. was purchased. The latter has since been sold. The company's property consists of 20 blast furnaces, with a capacity of 850,000 tons per annum; 450 acres of coal, ore, limestone and timber lands and developed coal mines having a capacity of 20,000 tons per day.

Capital stock outstanding, $22,801,600, of which $248,000 is preferred. The total outstanding bonded debt, including underlying bonds, amounts to about $14,350,000.

IV. ANALYSIS:

In attempting to analyze the Steel Trust, it will be well to at first take a general view of the gigantic consolidation as it appeared immediately after its organization in 1901, and having done that, point out the vital features regarding its stability, methods and general financial policy.

No more accurate or vivid sketch of the Steel Corporation has been written than that published in *McClure's Magazine* for November, 1901, and prepared by Mr. Ray Stannard Baker. In a most entertaining way, Mr. Baker there gave an insight into the scope and methods of the Trust, and the personnel of its managers, which was in many ways a revelation to the general public. Therefore, in briefly describing this Trust and its methods, we cannot do better than quote quite fully from Mr. Baker's sketch.

Mr. Baker describes the organization of the Steel Trust as a "republican form of government, not unlike that of the United States, with a President, a cabinet, or executive committee, which is likewise a supreme court, having practically all the power of the board of directors; a treasury department, or finance committee; a legal department (the general counsel); and a congress (board of directors) elected to office by individual voters or stockholders.

The government of the trust, besides being republican in form, is federal in principle; for," writes Mr. Baker, "it is a general though erroneous impression that when the steel corporation was organized all of the ten absorbed companies lost their identity, being merged in a single huge concern managed from New York City. But the United States Steel Corporation is rather a federation of independent companies, a combination of combinations, each with its own distinct government, officers, sphere of influence, and particular products. The Carnegie Steel Company, for instance, is independent of the Federal Steel Company, and yet both are a part of the United States Steel Corporation in the same way that Pennsylvania and Illinois, while separate States, each with its own government, are part of the United States."

But this government is primarily industrial, as distinguished from political. Its purpose is the production and distribution of steel commodities, from the ore and the coal in the mine, through all the processes of manufacture and transportation, to the finished and delivered article. Still in analogy to the theory of the American Government, the Steel Trust distinguishes between common functions and those pertaining to the constituent companies respectively:

"While each subsidiary company retains the entire management of its own manufacturing plants, it has been the policy of the new corporation to combine in great general departments those factories of production common to all the companies. For instance, most of the subsidiary companies owned their own iron mines, their own coke ovens, and controlled their own ships on the lakes, and each had a department to care for these interests. Now the ore and transportation interests are gathered in one great department."

The economy effected by this concentration of common interests into one central department is thus described:

"The coke interests, the export department, the foreign offices in London, and certain branches of the sales departments, are each grouped under a single head. By this method a single agency distributes iron ore, coal and coke, between the various plants as needed, avoiding cross shipments, and supplying plants always from the nearest sources, thereby saving freight charges. Much of the economy of production depends on the efficiency of distribution. Formerly serious delays resulted from the inability to obtain vessel tonnage at the right time, or to load the ships with the right kind of ore when wanted, for many companies, while owning plenty of one kind of ore, were compelled to purchase other kinds to make the proper mixtures. Under the new system, however, the splendid fleet of 115 vessels on the Great Lakes is all under the control of one man, . . . and the ore-distributing system is all under another chief. The ships can thus be directed by telegraph to the ore-docks in Minnesota, Michigan or Wisconsin, where each immediately secures a full load and carries it to the dock or mill where that particular kind of ore is most needed. . . . Coke and coal are distributed much in the same manner by a central department."

Such a centralization is confined, however, as already indicated, to operations of common concern. With reference to functions pertaining to the constituent companies individually, the impulse of competition (more definitely, perhaps, emulation) is encouraged. Mr. Carnegie had already made this a feature of his company, before the federation. He encouraged friendly rivalries between his plants, spurring them on with rewards, and by firing the pride of accomplishment he succeeded surprisingly in adding to the efficiency of his force. Following Mr. Carnegie's example, the steel trust, while in absolute control, and consequently able to insure harmony through its central authority, has, nevertheless, so adjusted the relationships of the constituent companies that "one company buys of or sells to another, as formerly, and the bargains are driven just as shrewdly as ever, each president being keenly ambitious to make a good showing for his company. The disputes which naturally arise are settled by the executive committee, sitting as a sort of supreme court."

INCENTIVE GOOD

As to products which vary with the producing company, wide latitude is allowed, each company being permitted to drive the best bargain it can in the open market. But in cases where several companies produce the same thing—steel rails, for instance—they agree on a price and appoint the same agents throughout the country. - PRICE FIXING

Not only are economies secured by this system of production and distribution, but every department of the trust, says Mr. Baker, "runs smoothly, noiselessly."

While the foregoing vivid pen-sketch is extremely entertaining, and seems to make it appear that the Steel Trust was the result of normal conditions in the steel trade, it is nevertheless a fact that the consolidation of these allied and formerly competing industries was really the purest of accidents. For had it not been for certain abnormal conditions in the winter of 1900-1901, the United States Steel Corporation would never have been formed—at least not on its present basis of capitalization.

In that intensely interesting book, entitled "The Inside History of the Carnegie Steel Company," by Mr. James H. Bridge, the last chapter, entitled "The Billion-Dollar Finale," is partially devoted to a review of the events which led up to the formation of the Steel Corporation. The following extracts from this chapter will give an insight into the situation at that time:

"About a year before Mr. Frick resigned the headship of the Carnegie Steel Company he appointed a committee, with Mr. Clemson as chairman, to report on a project he had formed of building a tube works at Conneaut, the Lake Erie terminus of the Bessemer Railroad. There being little freight from Pittsburg to the Lake port, the ore trains returned for the most part empty; and to utilize this profitless haul, various plans had been discussed by Mr. Frick and his colleagues for the building of blast furnaces and other works at Conneaut that would call for Pittsburg coal and coke. One of these schemes is outlined in the minutes of the meeting of the Board of Managers held on January 16, 1899, previously quoted, and at the same meeting Mr. Clemson made a remark which showed that, after making the investigation authorized by Mr. Frick, he was in favor of also starting the tube works.

"It is probable that these works would have been built by the Carnegie managers, but for the attempt made the same year to sell out to the Moore syndicate, it being thought undesirable to antagonize, while such a deal was pending, the important financiers who were interested in the National Tube Company, with which the new works would have come into competition. But there was no idea at this time of holding the tube project as a threat over anybody. It was a simple business plan growing out of the need for filling the empty ore-cars on their return to Conneaut.

"After the reorganization of the steel company consequent on the withdrawal of Mr. Frick, it was seen by Mr. Carnegie that this tube project might be revived and utilized to force the purchase of at least his own holdings in the Carnegie Company, and perhaps of the whole concern. So the plan was gone over afresh, amplified and made definite, and then given to the newspapers by the Carnegie press agent and by Carnegie interviews. Thus it was published the length and breadth of the country as the settled purpose of the steel company.

"The panic produced by the double threat of the Carnegies to build a rival tube works and to enter into competition with the great Pennsylvania Railroad has been graphically described by a recent magazine writer:

"'Either project as a threat would have been alarming. The two together as imminent and assured accomplishments, produced a panic. And a panic among millionaires, while hard to produce is, when once under way, just as much of a panic as is a panic among geese. They ran this way and that; they hid one behind another; they filled the newspapers with their squawkings; they reproached, implored, accused each other. At last they ran to their master—Morgan. And he negotiated with Carnegie.'

"But the negotiations came later. They were preceded by a bankers' dinner, at which were preached joys of industrial peace. This famous dinner also grew out of a previous incident connected with Mr. Frick.

"Somewhere about the time of the purchase of the Moore option, Mr. Frick invited a number of prominent bankers to Pittsburg to show them the armor-plate vault that had just been built for the Union Trust Company. Incidentally they were given an opportunity of seeing the extent of the iron and steel works at Pittsburg. Up to that time the resources of the Iron City were but imperfectly known in Wall Street. This visit showed that it was the busiest place in the world, and the center of its greatest industry. Duly impressed, the bankers returned to New York; and the courtesies they had received as Mr. Frick's guests were now treated as an outstanding asset of the Carnegie Steel Company. Through the influence of Mr. Albert C. Case, credit agent of the Carnegie Company, and that of Mr. Charles Stewart Smith, an intimate friend of Andrew Carnegie, arrangements were made with a prominent banker of New York, who had been among those entertained by Mr. Frick, to give a return dinner, ostensibly in honor of Mr. Schwab. This dinner was duly given; and, as a spontaneous outburst of enthusiasm for Mr. Frick's earlier protege, it has been much written about and discussed.

"Mr. Morgan attended the dinner, and listened with great interest to Mr. Schwab's views on industrial combinations—'views apparently so large, so wise, and so interesting that Mr. Morgan was strongly impressed by the speech and the speaker. Then there began a series of interviews which eventually led to the founding of the United States Steel Corporation, to the realization of Mr. Carnegie's desire to retire from the control of the business,'* and to the sale and absorption of the Carnegie Company. It was the most masterly piece of diplomacy in the history of American industry, and formed a fitting climax to Andrew Carnegie's romantic business career."

Viewed in the light of the foregoing facts, we find that the formation of the Steel Trust, with its enormously inflated capitalization, was the outcome of conditions in the financial field which simply forced Mr. Morgan to take the course he did. To preserve the stability of the various steel manufacturing industries, and to prevent the disastrous cut-throat competition that so clearly threatened, it was

*Prof. Henry Loomis Nelson.

plainly inevitable that the *Carnegie interests should be controlled.* To control the Carnegie interests meant to purchase them and to purchase them meant to pay Mr. Andrew Carnegie's price for them.

Here, then, we have the crux of this whole matter. Mr. Morgan has been popularly pointed out, with both approval and disapproval, as the man who, of his own volition, brought the various smaller steel consolidations together into the larger Trust, overloaded the whole aggregation with a full billion dollars of watered capitalization; then ordered dividends paid on that capitalization; and, finally, just before the crash and crisis came, invited the employees of the Trust to enter as partners, and sold them preferred stock on an alleged "ground-floor" basis—this "ground-floor" very soon proving to be, however, nothing less than the roof. But while the Morgan management has been made responsible for these things, the bottom facts are forgotten. The public forgets that Mr. Morgan was really the victim of Mr. Carnegie, that Mr. Carnegie held the reins, so to speak, and named the price. No one knew better than Mr. Carnegie that $447,416,640 (the aggregate market value at the time of all the securities paid by the Steel Corporation for the Carnegie interests) was an outrageous price for a group of properties which, while they had earned $40,000,000 in that year of abnormally high profits, had shown net earnings of but $6,000,000 in 1896, $7,000,000 in 1897, $11,500,000 in 1898 and $21,000,000 in 1899. Recent events have demonstrated all this, and if the Carnegie steel interests were to be purchased to-day, it is quite probable that they would not command more than one-half the price paid for them in 1901.

Coincident with this hard bargain with Mr. Carnegie, which was undoubtedly accepted by the Morgan interests only "under the lash," Mr. Morgan had other difficulties to contend with. Strong criticism has for more than a year been centered against the policy of the Steel Trust management in having begun the payment of dividends on the common stock. Undoubtedly this was a wrong policy, but the fact should not be overlooked that the Steel Trust would never have been formed had not the organizers agreed to immediately begin payment of dividends on the common stock.

Thus, it will be seen that in a sense, the men who financed the Steel Corporation were placed between the upper and nether millstones. To begin with, they were the victims of events, forming the Trust chiefly for the purpose of eliminating the Carnegie competition, and paying a price which was altogether beyond the realm

VALUATION OF THE "STEEL TRUST."

The accompanying chart indicates that while the *par value* of the outstanding securities of the United States Steel Corporation and its subsidiary companies reaches the great sum of $1,370,000,000, yet the market value even at the time of original formation was not over $1,265,000,000, and at the present time is only about $760,000,000. Thus, in less than 3 years a shrinkage has taken place of about $505,000,000 in the market values of the Steel properties, or about 40%.

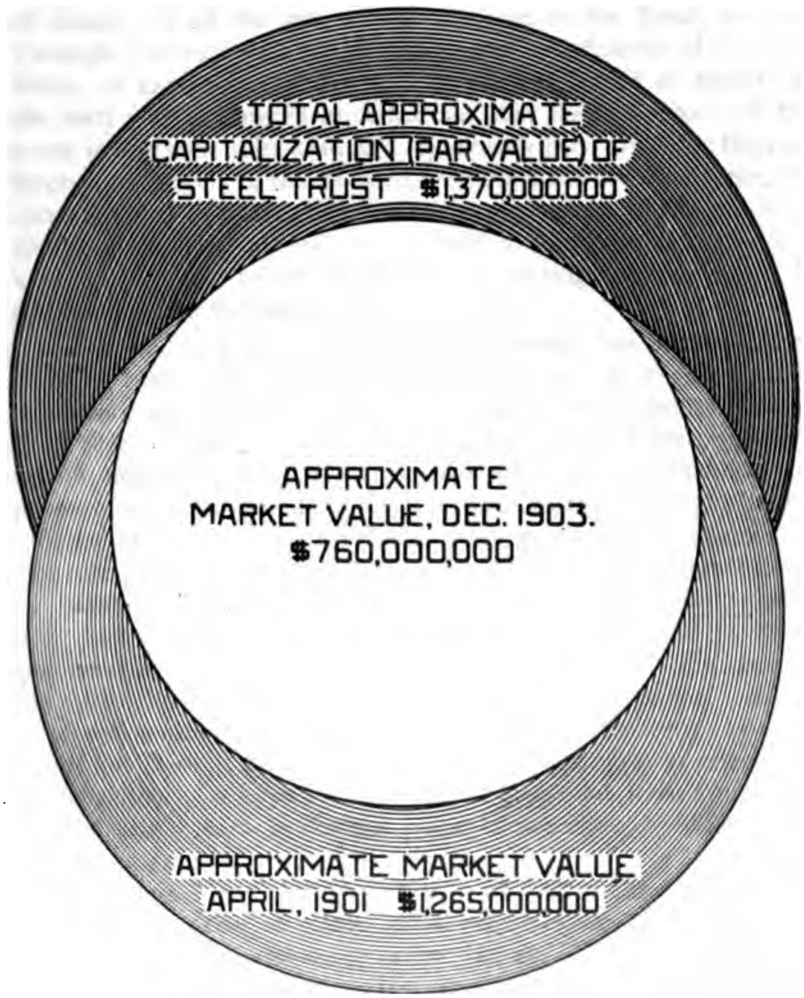

CHART No. V.

On page 201 a brief analysis of the probable real value of the Steel Trust properties is given, and it indicates that the present market value is probably not far from the real commercial worth of the properties. See text for full description.

of reason and common sense. They were obliged from the very beginning to carry the corporation along on a highly-inflated plane, with the result that the moment more normal conditions appeared in the steel industry, and the boom disappeared, the vast framework of inflated capital fell with a heavy crash. The chief beneficiary of all this has been Mr. Carnegie, who received a full tangible return for an extraordinarily ethereal valuation. This was more or less true, of course, of all the others who sold out to the Trust, but the Carnegie interests were by far the greater beneficiaries of this "inflation of expectancy." The new Trust was loaded so heavily at the start with a watered capitalization, that the best efforts of the many brainy men at its head have apparently been given for the past three years largely to the work of devising plans for distributing its securities and lightening the load of capitalization which had been forced upon them at the start. Such a condition naturally led, with other plans, to the ill-fated profit-sharing scheme, which is discussed on another page.

The valuation of the Steel Trust properties has been a matter of much controversy. Of course, during its first year, when earnings were and promised to continue phenomenal, the prevailing Wall Street opinion was that the "tangible" value of the properties was a matter of no importance; but since the readjustment of prices much more attention has been paid to this subject. In the summer of 1902, President Schwab made an affidavit in connection with the Hodge suit, wherein he gave a valuation of $300,000,000 for plants, machinery, etc.; $80,000,000 for transportation properties; $100,000,000 for coal and coke fields; $700,000,000 for iron and bessemer ore properties, and about $170,000,000 for natural gas fields, limestone properties and cash and cash assets. In all he placed a valuation of about $1,400,000,000 on the entire properties of the Trust at that time, and in that way justified the enormous capitalization. Of course, the Carnegie properties were figured at the full cost, which in the par value of securities paid for them reached nearly $500,000,000.

Doubtless Mr. Schwab's estimate of $380,000,000 as the approximate valuation of plants, mills, machinery and transportation properties was sane and conservative; but the bold, rough valuation of more than $1,100,000,000 as the value of the ore, coal, natural gas and limestone properties was necessarily the wildest of guesses. The sources of original supply are admittedly of enormous value. But they are also of *uncertain* value. The ore deposits, for instance, may be worth $300,000,000, or they may be worth $3,000,000,000. They may be worth the latter figure now, and even if not touched may be worth only the former figure a generation from now, and *vice versa.* Aside from their immensity, an extremely important factor in estimating their value is the question of ***what proportion*** of the entire sources of original supply of this kind do they represent? In other words, it is simply a question of to what extent the element of monopoly obtains here. If these deposits represent, and will continue to represent, all or nearly all of the ore deposits of the country, then indeed they are valuable, and five times $700,000,000 is not enough value to place upon them. But if they represent only a moderate proportion (say 50% or less) of the ore deposits of the country, or if this proportion grows less through new discoveries, etc., then their value as estimated by Mr. Schwab is certainly an ephemeral one. At the present time, it is claimed that about 65% of the entire ore deposits of this kind in this country are controlled by the Trust. But this is largely guess-work, and no one knows whether the proportion will be 30% or 80% five years hence.

It is this uncertainty as to the monopoly value of its sources of supply which necessarily makes any valuation of the Trust's properties little more than a guess. For, as pointed out in many other places in this book, the important asset of practically all the Trusts, in the question of capital valuation is, the proportion of special advantage or monopoly power they possess. The Steel Trust, of course, has many an advantage over its smaller competitors, aside from its ownership of raw materials, but the latter is the vital factor where the question of intrinsic or tangible value is involved.

The present *market valuation* of the Steel Trust (all stocks and bonds) is in the neighborhood of $750,000,000. Allowing $380,000,000 as a reasonable valuation for plants, mills, machinery, railroad and steamship properties, we have a value of $370,000,000 for the entire sources of supply, such as the ore and coal lands, etc. This is in comparison with Mr. Schwab's figure of eighteen months ago of more than $1,100,000,000. The Steel Trust's monopoly advantage is therefore not at the present time nearly so important as its original projectors imagined, or would have had us believe it to be.

In the matter of financial policy, the Steel Trust has apparently made two important mistakes. One of these was the "conversion plan," and the other the employee's "profit-sharing" scheme. The unwisdom of the first is no doubt open to argument, and there are certain plausible reasons from the financier's standpoint which may to some extent have justified the plan. But such is not the case with the "profit-sharing" plan, and it has been a matter of much amazement to practical men that such an irrational and ill-considered scheme should have been accorded serious thought for a moment. Instead of being a *profit*-sharing plan, it has already turned out in the short space of one year to be a *loss*-sharing plan, and the frightened employees, instead of being won to friendliness by being made partners, are apparently feeling that they have been unfairly dealt with, and that the managers of the corporation actually intended to "unload" on them. This, of course, is not true, but now that the Trust has made a further offer to supply them with more stock at 55, it is natural for them to feel that they got the worst of the bargain when given the stock a year ago at 82½. Thus, this plan, ill-digested and unsound in principle, has acted as an injury instead of a benefit. Had the employees been given the opportunity to subscribe for or purchase a security which entirely represented *property,* instead of a stock of uncertain speculative worth, the matter might have turned out far otherwise. But as it stands, it must be looked upon as one of the grave mistakes of the Trust.

As an example of two different methods of accomplishing the same thing, it is interesting to compare the Steel Corporation with the Standard Oil Trust. Both formed to dominate an industry; both the product of conditions which made their formation practically unavoidable; both possessed of enormous natural and other benefits and advantages; both controlled by interests whose influences extend throughout all American industrial life, it is indeed instructive to draw a parallel between the present position of them both, viewing them particularly from the investors' and capitalists' standpoint.

The oil industry, under the control of the Trust, is, of course, decidedly stable, and the earnings of the Standard do not fluctuate as those of the Steel Trust necessarily must. But it is quite probable that in the long run the earnings of each of these Trusts will be found to be about the same. It is conservatively estimated that the Standard earns in net, from $60,000,000 to $80,000,000 per year, and while last year the Steel Trust reported net figures of $131,000,000, yet it is quite likely that its average returns over a series of years will not exceed $70,000,000 per annum. Thus the Standard Oil Trust, with $97,500,000 capital, earns nearly as much as does the Steel Trust, which is capitalized for nearly $1,400,000,000. The market value of the capital of the Standard Oil Trust is in the neighborhood of $650,000,000, being nearly as great as that of all the many securities in the Steel Trust.

The security, stability and permanence of the Standard Oil monopoly is a *fait accompli;* that of the Steel Trust is clearly not.*

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*Further comments regarding both the Standard Oil and the Morgan groups will be found in Part VII.

PART II

The Lesser Industrial Trusts

THE LESSER INDUSTRIAL TRUSTS*

Aeolian-Weber Piano & Pianola Co.	"The Piano Trust."
American Agricultural Chemical Co.	"The Fertilizer Trust."
American Brake Shoe & Foundry Co.	"The Brake-Shoe Trust."
American Brass Co.	"The Brass Goods Trust."
American Can Co.	"The Tin Can Trust."
American Caramel Co.	"The Caramel Trust."
American Car & Foundry Co.	"The Car Builders' Trust."
American Cement Co.	"The Cement Trust."
American Chicle Co.	"The Chewing Gum Trust."
American Cotton Oil Co.	"The Cotton Oil Trust."
American Felt Co.	"The Felt Trust."
American Fork & Hoe Co.	"The Farming Tool Trust."
American Glue Co.	"The Glue Trust."
American Graphophone Co.	"The Phonograph Trust."
American Grass Twine Co.	"The Grass Twine Trust."
American Hide & Leather Co.	"The Upper Leather Trust."
American Hominy Co.	"The Hominy Trust."
American Ice Co.	"The Ice Trust."
American Locomotive Co.	"The Locomotive Trust."
American Pneumatic Service Co.	"The Pneumatic Tube Trust."
American Radiator Co.	"The Steam Radiator Trust."
American School Furniture Co.	"The School Furniture Trust."
American Seeding Machine Co.	"The Seeding Machine Trust."
American Sewer Pipe Co.	"The Sewer Pipe Trust."
American Shipbuilding Co.	"The Great Lakes Shipbuilding Trust."
American Stove Co.	"The Gas Stove Trust."
American Thread Co.	"The Thread Trust."
American Type Founders Co.	"The Type Founders Trust."
American Woolen Co.	"The Wool Trust."
American Writing Paper Co.	"The Writing Paper Trust."
Associated Merchants Co.	"The Dry Goods Trust."
Bordens Condensed Milk Co.	"The Condensed Milk Trust."
Butterick Company	"The Paper Pattern Trust."
California Fruit Canners' Association	"The Fruit Canning Trust."
Casein Company of America	"The Milk Sugar Trust."
Central Foundry Co.	"The Soil Pipe Trust."
Chicago Pneumatic Tool Co.	"The Pneumatic Tool Trust."
Computing Scale Company of America	"The Computing Scale Trust."
Corn Products Co.	"The Glucose Trust."
Diamond Match Co.	"The Match Trust."
Distillers' Securities Corporation	"The Whisky Trust."

*Full *capitalization* statistics of all Trusts are given in Part VI.

Expressage Corporation	"The Express Trust."
General Chemical Co.	"The Chemical Trust."
General Electric Co.	"The Electric Supplies Trust."
Great Western Cereal Co.	"The Oatmeal Trust."
Harbison-Walker Refractories Co.	"The Fire-brick Trust."
International Harvester Co.	"The Harvester Trust."
International Nickel Co.	"The Nickel Trust."
International Paper Co.	"The Newspaper Trust."
International Power Co.	"The Compressed Air Trust."
International Silver Co.	"The Silver Ware Trust."
International Steamship Co.	"The Steam Pump Trust."
Meat Packers	"The Meat Trust."
National Biscuit Co.	"The Cracker Trust."
National Candy Co.	"The Candy Trust."
National Carbon Co.	"The Carbon Trust."
National Car Wheel Co.	"The Car Wheel Trust."
National Enameling & Stamping Co.	"The Stamped Ware Trust."
National Fire Proofing Co.	"The Terra Cotta Trust."
National Glass Co.	"The Glassware Trust."
National Novelty Corporation	"The Toy Trust."
Otis Elevator Co.	"The Elevator Trust."
The Pullman Co.	"The Palace Car Trust."
The Quaker Oats Co.	"The Cereal Trust."
Railway Steel Spring Co.	"The Car Spring Trust."
Royal Baking Powder Co.	"The Baking Powder Trust."
Rubber Goods Manufacturing Co.	"The Rubber Goods Trust."
Standard Milling Co.	"The Flour Milling Trust."
Standard Rope & Twine Co.	"The Rope & Twine Trust."
Standard Sanitary Manufacturing Co.	"The Plumbing and Supply Trust."
Standard Table Oil Cloth Co.	"The Oil Cloth Trust."
Union Bag & Paper Co.	"The Paper Bag Trust."
Union Typewriter Co.	"The Typewriter Trust."
United Box Board & Paper Co.	"The Box Board Trust."
United Button Co.	"The Button Trust."
United Fruit Co.	"The Fruit Trust."
United Shoe Machinery Co.	"The Shoe Machinery Trust."
United States Cast Iron Pipe & Foundry Co.	"The Cast Iron Pipe Trust."
United States Envelope Co.	"The Paper Envelope Trust."
United States Finishing Co.	"The Print Goods Trust."
United States Gypsum Co.	"The Leather Trust."
United States Leather Co.	"The Gypsum Trust."
United States Rubber Co.	"The Rubber Shoe Trust."
United States Bobbin & Shuttle Co.	"The Bobbin & Shuttle Trust."
Westinghouse properties	"The Electrical Supply Trust."

AEOLIAN-WEBER PIANO AND PIANOLA COMPANY.

"The Piano Trust."

Incorporated under New Jersey laws August 19th, 1903. The company is a consolidation of the Aeolian Company, manufacturers of aeolians, pianolas, etc., controlling the Votey Organ Company, and the Vocalian Organ Company, Weber Piano Company, Ochestrelle Company of Great Britain, Choralian Company of Germany and Austria, Orchard Land Company, Wheelock Piano Company and Stuyvesant Piano Company. These concerns were all manufacturers of musical instruments, and those located in Europe also running concert halls. The parent company is a security-holding corporation, and owns practically all the stocks of the operating concerns. Capital stock authorized, $3,500,000 7% cumulative preferred and $6,500,000 common. About $500,000 of the preferred is still in the treasury. No bonds.

Number of plants absorbed........................ 12
Percentage of entire industry controlled............unascertained
Products: Musical instruments—aeolians, pianolas, organs, etc.
Element of Monopoly: Large (patent rights; tariff protection—45% ad val.).
Total capital issued January 2, 1904: Par value, $9,500,000; market value $9,500,000

THE ALLIS-CHALMERS COMPANY.

"The Machinery Trust."

(Steel Corporation Alliance.)

Incorporated under New Jersey laws, May 7th, 1901. Is a consolidation of the property and business of the following-named builders of heavy machinery:

Edw. P. Allis Company, Milwaukee, Wis.
Fraser & Chalmers, Chicago, Ill.
Gates Iron Works, Chicago, Ill.
Dickson Manufacturing Company, Scranton, Pa.

The last-named company's business was absorbed exclusive of the locomotive works, which were taken over by the American Locomotive Co., described under its own heading. At the time of the consolidation the value of the new company's tangible property was reported as $19,935,000. This included plants, patents, etc., and the $10,000,000, which was provided in the plan of organization.

The capital stock of the company consists of $16,250,000 in 7% cumulative preferred stock and $20,000,000 in common stock. The preferred shares have preference as to both dividends and assets. They are convertible into common stock at the option of the holder on May 1st in any year up to 1921. All the stock has been issued up to the above amount, but the certificate of incorporation provides that the limit of capitalization shall be $50,000,000, of which $25,000,000 shall be preferred and $25,000,000 common stock.

Quarterly dividends of 1¾% have been regularly paid on the preferred stock from August 1st, 1901, to date.

The character of the business transacted by the Allis-Chalmers Co. is the manufacture, construction and handling of all kinds of machinery, steam engines, mining machinery, rock and ore breakers, and cement, sawmill, flour mill, and general machinery. The orders unfinished and on hand April 30th, 1903, amounted to $8,797,483.

The net earnings for the year ended April 30th, 1902, amounted to $1,442,259,051. For the year ended April 30th, 1903, they amounted to $1,653,576,006.

Number of plants absorbed.......................... 4
Proportion of entire industry controlled...............about 50%
Products: Heavy machinery, such as steam power engines, mining machinery, rock and ore breakers, cement, saw mill and flour mill machinery, etc.
Element of monopoly: Important (patent rights, partial tariff benefits, etc.).
Total capital issued January 2, 1904, par value, $36,250,000; market value....................about $10,600,000

American Agricultural Chemical Company.

"The Fertilizer Trust."

Incorporated under Connecticut laws by a special charter granted by the Legislature, January, 1893. The company was organized under the name of the Agawa Company under date of June 30, 1893. The charter was amended in January, 1899, and the name of the company was changed to its present title, May 26, 1899. The actual organization dates from that time.

After the incorporation of the company, in 1899, it acquired the entire capital stocks of the following concerns engaged in the manufacture of fertilizers and their by-products:

Alexandria Fertilizer & Chemical Company, capital stock $25,000, located at Alexandria, Va.

Bradley Fertilizer Company, capital stock $400,000, located at Boston, Mass., and Los Angeles, Cal.

The Chemical Company of Canton, capital stock $100,000, located at Baltimore, Md.

Cleveland Dryer Company, capital stock $100,000, located at Cleveland, Ohio.

Cumberland Bone-Phosphate Company, capital stock $50,000, located at Boothbay Harbor, Me.

Crocker Fertilizer & Chemical Company, capital stock $400,000, located at Buffalo, N. Y.

Detrick Fertilizer & Chemical Company, capital stock $100,000, located at Baltimore, Md.

The Lazaretto Guano Company, capital stock $300,000, located at Baltimore, Md.

Liebig Manufacturing Company, capital stock $1,500,000, located at Carteret, N. J., and Wilmington, Del.

Lister's Agricultural Chemical Works, capital stock $600,000, located at Newark, N. J.

Maryland Fertilizing & Manufacturing Company, capital stock $105,000, located at Baltimore, Md.

Michigan Carbon Works, capital stock, $600,000, located at Detroit, Mich.

Milson Rendering and Fertilizer Company, capital stock $400,000, located at Buffalo, N. Y.

North-Western Fertilizing Company, capital stock $250,000, located at Chicago, Ill.

Preston Fertilizer Company, capital stock $100,000, located at Brooklyn, N. Y.

The Quinnipiac Company, capital stock $50,000, located at Boston, Mass.

Read Fertilizer Company, capital stock $100,000, located at Brooklyn, N. Y.

The Tygert-Allen Fertilizer Company, capital stock $150,000, located at Philadelphia, Pa.

Williams & Clark Fertilizer Company, capital stock $300,000, located at Carteret, N. J.

The Zell Guano Company, capital stock $250,000, located at Baltimore, Md.

L. B. Darling Fertilizer Company, capital stock $200,000 located at Pawtucket, R. I.

Nickerson Fertilizer Company, capital stock $40,000, located at Easton, Md.

Empire Carbon Works, capital stock $40,000, located at East St. Louis, Ill.

Susquehanna Fertilizer Company, capital stock $100,000, located at Baltimore, Md.

Suffolk Fertilizer Company, capital stock $50,000, located at Promised Land, L. I.

Sharpless & Carpenter, capital stock $50,000, located at Philadelphia, Pa.

Moro-Phillips Fertilizer Company, capital stock $50,000, located at Philadelphia, Pa.

Standard Fertilizer Company, capital stock $50,000, located at Boston, Mass.

In addition to the above plants, the company purchased the property and business of H. J. Baker & Brothers at Brooklyn, N. Y., and known as the East India Chemical Works; of M. E. Wheeler Fertilizer Company and Packer's Company, Rutland, Vt.; of the Great Eastern Fertilizer Company, New York City; of Slingluff & Company, Baltimore, Md., and it also acquired about 1,800 acres of phosphate lands located in the State of Florida.

Subsequently the company acquired the real property and assets of all the corporations whose stock prior thereto had been purchased, with the exception of Lister's Agricultural Chemical Works, Michigan Carbon Works, North-Western Fertilizing Company, Empire Carbon Works, and Alexandria Fertilizer & Chemical Company, whose stock had already been acquired by the consolidated company as stated above.

With the exception of the real property of the companies whose stock is owned as aforesaid, and with the exception of the plant formerly operated by the Lazaretto Guano Company, all the real property of the several corporations included among the assets is owned in fee. The real property of the latter company is held under a lease peculiar to the State of Maryland, which vests in the company the right to redeem or acquire the property at the expiration of the lease, under what is known as the system of ground rent prevailing in that State.

In 1902, the company purchased the property, assets and good will of the Bowker Fertilizer Company, a Massachusetts corporation, with plants located at Brighton, Mass., St. Bernard, Ohio, and Elizabethport, N. J. The Bowker Fertilizer Company was capitalized at $1,000,000, and was the chief competitor of the American Agricultural Chemical Company. In acquiring the Bowker Fertilizer Company the company issued $1,000,000 in preferred stock and $500,000 in common stock.

About this same time the company acquired nearly all the capital stock of the Peace River Phosphate Mining Company, for which it paid, approximately, $600,000 in cash.

Capital stock authorized, $20,000,000 6% cumulative preferred and $20,000,000 common stock. Amount outstanding, $18,150,000 preferred and $17,215,600 common, par value, $100. Regular dividends of 3% have been paid semi-annually on the preferred stock since October 2, 1899.

The net profits of the company since its organization have been as follows: 13 months ended June 30, 1900, $1,884,860; year ended June 30, 1901, $1,059,791; year ended June 30, 1902, $1,142,725; year ended June 30, 1903, $1,370,005.

Number of plants absorbed........................ 40
Percentage of entire industry controlled.............. uncertain
Products: Chemical fertilizers, bone-black, grease, glue, gelatine—any and all other allied products.
Element of Monopoly: Moderate (small tariff benefits).
Total capital issued January 2, 1904, par value, $35,-365,600; market value....................about $15,110,000

American Brake-Shoe and Foundry Company.

"The Brake-Shoe Trust."

Incorporated under New Jersey laws January 28, 1902, as a consolidation of the Ramapo Foundry Co. of New Jersey, the Sargent Co. of Chicago, the Lappin Brake Shoe Co. of Bloomfield, N. J., the Corning Brake Shoe Co. of Corning, N. Y., and the Corning Iron Works of Chattanooga, Tenn. These companies manufacture and control about 150,000 tons of brake shoes and iron and steel castings per annum. This is nearly the entire output of the company.

Capital stock authorized and issued, $3,000,000 7% preferred and $1,500,000 common. Par value $100. Dividends on the preferred have been regularly paid to date, and in January, 1903, 1% was paid on the common stock. The bonded debt consists of $1,000,000 first mortgage 5% bonds, due March 1, 1952. Interest payable March and September 1 at the Farmers' Loan & Trust Co., New York.

Number of plants absorbed........................ 5
Percentage of entire industry controlled............... over 90%
Products: Brake shoes, iron and steel castings, etc., etc.
Element of Monopoly: Large (patent rights).
Total capital issued, January 2, 1904: Par value, $5,500,000; market value ....about $2,400,000

American Brass Company.

"The Brass Goods Trust."

Incorporated under the laws of Connecticut in February, 1900, under a special charter. The company acquired control of the following concerns engaged in manufacturing and selling brass, copper and kindred metals: Coe Brass Manufacturing Co., of Torrington and Ansonia, Conn.; Ansonia Brass & Copper Co., Ansonia, Conn.; Waterbury Brass Co., Waterbury, Conn.; Holmes, Booth & Haydens, Waterbury, Conn.; Benedict & Burnham Manufacturing Co., Chicago Brass Co., Chicago, Ill.

Capital stock authorized $20,000,000, outstanding $10,000,000. Par value $100. No bonded debt. The outstanding capital stock was originally $6,000,000, but was increased in the latter part of 1900 to the present amount for the purpose of acquiring the Benedict & Burnham Manufacturing Co.

Number of plants absorbed........................ 9
Percentage of entire industry controlled...........unascertained
Products: Brass and copper goods and metals.
Element of monopoly: Moderate (tariff protection, trade-marks, chief strength in efficiency, etc.).
Total capital issued, Jan. 2, 1904: Par value, $10,000,000; market value ....about $5,000,000

American Can Company.

"The Tin Can Trust."

(Moore domination.)

Incorporated under the laws of New Jersey March 19, 1901, to consolidate the following can manufacturing plants, said to represent, at that time, about 85% of the tin can manufacturing plants of the country:

Ginna & Co., New York City.
John D. Hass & Assmann, New York City.
Sommers Bros., Brooklyn, N. Y.
S. A. Ilsley, Brooklyn.
Mersereau Manufacturing Co., Brooklyn.
Wm. Vogel & Bros., Brooklyn.
Joseph LeComte Manufacturing Co., Brooklyn.
Black & Creds, Baltimore, Md.
H. C. Campen & Co., Baltimore, Md.
Dougherty & Mann, Baltimore, Md.

Eastern Can Co., Baltimore, Md.
Norton Tin Can & Plate Co., Baltimore, Md.
R. T. Smith Can Co., Baltimore, Md.
A. Booth & Co., Baltimore, Md.
Martin Wagner Co., Baltimore, Md.
H. F. Miller & Co., Baltimore, Md.
Kirwan & Riggs, Baltimore, Md.
Limeweaver & Co., Baltimore, Md.
Imperial Seamer Manufacturing Co., Baltimore, Md.
Phelps & Co., Baltimore, Md.
Timothy Ryan, Jr., Baltimore, Md.
Norton Bros., Chicago, Ill.
Frank Diesel Can Co., Chicago, Ill.
Illinois Can Co., Chicago, Ill.
J. B. Low Manufacturing Co., Chicago, Ill.
Franklin Rudolph, Chicago, Ill.
Chas. P. Parish & Co., Chicago, Ill.
Boston Can Co., Boston, Mass.
Sleeper Machine Co., Boston, Mass.
New England Can Co., Boston, Mass.
C. P. Poole & Co., Philadelphia, Pa.
Robert Porter's Sons, Philadelphia, Pa.
Joseph G. Taites' Sons, Philadelphia, Pa.
United States Can Co., Buffalo, N. Y.
Model Specialty Manufacturing Co., Buffalo, N. Y.
Bates Manufacturing Co., Cuba, N. Y.
Empire State Can Co., Geneva, N. Y.
Beardsley Manufacturing Co., Cleveland, Ohio.
H. B. Hunt Manufacturing Co., Cleveland, Ohio.
Dovedale Can Co., Indianapolis, Ind.
Wm. A. Gill & Co., Columbus, Ohio.
Youngstown Manufacturing Co., Youngstown, Ohio.
Union Can Co., Hoopeston, Ill.
Tri-State Can Co., Clearcut, Ohio.
E. P. Breckenridge Can Co., Toledo, Ohio.
Toledo Tinware Manufacturing Co., Toledo, Ohio.
J. H. Peacock, St. Louis, Mo.
Clark Can Co., Detroit, Mich.
Detroit Can Co., Detroit, Mich.
Horne & Banz Co., St. Paul, Minn.
Albert Fischer Mfg. Co., Hamilton, Ohio.
Hunt Stamping Co., Kansas City, Mo.
Pacific Sheet Metal Works, San Francisco, Cal.
Eaton-Ritchell Mfg. Co., Denver, Colo.
Hasker & Marcus Mfg. Co., Richmond, Va.
Reynolds Bros. Can Mfg. Co., Havre de Grace, Md.
S. J. Seneca, Havre de Grace, Md.
Record Mfg. Co., Conneaut, Ohio.
J. M. Rude Mfg. Co., Covington, Ky.
F. A. Walsh & Co., Milwaukee, Wis.

Sycamore Can Co., Sycamore, Ill.
Tanna Bros. Mfg. Co., Belfast, N. Y.
Chas. E. Pierce & Co., Cambridgeport, Mass.
Great Western Can Co., Louisville, Ky.
Louisville Can Co., Louisville, Ky., and others. In all, the company took over 123 plants, all but 31 of which have been closed or dismantled.

It was estimated that the new company would have the capacity to use about 4,000,000 boxes of coke tin plates per annum, and would thus absorb about 60% of the capacity of the American Tin Plate Co. in this line.

In May, 1902, the American Solderless Can Co. was formed in the interest of this company.

Capital stock authorized, $44,000,000 7% cumulative preferred and $44,000,000 common stock. Outstanding, $41,233,300 preferred and $41,233,300 common. Par value $100. The company has no direct bonded debt, but has assumed mortgages of $113,000. The first dividend of 2½% upon the preferred stock was paid on September 30, 1903.

Number of plants absorbed........................ 123
Percentage of entire industry controlled..............65 to 75%
Products: Tin cans of all kinds.
Element of monopoly: Small (source of stability is efficiency, alliance with stronger interests, etc.).
Total capital issued, January 2, 1904: $82,579,600;
market value $15,668,652

American Caramel Company.

"The Caramel Trust."

Incorporated under the laws of Pennsylvania March 28, 1898, as a consolidation of the plants and business of the Breisch-Hine Co., Philadelphia, and the P. C. Wiest Co., of York, Pa. In 1900, the Lancaster Caramel Co. was acquired. The consolidated company is said to control about 90% of the caramel and caramel specialty business of the country and has a large export trade. It owns valuable trade marks.

Capital stock authorized and issued, $1,000,000 8% cumulative preferred and $1,000,000 common stock. Par value $100. Dividends of 8% are regularly paid in quarterly installments on the preferred. In 1902, 4½% was paid on common. The bonded debt outstanding consists of $400,000 first mortgage 6% bonds, due 1920, interest payable June and December 1. Original issue of bonds, $600,000, of which $100,000 remain in the treasury and $75,-000 have been redeemed.

Net earnings have been as follows: 1899, $107,768; in 1900, $181,000; in 1901, $161,537; in 1902, $177,700.

Number of plants absorbed........................	3
Percentage of entire industry controlled.............	90%

Products: Caramels and candy specialties.
Element of monopoly: Minor (trade-marks, etc.).
Total capital issued: $2,475,000; market value (about) $1,750,000

American Car and Foundry Company.

"The Car Builders' Trust."

Incorporated under New Jersey laws February 20th, 1899, to manufacture and sell railway cars, both passenger and freight, and street cars, car trucks, car wheels, and all parts of cars and accessories of car equipments, appliances and specialties; also the manufacture of products of steel, iron or other metals; to engage in mining; to operate lumber mills and establish and operate rolling mills.

The various plants acquired as a part of the consolidation were as follows:

Michigan-Peninsular Car Co., Detroit, Mich.
Missouri Car & Foundry Co., St. Louis, Mo.
Jackson & Woodin Mfg. Co., Berwick, Pa.
Ohio Falls Car Mfg. Co., Jeffersonville, Ind.
Union Car Co., Depew, N. Y.
St. Charles Car Co., St. Charles, Mo.
The Wells & French Co., Chicago, Ill.
Terre Haute Car & Mfg. Co., Terre Haute, Ind.
Buffalo Car Mfg. Co., Buffalo, N. Y.
Niagara Car Wheel Co., Buffalo, N. Y.
Ensign Mfg. Co., Huntington, W. Va.
Pennock Bros., Minerva, Ohio.
Murray, Dougal & Co., Milton, Pa.
Indianapolis Car Co., Indianapolis, Ind.
Common-Sense Bolster Co., Chicago, Ill.
Jackson & Sharp Co., Wilmington, Del.

In addition to the foregoing plants, the company has considerable mileage of railroad track and switches, locomotives, cars and so forth. The aggregate number of men employed at the plants of the company is reported as 26,000.

Capital stock authorized and issued, $30,000,000 7% non-cumulative preferred stock and $30,000,000 common stock. Par value

$100. The preferred stock has prior rights as to both assets and dividends, but both classes of stock have equal voting power. The company has no bonded debt. Regular dividends have been paid on the preferred stock at the rate of 7% per annum since July, 1899. On the common stock, 2% has been paid for the years ending April 30, 1901 and 1902, and 3% was paid for the year ending April 30, 1903.

The total net earnings available for dividends during the past three years have been as follows: Year ended April 30, 1901, $4,055,826; 1902, $4,295,602; 1903, $7,059,002.

The total annual capacity of the consolidated corporation is about 100,000 freight cars, 500 passenger cars, 350,000 tons of wheels, 300,000 tons of forgings, 150,000 tons of castings, 90,000 tons of bar iron, 30,000 tons of pipe.

In July, 1902, a movement was on foot to consolidate this company with the Pressed Steel Car Co., but nothing definite in this line has been announced up to the present time.

Number of plants absorbed........................ 17
Percentage of entire industry controlled.............(about) 65%
Products: Steam and electric railway cars, car trucks, car wheels, car parts, equipments, appliances, accessories, specialties, etc.
Element of monopoly: Moderate (patent rights, etc.), stability largely in efficiency, connections with allied interests, etc.
Total capital issued: Par value, $60,000,000; market value $26,400,000

American Cement Company.

"The Cement Trust."

Incorporated under New Jersey laws August 30th, 1899, as a consolidation of the American Cement Co. of Pennsylvania; Lesley & Trinkle, Philadelphia; the United Building Co., New York City, and the Jordan Portland Cement Works, Jordan, N. Y. The company has works at Egypt and Coplay, Pa., and Jordan, N. Y., and owns an extensive amount of cement lands in the vicinity of Norfolk, Va. The business is the manufacture of Portland natural and improved cements, and its products enter into the construction of aqueducts, reservoirs, sewers, pavements, and buildings generally.

The above named properties were taken in at the time of the consolidation. In the year 1902, a new corporation known as the Central Cement Co. was created, which erected on the American Cement Co.'s lands, in Lehigh County, Pennsylvania, a new modern plant, with an estimated capacity of 500,000 barrels of Portland cement.

In the spring of 1903, the Seaboard Cement Co. was formed to build at Norfolk, Va., a plant with an annual capacity of 500,000 barrels of Portland cement. This new company was to acquire the cement lands owned by the American Cement Co. near Norfolk, and it was proposed to issue $300,000 6% 20-year bonds, $300,000 7% cumulative preferred stock, and $700,000 common stock. These securities were to be issued by the Seaboard Cement Co., and the bonds guaranteed by the American Co.

Capital stock authorized, $2,000,000; outstanding, $2,000,000. Par value $10. Dividends have been paid as follows: In 1900, 7%; in 1901, 8%; in 1902, 8%; in 1903, to date, 4%.

The bonded debt consists of $895,000 5% bonds, due October 1, 1914.

The net earnings of the property have been as follows: For the 16 months ended November 30, 1900, $372,027; for year ended November 30, 1901, $246,334; year ended November 30, 1902, $281,480.

Number of plants absorbed........................	6
Percentage of entire industry controlled............	small
Products: Portland natural and other cements.	
Element of monopoly: Small; advantage in clay deposits.	
Total capital issued: Par value, $2,000,000; market value	$1,500,000

American Chicle Company.

"The Chewing Gum Trust."

Incorporated under the laws of New Jersey June 2nd, 1899, to consolidate the leading chewing gum manufacturers of the United States. It derives its name from the Mexican product known as chicle, which is a principal ingredient of chewing gum. The companies which were consolidated were as follows:

Adams & Sons Co., Brooklyn, N. Y.
Beeman Chemical Co., Cleveland, Ohio.
Stephen T. Britten & Co., Toronto, Can.

produced

cumulative
$100. Divi-
since October,
mmon as follows:
1903, 1% monthly

ted that they exceed

. . . . 6
. . . . 85%

rks, etc.).
00,000; market
. . . . $8,400,000

COMPANY.

Trust."

laws October 14th, 1889, to
of the American Cotton Oil
mills, refineries, lard plants,
and seed houses, located in 16
of its real estate and machin-

6% non-cumulative pre-
Outstanding, $10,198,600
par value $100. Dividends on pre-
the rate of 6% per annum. On
in 1899, 3½% in 1900, 2% in
debt, $3,000,000 4½% debenture
interest payable quaterly, February 1.
have been as follows: Year
1900, $1,497,183; 1901, $1,091,-

. . . . (about) 30
. . . . (about) 65%

oil, etc., etc.
tariff bene-
shipping ad-

.435,700; market
...........about $17,500,000

COMPANY.

lt Trust."

Jersey laws February 9th, 1899, as a
concerns engaged in the manufacture
goods, piano and organ felts and sup-
wing concerns:

Dolgeville, N. Y.
N. J.
Glenville, Conn.
Mills, Mass.
klin, Mass.

uthorized, $2,500,000 6% cumulative preferred
common. Outstanding, $1,627,300 preferred
mmon. Par value $100. Dividends at the full
paid on the preferred, but none have as yet been
common. Bonded debt, $500,000 first mortgage
ds, due May 1, 1929.

lants absorbed........................ 5
f industry controlled..................(about) 60%
Piano and organ felts, wool felt goods, etc.
mononoply: Small (patents, trade-marks,

tal issued: Par value $3,754,000; market value
about $1,500,000

AMERICAN FORK AND HOE COMPANY.

"The Farming Tool Trust."

Incorporated under New Jersey laws August 18th, 1902, as a nsolidation of the following concerns engaged in the manufacture f hand implements for farmers, which were reported to represent about 80% of the country's output of such tools:

Withington & Cooley Mfg. Co., Jackson, Mich.
Iowa Farm Tool Co., Fort Madison, Iowa.

Geneva Tool Co., Geneva, Ohio.
Brown, Hinman & Huntington Co., Columbus, Ohio.
Batcheller & Sons Co., Wallingford, Conn.
Ely Hoe & Tool Co., St. Johnsbury, Vt.
Utica Tool Co., Utica, N. Y.
Sheble & Klemm Co., Philadelphia, Pa.
L. Bolls Hoe & Tool Co., Binghamton, N. Y.
Smith, Harper Co., Philadelphia, Pa.
Myers, Ervin & Co., Philadelphia, Pa.
Ashtabula Tool Co., Ashtabula, Ohio.
Otsego Fork Mills Co., Gerard, Pa.

Capital authorized, $2,000,000 7% cumulative preferred and $2,000,000 common stock. Outstanding, $1,928,800 preferred and $1,661,200 common. Par value $100. Bonded debt, $746,000 first mortgage 6% bonds, due September 1, 1917.

Number of plants absorbed........................ 13
Proportion of entire industry controlled.............. 80%
Products: Farmers' hand implements, etc.
Element of monopoly: Minor (strength chiefly dependent on efficiency).
Total capital issued: Par value, $4,336,000; market value (about)................................ $2,000,000

American Glue Company.

"The Glue Trust."

Incorporated under laws of New Jersey July 7th, 1894, to engage in the manufacture of glue, gelatine, hair, sandpaper, emery paper, and similar products. Since 1900, the company has absorbed the Union Sand Paper Co., Walpole, Mass.; Wiggins & Stevens, Malden, Mass., and Dover, N. H.; Boston Flint Paper Co., Hallowell, Me.; Adirondack Garnet Co., North Creek, N. Y.; Pennsylvania Garnet Co., Philadelphia, Pa., and Cape Ann Isinglass Co., Rockport, Mass.

In November, 1902, a new concern entitled the Glue Corporation was formed to acquire control of this and other companies, but instead of this plan being carried out, the original company was placed under control and management of the promoters of the new company, and the plan fell through.

Capital stock authorized, $1,600,000 8% cumulative preferred and $800,000 common stock. Outstanding, $1,300,000 preferred and $800,000 common. Par value $100. No bonded debt. Dividends of 8% per annum are being paid on the preferred, and 4% per annum on the common.

Number of plants absorbed........................ 9
Proportion of total industry controlled................about 55%
Products: Glue, gelatine, hair, sand paper, emery paper, etc., etc.
Element of monopoly: Moderate (partial tariff benefits, etc.).
Total capital issued: Par value, $2,100,000; market value (about)............................... $1,000,000

American Graphophone Company.

"The Phonograph Trust."

Incorporated under laws of West Virginia in 1887. It owns patents covering the manufacture, sale and use of sound records and machines known as graphophones or phonographs. It has absorbed, at different times, and now controls the Columbia Phonograph Co., the Columbia Phonograph Co. General, and the Columbia Phonograph Co., M. B. H. of Germany. It also owns the capital stock of the Globe Record Co., and a controlling interest in the stock of the Burt Co., formerly of Milburn, N. J. It has concentrated its production in a single large factory at Bridgeport, Conn.

Capital stock authorized, $1,500,000 7% non-cumulative preferred and $1,500,000 common stock. Outstanding, $1,301,360 preferred and $1,202,000 common. Par value $10. The total dividend payments in 1903 amounted to over $750,000.

The bonded debt consists of $98,640 5% convertible debentures.

Number of plants absorbed...................... 6
Proportion of entire industry controlled.............. 80%
Products: Graphophones, phonographs, accessories, supplies, etc.
Element of monopoly: Large (patent rights).
Total capital issued: Par value, $2,602,000; market value, (about) $1,800,000

AMERICAN GRASS TWINE COMPANY.

"The Grass Twine Trust."

Incorporated under the laws of Delaware June 8th, 1899. The nature of the business authorized by the charter is as follows: Manufacture of grass twine matting for floor coverings, rugs, grass twine furniture, curled grass for bedding and packing, grass bottle covers, grass twine for binding grain, harvesting machinery, malleable iron castings and gray iron castings.

At the time of consolidation, the company acquired the property of the North-Western Grass Twine Co. of St. Paul, Minn., which had already acquired the works of the Minnesota Twine Co. and the Walter A. Wood Harvester Co. It also absorbed the Wisconsin Grass Twine Co. of Oshkosh and West Superior, Wis., and it also acquired all the capital stock of the American Furniture & Mfg. Co. of Brooklyn, N. Y., and 55% of the stock of the Curled Fibre Mfg. Co. of St. Paul, Minn. In November, 1902, it acquired the Minnie Harvester Co. of St. Paul, which was organized in this company's interest to manufacture harvesters using the binding twine of this make.

The company owns 15,000 acres of grass lands within 30 miles of its factories. The company has patents granted in the following countries: United States, Austria, Turkey, Belgium, France, Italy, Spain, Argentine, New Zealand, Cape Colony, New South Wales, Finland, India, Mexico, West Australia, Canada, Chili, Japan, Denmark, Hungary, South Australia, Portgual, England, Norway, etc.

Capital stock authorized, $15,000,000. Outstanding, $13,083,000. Par value $100. Dividends paid in 1902, 4%; none since.

The company has no direct bonded debt, but in July, 1902, a subsidiary company called the American Grass Products Co. was formed in New York with an authorized capital of $1,500,000, as a consolidation of the two controlled companies, the American Furniture & Manufacturing Co. and the Curled Fibre Mfg Co., in addition to making furniture from Western wire grass twine and mattresses from salt marsh grasses. This new company filed a mortgage in January, 1903, to secure $600,000 6% 10-year bonds.

The Minnie Harvester Co., which was organized December 9, 1902, with a capital stock of $6,000,000 as a subsidiary company of the American Grass Twine Co., was said to be the only important plant outside of the International Harvester Co. formed in the summer of 1902. The statement was made at this time by the American Grass Twine Co. that the value of this harvester plant, if estimated on the same basis as the International Harvester Co. absorbed the others, would be worth at least $60,000,000.

Number of plants absorbed........................	8
Percentage of industry controlled....................	nearly all
Products: Grass twine, matting, curled grass, grass binding twine, etc., etc.*	
Element of monopoly: Large (patent rights in all countries; possession of grass lands, etc.).	
Total capital issued: Par value, $13,083,000; market value	$700,000

American Hide and Leather Company.

"The Upper Leather Trust."

Incorporated under laws of New Jersey May 3rd, 1899, to consolidate the plants and business of the following-named concerns engaged in the manufacture and sale of upper leather:

Alley Bros. & Co., Boston, Mass.
Bernard & Friedman, Boston, Mass.
John Blake, Ellenville, N. Y.
Wm Becker Leather Co., Milwaukee, Wis.
Bushwell, Hubbard & Co., Boston, Mass.
J. P. Crane & Co., Boston, Mass.
E. C. Cottle & Co., Boston, Mass.
Stephen Dow & Co., Boston, Mass.
W. N. Eisendrath & Co., Chicago, Ill.
Hall, Height & Co., New York and Boston.
Joseph Hecht & Sons, New York.
Lambeau Leather Co., Chicago, Ill.
Middlesex Leather Co., Boston, Mass.
M. Robson Leather Co., Boston, Mass.
C. T. Roenitz Leather Co., Sheboygan, Wis.
James Skinner Leather Co., Boston, Mass.
B. T. Thomson & Co., Boston, Mass.
Wm. Tidd & Co., Boston, Mass.
Walker, Oakley Co., Chicago, Ill.
Watauga Canning Co., Boston, Mass.
J. B. Weed & Co., Binghamton, N. Y.
White Bros. & Co., Boston, Mass.

At the time of consolidation the foregoing establishments were said to represent 75% of the upper leather business of the United States.

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*Grass twine is said to have proved a practical failure for the purposes intended.

Capital stock authorized, $17,500,000 7% cumulative preferred and $17,500,000 common stock. Outstanding, $13,000,000 preferred and $11,500,000 common stock. Par value $100. No dividends have been paid as yet.

Bonded debt $8,216,000 first mortgage 6% bonds, due September 1, 1919. The authorized issue is $10,000,000, of which $1,475,000 are held in the treasury of the company and $464,000 are held by the sinking fund.

The company reported for the year ended June 30, 1902, net trading profits of $1,386,062. These profits were absorbed partly by interest on bonds, sinking fund, renewals, etc., and a balance of $406,877, carried to the balance sheet, as a credit. For the year ended July 30, 1903, the net trading profits were reported as $853,424. These profits were absorbed in interest on bonds, renewals, sinking fund charges, etc., and a deficit of $79,634 was carried to the sinking fund.

Number of plants acquired........................	22
Proportion of industry controlled (formerly 75%) now about	55%
Product: Upper leather.	
Element of monopoly: Moderate (partial tariff benefits).	
Total capital issued: Par values, $32,716,000; market value, (about)	$7,500,000

American Hominy Company.

"The Hominy Trust."

Incorporated under laws of New Jersey March 9th, 1902, as a consolidation of ten hominy mills located in different parts of the United States. These ten mills were controlled by the following companies:

Indianapolis Hominy Mills, Indianapolis, Ind.
The Hudnut Co., Trenton, N. J.
M. M. Wright Co., Danville, Ill.
Pratt Cereal Mill Co., Decatur, Ill.
Cerealine Mfg. Co., Indianapolis, Ind.
Miami Maize Co., Toledo, Ohio.
Hamburg Milling Co., Hamburg, Iowa.
Shellabarger Mill & Elevator Co., Decatur, Ill.

Capital stock authorized and issued, $1,250,000 6% cumulative preferred and $2,500,000 common stock. Par value $100. Bonded debt, $775,000 first mortgage 5% bonds, due March 1, 1927.

Number of plants absorbed........................ 10
Proportion of industry controlled..................unascertained
Product: Hominy.
Element of monopoly: Minor.
Total capital issued: Par value, $4,575,000; market value .... about $2,000,000

AMERICAN ICE COMPANY.

"The Ice Trust."

Incorporated under New Jersey laws March 11, 1899, to acquire the properties and consolidate the business of the several large corporations distributing ice in New York and other Eastern cities, in combination with ice plants and storage facilities on the Hudson and Kennebec rivers.

The company acquired all the property of the Knickerbocker Ice Co. of Maine, and the Consolidated Ice Co. of Maine. Through the acquisition of these properties, the combination came in possession of extensive plants for the housing of ice on the Penobscot, Kennebec, Schuylkill, Susquehanna and Hudson rivers, Rockland Lake, Croton Lake, and many lakes in the State of New Jersey. It also acquired a number of plants for manufacturing artificial ice in the City of New York, Philadelphia, Camden, Atlantic City, Lakewood, Baltimore and Washington, D. C. It owns dock properties and real estate in nearly all of the above-mentioned cities. It also controls the American Coal Co., which was formed in 1901 to carry on the sale of coal at retail.

Capital stock authorized and issued, $15,000,000 6% cumulative preferred and $25,000,000 common stock. Par value $100. Up to April, 1902, regular dividends were paid on the preferred at the rate of 6%, but none have been paid since that date. No common stock dividends have been paid since February, 1902.

Bonded debt, authorized, $5,000,000 5% collateral bonds, due April 1, 1920. Outstanding, $2,508,000. These bonds were authorized in the latter part of 1902.

In addition to these bonds, there are outstanding underlying mortgages, including real estate mortgages, which amount to $1,539,626.

The net profit and loss balance of the company during the three years past has been as follows: December 31, 1900, surplus, $965,895; December 31, 1901, surplus, $658,870; December 31, 1902, deficit, $162,482.

Number of plants acquired.......................... about 40
Proportion of industry controlled (locally)........... 80%
Product: Ice, natural and artifical, for all uses.
Element of monopoly: Moderate (consists chiefly in control of sources of supply).
Total capital issued: Par value, $42,508,000; market value $8,750,000

American Locomotive Company.

"The Locomotive Trust."

Incorporated under New York laws June 10, 1901, to engage in the business of building and selling railway locomotives, manufacturing and repairing railroad cars, mining and quarrying ores, oil, gas and similar products.

The company acquired in fee the following properties:

Brookes Locomotive Works, Dunkirk, N. Y.
Pittsburgh Locomotive & Car Works, Pittsburgh, Pa.
Dickson Mfg. Co., Scranton, Pa.
Rhode Island Locomotive Works, Providence, R. I.
Schenectady Locomotive Works, Schenectady, N. Y.

The company also acquired all the stock of the Richmond Locomotive & Machine Works, Richmond, Va.; the Manchester Locomotive Works, Manchester, N. H.; the American Locomotive Co. of New Jersey, and the Cooke Locomotive & Machine Co., Paterson, N. J.

Each of the plants includes real estate, buildings, machinery and tools, equipped for the manufacture of locomotives. The combined plants occupy about 160 acres, and their aggregate capacity is 2,000 locomotives per annum.

Capital stock authorized, $25,000,000 7% cumulative preferred and $25,000,000 common stock. Par value $100. Outstanding, $24,100,000 preferred and all the common. Dividends of 7% are being regularly paid on the preferred.

The company has no direct bonded debt, but has assumed bonds of the subsidiary companies amounting to $1,512,000.

Net earnings have been as follows: 1902, $3,107,177; 1903, $5,053,410.

Number of plants acquired.......................... 9
Proportion of entire industry controlled (about)...... 70%

Products: Railway locomotives, locomotive parts and accessories, repairing of locomotives and cars, etc.
Element of monopoly: Moderate (patent rights and partial tariff benefits. Stability partly due to alliance with large interests, and to efficiency).
Total capital issued: Par value, \$49,712,000; market value, (about) \$25,500,000

American Pneumatic Service Company.

"The Pneumatic Tube Trust."

Incorporated under Delaware laws July 1, 1899, to succeed to the business of the International Pneumatic Service Co., the latter controlling a large number of patents, covering pneumatic tube systems for streets. The new company acquired the entire capital stocks of the Massachusetts Pneumatic Tube Co., the Boston Pneumatic Transit Co., and nearly the entire capital stock of the Lamson Consolidated Store Service Co. It also acquired control of about twenty other corporations owning patents for store service systems and pneumatic tube systems for buildings.

The control of its various patents enables the company to engage in the business of installing store service systems, or pneumatic tube systems for every variety of use inside buildings and stores, or in streets for the carrying of mail or parcels. The Boston Pneumatic Transit Company has a franchise for laying tubes in the streets of Boston, and has a system between the general post-office in Boston and the North Union Station, and one for carrying packages to the Back Bay, South End, and other parts of Boston. It is also the owner of a pneumatic tube system connecting the Associated Press with several of the newspaper offices in Boston, which system is under lease for a long term of years to the newspapers of that city. The company also owns patents covering the countries of Europe. In October, 1902, the company obtained contracts for the United States Postoffice Department for carrying mails by pneumatic tube service in Boston, Chicago and St. Louis.

Capital stock authorized \$5,000,000, 6% non-cumulative preferred, and \$10,000,000 common stock. Outstanding, \$4,112,500 preferred, and \$4,586,250 common. Dividends are regularly paid on the preferred stock. For the year 1902 the surplus after payment of dividends amounted to \$195,713.

Number of plants acquired.................................25
Proportion of industry controlled (about)................. 87%.

Product: Pneumatic tube and store service systems, etc., etc.
Element of monopoly: Large (patent rights, contracts, franchises, etc.).

Total capital issued, par value, $8,698,750; market value, $2,100,000.

AMERICAN RADIATOR COMPANY.

"The Steam Radiator Trust."

Incorporated under New Jersey laws February 14, 1899, as the successor of an Illinois corporation of the same name, which controls nearly one-half the steam radiator business in the United States. The new company, in addition to acquiring the plant and business of the original company, purchased the Radiator Department of the Titusville Iron Company, Titusville, Pa., and the plants and business of the St. Louis Radiator Mfg. Company, St. Louis, Mo.; the Standard Radiator Mfg. Company, Buffalo, N. Y., and the M. Stelle Company, Springfield, Ohio. It is estimated that the company controls in all about 80% of the entire output of radiators in the United States.

Capital authorized, $5,000,000 7% cumulative preferred, and $5,000,000 common stock. Outstanding, $3,000,000 preferred, and $4,893,000 common. Par value, $100. No bonded debt.

The net profits of the company during the past four years have been as follows: Year ended January 31, 1900, $657,162; January 31, 1901, $527,998; January 31, 1902, $627,614; January 31, 1903, $701,094.

Number of plants absorbed..................(about)	12
Proportion of industry controlled....................	80%
Products: Radiator manufactures and fixtures of all kinds.	
Element of monopoly: Moderate (partial tariff benefits, patents, etc.).	
Total capital issued, par value, $7,893,000; market value	$5,650,000

AMERICAN SCHOOL FURNITURE COMPANY.

"The School Furniture Trust."

Incorporated under New Jersey laws March 13, 1899, to engage in the manufacture and sale of seating for public buildings.

Property was purchased from companies engaged in this line of business located as follows:

Brooklyn, N. Y.; Richmond, Ind.; Boston, Mass.; Buffalo, N. Y.; Rockport, Ind.; Wakefield, Mass.; Bloomsburg, Pa.; Wabash, Ind.; Racine, Wis.; Cincinnati, Ohio; Muskegon, Mich.; Manitowoc, Wis.; Cleveland, Ohio; Holland, Mich.; Chicago, Ill.; Dayton, Ohio; Grand Rapids, Mich.; Piqua, Ohio; Northville, Mich.; Portland, Oregon; Sidney, Ohio; Burlington, Iowa.

The plants were purchased outright, the company not acquiring any of the stock whose properties it bought.

Capital stock authorized, $5,000,000, 7% cumulative preferred, and $5,000,000 common. Outstanding, $4,046,300 preferred, and $4,883,800 common. Par value, $100. Bonded debt, $1,500,000, first mortgage 6% bonds, due April 1, 1929.

The net earnings for the year 1902 amounted to $385,135. No dividends have as yet been paid on the preferred stock.

Number of plants absorbed........................ 22

Proportion of industry controlled.................. about 80%

Products: Seating and general equipment for schools, public buildings, etc.

Element of monopoly: Moderate (partial patent rights; stability depends largely on efficiency).

Total capital issued, par value, $10,430,100; market value .... about $5,000,000

American Seeding Machine Company.

"The Seeding Machine Trust."

Incorporated under New Jersey laws, March, 1903, as a consolidation of the Superior Drill Company of Springfield, Ohio; Hoosier Drill Company, Richmond, Ind.; Empire Drill Company, Shortsville, N. Y.; Bickford & Huffman Company, Macedon, N. Y., and Brennan & Co., Southwestern Agricultural Works, Louisville, Ky. These concerns represent most of the production of this line of business. Capital authorized, $7,500,000 7% cumulative preferred, and $7,500,000 common stock. Par, $100. No bonds.

Number of plants acquired........................ 6

Proportion of industry controlled.................. 90%

Element of monopoly: Moderate (partial patent and tariff benefits).

Total capital issued, par value, $15,000,000; market value .... about $3,500,000

American Sewer Pipe Company.

"The Sewer Pipe Trust."

Incorporated under New Jersey laws, February 17, 1900, under the name of the American Clay Mfg. Company, which was afterward changed to the above title. The company acquired and owns the property or stock of the following concerns engaged in the manufacture of vitrified sewer pipe and other clay products:

Pittsburg Clay Mfg. Co., New Brighton, Pa.
Jackson Fire Clay, Sewer Pipe & Tile Co., Jackson, Mich.
Knowles, Taylor & Anderson, East Liverpool, Ohio.
P. Connor, Elliottsville, Ohio.
Uhrichsville Fire Clay Co., Uhrichsville, Ohio.
Kennedy-Kling Co., Toronto, Ohio.
National Sewer Pipe Co., Barberton, Ohio.
Akron Sewer Pipe Co., Akron, Ohio.
Pennsylvania Sewer Pipe Co., Ltd., Huntington, Pa.
Hill Sewer Pipe Co., Akron, Ohio.
Harry Thompson, Cuyahoga Falls, Ohio.
Diamond Fire Clay Co., Uhrichsville, Ohio.
N. U. Walker Clay Mfg. Co., Walker, Ohio.
Toronto Clay Mfg. Co., Toronto, Ohio.
Great Western Fire Clay Co., Toronto, Ohio.
McMahan, Porter & Co., New Cumberland, W. Va.
Columbus Sewer Pipe Co., Columbus, Ohio.
J. J. Mazurie, Uhrichsville, Ohio.
John Francy's Sons Co., Toronto, Ohio.
Ohio Valley Clay Co., Toronto, Ohio.
Empire Fire Clay Co., Empire, Ohio.
Calumet Fire Clay Co., Elliottsville, Ohio.
Goucher, McAdoo & Co., Brazil, Ind.
Freeman Fire Clay Co., Freeman, Ohio.
John Lith & Sons, Wellsville, Ohio.
Cincinnati Sewer Pipe Co., Cincinnati, Ohio.
Myers-Hartford Clay Mfg. Co., Malvern, Ohio.
Sharon Clay Mfg. Co., Sharon, Pa.
McElfresh Clay Mfg. Co., McElfresh, W. Va.
Bennett Sewer Pipe Co., Jackson, Mich.
Grand Ledge Sewer Pipe Co., Grand Ledge, Mich.
United States Clay Mfg. Co., Lisbon, Ohio.

Capital stock authorized, $8,000,000. Outstanding, $7,805,700. Par value, $100. Bonded debt, $1,638,500 first mortgage 6% bonds, due March 1, 1920. Authorized, $2,500,000.

Number of plants absorbed........................	33
Proportion of industry controlled (locally about)......	40%

Product: Vitrified sewer pipe and all clay products, etc.

Element of monopoly: Moderate (partial tariff benefits: strength consists chiefly in possession of sources of supply, etc.)
Total capital issued: Par value, $9,523,000; market value .... about $4,000,000

American Shipbuilding Company.

"The Great Lakes Shipbuilding Trust."

Incorporated under New Jersey laws, March 16, 1899, as a consolidation of the following shipbuilding and dry-dock plants operating on the Great Lakes:

Buffalo Dry Dock Co., Buffalo, N. Y.
Cleveland Shipbuilding Co., Cleveland and Lorain, Ohio.
Globe Iron Works, Cleveland, Ohio.
Ship Owner's Dry Dock Co., Cleveland, Ohio.
Chicago Shipbuilding Co., Chicago, Ill.
Detroit Dry Dock Co., Detroit, Mich.
Milwaukee Dry Dock Co., Milwaukee, Wis.
American Steel Barge Co., West Superior, Wis.
F. W. Wheeler Plant, West Bay City, Mich.
Union Dry Dock Co., Buffalo, N. Y.

Capital stock authorized, $15,000,000 7% non-cumulative preferred, and $15,000,000 common stock. Outstanding, $7,900,000 preferred and $7,600,000 common. Dividends on preferred have been regularly paid, and on the common 4% was paid for the year ended September, 1903.

Number of plants absorbed........................... 9
Proportion of industry controlled (locally)........... 60%
Products: Shipbuilding and allied products, etc.
Element of monopoly: Minor (stability depends on efficiency).
Total capital issued, par value, $15,500,000; market value $8,700,000

American Stove Company.

"The Gas Stove Trust."

Incorporated under New Jersey laws, December 26, 1901, as a consolidation of the following manufacturers of gas ranges, and gasoline and oil stoves:

Ringen Stove Co., St. Louis, Mo.
Quick Meal Stove Co., St. Louis, Mo.

Twin Burner Stove Co., St. Louis, Mo.
Geo. M. Clark & Co., Chicago, Ill.
Standard Lightning Co., Cleveland, Ohio.
Dangler Stove & Mfg. Co., Cleveland, Ohio.
Schnerder & Trenkamp Co., Cleveland, Ohio.
National Vapor Stove & Mfg. Co., Lorain, Ohio.
Monarch Stove & Mfg. Co., Mansfield, Ohio.

Capital stock authorized and issued, $5,000,000. Par value, $100. Bonded debt, $750,000 first mortgage bonds—due $50,000 annually.

Number of plants acquired.......................... 9
Proportion of industry controlled..................... moderate
Product: Gas and oil ranges, stoves, etc.
Element of monopoly: Very small (stability depends on efficiency, value of trade-marks, etc.).
Total capital issued, par value, $5,750,000; market value $4,700,000

American Thread Company.

"The Thread Trust."

Incorporated under New Jersey laws, March 10, 1898, to consolidate the following manufacturers of spool, knitting, mending and other cottons, including, in some cases, the allied businesses of cotton spinning, doubling, twisting, dyeing, bleaching, polishing, spool-making, etc.:

Barstow Thread Co., Providence, R. I.
Glasgo Yarn Mills Co., Glasgo, Conn.
Glasgo Thread Co., Worcester, Mass.
The Hadley Co., Holyoke, Mass.
The Kerr Thread Co., Fall River, Mass.
J. O. King & Co., New York City.
Merrick Thread Co., Holyoke, Mass.
E. J. W. Morse Co., Boston, Mass.
The Ruddy Thread Co., Worcester, Mass.
Morse & Kaley Mfg. Co., Milford, N. H.
The Warren Thread Co., Ashland, Mass.
The Wm. Clark Co., Westerly, R. I.
Willimantic Linen Co., Willimantic, Conn.

Capital stock authorized $6,000,000 5% cumulative preferred, and $6,000,000 common. Outstanding, $4,890,475 preferred, and all the common. Par value, $5 per share. Dividends of 5% are regularly paid on the preferred. Bonded debt, $6,000,000 first mortgage 4% bonds, due January 1, 1919. Interest payable January and July. Nearly all the common stock of the company is owned by the English Sewing Cotton Company.

The profits of the company during the past three years have been as follows: Year ended March 31, 1901, $1,273,375; 1902, $754,080; 1903, $1,147,245.

Number of plants acquired........................ 13
Proportion of industry controlled (American)....... (about) 50%
Product: Spool, knitting, mending and other cottons, and allied products.
Element of monopoly: Small (partial patents and tariff benefits).
Total capital issued, par value, $16,890,475; market value (about)................................ $8,350,000

AMERICAN TYPE FOUNDERS' COMPANY.

"The Typefounders' Trust."

Incorporated under New Jersey laws, February 8, 1892, to consolidate the plants and business of the twenty-three leading type-foundries of the United States. A number of others have been acquired from time to time.

Capital stock authorized, $2,000,000 7% cumulative preferred, and $4,000,000 common. Par value, $100. Bonded debt consists of $930,800 6% bonds, due 1926.

Number of plants acquired.......................... (about) 34
Proportion of industry controlled.................... 77%
Products: Type and printing materials of all kinds.
Element of monopoly: Moderate (partial tariff benefits; stability due largely to trade alliances, trade-marks, large scale methods, etc.).
Total capital issued: Par value, $6,930,000; market value $3,000,000

AMERICAN WOOLEN COMPANY.

"The Wool Trust."

Incorporated under New Jersey laws, March 29, 1899. It has acquired and now owns the property of the following establishments:

Washington Mills, Lawrence, Mass.
National & Providence Worsted Mills, Providence, R. I.

Saranac Mills, Blackstone, Mass.
Fulton Mills, Fulton, N. Y.
Fitchburg Mills, Fitchburg, Mass.
Beoli Mills, Fitchburg, Mass.
Valley Mills, Providence, R. I.
Riverside Mills, Providence, R. I.
Assabet Mills, Maynard, Mass.
Sawyer Mills, Dover, N. H.
Bay State Mills, Lowell, Mass.
Beaver Brook Mills, Lowell, Mass.
Vassalboro Mills, North Vassalboro, Me.
Puritan Mills, Plymouth, Mass.
Anderson Mills, Skowhegan, Me.
Kennebec Mills, Fairfield, Me.
Manton Mills, Manton, R. I.
Anchor Mills, Harrisville, R. I.
Chase Mills, Webster, Mass.
Brown Mills, Dover, Me.
Ray Mills, Franklin, Mass.
Weybosset Mills, Providence, R. I.
Baltic Mills, Enfield, N. H.
Moosup Mills, Moosup, Conn.
Lebanon Mills, Lebanon, N. H.
Prospect Mills, Lawrence, Mass.
Globe Mills, Lawrence, Mass.

Capital stock authorized, \$25,000,000 7% cumulative preferred, and \$40,000,000 common stock. Par value \$100. Outstanding, \$20,000,000 preferred and \$29,501,000 common. Par value, \$100. Dividends are regularly paid on the preferred stock.

Number of plants absorbed........................ 27
Proportion of industry controlled.................... about 60%
Products: Woolens, worsteds, etc., all kinds.
Element of monopoly: Strong (large tariff benefits).
Total capital issued, \$49,501,000; market value......\$17,000,000

American Writing Paper Company.

"The Writing Paper Trust."

Incorporated under New Jersey laws, June 30, 1899. Its business is that of the manufacture of writing paper of all grades. It acquired at the time of consolidation, 24 mills in Massachusetts, 3 in Connecticut, 2 in Ohio, and 1 each in Wisconsin and Michigan. In all, 31 establishments, with an aggregate capacity of 350 tons per day, controlling at that time about 84% of the fine writing paper output of New England, and 76% of the entire output of the country. The properties acquired were as follows:

Agawam Paper Co., Mittineague, Mass.
Albion Paper Co., Holyoke, Mass.
Beebe & Holbrook Co., Holyoke, Mass.
Chester Paper Co., Huntington, Mass.
Connecticut River Paper Co., Holyoke, Mass.
Crocker Mfg. Co., Holyoke, Mass.
Geo. R. Dickinson Paper Co., Holyoke, Mass.
Eaton, May & Robins Paper Co., Lee, Mass.
S. Leek Paper Co., Holyoke, Mass.
G. K. Baird Paper Co., Lee, Mass.
Geo. C. Gill Paper Co., Holyoke, Mass.
Harding Paper Co., Franklin, Ohio.
Holyoke Paper Co., Holyoke, Mass.
Hurlburt Paper Mfg. Co., South Lee, Mass.
Hurlburt Stationery Co., Pittsfield, Mass.
Linden Paper Co., Holyoke, Mass.
Massasoit Paper Co., Holyoke, Mass.
Nonnotuck Paper Co., Holyoke, Mass.
Norman Paper Co., Holyoke, Mass.
Oakland Paper Co., Manchester, Conn.
Parsons Paper Co., Holyoke, Mass.
Platner & Porter Paper Mfg. Co., Unionville, Conn.
Riverside Paper Co., Holyoke, Mass.
Shattuck & Babcock Co., De Pere, Wis.
Springdale Paper Co., Springfield, Mass.
Syms & Dudley Paper Co., Watervliet, Mich.
Wauregan Paper Co., Holyoke, Mass.
Windsor Paper Co., Windsor Locks, Conn.

Capital stock authorized, $12,500,000 7% cumulative preferred and $12,500,000 common. Outstanding, $9,500,000 preferred and $11,500,000 common. Par, $100. Bonded debt, $17,000,000 first mortgage 5% bonds, due July 1, 1919.

Net earnings during past three years have been as follows: 1900, $1,551,737; 1901, $1,301,742; 1902, $1,605,182.

Number of plants acquired........................	31
Proportion of industry controlled....................	55%

Products: Writing papers.
Element of monopoly: Little or none (stability chiefly dependent on efficiency, etc.).
Total capital issued, par value, $38,000,000; market value $13,000,000

Associated Merchants' Company.

"The Dry Goods Trust."

Incorporated under Connecticut laws, May 9, 1893, under the title of The Columbian Construction Company. The charter was amended by the legislature January 25, 1901, the name then being changed to the present style. The company has power to conduct any lawful business; it may acquire, hold or sell real estate or personal property, and the bonds, stocks, obligations, and franchises of other corporations. Under these provisions, the company is authorized to deal directly in dry goods, or to hold or sell the bonds or stocks of other companies. The company was organized under its present form in 1901 to acquire interests in large wholesale and retail dry goods establishments. The property it controls consists of

No. 1. Stocks of the H. B. Claflin Company, New York, as follows: Common, 19,300 shares; first preferred, 6,400 shares; second preferred, 19,301 shares, or 45,001 shares out of a total of 90,000 shares of the H. B. Claflin Company stock.

2. Stocks of the Adams Dry Goods Company as follows: 6,000 shares of common out of 18,000, and 12,000 shares out of 18,000 shares of preferred. This company has a large retail dry goods business at Sixth Avenue and 21st Street, New York.

3. The entire stock and bonded obligations aggregating $3,600,000 of James McCreery & Co., a retail dry goods business on 23d Street, New York.

4. The plant and good will of Posner Bros., of Baltimore. This property was acquired in the latter part of 1901.

The business of H. O'Neil & Co. was acquired in 1902 in the interest of this company, and in May of the same year, John Claflin, President of the Associated Merchants' Company, was admitted to partnership in the Newark firm of Hahne & Co., proprietors of the largest department store in New Jersey.

The Associated Merchants' Company transacts no mercantile business directly. Its income is derived from the dividends on the stocks it owns.

Capital stock authorized, $10,000,000 first preferred, $5,000,000 second preferred, and $5,000,000 common. Outstanding, $4,927,500 first preferred, $5,054,500 second preferred, and $5,000,000 common stock. Par value, $100. Dividends are regularly paid on both classes of preferred stock, and also on the common stock. The first preferred receives 5%, the second 6%, and the common 7%.

During the year 1903 the company invested a surplus profit in

2,000 shares of the common stock of C. G. Gunther's Sons, of New York City.

Number of concerns acquired........................ 6
Proportion of entire industry controlled.............. small
Products: Wholesale and retail dry goods.
Element of monopoly: None (stability dependent upon efficiency, large scale methods, etc.).
Total capital issued: Par value, $16,299,900; market value .... (about) $15,000,000

Borden's Condensed Milk Company.

"The Condensed Milk Trust."

Incorporated under New Jersey laws, April 24, 1899. The company succeeded the old Borden's Condensed Milk Company, and has since absorbed a number of other condensed milk plants in different parts of the United States. In 1902, it acquired control of the Anglo-Swiss Condensed Milk Company, of Switzerland.

Capital stock authorized and issued, $7,500,000 6% cumulative preferred, and $17,500,000 common. Par value, $100. Dividends are being regularly paid on the preferred and common.

Number of plants acquired.......................... 7
Proportion of industry controlled.................... large
Product: Condensed milk in all forms.
Element of monopoly: None (stability of business in efficiency, trade-marks, etc.).
Total capital issued, par value, $25,000,000; market value $20,000,000

Butterick Company.

"The Paper Pattern Trust."

Incorporated under New York laws, January 16, 1902, as a consolidation of the following corporations:

Federal Publishing Co.	Standard Fashion Co.
Butterick Publishing Co., Limited.	New Idea Pattern Co.
New Idea Publishing Co.	Banner Fashion Co.

The Butterick Company controls these various companies, by holding their stocks. The sub-companies print and publish fashion magazines, fashion advertising matter, and paper patterns. They have contracts for the sale of their goods with agents in the United States, Canada, and Mexico, England, Germany, France, South Africa, New Zealand and Australia. Last year the combined companies manufactured over 45,000,000 patterns, and issued an eight-page fashion sheet, with a circulation of 6,500,000 copies per month. They also issue *The Delineator,* which has a circulation of 700,000 copies per month, and *The Designer,* with a circulation of over 200,000 copies. Magazines are also issued in French, German and Spanish.

Capital stock authorized and issued, $12,000,000. Par, $100. Dividends are paid at the rate of 4% per annum. The net earnings for the year 1902 amounted to $726,898.

Number of concerns acquired......................	6
Proportion of industry controlled....................	75%
Product: Paper patterns, fashion sheet, periodicals, etc.	
Element of monopoly: None (stability is in trade-marks and efficiency of product, etc.).	
Total capital issued, par value, $12,000,000; market value	$6,000,000

California Fruit-Canners' Association.

"The Fruit Canning Trust."

Incorporated under the laws of California, July 3, 1899, to manufacture, buy and sell canned fruits and vegetables of every description. The company acquired about twenty-five canneries and plants engaged in this business, with their good will, brands and trade-marks, the plants representing an annuol output of over 2,000,000 cases of goods. This is about two-thirds of the entire business in this line in the state of California. Following are among the concerns which were absorbed:

Fontana & Co., San Francisco.
Cutting Fruit Packing Co., San Francisco, Santa Ana and Santa Rosa.
King-Morse Canning Co., San Francisco.
San Jose Fruit Packing Co., San Jose, Cal.
Rose City Canning Co., Santa Rosa, Cal.
Hunt Bros. Fruit Packing Co., Santa Rosa, Cal.
A. F. Tinney Canning Co., Fresno, Cal.
Courtland Canning Co., Sacramento, Cal.
Southern California Packing Co., Los Angeles.
Sacramento Packing Co., Sacramento, Cal.
Courtland Canning Co., Sacramento, Cal.
Marysville Packing Co., Marysville, Cal.

California Fruit Preserving Co., Oakland and Biggs.
Whittier Cannery, Whittier.
Cal. Fruit Canners' Asso., Stockton, Cal.
Chico Canning Co., Chico, Cal.
Lincoln Fruit Packing Co., Lincoln.
Sutter Canning & Packing Co., Yuba City, Cal.

Capital stock authorized, $3,500,000. Outstanding, $2,891,600. Par value, $100. Dividends are paid at the rate of 60 cents per month.

Number of concerns acquired........................ 18
Proportion of industry controlled (locally)............ 65%
Product: Canning of all California fruits.
Element of monopoly: Moderate (partial tariff benefits; much stability in trade-marks, brands, etc.).
Total capital issued: Par value, $2,891,000; market value .... about $2,200,000

CASEIN COMPANY OF AMERICA.

"The Milk Sugar Trust."

Incorporated under laws of New Jersey, March 3, 1900, as a consolidation of the following-named plants engaged in the manufacture of paint, paper size, artificial rubber, glue, food products, milk sugar, etc., from the by-products of milk:

National Milk Sugar Co.
Hayne & Whittaker, Antwerp, N. Y.
Wm. A. Hall, Bellows Falls, Vt.
Rosemary Creamery, Mexico and Adams, N. Y.
Marengo Milk & Sugar Co., Marengo, Ill.

The united capacity of these stations is about 1,600,000 lbs. per month.

Casein is used as a substitute for glue and in the manufacture of varnish; also as a binding material and substitute for linseed oil in the manufacture of paint; as a substitute for varnish, shellac and lacquers, and many other uses besides.

Capital stock authorized, $1,000,000 8% cumulative preferred, and $5,500,000 common stock. Par, $100. Outstanding, all the preferred, and $5,492,000 common.

The earnings have been as follows: Year ended December 31, 1901, $1,338,230; 1902, $1,615,037. The surplus in 1902 was $205,-000.

Number of plants absorbed........................ 5
Proportion of entire industry controlled (about)...... 70%
Products: Casein, milk sugar and other by-products of milk.
Element of monopoly: Strong (tariff benefits, etc.).
Total capital issued, par value, $6,492,000; market value $6,500,000

Central Foundry Company.

"Soil Pipe Trust."

Incorporated under New Jersey laws, July 13, 1899, to consolidate the manufacturers of cast-iron soil pipe and fittings. It acquired, what was at that time, about 95% of the soil pipe trade of the United States. The following plants were included:

A. L. Swett Plant, Medina, N. Y.
Bessemer Plant, Bessemer, Ala.
E. L. Tyler & Co., Anniston, Ala.
H. B. & W. Plant, Gadsden, Ala.
McShane Plant, Baltimore, Md.
Midvale Plant, Allentown, Pa.
Monitor First Plant, Newark, N. J.
Phoenix Plant, Lansdale, Pa.
Regester Plant, Baltimore, Md.
Shuster Plant, South Pittsburgh, Tenn.
Vincennes Plant, Vincennes, Ind.
Wilmington Plant, Wilmington, Del.
Central Iron & Coal Co., Tuscaloosa, Ala.

Capital stock authorized and issued, $7,000,000 7% cumulative preferred, and $7,000,000 common stock. Par, $100. No dividends have yet been paid. Bonded debt consists of $3,863,000 6% debentures due May 1, 1919.

The net earnings for the year ended June 30, 1903, amounted to $665,449, in comparison with $320,938 the previous year.

Number of plants absorbed........................ 13
Proportion of total industry now controlled............ 80%
Product: Cast-iron soil pipe and fittings.
Element of monopoly: Medium (partial tariff benefits, etc.).
Total capital issued, par value, $17,863,000; market value $2,700,000

Chicago Pneumatic Tool Company.

"The Pneumatic Tool Trust."

Incorporated under laws of New Jersey, December 23, 1901, as a consolidation of the following companies engaged in the manufacture of pneumatic tools, air compressors, and machinery of like character:

Chicago Pneumatic Tool Co., Illinois.
Boyer Machine Co., Detroit, Mich.
Taite-Howard Pneumatic Tool Co., London.
Chisholm & Moore Crane Co., Cleveland, Ohio.
Franklin Air Compressor Co., Franklin, Pa.

In June, 1902, the company also acquired the International Pneumatic Tool Company of London.

Capital stock authorized, $7,500,000. Outstanding, $6,031,000. Par, $100. Dividends at the rate of 8% per annum are paid quarterly. Bonded debt, $2,300,000 first mortgage 5% bonds, due 1921.

Net earnings for the year 1902 amounted to $897,059, leaving a surplus above dividends of $328,796.

Number of plants acquired........................ 7
Proportion of industry controlled (about)............ 80%
Products: Pneumatic tools, air compressors, etc.
Element of monopoly: Large (patent rights, partial tariff benefits, etc., etc.).
Total capital issued, par value, $8,330,000; market value $3,300,000

Computing Scale Company of America.

"The Computing Scale Trust."

Incorporated under New Jersey laws, in October, 1901, as a consolidation of the following companies engaged in the manufacture and sale of computing scales: Computing Scale Company, Dayton, Ohio; Money Weight Scale Company, Chicago, Ill.; W. F. Stimpson Company, Elkhart, Ind.; Stimpson Computing Scale Company, Detroit, Mich., and Computing Scale Company of Canada, Ltd.

Capital stock authorized, $1,500,000 7% cumulative preferred, and $2,000,000 common stock. Par, $100. Bonds, $600,000 6% 20-year collateral trust first mortgage bonds; dated October 25, 1901, due October 25, 1921. Interest, April and October 1st. The amount of outstanding stock is $1,189,000 preferred, and $1,485,000 common. Dividends at the rate of 7% per annum are payable quarterly March. The earnings for the year 1902 amounted to $212,161 net.

Number of plants acquired	5
Proportion of entire industry controlled (about)	50%
Products: Computing scales of all kinds.	
Elements of monopoly: Strong (patent rights, etc.).	
Total capital issued, par value	$3,274,000

Corn Products Company.

"The Glucose Trust."

Incorporated under New Jersey laws, February 6, 1902, as a consolidation of the following plants:

Glucose Sugar Refining Co.
National Starch Co.
New York Glucose Co.
Illinois Sugar Refining Co.
Chas Pope Glucose Co.

The companies which constituted the National Starch Company were the National Starch Mfg. Company, the United Starch Company, the U. S. Glucose Company, and the United States Sugar Refining Company.

The business of the company is the manufacture of glucose, starch, and other products of corn.

Capital stock authorized, $30,000,000 7% cumulative preferred, and $50,000,000 common stock. Par, $100. Outstanding, $27,097,110 preferred, and $44,545,170 common. The company has no direct bonded debt, but that of the constituent companies amounts to $10,317,000.

The net earnings of the company for the year ended February 28, 1903, amounted to $4,013,841. Dividends of 7% are now paid on the preferred, and 4% on the common stock.

Number of plants acquired	20
Proportion of industry controlled	large
Products: Glucose, starch, by-products of corn, etc.	
Element of monopoly: Moderate (partial tariff benefits).	
Total capital issued, par value, $71,642,800; market value	$26,085,000

DIAMOND MATCH COMPANY.

"The Match Trust."

Incorporated under Illinois laws, February 13, 1889, as successor of a company of the same name incorporated under the laws of Connecticut. The company owns and operates sawmills at Green Bay, Wis.; Athol, Mass.; King, N. H., and other places; with factories at Barberton, Ohio; Detroit, Mich; Oshkosh, Wis.; Oswego, N. Y.; also a controlling interest in factories equipped with its patented machinery in Liverpool, England; London, England; Lima, Peru; Nyon, Switzerland; Valparaiso, Chili; Rheinau, Germany, and stores at Baltimore and Philadelphia. It also has an alliance with Bryant & May, the well-known English match manufacturers. It owns about $1,000,000 common stock of the latter concern, and about 14% of its preferred shares.

Capital stock authorized and issued, $15,000,000; dividends paid 10% per annum.

Net earnings during recent years have been as follows: 1898, $1,155,997; 1899, $1,513,767; 1900, $2,014,838; 1901, $2,021,072; 1902, $1,957,674.

Number of plants acquired .... (about) 18
Proportion of industry controlled.................. 85%
Products: Matches.
Element of monopoly: Fair (tariff benefits; stability also due to efficiency, etc.).
Total capital issued, par value, $15,000,000; market value $19,500,000

DISTILLERS' SECURITY CORPORATION.

"The Whiskey Trust."

Incorporated under New Jersey laws, September 18, 1902, to acquire the stocks and property of the Distilling Company of America, and to readjust the capital of that company. The Distillers' Securities Corporation has acquired over 90% of the preferred and common stocks of the Distilling Company of America. The companies controlled by the Distilling Company of America are engaged in the manufacture, distribution and sale of spirits, alcohol, Kentucky or Bourbon whiskey, rye whiskey, and their compounding and blending. The spirits and alcohol business is conducted by the American Spirits Mfg. Company and the Standard Distilling and

Distributing Company. The Bourbon whiskey business is conducted by the Kentucky Distilleries and Warehouse Company, and the rye whiskey business by the Hannis Distilling Company.

The plants of the company which were originally consolidated were as follows:

Sixteen plants of the American Spirits Mfg. Company, of which only three are now in operation: 14 plants of the Standard Distilling & Distributing Company, of which 11 are in operation; 50 plants of the Kentucky Distilleries and Warehouse Company, of which four are in operation, and 2 plants of the Hannis Distilling Company, both of which are in operation.

Capital stock authorized $32,500,000. Par, $100. Dividends paid in 1903, January and April, 1% each. The company has no direct bonded debt, but the bonds of its constituent companies amount to $17,866,000.

The gross profit of the Distilling Company of America for the year ended June 30, 1903, amounted to $3,966,632, leaving a surplus, after paying dividends, of $1,580,726.

Number of plants acquired 93
Proportion of industry controlled.................... about 60%
Products: Whiskies, spirits, alcohols, etc., etc.
Element of monopoly: Moderate (partial tariff benefits, etc.).
Total capital issued, par value, $50,366,000; market value $22,500,000

"THE EXPRESS TRUST."

(The following leading express companies, though distinct corporations, are in effect a Trust, as they operate in harmony, and are, for the most part, directly allied through financial interests):

ADAMS EXPRESS COMPANY.

Formed in 1854 as a joint stock association. It operates express routes on more than 50,000 miles of railroad, embracing the Pennsylvania, New York, New Haven & Hartford, Chicago, Burlington & Quincy, and other systems. It controls the Southern Express Company, which operates throughout the entire South, and in the spring of 1903 it purchased the Morris European & American

Express Company, which does an express business between this country and Europe and to different points in Europe.

Capital stock, $12,000,000, on which dividends are paid at the rate of 4% per annum, with extra dividends. In 1903, 8% was declared in all. The company also has outstanding $12,000,000 in 4% collateral debentures, due 1948. These debentures were given to stockholders in 1898, to represent a division of the accumulated profits of the company.

American Express Company.

Formed under New York laws in 1859 and 1868 as a joint stock association. Operates an express business on about 45,000 miles of railroad in the United States, including the Boston & Maine, various Vanderbilt lines, Illinois Central, and others. In the spring of 1903 it purchased control of the Westcott Express Company, which does a local business in New York City and vicinity.

Capital, $18,000,000. Dividends, 8% per annum. No bonds.

United States Express Company.

Formed under New York laws as a joint stock association in 1854. Operates an express business upon about 30,000 miles of railroads in the United States, covering the Lehigh Valley, Lackawanna, Rock Island, St. Paul and Baltimore & Ohio systems. It acquired, in 1887, the Baltimore & Ohio Express Company, and in 1903, the Metropolitan Express Company.

Capital stock, $10,000,000. Par, $100. Dividends paid, 4% per annum. No bonds.

Wells, Fargo & Company.

Formed under Colorado laws, February 5th, 1866. The company operates an express business on about 45,000 miles of railroad and steamer lines, the main territory being in the West. It also does an important banking business.

Capital stock, $8,000,000. Dividends paid, 8% per annum. No bonds.

GENERAL CHEMICAL COMPANY.

"The Chemical Trust."

Incorporated under the laws of New Jersey, February 15, 1899, to consolidate the following-named manufacturers of heavy chemicals:

Chappell Chemical Co., Chicago.
W. H. Chappell & Co., St. Louis.
Dundee Chemical Co., Dundee, N. J.
Highlands Chemical Co., Highland Station, N. Y.
Fairfield Chemical Works, Bridgeport, Conn.
James Irwin & Co., Pittsburg, Pa.
Lodi Chemical Co., Lodi, N. J.
Passaic Chemical Co., Newark, N. J.
Martin Kalbfleisch Chemical Co., Bayonne, N. J., and Buffalo.
James L. Morgan & Co., Shadyside, N. J., and Bridgeport, Conn.
Moro-Philips Chemical Co., Philadelphia, Pa.
Nichols Chemical Co., Troy and Syracuse, N. Y.

The company owns, in all, 24 plants.

Capital stock authorized, $12,500,000 6% cumulative preferred, and $12,500,000 common. Outstanding, $10,000,000 preferred, and $7,410,300 common. Dividends of 6% are being paid on the preferred, and 4% on the common. No bonds.

Earnings during the past three years have been as follows: 1900, $1,258,946; 1901, $1,358,347; 1902, $1,507,551.

Number of plants acquired.......................... 24
Proportion of entire industry controlled.............. 70%
Products: Heavy chemicals.
Element of monopoly: Moderate (partial tariff benefit; also patents, trade-marks, etc.).
Total capital issued, par value, $17,410,300; market value (about) $14,000,000

GENERAL ELECTRIC COMPANY.

"The Electric Supplies Trust."

Incorporated under New York laws, April 15, 1892, under a special charter to consolidate the interests of the Edison General Electric Company and the Thomson-Houston Company. The company owns all the stock of these corporations. It owns the Edison and various other patents for electric lighting in the United States and foreign countries, and grants exclusive franchises to local companies for electric lighting, heat and power. It manufactures all inds of electric supplies and outfits for street railways, lighting and ower companies. Its main factory is located at Schenectady, N. '. It also has factories at Lynn, Mass., and Harrison, N. J. In ıpril, 1900, it acquired all the stock of the Siemens & Halske Elec-ic Company, operating an important plant at Cicero, Ill. It also as a number of working agreements in relation to its patents, with ıe Westinghouse Electric & Mfg. Company. In the spring of 901 it acquired a majority control in the British Thomson-Hous-›n Company, of London. In February, 1903, a large majority of ıe capital stock of the Stanley Electric Mfg. Company was pur-ıased. It also acquired control of the Sprague Electric Company ı 1902.

Capital stock authorized, $45,000,000. Outstanding, $44,004,-ɔo. Bonds, $2,150,000 3½ 40-year debentures due August 1, 1942. 'hese debentures were issued in exchange for the stock of the prague Electric Company.

Net earnings during the past three years have been as follows: 'ear ended January 31, 1901, $6,808,752; 1902, $8,555,931; 1903, 10,232,839.

'umber of plants acquired..........................	8
roportion of entire industry controlled...............	*
roducts: All kinds of electrical supplies and outfits for electric railway, lighting and power companies, etc.	
lement of monopoly: Large (strong patent rights, etc.).	
otal capital issued, par value, $46,154,600; market value (about)	$82,000,000

Great Western Cereal Company.

"The Oatmeal Trust."

Incorporated under New Jersey laws, April, 1901, to consoli-ıte the following companies engaged in the manufacture, purchase ıd sale of grain and grain products:

Akron Cereal Co., Akron, Ohio.
Muscatine Oatmeal Co., Muscatine, Iowa.
H. R. Heath & Sons, Fort Dodge, Iowa.
Pillsbury-Washburn Oatmeal Plant, Minneapolis.
Northwestern Cereal Co., Minnesota.

*Divides easily 90% of the field with the Westinghouse concerns, with hom it has various working agreements.

Nebraska City Cereal Mills, Nebraska City, Neb.
Steward & Merrian, Peoria, Ill.
Sioux Milling Co., Sioux City, Iowa.
David Oliver, Joliet, Ill.
Cedar Falls Mill Co., Cedar Falls, Iowa.

These concerns have a combined capacity of about 6,000 barrels of cereals per day, 56,000 bushels of grain being used daily. A number of well-known brands of cereals and food stuffs are manufactured.

Capital stock authorized and issued, $500,000 8% cumulative preferred, and $2,500,000 common. Par, $100. Bonded debt, $1,350,000 6% first mortgage bonds, due in 1921.

Number of plants absorbed 10
Proportion of industry controlled .... unknown
Products: Oatmeal, and grain products.
Element of monopoly: Small (stability in trade-marks, etc.).
Total capital issued, par value, $4,350,000; market value (about) $2,000,000

Harbison-Walker Refractories Company.

"The Fire-Brick Trust."

Incorporated under Pennsylvania laws, June 30, 1902, as a consolidation of the leading fire-brick interests of the country. The company has acquired the following corporations:

Harbison-Walker Company, with plants at Clearfield, Pa., Pittsburg, Blandburg, Mount Union, Grampian and Woodland, Pa., and Olive Hill, Ky.
Clearfield Fire Brick Co., Clearfield, Pa.
Isaac Reese & Sons Co.
Philipsburg Fire Brick Co.
Walleston Fire Brick Co., Walleston, Pa.
Basic Brick Co., Johnstown, Pa.
Clinton County Fire Brick Co., Lock Haven, Pa.
Fredericks, Munro & Co., Farransville, Pa.
American Fire Brick Co., Lock Haven, Pa.
Portsmouth Fire Brick Co., Portsmouth, Ky.
Layton Plant of Fayette Mfg. Co.

The total capacity is said to be 800,000 bricks per day.

Capital stock authorized and issued, $9,600,000 6% cumulative preferred, and $18,000,000 common. Par value, $100. Bonded debt, $3,500,000 first mortgage 5% bonds, due June 1, 1921.

Lake George Paper Co., Ticonderoga, N. Y.
Fall Mountain Paper Co., Bellows Falls, Vt.
Winnipiseogee Paper Co., Franklin Falls, N. H.
General Mfg. Co., Berlin, N. H.
Otis Falls Pulp Co., Chisholm, Me.
Falmouth Paper Co., Jay, Me.
Umbagog Pulp Co., Livermore Falls, Me.
Rumford Falls Paper Co., Rumford Falls, Me.
Webster Paper Co., Orono, Me.
Russell Paper Co., Lawrence, Mass.
Haverhill Paper Co., Haverhill, Mass.
Montague Paper Co., Turners Falls, Mass.
Turners Falls Paper Co., Turners Falls, Mass.

The company subsequently acquired the following:

Olcott Falls Paper Mills, Olcott Falls, Vt.
Wilder & Co., Ashland, N. H.
Remington Paper Co., Watertown, N. Y.
C. R. Remington, Sons & Co., Brownsville, N. Y.

The company holds title to about 1,000,000 acres of spruce woodlands in New York, New England and Michigan. In 1901, the American Realty Company was organized in the interest of this company to hold a portion of the company's woodlands in Maine. The plants have a developed water power of 150,000 horse power, producing about 1,500 tons of news, wrapping and miscellaneous paper per day.

Capital stock authorized, $25,000,000 6% cumulative preferred, and $20,000,000 common. Outstanding, $22,406,700 preferred, and $17,442,800 common. The preferred stock may be increased $10,000,000 to retire the company's bonds. Quarterly dividends at the rate of 6% per annum are paid on the preferred. Bonded debt, $9,866,000 first mortgage 6% bonds, due February 1, 1918. The company also has outstanding $3,220,000 of divisional bonds.

The net earnings during the past three years have been as follows: Year ending June 30, 1901, $3,961,657; 1902, $2,901,195; 1903, $3,613,460.

Number of plants acquired........................ 24
Proportion of entire industry controlled............. 60%
Product: Newspaper paper.
Element of monopoly: Uncertain (stability dependent on source of supply, market, etc.).
Total capital issued, par value, $52,935,500; market value (about)..................................$30,000,000

International Power Company.

"The Compressed Air Trust."

Incorporated under New Jersey laws, January 14, 1899. The original title was the International Air Power Company. The company acquired the patents for the use of compressed air power, under the Hoadley-Knight system, except the street car rights in North and South America. The company is authorized to manufacture, sell, buy and deal in compressed air, electrical machinery and apparatus, locomotives, engines, trucks and cars, and to manufacture machinery for the supplying of electric compressed air and other motive powers. It has acquired the following plants: American Wheelock Engine Company, Worcester, Mass.; Corliss Steam Engine Company, Providence; Rhode Island Locomotive Works, Providence. It also controls the patents for the American Diesel engines.

Capital stock authorized, $600,000 6% cumulative preferred, and $7,400,000 common stock. Par, $100. Outstanding, all the preferred, and $6,400,000 common. The bonded debt consists of $340,000.

Number of plants acquired..........................	4
Proportion of industry controlled....................	uncertain

Products: Compressed air and electric machinery and apparatus, locomotive engines, etc., etc.
Element of monopoly: Important (patent rights, etc.).
Total capital issued, par value, $7,340,000; market value $2,000,000

International Silver Company.

"The Silver Ware Trust."

Incorporated under New Jersey laws, November 21, 1898, as a consolidation of the leading manufactories of silver and silver-plated ware in the United States and Canada.

Meriden Brittania Co., Meriden, Conn.
Rogers & Bros., Waterbury, Conn.
Barbour Silver Co., Hartford, Conn.
William Rogers Mfg. Co., Hartford, Conn.
Manhattan Silver Plate Co., Lyons, N. Y.
Watrous Mfg. Co., Wallingford, Conn.
Rogers Cutlery Co., Hartford, Conn.
Meriden Silver Plate Co., Meriden, Conn.
Wilcox Silver Plate Co., Meriden, Conn.

Rogers & Hamilton Silver Plate Co., Waterbury, Conn.
Norwich Cutlery Co., Norwich, Conn.
Standard Silver Plate Co., Toronto, Can.
Holmes & Edwards Silver Co., Bridgeport, Conn.
Derby Silver Co., Derby, Conn.

Shortly after the organization of the company, the following oncerns were acquired:

Simpson Nickel Co., Wallingford, Conn.
Simpson, Hall, Miller & Co., Wallingford, Conn.
Middletown Plate Co., Middletown, Conn.

At the time of consolidation the concerns acquired were said to epresent about 75% of the total silverware output of the country. 'he company acquired the trade-marks. etc., of all these establishients.

On September 10, 1902, a new company called the United tates Silver Corporation was formed under New Jersey laws, with capital of $3,000,000. This new corporation acquired all the share apital of C. Rogers & Bros., of Meriden, Conn. It was further inended that the new corporation would acquire a majority of the apital stock of the International Silver Company. This was shortly iereafter accomplished and the new company issued $1,150,000 6% o-year bonds.

It was the further intention of the United States Silver Cororation to acquire control of other outside plants, but this plan fell irough. The minority stockholders of the International Silver Company thereupon took steps to again acquire control. A settleient was finally effected on the following basis:

Under the settlement the International Silver Company acuired all the stocks and bonds of the United States Silverware Corporation. As consideration the International issued $1,500,000 referred stock, in addition to that previously outstanding, and 2,000,000 of 6% debenture bonds due January 1, 1933. The large lock of its own stock acquired by the International Silver Company hrough this transaction went back into the treasury.

Capital stock authorized, $9,000,000 7% cumulative preferred, nd $11,000,000 common. Outstanding, $6,607,500 preferred, and 9,944,700 common. Par, $100. No dividends are now being paid n the preferred, and on January 1, 1903, 21⅛% of unpaid dividends had accumulated. These were settled partly through the issue f "script." The total bonded debt, including $1,085,000 of script, mounted to $6,861,000.

The earnings for the past two years have been as follows: 1901, $614,934; 1902, $881,197.

Number of plants absorbed........................ 18
Proportion of industry controlled.................. (about) 40%
Products: Silver and silver-plated ware.
Element of monopoly: Unimportant (stability dependent chiefly on efficiency, trade-marks, etc.).
Total capital issued, par value, $23,413,200; market value $10,500,000

International Steam Pump Company.

"The Steam Pump Trust."

Incorporated under New Jersey laws, March 24, 1899, as a consolidation of the following companies, acquiring same either through the conveyance of the titles through their properties or by ownership of not less than two-thirds of the capital stock of each corporation:

Blake & Knowles Steam Pump Works, Limited.
Deane Steam Pump Works.
Henry R. Worthington.
Laidlaw-Dunn-Gordon Co.
Snow Steam Pump Co.
Holley Mfg. Co.
Clayton Air Compressor Works.

These concerns were said to control at the time of consolidation, about 90% of the steam pump industry of the United States, exclusive of high duty engines.

In the spring of 1903, the Worthington Steam Pump Company, Ltd., was incorporated in London as an auxiliary company to handle the European business of the Worthington and Blake & Knowles companies.

Capital stock authorized, $12,500,000 6% cumulative preferred and $15,000,000 common stock. Outstanding, $10,850,000 preferred and $12,287,300 common. Par $100. Of the preferred stock a sufficient amount is held in reserve to retire certain debentures and preferred shares of subsidiary companies. Bonded debt, $2,500,000 6% convertible debentures, due January 1, 1913. Interest January and July 1, at the Colonial Trust Company, New York.

The net profits of the company and its constituent corporations during the past three years have been as follows: Year ending March 31, 1901, $1,772,631; 1902, $1,795,153; 1903, $2,113,365.

Number of plants acquired........................ 8
Proportion of industry controlled (about)............ 80%
Product: Heavy steam power machinery of all kinds.
Element of monopoly: Moderate (partial patent rights and tariff benefits).
Total capital issued, par value, $25,637,300; market value $14,100,000

"THE MEAT TRUST."

(The so-called Meat or Beef Trust, while non-existent as far as a distinct corporation is concerned, yet is in a sense an actual fact. The following leading packing concerns of the country cover the bulk of this industry.)

NATIONAL PACKING COMPANY.

Incorporated under New Jersey laws March 18, 1903, as a consolidation of the following packing interests, all of Chicago:

Omaha Packing Co.	Anglo-American Provision Co.
Hammond Packing Co.	United Dressed Beef Co.
Hutchinson Packing Co.	Fowler Packing Co.

In June, 1903, the company acquired a majority of the capital stock of the Continental Packing Company of Chicago. This was said to be the only plant remaining at the Union Stock Yards, in Chicago, aside from that of Lipton & Co., which was not already controlled by the large packing interests. In August, 1903, the National Car Line Company was formed in the interest of the National Packing Company, to consolidate and operate the various refrigerator lines of the Trust.

The National Packing Company is controlled in harmony with the other large packing interests, including Armour & Co., Swift & Co., the Cudahy Packing Company, etc.

Capital stock authorized, $15,000,000. Par $100. No bond issue announced as yet.

ARMOUR & COMPANY.

Incorporated under Illinois laws April 14, 1900, to succeed to the co-partnership of Armour & Co., and all its assets and business. The plants controlled include the packing houses, fertilizer works, soap factory, hair and glue factory in Chicago, and the packing houses in South Omaha, Sioux City, St. Louis, and Fort Worth, Tex. The packing houses and other plants controlled are among the largest in the world. The glue factory is one of the largest on this continent, and the soap factory is also an important one.

Capital stock, $20,000,000. Par $100. No bonds.

SWIFT & COMPANY.

Incorporated under Illinois laws in 1885, to succeed to the packing house business carried on by G. F. Swift. The company owns packing houses at Chicago, South Omaha, Kansas City, East St. Louis, South St. Joseph, South St. Paul and Fort Worth. In addition to this, the corporation controls a number of other enterprises, the chief of which are Swift's Live Stock Transportation Company, the Swift Refrigerator Transportation Company, Minnesota Packing Company, and National Manufacturing Company's Car Line. It also has foreign branches, which are operated under the title of Swift Beef Company, Ltd.

The aggregate sales of the company for the last fiscal year amounted to over $200,000,000. The net earnings were over $3,000,000 above interest charges.

Capital stock, $35,000,000. Par $100. Bonded debt, $5,000,000 first mortgage 5s, due 1914.

NORTH PACKING AND PROVISION COMPANY, PORTLAND, ME.

Incorporated under Maine laws. The company is controlled by Swift & Company of Chicago. Capital, $2,400,000. Par $100. Bonded debt, $1,000,000 5% first mortgage bonds.

JOHN P. SQUIRE & COMPANY.

Incorporated under New Jersey laws February 20, 1901, as the successor to another firm of the same name, and also to a number of other properties operating the same line of business in the States of Massachusetts, Rhode Island, Vermont and Maine.

Capital stock consists of $1,500,000 preferred and $6,000,000 common. During the year 1903, the corporation of Swift & Company of Chicago, purchased the entire common stock at $14 per share.

Schwarzschild & Sulzberger Company.

Incorporated under the laws of New York, to carry on an extensive meat packing business. The concern has several branches in New York City. Capital, $5,000,000. No bonds.

In the fall of 1902, it was proposed to consolidate the interests of this company with the Chicago packers under a plan which was at that time being promoted by Messrs. Armour, Swift, Cudahy and Morris. The proposed consolidation, however, never went through on the plans proposed.

Officers: Ferd. Sulzberger, President and Treasurer; Frederick Joseph, Vice-President; Samuel Weil, Vice-President and Secretary.

St. Louis Dressed Beef and Provision Company.

Incorporated under Missouri laws to carry on a large packing business in St. Louis. The capital stock is $1,250,000. No bonds. Recently the stock, or a majority of it, has changed hands and is now held by Chicago packers. The St. Louis interests who formerly controlled the company have now no connection with it.

Libby, McNeil & Libby.

Incorporated under Illinois laws, and does a large packing business in Chicago. Capital, $2,000,000. No bonds. The company, which was formerly independent, is now controlled by what are known as the Swift interests.

National Biscuit Company.

"The Cracker Trust."

Incorporated under New Jersey laws February 3, 1898, as a consolidation of the New York Biscuit Company, American Biscuit & Manufacturing Company, National Cracker Company, Decatur Cracker Company, Hamilton Biscuit Company and the United States Baking Company. Several small concerns were controlled by these constituent companies. The present company has 128 different plants and controls the greater part of the trade in this line east of the Rockey Mountains. Of these plants 80 are manufacturing concerns, and the remainder selling agencies.

Capital stock authorized and issued, $25,000,000 7% cumulative preferred and $30,000,000 common. Par $100. Dividends of 7%

per annum are paid on the preferred and 4% on the common. The company has no direct bonded debt, but its cub-companies have bonds outstanding to the extent of $1,524,000.

The company has earned during the past three years as follows: Year ending January 31, 1901, $3,318,355; 1902, $3,670,445; 1903, $3,639,388.

Number of plants acquired or controlled.............	80
Proportion of industry controlled	70%

Products: Crackers and biscuits of all kinds.

Element of monopoly: Small (stability depends on efficiency, large scale methods, etc.; owns valuable trade-marks).

Total capital issued, par value, $56,524,000; market value $37,500,000

National Candy Company.

"The Candy Trust."

Incorporated under New Jersey laws September 8, 1902, as a consolidation of the following manufacturers of candy:

O. H. Peckham Candy Co., St. Louis, Mo.
A. J. Walter Confectionery Co., St. Louis, Mo.
F. D. Seward Confectionery Co., St. Louis, Mo.
The Pan Confectionery Co., Chicago, Ill.
J. K. Parley Mfg. Co., Chicago.
The P. Echeit Co., Cincinnati.
Burt & Sindele, Buffalo.
Sibley & Holmwood, Buffalo.
Gray, Toynton & Fox, Detroit.
The Paris-Murton Co., Minn., Mo.
The Nickolls-Krull Co., Indianapolis, Ind.
Daggett & Co., Indianapolis, Ind.
Putnam Candy Co., Grand Rapids, Mich.
Frank A. Manne, Louisville, Ky.
F. H. Roach & Co., St. Paul.
J. S. Morses & Co., St. Paul.

The company owns in all sixteen plants, with a capacity of about 100,000,000 pounds of candy per annum.

Capital stock authorized, $1,000,000 7% first preferred $2,000,000 7% second preferred and $6,000,000 common stock. Par $100. Outstanding, $1,000,000 first preferred, $1,200,000 second preferred and $5,200,000 common.

The average annual net profits of the combined companies were reported as in excess of $300,000. The company has no bonded debt.

Number of plants acquired........................ 16
Proportion of entire industry controlled (locally)...... 55%
Products: Candy in all forms.
Element of monopoly: Minor (slight tariff benefits—owns trade-marks, etc.).
Total capital issued, par value, $7,400,000; market value $2,650,000

NATIONAL CARBON COMPANY.

"The Carbon Trust."

Incorporated under New Jersey laws, January 16, 1899, as a consolidation of the following companies engaged in the manufacture of lighting carbons, carbon brushes for generators and motors, carbon batteries, carbon diaphragms and back plates for telephones, carbons for electrolytic purposes and kindred products.

American Carbon Co., Noblesville, Ind.
Brush Carbon Works, Cleveland, Ohio.
Faraday Carbon Co., Jeannette, Pa.
Globe Carbon Co., Ravana, Ohio.
National Carbon Co., Cleveland, Ohio.
Partridge Carbon Co., Sandusky, Ohio.
Phoenix Carbon & Mfg. Co., St. Louis, Mo.
Solar Carbon & Mfg. Co., Pittsburg, Pa.
The Standard Carbon Co., Cleveland, Ohio.
Thomson-Houston Carbon Co., Fremont, Ohio.
The Washington Carbon Co., Pittsburg, Pa.

The foregoing companies covered practically the entire carbon industry of the United States.

Capital stock authorized and issued, $4,500,000 7% non-cumulative preferred, and $5,500,000 common. Par, $100. Dividends on preferred, 7% per annum. No bonded debt.

The net earnings of the company during the past four years have been as follows: Year ending January 31, 1900, $451,687; 1901, $508,739; 1902, $586,812; 1903, $594,371.

Number of plants acquired........................ 11
Proportion of industry controlled (about)............ 87%
Products: Lighting carbons, carbon brushes, batteries, diaphragms, etc., etc.
Element of monopoly: Important (patent rights, etc.).
Total capital issued, par value, $10,000,000; market value $5,675,000

NATIONAL CAR WHEEL COMPANY.

"The Car Wheel Trust."

Incorporated under New York laws, September 22, 1903, as a consolidation of the following manufacturers of car wheels:

Keystone Car Wheel Co., Pittsburg, Pa.
Rochester Car Wheel Works, Rochester, N. Y.
Cayuta Wheel & Foundry Co., Sayre, Pa.
Maher Wheel & Foundry Co., Cleveland, Ohio.

It is stated that other plants will be absorbed later. The plants above represent about 20% of the total car wheel output of the country.

Capital stock authorized, $3,250,000 7% cumulative preferred, and $3,750,000 common stock. Par, $100. Outstanding, $751,400 preferred, and $1,304,800 common. Bonded debt authorized, $1,-750,000 first mortgage 6% bonds, due September 1, 1923. Outstanding, $404,000.

Number of plants acquired..........................	4
Proportion of entire industry controlled...............	20%
Product: Car wheels.	
Element of monopoly: Minor (partial patent rights, etc.).	
Total capital issued: Par value........................	$2,500,000

NATIONAL ENAMELING AND STAMPING COMPANY.

"The Stamped Ware Trust."

Incorporated under New Jersey laws, January 21, 1899, as a consolidation of the following manufacturers and dealers in tin, galvanized, japanned and copper wares:

American Stamping Co., Brooklyn, N. Y.
Eastern Tinware Co., Portland, Conn.
Haberman Mfg. Co., Berlin Village and Brooklyn, N. Y.
Granite City Rolling Mills, St. Louis, Miss.
Granite City Sheet Mills, Granite City, Ill.
Kieckhefer Bros. Co., Milwaukee, Wis.
Matthai, Ingram & Co., Baltimore, Md.
St. Louis Stamping Co., St. Louis, Mo.
St. Louis Tin Plate Co., St. Louis, Mo.

The company afterwards acquired the following plants:

Stewart Enamel Co., Bellaire, Ohio.
Keen-Hagerty Mfg. Co., Baltimore, Md.
H. Haller Mfg. Co., New Orleans, La.

Capital stock authorized, $10,000,000 7% cumulative preferred, and $20,000,000 common. Outstanding, $8,396,600 preferred, and $15,441,800 common. Par, $100. Dividends of 7% are paid on the preferred, and 4% on the common stock.

The net earnings during the past two years have been as follows: Year ended June 30, 1902, $1,720,307; 1903, $1,519,357.

Number of plants acquired.......................... 13
Proportion of industry controlled................. (about) 55%
Products: Tin, japanned, galvanized and copper ware.
Element of monopoly: Not important (partial tariff benefits—trade-marks, etc.).
Total capital issued, par value, $23,838,400; market value $10,800,000

National Fire Proofing Company.

"The Terra Cotta Trust."

Incorporated under Pennsylvania laws in 1889, with the title of the "Pittsburgh Terra Cotta Lumber Company." On December 20, 1899, it increased its capital stock for the purpose of acquiring additional properties, and, at the same time, changed its corporate title to the "National Fire Proofing Company." On February 17, 1902, the stock was again increased to acquire 18 additional plants, the property of 15 different companies.

The company manufactures porous terra cotta, and dense tile fire proofing, plain and ornamental blocks, underground conduits, chimney brick and bin tile, and other standard articles and specialties made from clay. The company controls 29 plants located in different States.

Capital stock authorized, $10,000,000 7% non-cumulative preferred, and $5,500,000 common stock. Par, $100. Dividends paid, 7% on preferred, and 5% on common. The net earnings for the year 1902 were $1,126,968.

Number of plants acquired.......................... 29
Proportion of industry controlled................. 65%
Products: Terra cotta and dense tile fire-proofing, and all clay products.
Element of monopoly: Unimportant (partial patent rights, etc.).
Total capital issued, par value, $15,500,000; market value $9,100,000

National Glass Company.

"The Glass Ware Trust."

Incorporated under the laws of Pennsylvania, July 5, 1899, to consolidate the following American manufacturers of glass table ware:

Crystal Glass Co., Bridgeport, Ohio.
Canton Glass Co., Marion, Ind.
Central Glass Co., Summitville, Ind.
Cumberland Glass Co., Cumberland, Md.
Beatty-Brady Glass Works, Dunkirk, Ind.
Dalzell, Gilmore & Leighton Works, Findlay, Ohio.
Fairmont Glass Works, Fairmont, W. Va.
Greensburg Glass Works, Greensburg, Pa.
Ind. Tumbler & Goblet Works, Greentown, Ind.
Keystone Glass Works, Rochester, Pa.
McKee Bros. Glass Works, Jeannette, Pa.
Model Flint Glass Works, Albany, Ind.
Northwood Glass Works, Indiana, Pa.
Ohio Flint Glass Works, Lancaster, Ohio.
Riverside Glass Works, Wellsburg, W. Va.
Robinson Glass Works, Zanesville, Ohio.
Rochester Tumbler Works, Rochester, Pa.
Royal Glass Works, Marietta, Ohio.
West Virginia Glass Works, Martins Ferry, Ohio.

Capital stock authorized and issued, $1,550,000 7% non-cumulative preferred, and $1,500,000 common. Par value, $50. Bonded debt, $2,500,000 6% bonds, due 1921 and 1949.

Number of plants acquired........................... 19
Proportion of industry controlled...................50% to 70%
Products: Table glass ware.
Element of monopoly: Important (tariff benefits, etc.).
Total capital issued: Par value, $5,500,000; market value $4,000,000

National Novelty Corporation.

"The Toy Trust."

Incorporated under New Jersey laws, December, 1902, as a consolidation of the following manufacturers of toys and novelties:

Wilkins Toy Co., King, N. H.
Jones & Bixler Mfg. Co., Freemansburgh, Pa.
Kenton Hardware Mfg. Co., Cromwell, Conn.
Watrous Mfg. Co., East Hampton, Conn.

J. & E. Stevens Co., Cromwell, Conn.
Gongbell Mfg. Co., East Hampton, Conn.
M. N. Hill Brass Co., East Hampton, Conn.
Wrightsville Hardware Co., Pawtucket, R. I.
A. O. Spears Co., Gardner, Mass.
Noble & Cooley, Granville, Mass.
Thorndyke Turning Co., Baldwinsville, Mass.
Whitney Reed Share Co., Leominster, Mass.
F. W. Crandall Co., North East, Pa.
M. Redgrave, North East, Pa.
Short Mfg. Co., North East, Pa.
D. P. Clarke & Co., Winchendon, Mass.
Stowell Mfg. Co.
Manistee Novelty Co., Manistee, Mich.

It is reported that additional properties will be absorbed later.

Capital stock authorized, $5,000,000 7% cumulative preferred, and $5,000,000 common stock. None of the stock was offered to the public, but the properties were turned over to the corporation in all cases in exchange for securities. Bonded debt authorized, $1,250,000 first mortgage 6% bonds, due August 21, 1933.

Number of plants acquired.......................... 18
Proportion of entire industry controlled.............. 70%
Products: Toys and novelties of all kinds.
Element of monopoly: Minor (partial patent rights).
Total capital: Par value, $11,250,000; market value about $5,000,000

Otis Elevator Company.

"The Elevator Trust."

Incorporated under New Jersey laws, November 28, 1898, to acquire the business and property of the following companies engaged in the manufacture, operation and selling of elevators:

Otis Bros. & Co., New York.
Otis Electric Co., New York.
Crane Elevator Co. of Illinois.
Hale Elevator Co., Illinois.
National Elevator Co., Illinois.
Smith-Hill Elevator Co., Illinois.
Standard Elevator & Mfg. Co., Illinois.

In September, 1902, the company acquired control of the business of R. Waygood & Company, the leading English manufacturers of elevators. In January of the same year the Plunger Elevator Company, of Worcester, Mass., was acquired.

Capital stock authorized, $6,500,000 6% non-cumulative preferred, and $6,500,000 common. Outstanding, $6,350,000 common, and $5,489,800 preferred. Par, $100. Dividends on preferred have been regularly paid, and in March, 1903, a dividend of 2% was paid on the common stock. Bonded debt, $1,100,000 4% gold notes, due from 1903 to 1908.

Net earnings year ended December 31, 1901, $842,096; 1902, $978,410. The cash surplus in December, 1902, was $1,000,000.

Number of plants acquired..........................	9
Proportion of industry controlled....................	65%
Products: Hydraulic, other elevators, elevator parts and accessories.	
Element of monopoly: Important (patent rights, etc., etc.).	
Total capital issued, par value, $12,939,800; market value (about)................................	$7,000,000

The Pullman Company.

"The Palace Car Trust."

Incorporated under Illinois laws, February 6th, 1867, under the name of "Pullman's Palace Car Company. This name was changed to the present style on December 30, 1899. In December, 1899, the company purchased the assets and property of the Wagner Palace Car Company, including its cars, equipments and contracts with various railway companies.

This company owns or controls over 500 sleeping, parlor and tourist cars, and owns and operates extensive shops at Pullman, Ill., and repair shops in St. Louis, Denver, Colo.; Wilmington, Del., and Ludlow, Ky. The Wagner Company had extensive works at Buffalo, N. Y., which this company acquired. The total mileage of railroad covered by this company in operation is more than 170,000 miles. The number of persons employed in all departments of the Pullman works, was last year 19,103, and the wages paid, $10,633,-788.

Capital stock, $74,000,000. Dividends paid, 8% per annum.

The total gross revenue during the past three years has been as follows: Year ending July 31, 1900, $15,022,858; 1901, $17,996,-782; 1902, $20,597,903. The total surplus July 31, 1902, was $10,-788,000.

Number of plants acquired.......................... 2
Proportion of entire industry controlled.............. 85%
Product: Railway cars, palace and sleeping cars, parts and accessories.
Element of monopoly: Partial (patent rights, valuable contracts, etc., etc.).
Total capital issued: Par value, $74,000,000; market value $165,000,000

THE QUAKER OATS COMPANY.

"The Cereal Trust."

Incorporated under New Jersey laws, September 21, 1901, for the purpose of carrying on a general business in the milling, selling and handling of cereals, including all contingent lines, such as elevators, car lines, etc. It acquired over 95% of the capital stock of the American Cereal Company, together with other smaller properties. The American Cereal Company operates large cereal mills at Akron, Ohio; Cedar Rapids, Iowa, and Chicago, Ill., where it manufactures various cereal food products, the most important being Quaker Oats.

Capital stock authorized, $8,000,000 6% cumulative preferred, and $4,000,000 common stock. Par, $100. Outstanding, $7,307,000 preferred, and $3.951,750 common. Dividends at the rate of 6% are paid on the preferred. The American Cereal Company's stock amounts to $3,400,000, on which dividends are paid at the rate of 12% per annum. The American Cereal Company has a 6% first mortgage of $1,187,300, due 1911.

Number of plants acquired.......................... 3
Proportion of industry controlled.................... uncertain
Product: Cereals.
Element of monopoly: Slight (strength in trade-marks, large scale methods, etc.).
Total capital issued, par value, $12,446,050; market value $8,350,000

RAILWAY STEEL SPRING COMPANY.

"The Car Spring Trust."

Incorporated under New Jersey laws, February 25th, 1902, as a consolidation of the following properties:

A. French Spring Works, Pittsburg, Pa.
Chas. Scott Spring Works, Philadelphia, Pa.

Pickering Steel Works, Philadelphia, Pa.
National Railway Spring Works, Oswego, N. Y.
Detroit Steel & Spring Works, Detroit, Mich.
Railway Spring Dept. of Crucible Steel Co., Pittsburg, Pa.

Shortly after the consolidation the company acquired the Steel Tired Wheel Company, operating plants at Hudson, N. Y.; Depew, N. Y.; Scranton, Pa.; Pullman, Ill.; Denver, Chicago and Cleveland, for the manufacture and sale of steel tired wheels. The consolidation represents about 95% of the railway car and locomotive springs made in the United States.

In November, 1902, the Railway Spring and Mfg. Company, of Washington, D. C., was acquired.

Capital stock authorized and issued, $13,500,000 7% cumulative preferred, and $13,500,000 common. Par value, $100. Dividends have been regularly paid on the preferred stock.

Number of plants acquired........................ 14
Proportion of industry controlled.................... 95%
Products: Railway car and locomotive springs, etc.
Element of monopoly: Important (patent rights, etc.).
Total capital issued, par value, $27,000,000; market value $13,500,000

Royal Baking Powder Company.

"The Baking Powder Trust."

Incorporated under New Jersey laws, March 1, 1899, as a consolidation of the old Royal Baking Powder Company, Cleveland Baking Powder Company, Price Baking Powder Company, Tartar Chemical Company and New York Tartar Company.

Capital stock authorized and issued, $10,000,000 6% cumulative preferred stock, and $10,000,000 common stock. Par, $100. Preferred stock has no voting power except in case of default of dividends. Dividends are now regularly paid at the rate of 6% per annum. The rate paid on the common stock has not been divulged, the common all being owned by inside interests.

Number of plants acquired......................... 5
Proportion of industry controlled..................58% to 65%
Product: Baking powder.
Element of monopoly: None (strength dependent upon trade-marks, efficiency, etc.).
Total capital issued, $20,000,000; market value.......$20,000,000*

*Figuring common stock at par.

RUBBER GOODS MANUFACTURING COMPANY.

"Rubber Goods Trust."

Incorporated under New Jersey laws, January 26, 1899, as a consolidation of a large number of plants engaged in the manufacture of all kinds of rubber goods, with the exception of boots and shoes, and of specialties, including mechanical goods and ties.

The capital stock of the Mechanical Rubber Company, which owns the plants of the Chicago Rubber Works, Chicago; Cleveland Rubber Works, Cleveland; New York Belting & Packing Company, Passaic, N. J., and Sandy Hook, Conn.; Fabric Fire Hose Company, Warwick, N. Y.; Stoughton Rubber Company, Stoughton, Mass.

Also 75% of the capital stock of Morgan & Wright, Chicago; the entire capital stocks of the Peerless Rubber Mfg. Company, New York; the India Rubber Company, Akron, Ohio; the Sawyer Belting Company, Cambridgeport, Mass.; the Peoria Mfg. Company, Peoria, Ill.; the Indianapolis Rubber Works Company, Indianapolis, Ind.; The Hartford Rubber Works Company, Hartford, Conn., and other valuable properties. The company later acquired the entire capital stock of the American Dunlap Tire Company and the rubber manufacturing interests of the American Bicycle Company, with patents and contracts.

Capital stock authorized, $25,000,000 7% cumulative, and $25,000,000 common. Par, $100. Outstanding, $8,051,400 preferred, and $16,941,700 common. Dividends of 7% per annum are regularly paid on the preferred. Bonded debt of constituent companies amounts to $1,125,000. Net earnings during the past three years have been as follows: 1900, $1,833,391; 1901, $1,646,585; 1902, $1,449,749.

Number of plants acquired.......................... 17
Proportion of industry controlled..............about 40% to 60%
Products: Rubber goods, all kinds, mechanical, rubber
ties, etc.; but not boots and shoes.
Element of monopoly: Unimportant.
Total capital issued, par value, $24,993,100; market
value $9,000,000

Standard Sanitary Manufacturing Company.

"Plumbing Supply Trust."

Incorporated under New Jersey laws, December 27, 1899, to consolidate the business and acquire the plants of the following properties engaged in the manufacture of plumbers' enameled iron ware, brass work and other plumbers' supplies:

Ahrens & Ott Mfg. Co., Louisville, Ky.
Buick & Sherwood Mfg. Co., Detroit, Mich.
Cribben & Sexton Co., Chicago, Ill.
Dawes & Myler, New Brighton, Pa.
Pennsylvania Bath Tub Co., Elwood City, Pa.
Standard Mfg. & Enameling Co., Muncie, Ind.
Standard Mfg. Co., Pittsburg, Pa.
Victor Mfg. Co., Allequippa, Pa.
J. J. Vollrath Mfg. Co., Sheboygan, Wis.

The foregoing companies were said to produce about 80% of the entire production of plumbers' enameled iron ware in the United States.

Capital stock authorized, $2,500,000 7% non-cumulative preferred, and $2,500,000 common stock. Outstanding, $1,905,500 preferred, and $2,067,400 common. Par, $100. Dividends of 7% per annum are regularly paid on the preferred. Bonded debt, $1,757,000 first mortgage 6% bonds, due in 1919.

Number of plants acquired..........................	9
Proportion of entire industry controlled...............	80%
Products: Plumbers' enameled iron ware, brass work, plumbers' supplies, etc.	
Element of monopoly: Minor (partial patent rights, etc.).	
Total capital issued: Par value, $5,729,900; market value .... (about)	$4,300,000

Standard Table Oilcloth Company.

"The Oilcloth Trust."

Incorporated under New Jersey laws, July 13, 1901, as a consolidation of the following plants engaged in the manufacture of table oilcloth, stair and shelf oilcloth, table covers, wall coverings, enameled oilcloth, carriage cloth, tarpaulins, slicker cloth, hatsweats, shoe muslins, bag coverings and other articles of the same description:

Altha & Hughes, Newark, N. J.
Goodlate Oilcloth Co., Passaic, N. J.

A. F. Buchanan & Sons, Montrose, N. Y.
Keystone Oilcloth Co., Morristown, Pa.
Ohio Oilcloth Co., Youngstown, Ohio.
Western Linoleum Co., Akron, Ohio.
Jos. Wild & Co., Astoria, N. Y.

The foregoing companies are said to have a productive capacity of nearly twice the amount of lightweight oilcloth produced in the United States.

Capital stock authorized, $5,000,000 7% cumulative preferred, and $5,000,000 common stock. Outstanding, $4,000,000 preferred, and $4,000,000 common.

Number of plants acquired..........................	7
Proportion of industry controlled (about)..........	50%
Products: Oilcloths of every kind (except flooring).	
Element of monopoly: Moderate (partial tariff benefits).	
Total capital issued, par value, $8,000,000; market value (about)	$6,000,000

UNION BAG AND PAPER COMPANY.

"The Paper Bag Trust."

Incorporated under New Jersey laws, February 27, 1899, as a consolidation of the following concerns engaged in the manufacture of paper bags:

Howland & Co., Paper and Pulp Mills, Sandy Hill, N. Y.
Geo. West Paper & Bag Co., Hadley Falls and Ballston Spa, N. Y.
Union Bag & Paper Co., Watertown, Mass., and Sandy Hill, N. Y.
Sam'l Cupples Bag Factory, St. Louis, Mo.
Western Paper Bag Co., Batavia, Ill., and Kaukauna, Wis.
Consolidated S. O. S., Plattsville, Conn., and Brooklyn, N. Y.

The foregoing mills, at the time of consolidation, were said to represent about 95% of the total paper bag output in the United States. The capacity is equal to about 20,000,000 bags a day. In addition its bag factories, the company owns extensive tracts of woodlands, from which it manufactures its own paper and wood pulp. The company also owns water powers on the Hudson River at Sandy Hill, and at Hadley Falls and Kaukauna, Wis.

Capital stock authorized and issued, $11,000,000 7% cumulative preferred, and $16,000,000 common. Par, $100. Dividends are regularly paid on the preferred stock. The profits of the company during the past three years have been as follows: 1900, $1,494,160; 1901, $803,063; 1902, $876,470.

Number of plants acquired........................	10
Proportion of industry now controlled................	over 80%

Products: Paper bags.

Element of monopoly: Moderate (partial tariff benefits, patents and trade-marks).

Total capital issued: Par value, $27,000,000; market value .... (about) $7,400,000

UNION TYPEWRITER COMPANY.

"The Typewriter Trust."

Incorporated under New Jersey laws, March 29, 1893, to consolidate the following concerns in the manufacture and sale of typewriters:

- American Writing Machine Co.
- Densmore Typewriter Co.
- Smith-Premier Co.
- Remington Typewriter Co.
- Yost Writing Machine Co.

Capital stock authorized, $4,000,000 7% cumulative first preferred, $6,000,000 8% cumulative second preferred, and $10,000,000 common stock. Outstanding, $4,015,000 second preferred, and all the first preferred and common. Dividends are regularly paid at the rate of 7% on the first preferred, 8% on the second preferred, and 6% on the common stock.

Number of plants acquired........................	5
Proportion of industry controlled....................	75%

Products: Typewriters, various makes.

Element of monopoly: Strong (tariff benefits; stability also benefited by patents, trade-marks, etc.).

Total capital issued, par value, $18,015,000; market value $17,500,000

UNITED BOX BOARD AND PAPER COMPANY.

"The Box Board Trust."

Incorporated under New Jersey laws, May 28, 1902. The company acquired a majority of the stock of the American Straw Board Company and all the stock of the Knickerbocker Pulp & Paper Company. In addition, it acquired other plants, including the Traders' Paper Company, of Lockport, engaged in the manufacture of straw board and box board, and it operates or controls in all 26 plants. These establishments produce about 90% of the total output of such material in the United States.

In October, 1903, a selling company known as the Box Board Products Company, was organized to handle the products of the leading box board manufacturing companies of the United States, including this company.

Capital stock authorized, $15,000,000 7% cumulative preferred, and $15,000,000 common. Par, $100. Outstanding, $11,418,000 preferred, and $14,018,500 common. Bonded debt consists of $2,000,000 first mortgage 5% bonds, due from 1904 to 1913.

Number of plants acquired	26
Proportion of industry controlled	90%
Products: Straw board and box board materials all kinds.	
Element of monopoly: Moderate (partial patent rights, etc.).	
Total capital issued, par value, $27,436,500; market value (about)	$4,500,000

United Button Company.

"The Button Trust."

Incorporated under Delaware laws, May 23, 1902, as a consolidation of the following companies:

Boston Button Co., Boston, Mass.
Newell Bros. Mfg. Co., Springfield, Mass.
Williston & Knight Co., East Hampton, Mass.

The three companies above named manufacture about 85% of the entire covered button business in the United States. and about 45% of the ivory button business.

Capital stock authorized, $1,500,000 8% cumulative preferred. and $1,500,000 common. Outstanding, $1,007,700 preferred, and $799,900 common. Bonded debt, $525,000 first mortgage collateral trust 6% bonds, due June 1, 1932. Authorized issue, $750,000.

Number of plants acquired	3
Proportion of industry controlled	see text
Products: Ivory and covered buttons.	
Element of monopoly: Moderate (partial tariff benefits and patent rights).	
Total capital issued; par value, $2,332,600; market value (about)	$2,000,000

United Fruit Company.

"The Fruit Trust."

Incorporated under New Jersey laws, March 30, 1899, to produce, transport and distribute tropical fruit from Central and South America and West India Islands to the United States. The company then acquired control of the Boston Fruit Company, Sama Fruit Company, Banes Fruit Company, Dominican Fruit Company, Quaker City Fruit Company, American Fruit Company, Buckman Fruit Company, Colombian Land Company, Snyder Banana Company, the Tropical Trading & Transport Company, and a fleet of steamers plying between South and Central America, the West Indies, and American ports. The company also acquired banana plantations in Cuba, Jamaica, Central and South America. Volume of business about 20,000,000 bunches of bananas and 15,000,000 cocoanuts per year. The company owns 112 miles of railways in the various countries where its plantations are located, and also has a large sugar property in Cuba.

Since 1902, the company has developed an important foreign business in addition to its business of the importation of fruits into the United States. The United Fruit Company owns 45% of the stock of the Elder & Fyffes Fruit Company, Limited, which operates in England, Central America, Jamaica and the Canary Islands.

Capital stock authorized, $20,000,000. Outstanding, $12,369,500. Par, $100. Dividends at the rate of 10% were paid from October 15, 1899, to April, 1901. In July, 1901, the rate was reduced to 6%, but in October, 1903, an extra dividend of 1% was paid in addition to the regular quarterly 1½%. Bonded debt consists of $4,000,000 in 10-year debentures due 1911, and also $1,600,000 underlying bonds.

Number of plants acquired (about) 14
Proportion of industry controlled .... (about) 60%
Products: Tropical fruits.
Element of monopoly: None.
Total capital issued, par value, $17,969,500; market value $18,000,000

UNITED SHOE MACHINERY COMPANY.

"The Shoe Machinery Trust."

Incorporated under New Jersey laws, February 7, 1899, as a consolidation of the leading concerns in the United States engaged in the manufacture of shoe machinery. The chief concerns consolidated were the following:

Consolidated & MacKay Lasting Machine Co.
MacKay Shoe Machinery Co.
Goodyear Shoe Machinery Co.
International Goodyear Shoe Machinery Co.
Goodyear Shoe Machinery Co. of Canada.
Eppler Welt Machine Co.
International Eppler Welt Machine Co.
Davey Pegging Machine Co.

The consolidated concern has formed auxiliary companies in Canada, Great Britain, France and Germany, which are known respectively as the United Shoe Machinery Company of Canada, British United Shoe Machinery Company, United Shoe Machinery Company of France, and Deutsche Vereinigte, Schumaschinne Gesellschaft M. B. H. A branch office of the company has also been established in Australia.

Capital stock authorized, $12,500,000 6% cumulative preferred, and $12,500,000 common. Outstanding, $9,936,450 preferred, and $10,720,300 common. Par value, $25. Dividends on common 8%, and on preferred 6%.

Number of plants acquired.......................... 12
Proportion of industry controlled.................... majority
Products: Shoe-making machinery.
Element of monopoly: Strong (patent rights, etc.).
Total capital issued, par value, $20,656,750; market value
(about) $20,000,000

UNITED STATES CAST IRON PIPE AND FOUNDRY COMPANY.

"The Cast Iron Pipe Trust."

Incorporated under New Jersey laws, March 13, 1899, to consolidate the properties and carry on the business of the following plants manufacturing cast-iron pipe:

Lake Shore Foundry, Cleveland, Ohio.
McNeil Pipe & Foundry Co., Burlington, N. J.

National Foundry & Pipe Works, Limited, Scottdale, Pa.
Buffalo Cast Iron Pipe Co., Buffalo, N. Y.
Ohio Pipe Co., Columbus, Ohio.
Addiston Pipe & Steel Co., Cincinnati, Ohio.
Dennis Long & Co., Louisville, Ky.
American Pipe & Foundry Co., Chattanooga, Tenn.; Pittsburg, Pa.; Bessemer, Anniston and Bridgeport, Ala.

These concerns were reported to have had a yearly capacity of 450 tons, which is about 75% of the production in the United States.

Capital stock authorized, $15,000,000 7% non-cumulative preferred, and $15,000,000 common. Outstanding, $12,500,000 preferred, and $12,500,000 common. During 1902 and 1903, 4% was paid on the preferred stock; none on the common.

The company has no direct bonded debt, but there is outstanding $1,194,000 6% bonds of the American Pipe & Foundry Company.

The net income during the past two years has been as follows: Year ending May 31, 1902, $901,949; 1903, $1,370,542.

Number of plants acquired	9
Proportion of industry controlled	75%

Products: Cast-iron pipe.
Element of monopoly: Small.
Total capital issued: Par value, $26,194,000; market value (about) $8,000,000

United States Envelope Company.

"The Paper Envelope Trust."

Incorporated under the laws of Maine in 1898 as a consolidation of the leading manufacturers of envelopes in the United States. The companies which were absorbed and which represented at that time about 90% of the production, were as follows:

Logan, Swift & Brigham Co., Worcester, Mass.
U. S. Envelope Co., Holyoke, Mass.
White, Corbin & Co., Rockville, Conn.
Plympton Mfg. Co., Hartford, Conn.
Morgan Envelope Co., Springfield, Mass.
National Envelope Co., Milwaukee, Wis.
P. P. Kellogg & Co., Springfield, Mass.
Whitcomb Envelope Co., Worcester, Mass.
W. H. Hill Envelope Co., Worcester, Mass.
Springfield Envelope Co., Springfield, Mass.

Capital stock authorized, $4,000,000 7% cumulative preferred, and $1,000,000 common stock. Outstanding, $3,750,000 preferred, and $750,000 common. Par, $100. Dividends were paid on the preferred at rate of 7% up to December, 1901, and since that time, the rate has been 5%. Bonded debt consists of $2,225,000 5% and 6% bonds due from 1904 to 1918. The earnings during the past two years have been as follows: Year ending June 30, 1902, $485,-010; 1903, $559,063.

Number of plants acquired.......................... 10
Proportion of industry now controlled..............50% to 60%
Product: Envelopes.
Element of monopoly: None.
Total capital issued, par value, $6,725,000; market value $4,500,000

United States Finishing Company.

"The Print Goods Trust."

Incorporated under the laws of New Jersey, June 29, 1899, to consolidate the following companies which were engaged in the business of bleaching, dyeing, printing and finishing cotton pieced goods:

Norwich Bleaching, Dyeing & Printing Co., Norwich, Conn.
Dunnell Mfg. Co., Pawtucket, R. I.
Reid & Barry Co., Passaic, N. J.

In May, 1901, the company acquired control of the Sterling Dyeing & Finishing Company, of Sterling, Conn.

Capital stock authorized and issued, $2,000,000 7% cumulative preferred, and $1,000,000 common stock. Par. $100. Dividends of 7% per annum are paid on the preferred. Bonds, $1,750,000 5% 20-year bonds due July 1, 1919.

In August, 1903, the company purchased the Silver Spring Bleaching & Dyeing Company, and had a new company incorporated under New Jersey laws entitled the Silver Spring Company, to take over the purchased plant.

Number of plants acquired........................ 5
Proportion of industry controlled.................... uncertain
Products: Cotton pieced print goods, etc.
Element of monopoly: Unimportant.
Total capital issued, par value, $4,750,000; market value..$4,500,000

UNITED STATES GYPSUM COMPANY.

"The Gypsum Trust."

Incorporated under New Jersey laws, December 27, 1901, for the purpose of consolidating the following gypsum producing concerns of the country:

Stucco Gypsum Works
Alabaster Co., Port Alabaster, Mich.
Durr Plaster Co., Grandville, Mich.
Midland Plaster Co., Grand Rapids, Mich.
O. B. English Co., Oakfield, N. Y.
English Plaster Works, Oakfield, N. Y.
Genesee Stucco Works, Oakfield, N. Y.
Alabaster Co., Chicago, Ill.
Baker Plaster Co., Omaha, Neb.
Blue Valley Plaster Co., Blue Rapids, Kan.
Blue Rapids Plaster Co., Blue Rapids, Kan.
Kansas Cement & Plaster Co., Hoe, Kan.
Iowa Plaster Asso., Fort Dodge, Iowa.
Duncombe Stucco Co., Fort Dodge, Iowa.
Fort Dodge Plaster Co., Fort Dodge, Iowa.
Carbon Plaster Co., Fort Dodge, Iowa.
Roman Cement & Plaster Co., Springvale, Kan.
Oklahoma Cement & Plaster Co., Ockarche, Okla.
Marsh & Co., Sandusky, Ohio.
Granite White Plaster Co., Port Clinton, Ohio.
(*Mixers:*)
Durr Mixing Plant, Grandville, Mich.
Big Four Plaster Co., Oakfield, N. Y.
The Rock Plaster Co., Chicago, Ill.
C. F. Duncombe H. W. P. Co., Springfield, Ill.
Adamant Mfg. Co., Milwaukee, Wis.
Adamant Mfg. Co., West Superior, Wis.
Adamant Mfg. Co., Minneapolis, Minn.
Buffalo Mortar Works, Buffalo, N. Y.
Zenith W. P. & Finish Co., St. Paul, Minn.
Sandusky H. W. P. Co., Sandusky, Ohio.
Pittsburg W. P. Co., Pittsburg, Pa.
Diamond H. W. P. Co., Indianapolis, Ind.
(Wall finish:)
Lineno Wall Finish Co., Chicago, Ill.
Cementice Wall Finish Co., St. Paul, Minn.
(Retarders:)
Alabaster Retarder Plant, Wymore, Neb.

The estimated net profits per annum of the combined properties was given as $1,226,000 per annum.

Capital stock authorized and issued, \$4,500,000 7% cumulative preferred, and \$3,000,000 common stock. Par, \$100. Bonded debt, \$1,000,000 first mortgage 5% bonds, due September 1, 1922.

Number of plants acquired.......................... 35
Proportion of industry controlled (about)........... 80%
Products:
Element of monopoly: Minor.
Total capital issued: Par value....................... \$8,500,000

United States Leather Company.

"The Leather Trust."

Incorporated under the laws of New Jersey, February 25, 1893, to consolidate the business of about 25 firms and corporations engaged in the manufacture of leather. Among the most important concerns acquired were the Elk Tanning Company, the Penn Tanning Company and the Union Tanning Company, all of Pennsylvania. It also acquired extensive tan bark lands in Pennsylvania.

Capital stock authorized, \$64,000,000 8% cumulative preferred, and \$64,000,000 common stock. Outstanding, \$62,282,300 preferred, and \$62,882,300 common. The preferred now pays 6% and carries about 40% of accumulated unpaid dividends. Bonded debt, \$5,280,000 of 6% bonds, due 1913.

Number of plants acquired.......................... 25
Proportion of industry controlled.................. 60% to 75%
Total capital issued: Par value, \$130,444,600; market value ....(about) \$60,000,000

United States Rubber Company

"The Rubber Shoe Trust."

Incorporated under New Jersey laws in April, 1892, to engage in the manufacture of rubber goods, principally boots and shoes. The following concerns were acquired:

American Rubber Co., Boston, Mass.
Boston Rubber Co., Boston, Mass.
Boston Rubber Shoe Co.
L. Candee & Co., New Haven, Conn.
Goodyear Metallic Rubber Shoe Co., Naugatuck, Conn.
Goodyear India Rubber Glove Mfg. Co., Naugatuck, Conn.
Lycoming Rubber Co., Williamsport, Pa.
Meyer Rubber Co., New Brunswick, N. J.
National India Rubber Co., Bristol, R. I.

New Brunswick Rubber Co., New Brunswick, N. J.
N. J. Rubber Shoe Co., New Brunswick, N. J.
Para Rubber Shoe Co., Boston, Mass.
Woonsocket Rubber Co., Woonsocket, R. I.

Capital stock authorized, $25,000,000 8% non-cumulative preferred, and $25,000,000 common stock. Outstanding, $23,525,500 preferred, and $23,066,000 common. Par, $100. From 1893 to 1897, 7% was paid on preferred. In 1897, 6% was paid. In January, 1901, 1% was paid, but nothing since. In March, 1895, ½% was paid on common. In December, 1896, 2% was paid on common. From July, 1899, to April, 1900, 1% was paid quarterly on common, but none since. Bonded debt consists of $12,000,000 first mortgage 5% gold notes due March 1, 1905.

Number of plants acquired.......................... 13
Proportion of entire industry controlled (about)........ 50%
Products: Rubber goods, principally boots and shoes.
Element of monopoly: Small.
Total capital issued, par value, $58,591,000; market value (about) $25,000,000

U. S. Bobbin and Shuttle Company.

"The Bobbin and Shuttle Trust."

Incorporated under New Jersey laws, July 31, 1899, to absorb and consolidate the five leading bobbin and shuttle manufacturers of the country, as follows:

Jas. Baldwin Co., Manchester, N. H.
Fall River Bobbin & Shuttle Co., Fall River, Mass.
Wm. Parker & Sons, Lowell, Mass.
L. Sprague Co., Lawrence, Mass.
Woonsocket Bobbin Co., Woonsocket, R. I.

In 1900 the plant of T. J. Hale, at Lawrence, Mass., was also absorbed. It was announced that the foregoing concerns represented about 90% of the output of the country.

Capital stock authorized, $800,000 7% cumulative preferred, and $1,200,000 common stock. Outstanding, $650,000 preferred, and $1,000,000 common. Bonded debt, $120,000 first mortgage 6% bonds, due 1919.

Number of plants acquired.......................... 6
Proportion of industry controlled.................... 90%
Element of monopoly: Important patent rights, etc.
Total capital issued: Par value...................... $1,790,000

Westinghouse Properties.

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY: Incorporated under the laws of Pennsylvania in 1872 to manufacture and sell machinery and appliances for the generation, transmission and utilization of electricity. It owns an extensive plants at Pittsburg, Pa., and has lease agreements with the United States Electric Lighting Company, at Newark, N. J., and with the Consolidation Electric Light Company of New York, under which it operates the factories of these companies. An agreement was made with the Baldwin Locomotive Works, Philadelphia, in 1895, for the joint manufacture of electric locomotives. A year later a contract was made with the General Electric Company for the pooling and joint use of patents owned by both companies, and in 1898, the Westinghouse Electric & Manufacturing Company bought the capital stock of the Walker Company, Cleveland, Ohio. The company is also interested very largely in the British Westinghouse Electric & Manufacturing Company, of Manchester, England. Recently the Canadian Westinghouse Company, Ltd., was formed with $2,500,000 capital stock to take over all the interests in Canada of the Westinghouse companies, including plants of the Westinghouse Manufacturing Company, Ltd., Hamilton, Ont. The last named concern has been manufacturing air brakes, and its entire capital stock was owned by the Westinghouse Air Brake Company of Pittsburg. The new company also secures the patents and business of the Westinghouse & Electric Company, in Canada. Cash to the amount of $1,350,000 will be provided for the development of the Canadian business, extensions to plants, etc., while the Westinghouse Air Brake Company received $850,000 in stock of the new company, the Electric & Manufacturing Company $950,000, and the new interests $700,000.

Capital stock authorized of the Westinghouse Electric & Manufacturing Company is $25,000,000, of which $4,000,000 is first preferred, and $21,000,000 common. Of the former, there is outstanding $3,998,700, and of the latter (assenting stock), $18,526,800; there being only $3,650 of unassented stock. Par, $50. The first preferred is entitled to cumulative dividends of 7% per annum, and has the right to participate equally with the other stock after the same shall have received 7%, and is preferential as to principal. Dividends have been paid on the preferred as follows: From February, 1902, to May, 1903, inclusive, 7% per annum; interim May 15th, to July 1, 1903, 1¼%; October 20th, 2½% (quarterly). On the assenting stock, dividends have been paid as follows: February, 1900, 1¼%; May, 1900, to May, 1901, 6% per annum; August, 1901, to May, 1903, inclusive, 7%; July, 1903, 1¼% (May to July); October, 2½% quarterly.

Bonded debt, $3,050,000 5% debenture bonds; due 1913; interest January and July at Mercantile Trust Company, New York. A sinking fund was created of $150,000 yearly from 1900 to pay off these debentures at 105, to be drawn by lot. No lien can be placed on the property without providing for the debentures.

According to an official circular, net earnings, including those of subsidiary concerns, were approximately $4,650,000 for the year ended March 31st, 1903.

Officers: George Westinghouse, President; F. H. Taylor, P. F. Kobbe and L. A. Osborne, Vice-Presidents; T. W. Siemon, Treasurer; C. A. Terry, Secretary; James C. Dennett, Auditor; W. J. Longmore, Purchasing Agent. Directors: Brayton Ives, Chairman; George Westinghouse, F. H. Taylor, James H. Hyde, George W. Hebard, Ph. Ford Kobbe, August Belmont, N. W. Bumstead, Anthony N. Brady, Charles Francis Adams, H. H. Westinghouse and George C. Smith.

Main office, Pittsburg, Pa.

New York office, 120 Broadway.

Note: In addition to the Westinghouse patents, this company owns exclusive rights to the Tesla patents on alternating currents.

WESTINGHOUSE AIR BRAKE COMPANY: This is a Pennsylvania corporation, having been chartered under the laws of that State for the purpose of manufacturing compressed air and vacuum brakes for railroad cars and locomotives, together with other appliances. It operates an extensive plant at Wilmerding, near Pittsburg, Pa., and owns and controls many valuable patents, including those of George Westinghouse. In 1898, the Westinghouse Company acquired entire capital stock of the American Brake Company, and also the property of the Boyden Air Brake Company of Baltimore. Since then, quite extensive additions to its plants have been made by the company, paid for out of earnings.

Capital stock authorized, $11,000,000, of which $10,950,000 is outstanding. Par, $50. Originally the issue of stock was $5,000,000, but in 1898 it was increased by a stock dividend of $5,000,000 and an issue of $1,000,000, the latter being for the purpose of acquiring additional property. In 1901 and 1902 dividends at the rate of 25½% were paid on the stock, and in 1901 and 1902, and

1902 and 1903, 24%. A recent quotation for the stock is a bid of $132. At this figure on the basis of 24% dividends, there is netted the investor about 9.09%. The company has no bonded debt.

President of the company, in his annual report, read at the annual meeting in Pittsburg, September 14th, 1903, said in part: "At the last annual meeting reports were submitted showing that $498,493.36 had been charged off to cover depreciation of plant and other property, including a considerable reduction in the value at which holdings of stock in associated companies were carried, with a balance of $2,928,695.95 to general profit and loss account. The management does not consider it proper to repeat such heavy depreciation charges within so short a period, and have, therefore, confined this year's total to $25,506.29, representing a number of small amounts aggregating that sum. On the other hand, it seems advisable to guard against a possible future shrinkage of inventory values by reason of falling prices of purchased material, and to that end $300,000 has been placed to the credit of a special liability account against which such depreciation may be properly charged without necessarily drawing on current earnings or affecting the established book value of the company's capital stock.

"It will be of interest to know that the *Net Sales,* that is, gross sales less rebates and discounts allowed during the same term, are the largest in the company's history. With the exception of one year, the same statement is true of *Net Earnings,* notwithstanding the continued reduction in the selling price of brake apparatus."

Officers: George Westinghouse, President; Robert Pitcairn, W. W. Card, H. H. Westinghouse, Vice-Presidents; John Caldwell, Treasurer; John F. Miller, Secretary; Henry W. Oliver, Purchasing Agent.

Office, Westinghouse Building, Pittsburg, Pa.

Note: Canadian Westinghouse Company, Ltd., has been formed with a capital of $3,500,000, of which the Westinghouse Air Brake will have $850,000.

WESTINGHOUSE MACHINE COMPANY: Incorporated under the laws of the State of Pennsylvania in 1881, for the purpose of manufacturing steam engines of from five to ten thousand horse power, steam turbine engines and mechanical stoking plants; also an improved gas engine. Besides owning extensive plants at Pittsburg, Pa., the company has a modern foundry at Trafford City, and a large plant at Chicago, the latter used exclusively for the manufacture of stokers. It is estimated that a sum considerably in excess of $8,000,000 has been invested in plants, etc., by the company. The Westinghouse Foundry Company, chartered in Pennsylvania, in December, 1901, for the purpose of building a foundry for the Westinghouse Machine Company, about 25 miles south of Pittsburg, on the Pennsylvania Railroad, has $1,000,000 5% bonds, dated May 1, 1903, interest May and November 1. Principal redeemable in series of $50,000 each at 105 after five years from May 1st, 1902. These bonds are guaranteed by the Westinghouse Machine Company.

Capital stock authorized and issued, $5,000,000. Par, $50. Prior to January, 1902, there was only $3,000,000 stock issued, divided into two classes, but there is but one class at present. Dividends at the rate of 10% per annum are being paid, the periods being quarterly, January.

Bonded debt $350,000 first mortgage 6% gold bonds, due June 1st, 1914. Interest, June and December. $1,150,000 5% debenture bonds, due June 1st, 1919. Interest, June and December. Of this issue of $1,150,000, $350,000 are reserved to retire the 6% bonds, due 1914, and the balance to build a steel foundry and forging plant at East Pittsburg, having a daily capacity of 80 tons of steel castings and forgings. The $1,000,000 Westinghouse Foundry Company 5s, guaranteed principal and interest, by the Westinghouse Machine Company, are due 1907 to 1927; interest payable March and September. The first mortgage bonds of the Machine Company may be called in 1905.

No earning statements of the company are obtainable for publication.

Officers: George Westinghouse, President; N. E. Keller, Vice-President; T. L. Brown, Secretary and Treasurer; Charles Garland, Assistant Secretary.

Office, 25th street and Liberty avenue, East Pittsburg, Pa.

Number of properties controlled	(about) 16
Proportion of industry	*
Total capital issued: Par value........................	$44,025,500

*Divides fully 90% of entire American industry with General Electric Company, which see.

PART III

Important Industrial Trusts in Process of Reorganization or Readjustment

American Malting Company.

"The Malting Trust."

This consolidation was organized under New Jersey laws September 28, 1897, and acquired in exchange for $12,500,000 of preferred stock and $13,740,000 of common stock 22 malting plants located in different parts of the United States, and also a cash working capital of $2,080,000. The plants acquired were the following: L. I. Aaron Malting Company, Chicago, Ill.; Fred. F. Bullen Malting Company, Chicago, Ill.; Wm. Buchheit Malting Company, Watertown, Minn.; Brand, Bullen & Yund Malting Company, Chicago, Ill.; Chicago Pneumatic Malting Company, Chicago, Ill.; Estate of C. G. Curtiss, Buffalo, N. Y.; John Carden, Jr., Malting Company, Chicago, Ill.; Carden Malting Company, Chicago, Ill.; Hansen Hop & Malt Company, Milwaukee, Wis.; Hales & Curtiss Malting Company, Chicago, Ill.; Howard Northwood Malt Mfg. Company, Detroit, Mich.; Krauss-Merkel Malting Company, Milwaukee, Wis.; Milwaukee Malt & Grain Co., Milwaukee, Wis.; Matthews Malting Company, Le Roy, N. Y.; New York & Brooklyn Malting Company, New York; W. H. Purcell Malting Company, Chicago, Ill.; Sohnger Malting Company, Hamilton, Ohio; Charles A. Stadler Malting Company, New York; Estate of Jacob Wechler, Erie, Pa.; C. M. Warren Malting Company, Syracuse and Jordan, N. Y.; J. Weil Malting Company, Chicago, Ill.

During the year 1898 the company purchased the following small malting plants, chiefly situated in New York State and for which it paid in cash $172,440.93 and $40,000 (par value) in preferred stock:

Souther Malting Company, Clyde, N. Y.; Clyde Malting Company, Clyde, N. Y.; Weedsport Malting Company, Weedsport, N. Y.; Des Moines Malt House, Des Moines, Iowa; John M. Moser Malting Company, Lockport, N. Y.; Scott Malting Company, Lyons, N. Y.; Forty-eighth Street, New York, three lots between First Avenue and East River, on which stables were erected.

In March, 1899, the company purchased the plants and goodwill of the firm of Neidlinger & Sons (leading malsters of New York City outside the combination) for $1,900,000 in preferred stock, $75,000 in common stock and $100,000 cash. These plants are as follows:

Sixty-third and Sixty-fourth Streets, East River, New York; Forty-seventh Street, New York; Brooklyn, N. Y.; Rondout, N. Y.; Cayuga, N. Y.; Oswego, N. Y.; Sodus Point, N. Y.

During the summer of 1899, the company purchased various elevator plants, chiefly situated in the State of Minnesota, and paid for the same $263,252.76 in cash. The business of these plants is the purchase from neighboring farmers of barley and other cereals. They are located at the following places:

Stockton, Chatfield, Mantorville, Simpson, Le Roy, Kellogg, Thielman, St. Charles, Elgin, Rolling Stone, Stewartville, Dakota, Wabasha, Lakey, Zumbro Falls, Hammond, Dover, Plainview, Altura, Racine, Minneska, Lake City, Keegan, Goodhue, Planks, Crossing, Kasson, Bethany, Ostrander, Weaver, Glasgow and Mileville, Minn.; Osage and Dana, Iowa; Durand and Milwaukee, Wis. There are forty-one elevator plants in all.

The prospectus which was issued at the time of the formation of the company predicted that the earnings would be ample to pay a full dividend of 7% on the preferred and at least as much on the common. These figures were said to be based on the results of the business by the independent plants previous to the consolidation.

The capital stock authorized was $15,000,000 preferred and $15,000,000 common, of which $14,540,000 preferred and $14,500,000 common was issued. Par, $100. During the years 1898 and 1899 dividends were paid on the preferred at the rate of 7% per annum, in quarterly installments. The last dividend paid was October 15, 1899.

Immediately after the payment of the last dividend it developed that the company had been losing money and instead of accumulating the surplus which had been predicted, it was found that the concern was laboring under a heavy floating debt. The directors of the company, therefore, announced that it would be necessary to raise additional working capital and suggested that a bond issue be made.

On January 10, 1900, a special committee was appointed to examine into and report on the affairs of the company. This committee, consisting of Frederick Ulmann, R. M. Gallaway and J. P. Ord, made an exhaustive report showing that the company had, on November 1, 1899, just two years after its organization, a floating debt of $2,908,443. The committee also found that dividends had been paid when not earned, and that the company, as a whole, had not been economically managed. The figures reported by the company indicated that the net surplus for the year ended December 31, 1898, had been $198,649. This surplus was secured, however, by crediting the profit and loss account with $388,063 for about 6,700,000 bushels of malt manufactured and sold, but not delivered. This was, of course, an erroneous entry and was deducted by the committee when figuring up the gross profits for 1899. These profits for the latter year amounted to $702,875, and therefore after deducting the erroneous entry mentioned above, a gross income for the year of only $314,811 was shown. During this year, the expenses had amounted to $505,311, and, in addition to this, the company had paid out in dividends no less than $977,550. In view of the foregoing facts, it was, of course, not surprising that the company should have gotten itself in trouble and rolled up a floating debt.

As a result of the above exposures, various changes were made in the Board of Directors and new methods of management were instituted. A mortgage of $5,000,000 was created, securing 6% 15-year bonds, of which $4,000,000 were at once issued to liquidate the company's floating debt, and to be used for working capital. These bonds were underwritten at 90, thus giving the company $3,600,000 in new money.

After this the company was conducted along more economical lines, but no action was taken in regard to readjusting the capitalization, as had been suggested by the investigating committee, in 1900. It was felt, however, that a plan for reducing the capital stock would ultimately be carried through, but in the meantime the new management decided to await the results of current business.

During the latter part of 1901 and of 1902, the company labored under various difficulties, and among other things was affected by the partial failure of the corn crop. Notwithstanding this, the company succeeded in showing a net surplus which reduced its deficit to about $688,000. In the meanwhile, suit had been brought in the Supreme Court in this city against the former management, including a number of the directors, to compel them to restore to the treasury of the company $1,855,350 alleged to have been illegally paid as dividends, and $650,000 claimed to have been lost by mismanagement. This suit, however, was dismissed.

Nothing was done in the direction of reorganizing the company until March 5, 1903, when a plan of reorganization was submitted to the stockholders by the Reorganization Committee, which at this time consisted of Frederick Ulmann, Chairman; Temple Bowdoin, John C. Jenkins and Walter G. Oakman. The plan was based on the showing made by the company during the year ended August 31, 1902, which had reported net profits of $751,470, with a surplus for the year of $323,754, after paying interest, taxes, depreciation, etc.

The reorganization plan provided for the following exchange of securities: A new company would be formed which would assume the present mortgages, and would issue $10,000,000 in 7% preferred and $10,000,000 in common stock. Of the preferred stock, $5,054,000 would go to the old preferred shareholders, being 35% of their holdings; $3,861,000 would be distributed among holders of new preferred stock as the mortgage bonds were redeemed, and the balance, $1,085,000, would go to the Reorganization Committee as compensation for underwriting, etc. Of the new issue of common stock, $3,625,000 would be distributed to holders of old common stock, being 25% of their holdings; $3,861,000 to be distributed to new common stockholders as the mortgage bonds were redeemed, and the remainder, amounting to $2,514,000, would go to the Reorganization Committee, etc.

A peculiar feature of the plan was the reorganization sinking fund, which provided that "such portion of the surplus net profits of such year as shall remain after deducting taxes, interest, reserve and depreciation charges, dividends upon preferred stock and present sinking fund requirements under said mortgage of 1899, and making such provision for improvements, purchase of new plants, or other properties and addition to working capital, as the Board of Directors of the new company may deem advisable, shall be paid to the Guaranty Trust Company of New York as a sinking fund, which shall be applied as rapidly as possible to the retirement of such of the 6% mortgage bonds as shall assent to the plan. As these bonds are retired, the preferred and common stockholders would receive stock dividends in preferred and common stock equal to the amounts of the said 6% bonds redeemed."

Opposition developed at once, and a special committee issued a circular in June, 1903, in which they pointed out what they considered to be the inequitable features of the reorganization plan. Among other things, this opposition committee called attention to the fact that the suit against certain directors of the company, which had been originally dismissed, had since been upheld by the Court of Errors and Appeals at Trenton, N. J., and that the continuance of the present company was essential to the prosecution of the litigation pending. This committee further suggested that any plan submitted should be based on a thorough report of the operation and condition of the company made by outside auditors of well-known reputation.

As a result of the strong opposition to the plan, the latter was amended early in July, 1903, in the following respects:

In place of the division for a reorganization sinking fund, the amended plan permitted the new company to purchase and cancel 6% mortgage bonds with any funds which might, in the judgment of the directors, be available, including surplus profits not required for the payment of dividends. The committee also announced that they would accept no cash compensation for their own services, and that all expenses would be paid by the new company instead of a certain amount of preferred and common stock being set aside for this purpose. The opposition continued, however, and another circular was issued by the stockholders' committee in which it was pointed out that the chief objection was not against the old plan, but more against the present management of the company than anything else.

In the meanwhile, and practically up to the present date, the litigation growing out of the suits against the former president and directors was still being continued. All through the summer and fall of 1903, up to the time of the annual meeting, active work was being done by both the stockholders' protective committee and the interests in control to secure proxies to be used at the annual meeting in electing officers and directors. Finally, when the annual meeting actually transpired, the Board of Directors which had been nominated by the management was elected by a vote of 155,000 against 105,000, thus leaving the old management in control. The new directors elected were: F. D. S. Bethune, Michael Coleman, Robert M. Gallaway, Chas. W. Goodyear, John G. Jenkins, Seymour Scott, Chas. Sohngen, Chas. A. Stadler, Louis L. Stanton, Albert Tag, John J. Treacy and Frederick Ulmann.

Notwithstanding this election, it was clear that both the original and amended plans of reorganization were unpopular with the stockholders, and as a result, nothing tangible has been accomplished up to the present time towards the readjustment of the capital. The earnings for the year ended September 1, 1903, showed a net surplus of $410,491 after all deductions, including interest, taxes, reserve fund, etc. The profit and loss deficit has, therefore, up to the present time been reduced from $1,389,400 in the year 1900 to $278,181.

As the preferred stock of this company is cumulative, there is at the present time due on unpaid accrued dividends, to preferred stockholders, the sum of $4,043,200. In any plan of reorganization it is clear to see that the stockholders must, as a first movement, relinquish this claim to back dividends before anything is accomplished.

Number of plants acquired (about).................. 80
Proportion of industry controlled....................Uncertain
Element of monopoly: Small.
Total capital issued: Par value........................$24,000,000

General Asphalt Company.

"The Asphalt Trust."

This company was incorporated under New Jersey laws March 19, 1903, as successor to the National Asphalt Company, which had been organized in 1900 to take control of the properties of the Asphalt Company of America, which was the original name of the Trust.

The Asphalt Company of America was organized under New Jersey laws July 6, 1899. It was formed to manufacture, produce and deal in asphalt and other paving materials, and at the time of its formation was said to control about 95% of the concerns which handle the output of raw asphalt, and also a number of the prominent asphalt paving companies. It was estimated that the consumption of asphaltum controlled by the new combination amounted to over 100,000 tons per year; while the various paving companies controlled were expected to get about 3,000,000 out of the 4,000,000 yards of paving, which it was estimated, would be the annual amount of work done in this country at that time. The prospectus stated that the volume of business thus controlled would yield a profit, at prices then prevalent, equal to over 10% on the entire issue of common capital stock, after providing for all prior charges.

The companies which the Asphalt Company of America acquired at the time of its formation and shortly thereafter, were as follows:

	Shares.	Bonds.
Barber Asphalt Paving Co.	39,000	$1,000,000
New Trinidad Lake Asphalt Co., Ltd.	50,000	1,900,000
Alcatraz Co.	800,000	400,000
United Asphalt Co. of N. J.	40,000	
Denver Paving Co.	35,000	
Warren-Scharf Asphalt Paving Co.	9,500	
Southwestern Alcatraz Asphalt & Construction Co.	2,000	
Alcatraz Construction Co.	1,500	
Atlantic Alcatraz Co.	1,000	
Alcatraz Asphalt Paving Co.	1,000	
Alcatraz Paving Co.	1,000	
Southern Asphalt Paving Co.	250	
Utica Paving Co.	250	

Nearly all of the above stocks were acquired by the Asphalt Company of America and deposited as collateral for the company's 5% collateral trust certificates, which are described below.

Of the above absorbed companies, the most important was probably the Barber Asphalt Paving Company, which had agencies in many of the prominent cities, the Vulcanite Paving Company being the Philadelphia branch. The latter branch was said to have earned net profits of about $600,000 per annum.

The Asphalt Company of America was capitalized at $30,000,000 in shares of $50 each. This stock, at the time of organization in 1899, had only $5 per share paid in. Later a call of $5 more was made, making $10 per share, or 20% paid in in all. Nothing more than this was ever called or paid in on the stock.

The fact that it was confidently predicted that the consolidation would be able to earn at least 10% per annum on the par value of the stock, or an amount equal to 50% per annum on the amount actually paid in, caused many to question the predictions of those who were responsible for the company's promotion. However, the figures furnished were apparently based on actual conditions, and therefore were not publicly analyzed to any great extent.

In addition to its stock, the company issued $30,000,000 in 5% collateral trust gold certificates, making the Land Title & Trust Company of Philadelphia the trustee. These certificates were dated July 15, 1899, and were to run fifty years. They were issued in payment of the stocks of the various asphalt companies named above, to secure the performance of a Trust agreement, by which the Asphalt Company agreed, first, to pay to the trustee "out of the income derived by the company from its deposited shares and securities, if that income shall be sufficient for the purpose, and out of its other funds, if the income shall be insufficient," all funds necessary to enable the trustee to mail to the holders of certificates, semi-annual payments of 2½% on April and October 1 in each year. The agreement also provided that the principal of each certificate should be paid by the trustee on April 1, 1949, the company supplying the trustee with the cash to pay such principal. The company also agreed to pay to the trustee not less than $25,000, and not exceeding $100,000 per annum, as a sinking fund to be used to purchase and cancel outstanding certificates at a price not exceeding 110%, or if certificates can not be purchased, the fund to be invested otherwise for the benefit of the sinking fund.

At the time of the issuing of these certificates, all of the above companies had not been absorbed and the securities in a number of cases were afterwards deposited. It was provided that the stocks of the companies absorbed might be taken in at rates decided upon by the Board of Directors of the Asphalt Company. These directors later absorbed the entire list of subsidiary companies named above.

At the time of consolidation it was stated on good authority that the company was earning an amount sufficient to pay its first dividend on its stock in January, 1900, and that no assessment beyond the original $5 per share would be necessary.

Notwithstanding this fact, a second assessment of $5 per share was made early in 1900.

The official report of earnings of the company for the period extending from the time of its formation in July, 1899, to December 31, 1900, about eighteen months, was as follows:

Dividends on stocks deposited as collateral		$695,758.50
Dividends on stocks in company's treasury		96,575.00
Interest received		26,783.09
Total		$819,116.59
Deductions:		
Organization and general expenses	$39,097.34	
Paid Trustee as interest on certificates	750,000.00	
		789,097.34
Surplus		$30,019.25

It will be seen that during this period, the company showed a surplus above its interest charges, of less than 1/3 of 1%, instead of about 10% on its stock, as had been confidently predicted. This surplus covered a period of eighteen months, and not twelve months. An allowance was made for interest on the certificates for only six months.

In view of the above results, it was apparent to all, even as early as the spring of 1900, that the company would not be able to come anywhere near its charges, not to mention dividends on its stock.

Officers of the company at this time were: Sidney F. Tyler, President; Geo. W. Elkins, Vice-President; Ellis Ames Ballad, Secretary and Treasurer. Directors: Sidney F. Tyler, Geo. W. Elkins, Geo. D. Widener, E. Burgess Warren, Wm. H. Crocker, Wm. J. Latta, James C. Young.

The National Asphalt Company was incorporated May 3, 1900, under New Jersey laws for the purpose of acquiring control of the Asphalt Company of America and other asphalt companies and consolidating the same into one large enterprise. The plan for absorbing the properties and carrying through the readjustment was outlined in a circular issued September 30, 1900, to the stockholders of the Asphalt Company of America. By the terms of this plan, the National Asphalt Company authorized an issue of $6,000,000 5%

50-year collateral gold certificates, and a capital stock consisting of $10,000,000 6% cumulative preferred and $12,000,000 common stock. Par of each, $50, full paid.

The new company acquired the stock of the Asphalt Company of America in exchange for the $6,000,000 collateral trust certificates which it had authorized, $4,200,000 of its preferred stock and $6,000,000 of its common stock. Each share of the Asphalt Company of America stock, par $50, and upon which $10 had been paid, received $10 par, in the new 5% collateral gold certificates, $7 in new 6% cumulative preferred and $10 in new full paid, non-assessable common stock. The shares so acquired were all to be deposited with the Equitable Trust Company of Philadelphia as security for the new collateral gold certificates.

The company acquired nearly all the stock of the Asphalt Company of America on the above basis, and also acquired the following properties in exchange for $3,550,000 of its preferred stock and $5,100,000 of its common stock:

2,500,000 shares (par, $100), (entire issue of the Pennsylvania Asphalt Paving Co.

14,000 shares common stock, $10, (out of entire issue of 23,750) of the Gilson Asphaltum Co. This company has also outstanding, $275,000 of preferred stock (of which the National Asphalt Co. owns $272,300), and a deed of trust to secure $500,000 of 5% bonds of which $275,000 have been issued.

1,000 shares (entire issue) of the New Jersey Mexican Asphalt Co. (100.)

5,000 shares (entire issue) of the Manhattan Trap Rock Co. (100.)

Approved titles to three asphalt deposits on the east shore of the Lake of Maracaibo, Venezuela.

The National Asphalt Company acquired through the Asphalt Company of America 13,990 shares of a total issue of 14,000 shares of the stock of the Consolidated Asphalt Company. The stock of this latter company was owned by the Asphalt Company of America, but was not deposited as collateral for its trust certificates, as was the case of the stocks of the other subsidiary companies.

When the Asphalt Company of America was acquired by the National Asphalt Company, the latter agreed to increase the sinking fund provided for the retirement of the collateral trust certificates of the latter company, from $25,000 to $300,000 per annum, and to set aside the $6,000,000 which had been paid in on the stock of the Asphalt Company of America, as additional security for said certificates. The National Asphalt Company furthermore agreed to assume all obligations of the Asphalt Company of America, including its $30,000,000 of collateral trust certificates.

The first earning statement of the National Asphalt Company for the period from May 3 to December 31, 1900, showed a surplus over general expenses, and guarantee to the Asphalt Company of America, of only $21,323.26.

The officers and directors of the National Asphalt Company during the first year of its existence were as follows: Francis V. Greene, President; John M. Mack, First Vice-President; Avery D. Andrews, Second Vice-President; Arthur W. Sewall, Secretary and Treasurer; P. A. B. Widener, George D. Widener, Geo. W. Elkins, W. L. Elkins, Robert H. Foerderer, A. L. Barber, August Belmont, Ellis Wainwright, Joseph P. Mack, Charles B. Alexander and R. J. Wortendyke.

In addition to the sub-companies, which are mentioned as having been acquired at the time of the consolidation, in 1900, the National Asphalt Company also secured control of the David Folz Asphalt Paving Company of Ohio and the Mack Paving Company of New Jersey.

After the acquisition of these properties, the company had outstanding in 1901, $11,575,000 common and $8,025,000 preferred stock; $6,000,000 of its 5% collateral trust certificates, and in addition, was responsible for the payment of principal and interest on the $30,000,000 of Asphalt Company of America collateral 5% certificates, as well as an annual sinking fund of $250,000 on the latter.

In the fall of 1901 it became apparent that the combine would not be able to meet its charges, and that disaster was impending. On December 29 of this year the company went into the hands of receivers, as did also the Asphalt Company of America. The financial crash was said to have been due to the loss of large paving contracts in various cities during the year, by the subsidiary companies of the Trust, as a result of the activity of independent asphalt companies, and the expensive war waged with the Warner-Quinlan Asphalt Company in Venezuela for the possession of the pitch lake, known as La Felicidad, which, with others adjoining it, contains the most valuable deposit of asphalt in the world. In reference to the receivership, Gen. Francis V. Greene, the president, said at this time:

"The National Asphalt Company and the Asphalt Company of America are holding or proprietary companies, not engaged in laying pavements or selling asphalt, but solely in holding the stocks of subsidiary companies, collecting dividends when paid, and distributing them to their security holders. * * * * The receivership proceedings apply only to the above-named proprietary companies and do not in any way affect or interfere with the regular transaction of the business of the subsidiary companies, such as the Barber Asphalt Paving Company, the New Trinidad Lake Asphalt Company, the New York & Bermudez Company, the Gilson Asphalt Company and others, all of which are actively engaged in their usual line of business."

The appointment of receivers at this time did not come as an entire surprise. The collapse of the Trust, however, called attention to many things in connection with its organization, and the methods of its original financing. Among other things, it was commonly stated that it had been known for some time that the surplus earnings of several of the smaller concerns had been diverted to pay the interest on the bonds of the Asphalt Company of America. It was also discovered that enormous overvaluations had been made in taking in the various plants, and that, while the Columbia Construction Company, for instance, had been purchased for $250,000, yet $2,000,000 in bonds had been issued for its acquisition.

It was now clearly seen that the weak point of the combination from a financial standpoint, was that it had no special advantage or monopoly. The popular belief had been at the time of consolidation that it possessed practically a complete monopoly. Its lack of this, however, had been demonstrated during the year 1901, when the Warner-Quinlan Syndicate, an independent and competing concern, took asphalt contracts for over 1,000,000 square yards in Washington, D. C.; Albany, N. Y.; Chicago, Ill.; Syracuse, N. Y.; Allegheny, Pa.; Cleveland, Ohio; Jersey City, N. J.; Newark, N. J., and other places which it was expected would, of course, be secured by the Trust. In the meanwhile, the prices of both the stocks and bonds of the National Asphalt Company had by this time gone down in price until they were worth practically nothing.

Immediately after the announcement of receivers, many of the bondholders in Philadelphia began to talk of bringing criminal proceedings against the officers and directors of the Trust, on the theory that both stockholders and bondholders had been misled by false statements and promises. They pointed out, for instance, that in September, 1901, John M. Mack, one of the directors, stated in response to a request for definite information about the business of the Trust, "While it is impossible for the company to make a positive statement in regard to earnings (because accounts are not closed up), I have every reason to believe that the increased volume of business and many economies of administration and operation introduced this year will result in a substantial increase over the earnings of 1900, when the interest on the $30,000,000 Asphalt Company of America 5s was earned and paid." George W. Elkins, another of the directors, made the following statement in October of the same year: "The company has more business on hand than it ever had in the history of the business. I know no reason why the bonds are not an absolutely safe investment at the present time."

Gen. Francis V. Greene, the president, declined to make any further statement at this time, and would make no predictions as to the future intentions of the management.

The receivers appointed for both companies were Henry Tatnall, John M. Mack and John F. Shanley.

John M. Mack was first vice-president of the Trust; John F. Shanley was said to be a sub-contractor for the Barber Asphalt Paving Company in New York, and therefore friendly to the Trust interest. Henry Tatnall was president of the Franklin National Bank of Philadelphia.

In the spring of 1902, the stockholders began to take action for a reorganization of the combine, and among other things, induced the Land Title & Trust Company of Philadelphia, custodian of the $6,000,000 guarantee fund, created December 31, 1900, by the National Asphalt Company for the benefit of the $30,000,000 collateral certificates of the Asphalt Company of America, and for other purposes, to issue a statement of its relations with the fund, together with statistics showing how the fund had been applied. According to this statement, the securities and cash held under the trust agreement of December 31, 1900, was as follows:

	Dec. 31, 1900.		May, 1902.
	Par value.	Act. value.	Par value.
Consolidated Paving Co.	$1,500,000	$1,500,000	$1,500,000
Asphalt Co. of America coll. gold cert.	398,000	386,560	398,000
Gilson Asphaltum Co., 1st 5s	132,900	132,900	275,000
Cash	1,080,540	1,080,540	14,725
Totals	$3,111,440	$3,000,000	$2,187,725

The remaining $3,000,000 of this trust fund was invested in notes of various of the subsidiary companies. Of the $1,085,540 cash in the fund on December 31, 1900, there was drawn out as permitted by the trust agreement, as a loan toward payment of interest on the collateral gold certificates due April 1, 1901, $745,769, of which $560,000 was afterwards returned to the fund; and, for interest due October 1, 1901, $745,769, making a net loss to the fund of $931,536; a further $142,100 was invested in the purchase of a like amount of Gilson Asphaltum bonds, leaving a balance of $6,902, to which was added $7,823 for interest received from other sources, thus bringing the cash on hand up to $14,725. Of the $30,000,000 collateral gold certificates, only $70,173 had been redeemed and cancelled by the sinking fund.

In the meanwhile, and as the reorganization plan was being prepared, the Audit Company of New York made a thorough examination of the books of the Trust during the calendar years 1900 and 1901. The report eliminated all items not pertaining to the period under review, and made deductions from the earnings against maintenance of asphalt pavements during the life of the company's guaranty regarding the same. The report, furthermore, deducted all losses of subsidiary companies not directly concerned with paving or the preparation of asphalt, including, particularly, the losses of the National Contracting Company, and also the extraordinary losses incurred during the warfare in South America, in 1901, which latter amounted to about $400,000. The profits of the companies were shown to be as follows: Asphalt Company of America, profit 1900, $225,837; profit 1901, $489,443. National Asphalt Company, profit 1900, $100,912; loss 1901, $118,016. Results of both companies, profit 1900, $326,749; profit 1901, $371,427.

The fixed charges at this time, after paying interest on bonds of subsidiary companies, amounted to $1,750,000 per annum as interest and sinking fund on Asphalt Company of America collateral 5s, and $300,000 on National Asphalt Company collateral 5s, making $2,050,000 in all to be provided for out of earnings before any profits could accrue to the stock of the National Asphalt Company.

During this time one of the stockholders, Wm. C. Bullitt, of Philadelphia, brought suit in the New Jersey courts to accomplish the removal of John M. Mack, as one of the receivers, on the theory that the latter was an officer of the company, and partly responsible for the wreck of it. His petition, however, was denied.

The plan of reorganization which had been under preparation for some time by the two committees representing the collateral gold certificates of both the Asphalt Company of America and the National Asphalt Company, was published on July 18, 1902. It provided that a new company be organized under New Jersey laws, with an authorized capital of $14,000,000 5% cumulative preferred stock and $17,000,000 common stock. This new company proposed to make the following exchange of securities:

$13,466,127.29 of the new preferred stock trust certificates to be issued in exchange for $26,932,254.57 Asphalt Company of America 5% certificates.

$1,500,000 new common stock trust certificates to be exchanged for $2,500,000 Asphalt Company of America trust certificates.

$4,500,000 new common stock trust certificates to be issued to purchasing syndicate for $2,260,000 in cash.

$2,395,408 common stock trust certificates to be issued for $5,988,520 National Asphalt Company 5% certificates, and $95,-816.32 in cash.

$880,411.84 new common stock trust certificates to be issued for $8,003,744 National Asphalt Company preferred stock and $35,-216.47 in cash.

$462,062.80 new common stock certificates to be issued for $11,-551,570 National Asphalt Company common stock and $18,482.51 in cash.

$260,000 new common stock trust certificates to be issued for compromise of claims against stock of Gilson Asphaltum Company.

$7,000,000 new common stock trust certificates to be reserved to effect conversion of preferred stock into common.

$533,872.71 new preferred stock trust certificates and $2,117.36 new common stock trust certificates to be used for purposes of reorganization, etc.

The plan provided that the holders of the new preferred stock would have the right to exchange their preferred shares for common stock at any time when the transfer books were open, at the rate of $150 in common for each $100 in preferred.

As soon as this plan was announced, it created much opposition, and suit was brought in Philadelphia to have the plan declared illegal. At the same time, Gen. Francis V. Greene tendered his resignation as president of the company. Shortly after, Wm. C. Bullitt addressed a letter to the receivers, asking if they intended to take the proper legal action against the promoters and stockholders to collect the amount claimed to be assessable on the original capital stock of the Asphalt Company of America. The latter stock had never been more than 20% paid, and it was pointed out that the receivers had the power to assess those stockholders for the former 80%. Receiver Tatnall replied on August 6, 1902, announcing the probable early retirement of Receiver Mack, and declaring that the receivers were prepared to bring such suits as the court might direct for the protection of the rights of the security holders.

In September, 1902, the committees announced that the deposits of securities under the plan had been of a gratifying character, and that the plan would soon be declared operative. Following this, on October 2, the committees stated that the plan was operative and that the amounts of securities deposited up to that time were as follows: 88% of the Asphalt Company of America 5s, 76% of the National Asphalt Company 5s, 88% of preferred stock and 83% of the common stock of the National Asphalt Company. The time for depositing was extended to October 20.

In the meanwhile opposition to the plan continued, and a small minority of holders staid out. Notwithstanding this, the committees proceeded with the work of reorganizing the company, and the foreclosure sale of the property took place on May 15. The property was bid in by the reorganization committee for $6,000,000. One of the receivers, Mr. John M. Mack, had in the meantime resigned, as it was expected that he, as representative of the new company, would purchase the property and probably be president of the new company.

The Audit Company's report of the condition of the properties on December 31, 1902. was published early in April, 1903, and was, in brief, as follows:

"Operations were carried on in 135 cities of the world, the actual paving completed during the year aggregating 4,082,612 yards, as against 4,001,380 in 1901. For 1902 the total includes 2,665,969 yards of new street work, and 1,416,643 yards of private work, repairs and maintenance. Uncompleted work of 1,285,021 yards is carried into the current year, or 100 p. c. more than was carried into 1902. Since Jan. 1, 1903, and up to March 21 last, bids have been made upon 1,514,509 yards of work. Of this amount underlying companies have been successful bidders upon 672,789 yards, and companies purchasing asphalt from underlying companies 492,047 yards, making a total of 1,164,836 yards.

"Through consolidation by lease, etc., the many corporations formerly carried, each with a full complement of high-salaried officers, have been reduced to two active paving companies, three supply concerns, and two major holding companies, all of which are officered and managed with a strict regard for efficiency and economy. If the assets covered by the various trust agreements are purchased by one interest, it will be possible to have a large number of inactive corporations formally dissolved, thereby saving further expense and simplifying the business. Six plants in or near New York City will soon be concentrated in one plant now nearly completed at Maurer, N. J.

"The losses of $222,653 shown by the National Contracting Co. and the Columbia Construction Co. were really incurred prior to 1902, and if not deducted would make the year's surplus $775,408. The property of the New York & Bermudez Co. in Venezuela was so affected by President Castro's blockade as to suffer a loss of $101,026. Other losses of previous years were credited to 1902 and heavy sums were charged off for depreciation.

"The National Contracting Co. has been abandoned; the Columbia Construction Company is practically out of business, and the troubles of the New York & Bermudez Co. in Venezuela are in a fair way to be settled, although the company is forced to incur a heavy expense in the maintenance of the plant in Venezuela and to protect the interests of the concern here and abroad. A large amount of money is tied up in contracts in process of execution, for which a larger working capital than the companies now possess is necessary. The cash on hand is only $10,948.

"The results for the year, after deducting depreciation and maintenance, are:

RESULTS FOR CALENDAR YEAR 1902:

Total business transacted		$13,388,000
Net earnings:		
Earnings of Asphalt Co. of America and its earning companies	$899,751	
Losses of losing cos. of Asphalt Co. of America	414,633—	$485,118
Earnings of the National Asphalt Co.	$165,975	
Losses of losing cos. of National Asphalt Co.	98,337—	67,638
Total		$552,756
Add losses of previous years to account of 1902—		
National Contracting Co.	$147,734	
Columbia Construction Co. judgment recovered	74,918—	222,653
Actual net earnings for 1902		$775,409

Shortly after the plan had been declared operative, and the new securities were issued, the reorganization committee announced that the depositing of the certificates would be extended to July 1. Nearly all the old securities had by this time been deposited and the unassenting gold certificates of the Asphalt Company of America, which had not been deposited with the receiver, were at this time being paid off from the proceeds of the foreclosure sale at the office of the Land Title & Trust Company of Philadelphia, at the rate of $104.68 for each $1,000 certificate. A few weeks later, the remainder of the holders of unassented certificates were offered $6.26 per $1,000 certificate in addition to the $104.68 paid a few weeks before. This $6.26 was offered to all unassenting holders, regardless of whether they had already received the $104.68 or not.

On July 21, 1903, Receiver Tatnall brought suit in Philadelphia in the United States Circuit Court and in the Common Pleas Court against the following persons to recover profits alleged to have been made by them in the organization of the Asphalt Company of America and the National Asphalt Company:

Wm. J. Latta, Sidney F. Tyler, George D. Widener, Geo. W. Elkins, Wm. L. Elkins and E. Burgess Warren.

On July 20, in the United States Circuit Court at Trenton, Judge Kirkpatrick authorized the bringing of suits such as the foregoing in any district of the United States or in the District of Columbia.

In the meanwhile, the exchange of securities was proceeded with, and in September, the following were announced as the officers of the new corporation of the General Asphalt Company:

John M. Mack, President; Avery D. Andrews and Arthur W. Sewall, Vice-Presidents; Clyde Brown, Secretary and Treasurer. The offices of the new company were located in the Land Title Annex Building, Philadelphia.

On December 22, 1903, Judge Kirkpatrick signed an order authorizing Receiver Tatnall, as receiver for the Asphalt Company of America, jointly with the Land Title & Trust Company of Philadelphia, as trustee, to make an assessment of 80% on the $30,000,000 capital stock of the Asphalt Company of America, to meet the deficiency determined by the decree which had recently been upheld by the Court of Errors and Appeals of about $29,000,000. The assessment, if made as above, would amount to $24,000,000. The application was made by the receiver, who stated that suits against the promotors of the Trust manœuvres were expected to add about $2,600,000 to the funds in charge. This action of Judge Kirkpatrick, it was stated, would probably bring out a series of interesting litigations, and that this preliminary step is only the beginning of a legal battle whether or not the assessment shall be paid, which will be brought about when the receiver suits are brought to enforce payment.

Number of plants acquired (about)................ 20
Proportion of industry now controlled................35% to 50%
Element of monopoly: Small.
Total capital issued: Par value......................$31,000,000

The International Salt Company.

"The Salt Trust."

This corporation was formed under New Jersey laws in August, 1901, for the purpose of acquiring control of the National Salt Company, the Retsof Mining Company and other corporations, with a view to consolidating under one head, the entire salt production of this country and, perhaps, of Europe.

Its chief subsidiary corporation, the National Salt Company, was organized under New Jersey laws March 18, 1899. At the time of its organization this company acquired the business of the National Salt Company of West Virginia, and purchased the property and good will of the following named companies in New York State: Bradley Salt Company, Warsaw, N. Y.; Cayuga Lake Salt Company, Ludlowville, N. Y.; Empire Dairy Salt Company, Warsaw, N. Y.; Glen Salt Co., Watkins, N. Y.; Hawley Salt Company, Warsaw, N. Y.; Ithaca Salt Co., Ithaca, N. Y.; Kerr Salt Company, Rock Glen, N. Y.; Le Roy Salt Co., Le Roy, N. Y.; Pavilion Salt Company, Pavilion, N. Y.; Pearl Salt Company, Pearl Creek, N. Y.; Silver Lake Salt Company, Perry, N. Y.; W. J. Gouinlock, Warsaw, N. Y., and Warsaw Salt Company, Warsaw, N. Y.

In October, 1899, the company purchased the most desirable salt plants in Ohio and Michigan, and acquired by contract the salt produced at other plants in those States. In January, 1900, the interests of the company were extended to Kansas and Texas.

The volume of business at the beginning of 1900, was officially stated to be about 10,000,000 barrels per annum, or 94% of the entire output of evaporated salt east of the Rockies.

The capital stock of the National Salt Company consisted of $5,000,000 7% non-cumulative preferred and $7,000,000 common stock. Par $100. No bonds.

All of the stock was issued at the time of the formation of the company, and within one year thereafter; being used for the acquisition of the various subsidiary companies. In acquiring the United Salt Company of Ohio, in the fall of 1899, it paid for the same by depositing with the American Trust Company of Cleveland, its stock to the amount of $2,500,000, one-half in common and one-half in preferred. By so doing it acquired the stock of the United Salt Company, which was endorsed in blank, and also deposited with the American Trust Company, after which the American Trust Company issued certificates representing the deposited preferred and common stock of the National Salt Company held by it. Each trust certificate representing 100 shares of preferred stock, carried also a certificate of indebtedness of the National Salt Company for $2,450, and each trust certificate representing 100 shares of common stock, carried a certificate of indebtedness of the National Salt Company for $3,500. These certificates of indebtedness were payable semi-annually, in order to provide half yearly dividends of 3½% on the preferred stock certificates and 5% on the common stock certificates. The dividends were payable in January and July of each year until 1904, when the trust certificates were to be redeemable in the regular preferred and common stocks of the National Salt Company. The purpose of this agreement was to insure the payment of dividends on the stock in question during the formative period of the company. The stock of the National Salt Company was deposited as security for the certificates of indebtedness, and it was provided that in case of default in any semi-annual payment of these certificates of indebtedness, the remaining indebtedness should become due at once, and the Trust Company was empowered to sell the stock of the United Salt Company to provide funds to meet the payment of all such certificates in full. The agreement provided also that if the amount of dividends declared by the National Salt Company on the stocks held by the American Trust Company was not equal to the sum above referred to, the National Salt Company was to remit to the Trust Company whatever deficit might exist.

On April 4, 1900, a new corporation was organized under New Jersey laws, called the Spanish-American Salt Company, with a capital of $3,500,000. It was then reported that this new company, which had been organized in the interest of the Trust, had acquired the business of the Salinera-Espanola Company, which, it was stated, controlled virtually the entire evaporated salt output of Spain and Italy.

The first informal announcement of earnings was made by the officers of the company in 1900, and stated that the surplus for the first year available for dividends, was considerably in excess of the 7% required for the preferred stock, and that the earnings for the second year available for dividends would exceed $1,000,000. The company thereupon began payment of dividends at the rate of 8% per annum on the common stock. The formal earning statement of the company for the year ended December 31, 1900, reported when it appeared, net earnings for the year of no less than $1,267,569.65, which, with the surplus of $303,144.88 carried forward from 1899, left a net balance at the beginning of 1901, after payment of all dividends, of $983,733.90. From this latter amount, the directors wrote off $204,784.58.

The officers and directors at this time were: Archibald S. White, President; Geo. W. Young and Joy Morton, Vice-Presidents; John Alvin Young, Secretary and Treasurer; F. V. Squire, W. S. Beardslee, Warren W. Hawley, W. C. Gouinlock, M. W. Maclay, Samuel T. Kerr, Edwin Hanson, O. L. Gubelman, Frederick F. Culver, Walter S. Eddy, Frederick R. Blount.

The Kansas salt interests, which the company had acquired in January, 1900, embraced what was known as the Hutchinson, Kansas, Salt Company, which owned ten plants, located in Kansas, and also the Hutchinson Packing Company of Hutchinson, Kan. Later in the year, the Lone Star Salt Company was acquired, this company owning plants at Grand Saline and Colorado City, Texas.

The National Salt Company continued the payment of dividends through the early part of 1901, and it was understood that their business outlook was constantly improving. During August, 1901, however, a new corporation entitled the International Salt Company was organized under New Jersey laws, and it was announced that it would acquire the stocks of the National Salt Company and its constituent companies, and also the Retsof Mining Company of Retsof, N. Y., miners of rock salt, and in addition would acquire the securities of various salt producing and distributing properties in Canada and Great Britain, provided the latter could be obtained upon satisfactory terms.

The Retsof Mining Company was a New York corporation organized in 1885, and had absorbed several smaller corporations. Its capital stock was $1,600,000, on which dividends of 4% per annum were paid, and it also had outstanding a bonded debt of $2,500,000 first mortgage 5% bonds, due 1925.

Under the terms of exchange, offered by the International Salt Company, the National Salt preferred stockholders were to receive for each 10 shares of their stock one 5% 50-year $1,000 bond of the new company and one share of the stock of the new company. The National Salt common stockholders were to exchange their stock, share for share, for that of the new company.

The capital of the International Salt Company being $30,000,000, and the bond issue $12,000,000 of 5% bonds, it required $5,000,000 of the bonds and $7,500,000 of the stock to be issued in exchange for the National Salt Company securities. The Retsof Mining Company bonds received the same proportion of new securities as the National preferred stock, and the Retsof stockholders received one share of International stock for each share of their own; thus there was issued in all for acquisition of these properties, $7,500,000 in International Salt 5s, and $11,350,000 in International Salt Company stock. Under the plan of consolidation of the underwriting syndicate, which was headed by Oakleigh Thorne, $4,500,000 bonds were left in the treasury, and the syndicate received as its apparent compensation, the difference between $11,350,000 of stock issued for above purposes and $18,750,000, the total amount actually issued.

It was the plan of the syndicate to make use of the balance of the bonds in acquiring other properties, and also of the balance of the authorized issue of the stock. It was particularly intended to, in this way, acquire the properties or securities of the Canadian salt companies, some minor salt plants in this country, and the salt industries of Porto Rico and, possibly, Great Britain. The board of directors were authorized, however, to use these securities for such purposes as, in their discretion, might be deemed expedient.

The plan of consolidation, while successful and actually operative, caused a vast amount of criticism, and various suits were brought to block it. The securities of the National Salt Company, and also the International Salt Company, declined enormously, and as most of the National Company's stocks had been depositel with the syndicate, no further announcements of dividends or earnings were made. A chief cause of criticism was the apparently large commission which the syndicate was to receive in stock for its work, this amount being no less than one-third of all the new stock to be issued. Furthermore, the preferred stockholders of the National Company felt that they were losing their assets to large extent by taking a 5% bond of an enlarged issue in exchange for their 7% stock of a small issue; the bonds being secured partly by the deposit of the very stock which they had previously been holding, and on which they were receiving 7%. Litigation followed, and it soon became apparent that the International Company would not be in a position to pay any dividends on its new stock. As the time for the payment of the first coupon on the International Salt 5s drew near, reports were circulated that the company would default on its interest. This report was a surprise to many, as the National Salt Company had reported net earnings, one year before, in excess of $1,200,000, and it was therefore reasoned that it should be a simple matter for the enlarged corporation to earn the necessary interest to pay the six months' coupon on its $7,500,000 bond issue. This latter would require less than $200,000. The coupons were paid, however, but in September, 1902, the securities of subsidiary companies which had been owned by the National Salt Company were sold at auction, and shortly thereafter a judgment was entered against the National Salt Company for $238,098 in favor of M. M. Belding, Jr., for the amount due on six notes of the company, payable on demand to the International Salt Company. The securities sold at auction some weeks previously had been bought in by the International Salt Company. The next move in this litigation was the appointment of receivers on September 29, 1902, by Chancellor Magie of New Jersey. This action was understood to be preparatory to winding up the entire business of the National Salt Company and transferring its assets to the International Salt Company.

In the meanwhile there was much opposition among former security holders, and the sale of the property was delayed until September, 1903. At this time the property was bid in for $337,500 in the interest of the International Salt Company, but in the meantime suits had been brought against the former directors to recover a judgment for $1,605,487 for damages, said to be sustained by the company by reason of their wrongful acts. This suit was followed by the appointment of a minority shareholders' protective committee, who issued circulars, which in substance embraced the following statements:

"On August 20th, 1902, there was an ostensible sale of about all of the stock of subsidiary companies formerly owned by the National Salt Co. under a pledge made of the same collateral to an alleged debt of about $420,000. In the receivership proceedings instituted in New York and New Jersey since that date, practically all the real estate and plants of the National Salt Co. were sold by order of the Court, and the confirmation of the sale is up before the court for October 12th, 1903. By these proceedings substantially all the property which your certificates of stock represent will be ostensibly wiped out, and your stock, if proceedings stand, will be worthless. Eminent counsel advise us that all of these proceedings can be set aside and your property restored to you, provided the stockholders act with diligence. Steps have already been taken to protect the interest of the minority stockholders who deposit their stock with the National Safe Deposit Co. on or before November 25th, 1903."

The status of the suits of this committee as stated by the *Commercial & Financial Chronicle* of October 24, 1903, was as follows:

"Against the former directors for the return of large sums of money which, it is alleged, were scandalously misused and wasted, and for the refunding of dividends paid, but not earned. These suits are still pending and have withstood several motions and are now on demurrer.

"A petition in bankruptcy was brought to oust Nathan S. Beardslee of Warsaw, N. Y., from the receivership; Beardslee being one of the defendants in the above suits, and having been active in what is therein claimed to have been the gross mismanagement of the company. It was hoped that by securing a trustee in bankruptcy appointed by the court, this might be accomplished, as well as the opportunity be found to review the actions of the directors in bankruptcy proceedings. As the reorganizers and those affiliated with them were substantially the only creditors, suits could only be brought under defaulted notes made by the directors of the National Salt Co. to pay unearned dividends, which were not recognized as valid debts, and the bankruptcy proceedings were not sustained.

"The committee was not represented at the petition of the receivers for the sale of the company's properties, this having been obtained secretly and without notice to counsel. Argument on the confirmation of this sale was set for October 2nd, but on petition of counsel for the protective committee it was deferred until October 12th, at which time the receivers asked for further delay. Petition has also been filed to secure a permanent injunction against the confirmation of the sale.

"Proceedings in equity are under way in behalf of the depositing preferred stockholders against the directors of both the National and International companies, who, it is alleged, have devised and conducted this attempt to wipe out the interests of the stockholders."

While the protective committee were taking the steps outlined above in the interest of the stockholders of the National Salt Company, the International Company had in the meantime sent out a circular to its stockholders, giving important details regarding the relations of the companies and also describing the properties in general. This circular was, in substance, as follows:

"Your company was organized in August, 1901, and acquired majorities of the stocks of the National Salt Co. and the Retsof Mining Co., sufficient of its securities being used for that purpose and also to provide $1,000,000 cash working capital. The Retsof Mining Co. was incorporated in New York State in 1885. Its business is mining rock salt; it owns and operates valuable salt deposits in New York State, and has also a profitable plant and property in Louisiana. The National Salt Co. was placed in the hands of receivers during September, 1902. Its difficulties arose mainly from contracts which proved impossible of fulfilment, encumbering it with embarrassing litigation and greatly impairing its resources.

"The most important suit brought by the National Salt Co. was to set aside as illegal a contract for the purchase of the United Salt Co. of Ohio By the terms of this contract it was to pay to the stockholders of the United

Salt Co. for each share of that company's stock, one and one-quarter shares of preferred stock of the National Salt Co., and, in addition thereto, a so-called certificate of indebtedness, for $106.25, payable in ten semi-annual equal installments. This certificate was, in fact, a guaranty of 7% on the preferred and 10% on the common stock of the National Salt Co., so paid for the United Salt Co., for five years. The certificates so issued aggregate $1,055,000. Of this amount, about $320,000 has been paid to the American Trust Co. of Cleveland, the trustee, leaving a balance due of about $735,000. If this suit is successful, it will wipe out this indebtedness, and will retire $2,500,000 of now outstanding stock of the National Salt Co.

"The receivers say they have been operating the New York property at a small profit, but have found it expedient to shut down the plants in Michigan indefinitely. So much depends on this outcome of pending litigations that it is impossible to predict at this time what this company may expect to receive from the National Salt Co., or what would eventually be done with that company.

"In March, 1902, your company acquired the entire capital stock ($1,000,000) of the International Salt Co. of Illinois. This company is essentially a distributing company, handling the products of the National Salt Co. and the Retsof Mining Co., and to some extent of other concerns covering the Middle West. It has a well established business, which shows a substantial increase each year.

"The success of your company depends on the earnings of the Retsof Mining Co., the National Salt Co. and the International Salt Co. of Illinois."

The April and October, 1903, coupons on the International Salt bonds were purchased by friends of the management, the company itself having made no provision for the same.

Number of plants acquired or controlled .... (about) 28
Proportion of industry controlled .... 30% to 60%
Product: Salt.
Element of monopoly: Pronounced (possession of salt deposits, etc. Partly in dispute, however).
Total capital issued: Par value (about) $42,000,000; market value (about) $7,000,000

New England Cotton Yarn Company.

"The Cotton Yarn Trust."

This corporation was formed under New Jersey laws on July 13, 1899, and acquired the business formerly conducted by the following yarn mills and spinning companies in Bristol County, Massachusetts: Bennett Spinning Company, New Bedford, operating about 173,000 spindles; Howland Mills Corporation, New Bedford, operating about 77,600 spindles; New Bedford Spinning Company, New Bedford, operating about 40,400 spindles; Nemasket Mills, Taunton, operating about 32,500 spindles; Cohannet Mills, Taunton, operating about 73,200 spindles; Globe Yarn Mills, Fall River, operating about 97,400 spindles; Sanford Spinning Company, Fall River, operating about 37,400 spindles; and North Dighton Cotton Company, Fall River, operating about 5,600 spindles.

At the time of consolidation, it was stated that the capacity of the new combination was about 588,000 spindles, and that this would be shortly increased to about 620,000 spindles. The annual capacity was stated to be over 50,000,000 pounds of cotton yarn.

The capital stock authorized consisted of $6,500,000 7% cumlative preferred and $5,000,000 common stock. Of this there was outstanding all the common and $5,000,000 of preferred. In addition, the company authorized a mortgage of $6,500,000 5% 30-year bonds, of which it afterwards issued $6,000,000. The mortgage provided that before payment of any preferred stock dividend, 1% of the outstanding bonds was to be paid into a sinking fund each year, and before payment of dividends on the common stock, 4% of the outstanding bonds was to be paid, either to the sinking fund or to be set aside for replacements of property at the discretion of the directors. It was also provided that the preferred stock might be retired at 140.

The company began the payment of dividends on the preferred stock almost immediately after the company was formed, said payments being made at the rate of 7% per annum, semi-annually, January and July.

The officers and directors at the time of formation were the following: Andrew G. Pierce, President; Edwd. B. Maltby and Andrew G. Pierce, Jr., Vice-Presidents; J. F. Knowles, Chairman; E. B. Jennings, J. E. Stanton, Jr., T. E. Brayton, E. S. Draper, W.

A. Gaston, Robert Winsor, C. M. Weld, A. H. Mason, Charles L. Lovering.

The statement of the company issued to the stockholders on June 29, 1901, indicated that the company had outstanding notes to the extent of $2,947,000. Its profit and loss surplus at this time was reported as $153,889.

The statement for the following year, dated June 28, 1902, reported notes outstanding of $2,632,500, and a profit and loss surplus of $158,783. During these two years the regular 7% dividend was paid on the preferred stock, and the amount of bonds outstanding was reduced by the sinking fund to $5,523,000.

In the spring of 1903 it began to be rumored that the preferred dividend would not be paid on the first of July. This rumor was not taken seriously, however, by the stockholders, as the reports of the company had been apparently very satisfactory, and it was generally supposed that the company had been earning a surplus above dividend requirements at all times. Litttle attention had been paid to the fact that the amount of notes payable outstanding had increased from $650,000 in 1900 to $2,947,000 in 1901, and had remained at $2,632,500 in 1902. During these three years, the company had continuously paid the 7% on the preferred stock and had, in all, paid out in the three years $2,100,000. This amount went a long way to account for the heavy item of notes payable.

Nevertheless the rumor of a passing of the dividend was not taken seriously, and in June, a director of the company was quoted as making the following statement:

"The directors have not as yet met to take action on the semi-annual dividend on the preferred stock. I do not believe, however, that under prevailing conditions a dividend of 3½% on the preferred stock will be declared. The company, in common with other textile manufacturing concerns, has had a poor year on account of labor troubles and the high price of cotton. Its policy has been to buy cotton only as required for manufacturing purposes, and the advance in the staple has resulted in considerable additional expense. I am sure, however, that the company will come out all right."

A few days later, the directors met and announced that since the dividend had not been earned, it would not be paid. In explanation, a member of the Executive Committee made a statement, in which he said:

"The passing of the dividend will make the carrying of the floating debt incurred in buying cotton against orders for yarn, and carrying yarn spun against orders difficult if not impossible, and some action will have to be

taken looking toward the raising of additional cash capital. The directors of the company have appointed a committee to consider the question and report to the full Board what steps shall be taken. In any event, the first mortgage bondholders will not be asked to make any concession; in fact, their security will only be strengthened by any action that will be taken. At the time the company was formed, the price of suitable cotton was 6½c, against 13½ c to-day, and an average of 9¼c the past two years."

This official announcement was, of course, a great shock to those preferred stockholders who had been regularly receiving 7% dividends for some years, and had regarded their security as perfectly safe. The announcement was shortly followed by a plan of reorganization, which called for an assessment of $30 per share on the preferred stock and $10 per share on the common stock. It was pointed out that the preferred holders had received $21 per share on their preferred stock in three years, and therefore that it would only be necessary for them to add $9 to the $21 which they had already rceived, and turn it all back into the company. For this they were to receive $30 in preferred stock of the new company and $70 in common stock for each share of the old preferred. The old common stockholders, after paying $10, were to receive $10 in new preferred and $8 in new common in exchange for each share of old common.

The new corporation was to be capitalized at $2,000,000 of 6% non-cumulative preferred and $3,900,000 common stock. The old preferred stockholders, in addition to being accorded the privilege of paying $30 per share on their present holdings, were also invited to pay an additional $10 if they cared to do so, for which they were to receive $10 in new preferred and $8 in new common.

The reorganization committee, represented by Messrs. Kidder, Peabody & Co. of Boston, agreed to provide the $2,000,000 cash necessary to take up the floating indebtedness and to make payments not made by the stockholders under the plan. It was announced in the plan that the earnings, above all charges, for the four years past had been over $700,000 per annum, and it was pointed out that by retiring the floating debt, the amount of fixed charges which would be saved, would mean surplus earnings for the company of over $840,000 per annum.

The plan was very generally accepted by the stockholders, and on July 15, the syndicate managers announced that over 94% of the preferred and over 80% of the common stock had been deposited under the plan. The new company was thereupon formed, and the old company, formed under New Jersey laws was by mutual consent dissolved in August.

In October, 1903, C. Minot Weld was elected president of the new corporation, to succeed the late Andrew G. Pierce, who had in the meantime died.

Number of plants acquired 9
Proportion of industry controlled.................. 20% to 40%
Product: Cotton yarn.
Element of monopoly: Small.
Total capital issued: Par value $17,230,000

United States Cotton Duck Corporation.

"The Cotton Duck Trust."

This company was incorporated under New Jersey laws on June 4, 1901, for the purpose of consolidating the plants and business of the following concerns engaged in the manufacture of cotton duck and like products: Mount Vernon-Woodberry Cotton Duck Company, which owned 14 cotton duck mills in different parts of the South and also in New England; Stark Mills, Manchester, N. H.; La Grange Mills, La Grange, Ga.; Hogansville Manufacturing Company, Hogansville, Ga.; West Point Manufacturing Company, West Point, Ga.; Riverdale Cotton Mills, West Point, Ga.; Lanette Bleaching & Dye Works, West Point, Ga. The three last-named companies were held under option until January 1, 1903, and in the meantime operated under contract.

The main subsidiary company, called the Mount Vernon-Woodberry Cotton Duck Company, was itself incorporated under Delaware laws in August, 1899, and the mills it consolidated were said to represent about 90% of the cotton duck output in the United States. The capital of the Mount Vernon-Wooberry Company consisted of $9,500,000, in shares of $100 each, on which dividends were paid at the rate of 6% per annum, having been begun in March, 1900. The bonded debt of the Mount Vernon-Woodberry Company consisted of $7,000,000 first mortgage 5s, due 1949, and $6,000,000 income mortgage 5s, due 1950. During its first year, this company was said to have earned a surplus sufficient to pay the interest on both classes of bonds and 6% on the stock.

The Mount Vernon-Woodberry Company was, of course, the most important asset of the U. S. Cotton Duck Corporation. With the smaller mills, which were absorbed at the time of the general consolidation in 1901, it was said that the Trust embraced in all 400,000 spindles and produced practically all the heavy duck output of the country and a majority of the light duck and hose duck.

The authorized capital of the new corporation was $25,000,000 6% cumulative preferred and $25,000,000 common stock. There was issued at the time of organization, $16,100,000 preferred and $10,000,000 common.

After the consolidation the interest was paid on the income bonds of the Mount Vernon-Woodberry Company on August 15, 1902, but none after that time.

On February 14, 1902, a special meeting of the corporation was held and the authorized capital was reduced from $50,000,000 to $30,000,000, to be divided into $15,000,000 of each common and preferred. The amounts outstanding were changed to $10,000,000 common and $3,100,000 preferred.

The following statement was made in reference to the profits of the company:

"The net profits from operations of the companies owned and controlled by the United States Cotton Duck Corporation since its organization, June 30 to December 31, were $318,203; of this amount, $106,444 was contributed by the three mills—Stark, La Grange and Hogansville—acquired by the corporation through the issue of $2,700,000 preferred stock of the United States Cotton Duck Corporation, and the balance, $211,758, was contributed by the Mount Vernon-Woodberry Cotton Duck Co. group of mills, control of which was acquired by an exchange of common stock."

It was also pointed out that the Mount Vernon-Woodberry Company would omit the interest on the income bonds in the line of conservatism. There was quite evidently some disappointment, however, that the company had not made a better showing, and that no action was taken to pay a dividend on the preferred stock of the corporation.

In August, 1902, the directors of the Mount Vernon-Woodberry Company decided to resume payment of interest on the income mortgage, and submitted a statement showing that the earnings for the half year ended June 30 were sufficient to do this. At the same time the directors of the Cotton Duck Corporation declared a dividend of 3% on the $2,750,000 of cumulative preferred stock then outstanding. The earnings of the Duck Corporation for the ten months ended April 30, 1902, were shown to have left a surplus above interest and other charges of about $177,000.

About this time the question arose as to whether the interest on the Mount Vernon-Woodberry income 5s was cumulative or not. The Mount Vernon people claimed that it was, and that the warrant calling for payment of the dividend which was omitted six months previously on the bond must accompany that to be paid on August 15. However, the company later receded from its position in this respect, and the question was not raised again at the time.

In January, 1903, the interest was not paid. At the same time Trenor L. Park resigned as president of the corporation and Chas. K. Oliver succeeded him.

The annual report of the company issued in February indicated that the company was not in a position to either pay a dividend or, in fact, to continue business with its present heavy capitalization. It was pointed out that unexpected expenditures had prevented the results that they had hoped to obtain, and it was intimated that some readjustment plan would have to be carried out. Shortly thereafter, a committee of the directors was named who took under consideration a plan for retiring the Mount Vernon-Woodberry Company's $6,000,000 of income bonds and to readjust the capital generally. In the meanwhile, several of the smaller mills in Maryland were closed.

In May, 1903, Chairman Warfield, of the committee, announced that the directors had approved the appointment of readjustment managers, and had given them authority to propose and issue plans looking to a more complete merger of the interests of the Cotton Duck Corporation with the Mount Vernon-Woodberry Cotton Duck Company on terms fair to both and to provide additional working capital for the combined companies.

The plan which was submitted suggested the retirement of the preferred stock of the corporation and the income bonds of the Mount Vernon-Woodberry Company, and the issuing in their place of new preferred stock and a bond covering the plants of both corporations. The Mount Vernon incomes were to pay in cash $250 on each bond and to receive therefor, after depositing their bonds, $250 in the new consolidated 5% bonds and $1,000 in the new non-cumulative preferred stock. The United States Cotton Duck Corporation preferred stockholders were to receive for each ten shares $1,000 in the new bonds and were to pay no assessment. The U. S. Cotton Duck Corporation common stockholders were to pay $50 in cash and receive for each $1,000 $50 in the new bonds, $600 in second preferred stock and $400 in common stock.

The reorganized company would, after the carrying out of the plan, be capitalized as follows: $7,850,000 5% cumulative first preferred stock, $6,000,000 5% non-cumulative preferred stock, $4,000,000 common stock and $14,000,000 first mortgage 5% 50-year bonds, of which $8,000,000 would be reserved to retire the Mount Vernon-Woodberry first mortgage bonds.

The plan, while acceptable to the U. S. Cotton Duck stockholders, did not appeal to the income bondholders of the Mount Vernon Company, as it subjected them to a heavy assessment and apparently did not put them on as good a standing as the preferred stockholders of the corporation, who were to pay no assessment and yet were to receive par value in the new bonds, in place of their stock.

It was also pointed out by this committee that a special examination of the books of the two companies should be made before any definite action was taken.

The earnings of the Mount Vernon Company for the half year ended June 30, 1903, showed a surplus above the first mortgage bond interest of only $73,000. Therefore, no interest was paid on the second mortgage bonds. The Corporation surplus for the same period was $90,862. No dividend was paid on the preferred stock at that time.

Number of plants acquired 21
Proportion of industry controlled .... 45% to 65%
Products: Cotton duck and like products.
Element of monopoly: Small.
Total capital issued: Par value.........................$26,100,000

VIRGINIA-CAROLINA CHEMICAL COMPANY.

"The Phosphate Trust."

This company was incorporated under New Jersey laws September 12, 1895, as a consolidation of a number of Southern manufacturers of phosphate rock and other fertilizers. The company manufactures and sells acids, chemical fertilizers, cotton seed oil and meal, and all kindred products, and mines and sells phosphate rock, pyrites, sulphur and other articles. It imports chemicals and distributes all its products throughout the United States and foreign countries.

The original capital of the company was $6,500,000, which was afterwards increased to $12,000,000 in 1898 and again to $24,000,000 in 1899. In July, 1901, the common stock was increased to an authorized issue of $38,000,000, which, with $12,000,000 of preferred stock then outstanding, made a total authorized issue of $50,000,000. The company began the payment of 8% dividends on its preferred and 4% on its common stock, and continued the same until the summer of 1903.

The business of the company showed a steady increase during the years from 1895 up to 1902, and early in the latter year it acquired the following additional concerns: Montgomery Fertilizer Company, Alabama Fertilizer Company, both of Montgomery, Ala.; Opelika Chemical Company, of Opelika, Ala.; Moblie Phosphate Company, of Mobile, Ala., and Pacific Chemical Company, of Dotham, Ala. It was stated that these companies would be paid for out of the surplus earnings of the corporation.

During the same year, the company acquired the capital stock of the Southern Cotton Oil Co., paying for same part in cash and part in its own common stock. This latter company owned 81 mills, refineries and lard plants, and was capitalized at $10,000,000. The company also acquired a controlling interest in one of the German potash mines, and in addition had acquired during the year phosphate rock lands in Tennessee, and an increased area of valuable ore producing territory on its sulphur mining properties in Mexico.

At this time the company had outstanding $27,984,400 of its authorized issue of $38,000,000 in common stock.

The earnings of the consolidated corporation for the year ended June 14, 1902, showed a surplus of $1,651,753 after paying dividends which aggregated $1,829,649.

In July, 1902, shortly after the issuing of the foregoing statement, the company announced its intention to issue $7,000,000 of short time collateral trust bonds for the purpose of restoring about $3,344,000 cash taken from working capital on account of recent acquisitions, and providing about $3,500,000 still due for the properties acquired. In connection with the issue of these bonds, a circular was sent to the stockholders, explaining the purpose, and stating in substance, as reported by the *Commercial & Financial Chronicle* as follows:

"The late fiscal year was the most successful in the history of your company. There were sold 779,003 tons of fertilizers and chemicals of all kinds. Although showing increased profits this year, the season was not a specially good one, the consumption of fertilizers having fallen off in all the States in which your company does business. In this decrease your company shared to a small extent, but though decreased somewhat in tonnage the money value of sales was practically the same by reason of larger sales of higher grade goods.

"IMPROVEMENTS—DIVIDEND INCREASED.—The chief measure of the efficiency of a chemical plant is its sulphuric-acid-producing capacity. As the result of betterments, the same plants are now making 50,000 tons per annum more of this sulphuric acid than two years ago, a product equal to $300,000 per annum in value, and representing an increased plant efficiency of many thousand dollars. The physical condition of all the property is better now than at any time in the company's history. Prospects seem bright for a largely increased business next year, and altogether so full of encouragement was the situation that your directors felt justified, on the last quarterly common dividend date, June 1, 1902, in paying dividends on the common stock at the rate of 5 per cent. instead of 4 per cent. as always formerly.

"ACQUISITIONS.—Acting under permission granted at the last stockholders' meeting, an investment was shortly thereafter made in the allied industry of cottonseed-oil making, the year's result of this being also highly satisfactory. To make this investment the common capital stock of your company was increased to $27,984,400, making the total stock now outstanding $12,000,000 preferred and $27,984,400 common. Besides the acquisition of all except a few shares of stock of the Southern Cotton Oil Co., the company has recently bought five large fertilizer plants in Alabama, two in North Carolina and one in Georgia, which give promise of very profitable working results, and which place the company in the position of a majority manufacturer of fertilizers in all the Southern States actively using fertilizers.

"As already reported, there have been ample acquisitions of phosphate rock lands in South Carolina and Tennessee, to furnish one of the essential elements of manufacture—bone phosphate of lime—for many years to come.

"You have also been advised of the company's possessions of sulphur ore, another essential. With the recent acquisition of interests in the Southern Cotton Oil Co., ammonia was acquired, leaving but one other necessary material, potash, still to be obtained. As this article is exclusively found and mined in Germany, and as the output of all existing mines was firmly held by a German syndicate, of which the Prussian Government itself is a part, it was necessary to bide our time until an opening presented itself. Fortunately, this occurred within the last three months, when we were able to acquire a controlling interest in a new mine in the Province of Hanover in Germany, at a satisfactory figure. Your company is therefore the owner and producer of most all of the crude material needed in the manufacture of its products.

"Your company now owns and operates fertilizer plants in 30 towns and cities embraced in the territory between Baltimore, Md., and Memphis, Tenn.; Memphis, Tenn., and Mobile, Ala.; Mobile, Ala., and Savannah, Ga., while the Southern Cotton Oil Co. owns and operates 81 oil mills, refineries and lard plants."

The bonds were subsequently issued, bore 5% interest, falling due October 1, 1912. They were subject to call for the sinking fund at the rate of $500,000 annually, beginning October 1, 1904, at 102½ and interest. They were secured by pledge of various stocks, including the capital stock of the Southern Cotton Oil Co.

The report of the company for the year ended June 14, 1903, showed a heavy falling off in net profits. These amounted to only $2,596,317 in comparison with $3,481,384 the previous year. After providing for interest on the new bonds and the preferred and common dividends, there was a surplus left of only $27,696.

Shortly after the publication of these earnings, the explanation was made that the decreased profits were largely due to expenditures on the property, and as a result of this steady work on this line, the business had grown from 779,003 tons the previous year to a total of 983,634 for the current year. Nevertheless, a good deal of dissatisfaction developed among the stockholders at the turn things had taken, and their worst fears were realized when, shortly after the first of August, it was announced that the company would have to borrow $6,000,000 for new working capital. This resulted in a sharp decline in the price of the company's shares, and the failure of an important brokerage firm in Wall Street. The common stock dividend had been increased the previous year to 5%, but it was now seen that it would probably be soon suspended.

A syndicate was formed, embracing J. P. Morgan & Company, National City Bank, First National Bank, Morton Trust Company, and others which undertook to advance the money to the company if necessary. The amount needed was $6,000,000 and the syndicate stood as insurers of the company's ability to borrow for current needs, and received for this service a commission, it was stated, of 10%, or $600,000. This commission was to be paid, according to current report, whether the company used the money or not.

Following this announcement, on August 18, 1903, the directors decided to pass the usual dividend on the common stock and issued the following statement to the stockholders:

"Your board of directors desire to say that for the year ending June 15, 1903, the company actually sold and delivered 982,000 tons of fertilizer, being an increase of 26 per cent. over its business of the preceding year. In addition to this, it manufactured 100,000 tons more of completed fertilizer, which it was unable to deliver because the railroads could not furnish the transportation. This large increase in business necessarily involved the use of more capital during the period between the sale and delivery of the fertilizer and the payment therefor by customers. This additional capital has heretofore been easily obtained through the discounting of the company's bills receivable, of which, on July 15, 1903, the company had on hand over $6,000,000, averaging about $1,000 each, and over $2,000,000 of accounts receivable, convertible into bills. These bills have always been considered the choicest paper issued in the South, and as such have been readily available for current funds. In the unusual financial situation which existed this year this course of business became impracticable, and it was accordingly necessary that your company should provide itself with sufficient additional cash capital to carry its business over to the fall months, when its bills receivable are collected. Your company therefore applied to J. P. Morgan & Co. of New York, who have organized a syndicate, including Messrs. Blair & Co., the First National Bank, the National City Bank, the Morton Trust Co., the National Park Bank and the Bank of America, to advance to the company, from time to time, during the next twelve months, as required, amounts, which together with its other resources your directors deem will be amply sufficient for all your company's needs. Such advance will be made upon the unsecured notes of your company, leaving your company's assets in its treasury free for use in its current business, as heretofore, thus indicating the high credit which it enjoys among the leading bankers. Although the company now has more than $8,500,000 cash working capital, the business offering each year has increased to such an extent that your directors deem it essential that some plan should be devised for the permanent provision of additional cash working capital, so that the necessity for borrowing so large an amount of money during certain months of the year may be avoided. It is expected that, through the co-operation of the bankers above mentioned some adequate plan will be devised at an early date to accomplish this purpose. In the meantime, until such permanent arrangement shall have been completed, your directors have thought it best to suspend the payment of the dividend upon the common stock."

W. B. Chisholm, of Charleston, S. C., and F. B. Dancy have been succeeded as directors by Edward T. Stotesbury, of the firm of Drexel & Co. of Philadelphia, and Norman S. Meldrum, President of the Securities Company of New York. E. T. Stotesbury, Samuel Spencer and Henry Walters form the new finance committee.

Number of plants acquired or controlled.............. 111
Proportion of industry controlled.................... about 60%
Products: Acids, chemical fertilizers, cotton-seed oil and meal, phosphate rock, etc.
Element of monopoly: Moderate.
Total capital: Par value $57,000,000

United States Realty and Construction Company.

"The Realty Trust."

This corporation was organized under New Jersey laws on August 4, 1902, with an authorized capitalization of $30,000,000 6% cumulative preferred and $36,000,000 common stock. It was formed for the purpose of acquiring as a holding company, the shares of the George A. Fuller Company, the Alliance Realty Company, The New York Realty Corporation, and the real estate interests of the Central Bond & Trust Company. The basis of exchange was as follows: Each 100 shares of George A. Fuller Company preferred for 110 shares of U. S. Realty preferred and 50 shares of common. For each 100 shares of G. A. Fuller Company common, 45 shares of new preferred and 75 of new common. For each 100 shares of Alliance Realty Company, 125 of new preferred and 110 of new common. For each share of the New York Realty Corporation, 1 1-3 shares of the U. S. Realty Company preferred with 1 1-3 shares of common stock.

A syndicate was formed with Messrs. Hallgarten & Co. as syndicate managers, to furnish $11,000,000 in cash, receiving therefor a certain amount of preferred and common stock. This syndicate included the Equitable and Mutual Life insurance companies, National City Bank, Central Realty Bond & Trust Company, Central Trust Company, Charles M. Schwab and other interests associated with the U. S. Steel Corporation and nearlv every important financial interest in the city.

The officers and directors, as announced immediately after the formation of the company, were as follows: Bradish Johnson, President; Harry S. Black, Chairman of Board; Albt. Flack, Robt. E. Dowling, Sam'l P. McConnell, Vice-Presidents; James Stillman, Chas. M. Schwab, Henry Morganthau, Hugh J. Grant, James H. Hyde, Wm. H. McIntyre, James Speyer, Charles Steele, A. D. Juilliard, G. G. Haven, Charles H. Tweed, John J. Mitchell, Henry Budge, George C. Clarke, B. Aymar Sands, Charles Francis Adams, 2d, Henry L. Higginson.

Of the subsidiary companies the George A. Fuller Company was the most important. It had been incorporated in New Jersey, March 30, 1901, and took over the business and property of the George A. Fuller Company of Illinois, which had a large and profitable business in the construction of buildings. It had erected fireproof buildings in many cities, and the statement for the fiscal year ended March 31, 1902, reported that the company had entered into 38 contracts for buildings in various cities, as follows: New York, 18, aggregating in value $14,650,000; Boston, 6, aggregating $1,105,000; Chicago, 4, aggregating $2,850,000; Baltimore, 5, aggregating $810,000; Pittsburg, 3, aggregating $5,300,000; Philadelphia, 2, aggregating $600,000; making a total of $26,015,000. The profit and loss account of the Geo. A. Fuller Company for the year ended March 31, 1902, showed net profits of $1,640,252, and reported a net surplus after payment of 7% dividends on its $5,000,000 of preferred stock of $589,506, which was equal to over 5¾% on the common stock.

The New York Realty Corporation, which was also included in the merger, was organized under New Jersey laws in 1901 to engage in the purchase and sale of real estate. Its capital was $3,000,000, and it paid a first dividend of 10% on December 31, 1901.

The Alliance Realty Company was incorporated under New York laws June 6, 1899, also for the purpose of dealing in New York City real estate and improving the same. Its capital stock outstanding was $2,000,000 and among its important assets was a majority interest in the Broad Exchange Company, which had erected and owns a large office building, corner Broad Street and Exchange Place, New York. The Broad Exchange Company had an outstanding capital stock of $2,000,000 6% cumulative preferred, $2,000,000 common stock and $3,500,000 first mortgage 4½% bonds.

Immediately after the completion of the consolidation, H. S. Black, Chairman of the Board of Directors of the U. S. Realty & Construction Company, made the following statement:

> "The company's operations will be confined very largely to New York, with the exception of the construction business of the Fuller Company, which will be carried on as usual throughout the important cities of the country. The new company will undoubtedly enter foreign fields, with the view of introducing steel construction in cities like London, Paris and Berlin. Its relations will be very close to the United States Steel Corporation, and naturally, as we will be the largest consumers of structural steel in the world, our terms as to price and delivery will be the most favorable."

While it had been generally understood that the consolidation had gone through without any hitch, yet this was shown not to be the fact by the announcement of the syndicate managers on September 30, 1902, wherein it was stated that the Alliance Realty Company would not be included. Following is the statement made:

"The committee having in charge the formation of the United States Realty & Construction Co., have concluded to avail themselves of their privilege to abandon the absorption of the Alliance Realty Co., and have so notified the stockholders, who can withdraw their deposited stock from the Central Trust Co. of New York. This will reduce the amount of preferred stock to be issued to $27,500,000, and the common stock to be issued to $33,500,000, leaving in the treasury $2,500,000 of the preferred stock and $2,500,000 of the common stock; also the $11,000,000 cash capital paid in on September 25, 1902, by the syndicate, and the cash turned over by the Geo. A. Fuller Co., and the New York Realty Corporation."

Charles Francis Adams, 2d, and Henry L. Higginson, who were to have served as directors representing the Alliance Realty interests, did not come in, but a few weeks later John W. Gates, Cornelius Vanderbilt, P. A. Valentine and Edmund C. Converse were elected directors.

The following formal statement regarding the corporation was made to the New York Stock Exchange under date of October 13, 1902:

"The company was incorporated Aug. 4, 1902, under the laws of New Jersey, with $36,000,000 of authorized common stock and $30,000,000 of authorized preferred stock; of these amounts there have been issued $32,858,600 common and $26,651,000 preferred. In return the company has acquired $11,000,000 cash, certain real estate, etc., below described and the following amounts of stock in other corporations, viz.:

	—Total issued.—		—Acquired.—	
	Common.	*Preferred.*	*Common.*	*Preferred.*
George A. Fuller Co.	$10,000,000	$5,000,000	$9,908,000	$4,608,000
N. Y. Realty Corporation	3,000,000	None	2,774,200	None

"It is expected that common stock up to $33,500,000 and preferred stock $27,500,000 will be issued within a few months in acquiring stock of the aforesaid companies not already acquired. It is proposed that each of these corporations shall be continued as an active and independent-going concern.

"The balance sheet of the new company as of Oct. 1, 1902, shows on the liability side only capital stock issued, viz., $59,509,600; on the other, cash, $11,004,000; and another item of $48,505,600, representing the stocks acquired as aforesaid; also 200 shares of stock of the Plaza Realty Co., on which $54,000 has been paid, and the following real estate acquired in fee from the Central Realty Bond & Trust Co.; also the real estate interests of the George A. Fuller Co. and the New York Realty Corporation, viz.:

"ACQUIRED IN FEE FROM CENTRAL REALTY BOND & TRUST CO.

Where situated—	*Chief frontage.*	*Mortgaged for*
S. E. corner Broadway and 57th St.	136 feet, Broadway	$350,000
50th St (N. S.) 75 ft. west of Park Av.	Five lots	160,000
51st St. (S. S.) do do	Three lots	76,000
52d. St. (S. S.) do do	Two lots	50,000
S. E. corner Broadway and 69th St.	112 feet, Broadway	......

One-half interest in block, except one lot	58-57 streets, Eighth Ave. and Broadway	300,000
One-half interest in Nos. 133, 135, 139, 141, 143 and 145	West 74th St.	66,000
"Young Men's Christian Association Building"		500,000

"REAL ESTATE OF GEORGE A. FULLER CO.

Where situated—	*Chief frontage.*	*Mortgaged for*
Thames St.	Nos. 5 and 7	$145,000
S. E. corner Spring and Mercer sts.		300,000
Premises in Chicago, Ill.	On 69th St.	......

"REAL ESTATE INTERESTS OF NEW YORK REALTY CORPORATION.

Where situated—	*Chief frontage.*	*Mortgaged for*
One-half interest in block, except one lot	58-57 streets, Eighth Ave. and Broadway	$300,000
N. E. corner 38th St. and 5th Ave.		500,000
Premises No. 62 Wall St.		170,000
Nos. 108 and 110 West 34th St.		230,000
Interest in James Estate and other properties y	No. 400 5th Ave., etc.	......
Three-tenths interest in the equity of a syndicate purchase of premises at Broadway, 61st & 62d sts.		

"RIGHTS OF STOCK.—The certificate of incorporation provides as follows:

"The preferred stock shall receive dividends at the rate of and not exceeding 6 per cent. per annum. This dividend shall be payable quarter-yearly on the first days of January, April, July and October, the first dividend to be paid January 1, 1903. Such dividend shall be cumulative, and if the profits in any one year declarable as dividends shall not be sufficient to pay such dividends for such year upon said preferred stock, the same shall be made up from profits of a later period until the full amount of dividends herein specified, without interest, shall have been paid upon the preferred stock before any dividend is declared on the common stock. Whenever all cumulative dividends on the preferred stock for all previous years shall have been declared, and shall have become payable, and the accrued quarterly installments for the current year shall have been declared and the company shall have paid such cumulative dividends for previous years, and such accrued quarterly installments, or shall have set aside from its surplus or net profits a sum sufficient for the payment thereof, the board of directors may declare dividends on the common stock, payable then or thereafter, out of any remaining surplus or net profits.

"The balance of the net profits of the company declarable as dividends shall be distributed among the holders of the common stock. The face value of the preferred stock and the accrued and unpaid dividends shall, in the event of the dissolution of the company and the division of the assets, be paid in full before any sum whatever shall be paid on account of the common stock, and thereafter the common stock shall be entitled to the entire assets remaining.

"Each class of stock has equal voting powers, and the directors are all elected annually, and are not divided into classes. The annual meeting is fixed for the first Tuesday in July in each year. The company's by-laws forbid it to deal in its own stock, and to dispose of the stock of any company for which it has issued its own stock, except upon vote of a majority interest of the shareholders."

First quarterly dividend of 1½% was paid on January 1, 1903, to the preferred stockholders. At the same time it was rumored that the company would absorb the Thompson-Starrett Company, but this plan evidently fell through, as it never materialized. In April, the first authoritative information of the earnings of the consolidation was made public, and on the 23d of that month the *New York News Bureau* published an approximate statement for the half year ending March 31, which was a follows:

Net earnings for six months ended March 31st..................	$1,600,000
Contracts now on hand..	23,000,000
Assured profits on the contracts................................	2,000,000
Earnings in real estate and investment dept......................	1,600,000

It was stated that after all fixed charges and dividends on the preferred stock had been provided for, there would remain about $2,000,000 applicable to dividends on the common stock, but it was pointed out that the management would probably carry the surplus earnings to the reserve fund, and not put the common stock on a dividend basis until the second year. In the meanwhile the company had regularly paid its quarterly dividends on the preferred stock.

On July 8, 1903, the annual meeting of the company was held, and the following four new directors were elected, making the total membership of the Board thirty: Faulkner Hill, Byron M. Fellows, R. G. Babbage and Morris B. Mead.

About this time the quotations of the company's stocks began to decline very rapidly, and created a great deal of unfavorable criticism. It was pointed out that while the company had regularly paid its preferred stock dividends, yet it had not as yet furnished any formal statement of earnings, and it was not publicly known whether the consolidation was earning a surplus or not. At this time the following official statement was made:

"The company had in bank this morning $3,385,201; the Fuller Construction Company had on deposit $412,282, and the New York Realty Company $184,679, a total of $3,982,162. These funds are in the City National Bank, Western National Bank, First and Second national banks, Central Realty Bond & Trust Company, and the Equitable Trust Company. The amounts in trust companies are certificates of deposit running for several months and bearing 3½ per cent. interest. This shows that the company has no immediate use for a large part of these funds. It has no obligations outstanding in the shape of notes or bonds, and its assets, making due allowance for any doubtful items, are in excess of $22,000,000. These assets consist of stocks and bonds, $6,080,000; mortgages on New York City real estate, $4,190,000; real estate owned, $8,995,000, upon which there are mortgages aggregating $6,625,000, leaving the net $2,370,000, and cash as stated above, $3,982,162.

"The company makes up a statement of its condition every month and the figures for the eight months ending May 30 are complete, but have not been published because it was thought desirable not to make a statement except for quarterly periods. The figures for the nine months ending June 30 have been made up and are being verified by two firms of expert accountants, namely, Marwick, Mitchell & Company and Jones, Cæsar & Company. Their work will be completed in time to be submitted to the directors at their regular monthly meeting on Thursday, July 30, and will then be made public."

The full statement of the auditors, Messrs. Jones, Caesar & Co., and Marwick Mitchell & Co., was published about the first of August, and furnished a statement of earnings for the first nine months of the company's business, as well as other facts of interest. This report was in substance as follows:

We have examined the books of the United States Realty & Construction Company and its subsidiary companies, and certify that the attached balance sheet, in our opinion, properly shows the position of the corporation and its subsidiary companies at June 30, 1903, and that the income account is a correct statement of the net earnings for the nine months ending at that date. The latter is a consolidated statement of the gross and net earnings of all the companies for the period above named, and all inter-company balances are eliminated therefrom and also from the consolidated balance sheet.

There are included therein the transactions of the following companies: (1) United States Realty & Construction Company; (2) George A. Fuller Company, New York Realty Corporation, and Sixth Avenue Realty Company, practically all the stock of which is owned by the United States Realty & Construction Company; (3) Fifth Avenue Building Company, all the stock of which is owned by the George A. Fuller Company; (4) Inter-State Mortgage & Debenture Company, practically all the stock of which is owned by the New York Realty Corporation; (5) Sixty-eight William Street Company, half the stock of which is owned by the Inter-State Mortgage & Debenture Company; (6) Tontine Company, a majority of the stock of which is owned by the George A. Fuller Company, and (7) Santos Company, all the stock of which is owned by the George A. Fuller Company. In the case of Sixty-eight William Street Company and Tontine Company, which are only partially owned, we have included only the proportion of the transactions appertaining to the shares owned.

As this is the first period of operation of the United States Realty & Construction Company, we have thought it right to adjust the balance sheet of October 1st, 1902, at which date the company commenced its operations, so as to bring into profit and loss account for the subsequent period all transactions relating to that period and to charge against the surplus of the subsidiary companies at that date all transactions relating to the prior period.

Among these adjustments the most important was that relating to the profits on building contracts. In preparing the present accounts, we have adopted a principle in relation to these profits which appears to us to be conservative and safe, and have taken up profit on work in progress at the beginning and end of the period, as follows: (a) On buildings where the expenditure amounted to less than one-third of the estimated total cost, no profit is taken up; (b) on buildings where the expenditure amounted to more than one-third and less than two-thirds of the estimated cost, 50 per cent. of the estimated profit on the amount actually expended is taken up; (c) on buildings where the amount expended exceeds two-thirds of the estimated cost, 75 per cent. of the estimated profit on the actual amount expended is taken up; (d) the remaining 25 per cent. being retained as a reserve until the buildings are finally completed and payments all made and the accounts in relation thereto finally closed out from the books. This creates a reserve of estimated profits on expenditure actually incurred to June 30th of $598,040.

The values of all marketable stocks and bonds have been written down to market values as on June 30, but inasmuch as the loss shown on this re-valuation will not necessarily be realized, we have shown the adjustment as a deduction from the increase due to the re-valuation of real estate still held. We found that the company was carrying as an asset certain real estate taxes and other outgoings on certain properties, the rentals of which were not always sufficient to show a profit. As such payments do not, in out opinion, add to the value of the property, we have charged the same against the earnings of the period. The book values of the real estafe given, with the exception of the O'Neill property and the property at 38th St. and 5th Ave., on which an estimated profit has been taken, are the cost, or under, to the United States Realty & Construction Company. We have examined the accounts and bills receivable and are satisfied that full provision has been made for doubtful debts. We have verified the cash by certificates from the banks and the investments by actual inspection.

The underwriting syndicate, which carried through the original merger, was dissolved in September, 1903, and the participants received from the Central Realty Bond & Trust Company, the stock and cash to which they were entitled.

A week later the directors of the corporation came together and decided that the fourth quarterly dividend of 1½% on the preferred stock could not be declared because the company had not earned the money. Vice-President Dowling was at this time quoted as saying:

"Up to June 30th, when our Annual Report was issued, the system had been to estimate the profits on contracts under way. If the old system had been continued, we would have had to-day, for dividend purposes, the $180,000 left after the last dividend, and $790,000 of earnings under the old system since that time. These sums would, of course, have been ample, but under the new system of bookkeeping no dividends could be declared. The new system is to credit ourselves with no profits on building contracts until the buildings are actually finished, turned over, and paid for. Then the cash received will be divided, and from the profits dividends declared. The only hardship apparently will be a suspension of dividends for a few months. After that time enough actual profits will probably be on hand to justify their renewal."

At this time the following statement was made in the New York *Sun* by one of the prominent directors of the corporation:

One year ago, when the syndicate was formed and paid in its $11,000,000 in cash, there were in the hands of the managers of the syndicate 110,000 shares each of the common and preferred stock of the company. A few weeks later an offer of $35 a share was made for the 50,000 shares of common stock still on hand, the rest having been sold at higher prices This offer was refused, although certain members of the syndicate, including myself, advised that it be taken. It has been a surprise to most of us to learn that although there were only 50,000 shares of common stock on hand at that time and undisposed of, there will be turned back to the syndicate members 75,000 shares, making 25,000 shares which have been taken in since. Of the preferred stock, 110 per cent. on the number originally taken over, or 121,000 shares, has been turned back. There was paid in 4½ per cent. in dividends on the preferred stock, and there has been turned back 6½ per cent. in cash, making 2 per cent. actually taken in by operations. The syndicate's paper loss is about $5,000,000. The managers of the syndicate received $220,000 for their services.

Status.—The same director is further quoted as saying:

We do not believe that the company is over-capitalized. The preferred stock is cumulative, but that fact does not mean in any way that a failure to pay dividends should mean reorganization. You may state definitely that there will be no reorganization. Regarding the statement of cash on hand on June 30 of nearly $5,000,000 and this talk about the liabilities exceeding the same, it is only necessary to say that this company has no bonded debt of any kind and has no notes or indebtedness of that sort outstanding. No company locks up cash enough to meet liabilities which fall due at some time in the future.

As for the new valuations of the O'Neill store and the Corbin Fifth Avenue property, these properties yield thereon 4½ per cent. net income. The company owns 5,500 shares of the stock of the United States Steel Corporation and 3,000 shares of the stock of the Lawyers' Title Insurance Company. The Steel Corporation stock was appraised by expert accountants, and its value on June 30 was that set down in the books. The Title Company's stock was issued at $300 a share and was secured by us for $303 a share, and it was appraised as of June 30 also.

The quotations on the Realty stocks continuing to fall, there followed much public discussion as to the actual status of the consolidation. Its methods were in many quarters strongly criticised and in the latter part of November, a stockholders committee, consisting of James Speyer, James H. Hyde, A. D. Juilliard, F. P. Olcott, and James Stillman, representing owners of large amounts of the capital stock, requested the stockholders to confer upon it power which would enable it "to secure some radical changes in the administration of the company, especially in its construction department, and to thoroughly establish an administration which will be advantageous to the interests of the stockholders, and will secure for the company the confidence of the communities in which its business is to be transacted."

The stockholders were accordingly asked to deposit their stock certificates before December 15, 1903, with the Equitable Trust Company, under an agreement which should vest the same and the voting powers thereon in the committee, until the expiration of three years from the next annual meeting of the stockholders. The committee was to act by vote of a majority of its members.

At this same time, Vice-President Dowling was quoted as saying:

> In other lines employers are cutting expenses, and there is nothing in the present reduction in our working staff more than other large contractors are doing. While securities have been going down, the cost of building has remained at the same high figure. While this state of affairs remains there will be little building done. This Winter I believe there will be from 30 to 40 per cent. less than the normal amount of business done by building contractors.
>
> The entire organization was never in better shape. We will take only contracts that we know to be safe until the labor situation is more settled and contracts can be fulfilled on time. So far there has been no reduction in our construction department in Pittsburg or in any of the other cities.

In January, 1904, a large number of the directors withdrew, and the H. S. Black interests assumed control, and were about to reorganize the management.

Number of plants acquired or controlled.............. 7
Proportion of industry controlled ....unascertained
Business: Building construction.
Total capital issued: Par value, $66,000,000; market
value (about) $16,000,000

United States Ship-Building Company.

"The Ship-Building Trust."

The United States Shipbuilding Company, which was organized under the laws of New Jersey on June 17, 1902, for the purpose of consolidating a number of plants engaged in the business of ship and engine building, did not represent the first move in the direction of consolidating shipbuilding plants in this country. As a matter of fact, the formation of this Trust at this time had been preceded, about two years before, by a plan on somewhat similar lines, which was at that time promoted by some of the same interests, but which failed to materialize. The original scheme, which was at the time known as "the H. W. Poor plan," embraced, not only all of the plants which were absorbed in the final consolidation, with the exception of the Eastern Shipbuilding Company and the Harlan & Hollingsworth Company, but it also included the Newport News Shipbuilding & Dry Dock Company.

Inasmuch as very little is publicly known regarding this original scheme, which had been broached in the Winter of 1900-1, and very little definite information has been published about it, the entire prospectus of the plan as then proposed is printed in the following pages. It is believed that a comparison of this plan with the one which was finally submitted to the public and carried through in 1902 will prove of much interest. The final plan is printed in full also in the pages immediately following the original one.

The original plan, which did not have a very wide public circulation and was never put out except in a rather tentative way, was as follows:

Prospectus: UNITED STATES SHIPBUILDING COMPANY. A corporation organized under the laws of the State of New Jersey, to be known as the "United States Shipbuilding Company," which shall have power under its charter, among other things, to acquire the several plants mentioned below, now engaged in the building of war vessels for the United States and foreign governments, vessels for the over-sea trade, coasting and river service, yachts, sailing vessels and barges. The corporation will in addition have power under its charter and will be equipped to build auxiliary machinery and do all kinds of repair work. The corporation will own the only dry dock on the Atlantic coast capable of docking vessels of the largest size.

The following plants and the equipment thereof will be acquired by the corporation:

The Newport News Shipbuilding and Dry Dock Co., Newport News, Va.

Union Iron Works, San Francisco, Cal.

The Bath Iron Works, Limited, and the Hyde Windlass Co., Bath, Me.

The Crescent Ship Yard and the Samuel L. Moore & Sons Co., Elizabethport, N. J.

The Canda Manufacturing Co., Carteret, N. J.

From the statement and reports mentioned below it will be seen that the works of the corporation will have a total annual capacity of 380,000 tons, exclusive of general repair, dockage, and collateral work; and assuming all the yards to be full of work, the services of about 24,000 men will be required, and about 275,000 tons of steel will be used annually.

The acquirement by this corporation of all the plants and properties above stated presents distinct advantages, as stated by Naval Constructor F. T. Bowles (now Rear-Admiral and Chief Constructor of the United States Navy), in his report dated December 22, 1900, as follows:

1. Each concern builds that for which it is best fitted and equipped, or that which its character, location and labor can accomplish most economically.

2. Structural materials, steel, iron, timber, etc., can be purchased at the lowest rates, a prompt supply secured at points where it is most needed.

3. The technical knowledge of design, which comes from experience, records, and data of each concern, will be combined, thus giving confidence to customers that the results contracted for shall be attained.

4. The healthy professional rivalry of the various yards can be utilized to produce the best results in design, construction and administration, without the disastrous and narrowing devices of destructive competition.

5. The standardization of the numberless details of ship fittings, auxiliaries and appliances, which are now almost as various and incongruous in design as they are in number, and their production in quantity by those best qualified, would produce enormous economies.

6. It will be possible to effect great economies by the separation of warships and merchant construction into different establishments, thus avoiding the difficulties of organization and increased cost of radically different types of construction upon adjoining ships.

7. The better organization and management of the individual concerns would be a necessary and direct result of this incorporation.

(See Report of Admiral F. T. Bowles, U. S. N.)

The following gentlemen have consented to serve on the Board of Directors: Henry T. Scott, president of the Union Iron Works; H. E. Huntington, first vice-president of the Southern Pacific Company; Lewis Nixon, the Crescent Ship Yard; Irving M. Scott, vice-president and general manager of the Union Iron Works; Charles J. Canda, president of Canda Manufacturing Co.; C. B. Orcutt, president of the Newport News Shipbuilding and Dry Dock Co.; John S. Hyde, president of the Hyde Windlass Co.; E. W. Hyde, president of the Bath Iron Works, Ltd.; Edwin Hawley, president of the Minneapolis and St. Louis Railway Co.; E. H. Harriman, chairman of Board, Union Pacific Railroad Co.; James Stillman, president of the National City Bank.

Other directors will be named after the company is constituted.

The aggregate of orders now in hand of the constituent companies exceeds $63,000,000, covering an average of eighteen months for completion, on which the estimated profit is over $7,000,000.

From the annexed statements and reports, it will be seen that the business already in hand of the constituent companies, amounting to $63,000,000, with the additional business that can be secured, should produce the following estimated results:

Estimated net earnings for 1901	$4,223,000
Estimated net earnings for 1902	5,612,500
Estimated net earnings for 1903	7,500,000
Total estimated net earnings for three years	$17,335,500
Estimated future annual net earnings, average	5,778,500

As the constituent companies are to be taken over with adequate working capital and free from debt, the profits to accrue on the contracts already secured will be available for dividends. The average net earnings, above estimated at $5,778,500, are equivalent to a sum equalling 7 per cent. on the preferred stock, and 6 per cent. on the common, and a substantial surplus.

I.—The company will be authorized under its charter to issue capital stock, as follows:

Preferred stock (7 per cent. non-cumulative)	$32,500,000
Common stock	32,500,000

II.—As soon as the United States Shipbuilding Company is duly organized, the entire capital stock will be issued and delivered to the Mercantile Trust Company as depository, to carry out the plan as herein stated.

III.—The United States Shipbuilding Company will have absolute ownership of all the properties of the constituent companies, free from all incumbrances, either through conveyances of the properties, or ownership of all the outstanding stocks.

IV.—The plan will become operative as soon as Messrs. H. W. Poor & Co. notify the Mercantile Trust Co. that the Corporation has acquired the properties of the constituent companies, in accordance herewith, and the titles thereto have been passed by counsel.

V.—The corporation will have a cash working capital of $5,000,000, contributed under this plan, and in addition will have the cash, materials, supplies and other quick assets of constituent companies on hand at the time of taking them over by this corporation, amounting, as estimated by the accountants, to $2,500,000.

This prospectus is based upon statements and reports of Rear-Admiral Francis T. Bowles, United States Navy, Chief Constructor of the Navy, who gives an appraisal of values; of the accountants, Messrs. W. T. Simpson and Riddell & Common, chartered accountants, and D. W. Folger, Esq., accountant, San Francisco, Cal.; of the well-known expert shipbuilder, Lewis Nixon, Esq.; of Henry T. Scott, Esq., president of the Union Iron Works, California, and of E. W. Hyde, Esq., president of the Bath Iron Works, Maine, copies of which can be obtained from the bankers.

Fiscal agents, H. W. Poor & Co., 18 Wall Street, New York City.

The second plan, as publicly announced by the Trust Company of the Republic on June 14, 1902, was as follows:

TRUST COMPANY OF THE REPUBLIC.

June 14, 1902.

THE UNITED STATES SHIPBUILDING COMPANY.

$9,000,000.

FIRST MORTGAGE FIVE PER CENT. SINKING FUND GOLD BONDS, DUE 1932.

——STOCK——

$10,000,000 Preferred. $10,000,000 Common.

DIRECTORS:

Henry T. Scott, - - - -	President, Union Iron Works
Lewis Nixon, - - - -	President, Crescent Ship Yard
John S. Hyde, - - -	President, The Hyde Windlass Co.
E. W. Hyde, - - - - -	President, Bath Iron Works, Ltd.
Charles R. Hanscom, -	President, The Eastern Shipbuilding Co.
Irving M. Scott,	Vice-Pres't and Gen'l Mgr., The Union Iron Works
Charles J. Canda, - - -	President, Canda Manufacturing Co.
Horace W. Gause, -	President, The Harlan & Hollingsworth Co.
Daniel LeRoy Dresser, -	President, Trust Company of the Republic
John J. McCook, - - - - - -	of Alexander & Green

Trustee for Bonds:

MERCANTILE TRUST COMPANY, 120 Broadway, New York.

Transfer Agents:

TRUST COMPANY OF THE REPUBLIC, 71 William St., New York.

Bankers:

TRUST COMPANY OF THE REPUBLIC, 346 Broadway and 71 William St., New York.

Counsel:

ALEXANDER & GREEN, 120 Broadway, New York.

UNITED STATES SHIPBUILDING CO., OFFICES, 71 William St.
THE UNITED STATES SHIPBUILDING COMPANY.

The Trust Company of the Republic is authorized to receive subscriptions for an issue of $9,000,000, first mortgage, 5 per cent. sinking fund, 30-year gold bonds.

The United States Shipbuilding Company has been organized under the laws of the State of New Jersey, to acquire the plants and equipment of the following concerns or their capital stock, free from any liens:

THE UNION IRON WORKS, - - San Francisco, Cal.
THE BATH IRON WORKS, Limited, and THE HYDE WINDLASS COMPANY, - - - Bath, Me.
THE CRESCENT SHIPYARD and THE SAMUEL L. MOORE & SONS CO. - - Elizabethport, N. J.
THE EASTERN SHIPBUILDING CO., - New London, Conn.
THE HARLAN & HOLLINGSWORTH CO., Wilmington, Del.
THE CANDA MANUFACTURING CO., - Carteret, N. J.

This issue of $9,000,000, Series A, First Mortgage, Five Per Cent. Sinking Fund, Gold Bonds, due 1932, is part of an authorized issue of $16,000,000, Bonds of $1,000 each, $5,500,000 having been withdrawn from public issue under the vendor's and subscriber's contracts and for providing cash working capital for the company, and $1,500,000 being reserved in the treasury of the company. Additional bonds may be issued only for the purpose of acquiring additional plants and equipment and for improvement and betterments, upon such terms and conditions as shall be approved by the holders of a majority of the bonds outstanding at the time of such approval.

Messrs. Alexander & Green, counsel for the company, certify as to the validity of the organization and of the securities issued, and the title of the company to the property acquired.

Current books of account and contracts for work now in hand of the corporations above specified have been examined by W. T. Simpson, F. I. A., N. Y., and Riddell & Common, accountants.

The distinct advantages of one corporation in the operation of a number of shipyards were stated in the report made on that subject on December 22, 1900, by Naval Constructor F. T. Bowles (now Rear-Admiral and Chief Constructor of the U. S. Navy), as follows:

1. Each concern builds that for which it is best fitted and equipped, or that which its character, location and labor can accomplish most economically.

2. Structural materials, steel, iron, timber, etc., can be purchased at the lowest rates, a prompt supply secured at points where it is most needed.

3. The technical knowledge of design, which comes from experience, records and data of each concern, will be combined, thus giving confidence to customers that the results contracted for shall be attained.

4. The healthy professional rivalry of the various yards can be utilized to produce the best results in design, construction and administration, without the disastrous and narrowing devices of destructive competition.

5. The standardization of the numberless details of ship fittings, auxiliaries and appliances, which are now almost as various and incongruous in design as they are in number, and their production in quantity by those best qualified, would produce enormous economies.

6. It will be possible to effect great economies by the separation of warships and merchant construction into different establishments, thus avoiding the difficulties of organization and increased cost of radically different types of construction upon adjoining ships.

7. The better organization and management of the individual concerns would be a necessary and direct result of this incorporation.

These bonds are secured by a first mortgage on the above mentioned plants, appraised as going concerns, at more than $20,000,000, in addition to which, these companies will have a working capital of more than $5,000,000, and the constituent companies have now on hand contracts for work amounting to more than $36,000,000, on which the profits are estimated at over $5,000,000, or more than sufficient to pay interest on bonds and sinking fund for five years.

These plants are earning $2,225,000 per annum on the contracts now on hand, and have abundant facilities for additional work and increased earning capacity..		$2,225,000
Fixed charges, 5 per cent. on $16,000,000..........	$800,000	
Sinking fund	200,000	1,000,000
		$1,225,000
Less Annual Dividends:		
Six per cent. on preferred shares, $10,000,000....	$600,000	
Leaving for dividend on common shares, betterments and repairs, per annum..............	625,000	$1,225,000

Simultaneous offering of these bonds will be made in Paris, New York and elsewhere.

The entire issue of $9,000,000 have been underwritten in the United States and Europe.

Principal and interest are payable in gold coin of the United States of America of the present standard of weight and fineness. Interest is payable in New York at the office of the Mercantile Trust Company, January 1st and July 1st, and the principal may be registered.

The Trust Company of the Republic is authorized to receive applications for these bonds at 97½ per cent., payable as follows: 25 per cent. on application, 25 per cent. upon allotment, 25 per cent. July 10th, and the balance (22½ per cent.) July 24th.

Subscription books will be opened in Paris and New York on 18th day of June, 1902, for the entire $9,000,000 of bonds, and be held open until 4 P. M. June 19th.

Application for bonds must be made on the accompanying form, and forwarded to the Trust Company of the Republic, with the amount of the deposit. If no allotment is made, the deposit will be returned in full; and where the number of bonds alloted is less than applied for, the amount will be applied toward the payment due on allotment, and any excess will be returned to the applicant.

Allotments will be made as soon as possible after closing the books. *Negotiable* interim certificates to bearer will be issued pending the delivery of the definite bonds.

The Trust Company of the Republic reserves the right to close the subscription at any time, and to reject any and all subscriptions.

For any further information apply to the office of the TRUST COMPANY OF THE REPUBLIC, 346 Broadway and 71 William St., N. Y.

Or to any of the undersigned bankers, who are authorized to receive, in their respective cities, subscriptions for these bonds:

NEW YORK..............TRUST CO. OF THE REPUBLIC
NEW YORK........................HARRIS, GATES & CO.
BOSTON ....E. H. GAY & CO.
PROVIDENCE .............MANUFACTURERS TRUST CO.
PHILADELPHIA ....ETTING & PETERSON
CHICAGO ....HARRIS, GATES & CO.
ST. LOUIS...............................WHITAKER & CO.
CINCINNATI ....W. E. HUTTON & CO.
BALTIMORE ....J. H. FISHER & SONS
PITTSBURG ....N. HOLMES & SON
CLEVELAND ....LAMPRECHT BROS. & CO.
HARTFORD, CONN....................FRANCIS R. COOLEY
*MONTREAL, CANADA ....E. H. GAY & CO.

It is interesting to compare the features of these two plans, particularly in relation to the matter of capitalization. The first plan embraced, with two exceptions, all the corporations which it was purposed to take into the second. It included in addition only one other concern, of a capitalization of less than $5,000,000. It was to be capitalized for the sum of $65,000,000, as compared with only $36,000,000 for the second plan. Further than this, the claims of the first promotion regarding volume of business and probable net earnings were so remarkably high that those claimed in the second plan, when placed in comparison, looked extremely conservative. Thus, in the H. W. Poor plan, the average annual net earnings available for dividends were placed at $5,778,500, whereas in the second plan, only $2,225,000 was claimed. The curious part of all this is that these two prospectuses were both built up on the same expert reports. The report of Naval Constructor Bowles, which was embraced in the second plan, seems identically the same as that which was published in the first plan. Of course, the first plan embraced an important corporation which was not included in the final scheme, but it did not embrace the Harlan & Hollingsworth Company, and the Eastern Shipbuilding Company, both of which were doing an important business.

As is now publicly known, the prospectus issued by the Trust Company of the Republic in putting the second plan through, was far too visionary. Yet it appears so conservative and mild in its predictions of future profits, as compared with the original promo-

*The foregoing prospectus was, of course, issued before the plan had been announced for the acquisition of the Bethlehem plant and consequent increase of total capitalization from $36,000,000 to $71,000,000.

tion, that it is indeed difficult to explain the basis on which the estimates were made when the first plan was broached in the fall of the year 1900.

The idea of consolidating the shipbuilding industry along the lines of the foregoing plans apparently originated with Mr. Nixon, even before 1900, and the same promoter who handled the European end of the 1902 flotation is said to have brought the plan to the front in the fall of 1900.

The first formal move in the 1902 amalgamation was made in April of that year, when the promotion was begun in the usual way by the issuance of a "preliminary prospectus" which was marked "private and confidential." This prospectus was, as far as its descriptions of the plants and their possible earnings went, very similar to the formal one issued in June, which is printed on the preceding pages. As the receiver of the property has since pointed out, both of these prospectuses contained gross inaccuracies with reference to profits.

Within a few days after the foregoing second prospectus had been issued in June, 1902, it was announced that negotiations had been completed whereby the United States Shipbuilding Company would absorb the Bethlehem Steel Company, and the latter plant would be included as a part of the general consolidation. The plan for securing the Bethlehem Steel property involved an important change in the capitalization of the new corporation, and the capital stock issues, it was announced, would be increased to $20,000,000 6% non-cumulative preferred and $25,000,000 in common stock. There would also be an additional mortgage of $10,000,000, which would be secured by deposit of the capital stock of the Bethlehem Steel Company, and also by a direct mortgage on the properties of the Shipbuilding Company.

At this time the following statement was published as having been made by Mr. Lewis Nixon, the President of the new combination:

"The Bethlehem Steel Company was secured on most favorable terms. It will be paid for by the issue of additional securities, none of which will be offered to the public. The acquisition enables the United States Shipbuilding Company to build battle ships complete with armament, armor and all equipment. No such company exists elsewhere in the world. Arrangements have been made with the United States Steel Corporation by which prompt deliveries of hull steel on favorable terms will enable us to promise vessels absolutely on time. The Bethlehem Steel Company is making armor and forgings, and building guns and gun carriages for the United States, Europe & Mexico, and work is in sight that will tax the capacities of Bethlehem

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following statement, published in September, 1902, was said ... result of an examination by auditors of the earnings of the ...m Steel property and the other properties:

...ngs, year ended June 30, 1902, of the shipbuilding plants..	$1,942,522
...ings of Bethlehem Steel Company for year ended August ...902	1,441,208
...al	$3,383,730

...hort time after this, a formal application was made to the ...ork Stock Exchange to list the securities of the Trust, and in ...plication was given a detailed statement of the net earnings of ...ipbuilding plants, showing what each one had earned. This ...ent was as follows:

...tement of the net earnings from June 30, 1901, to June 30, 1902, of the ... companies acquired by the United States Shipbuilding Company:

...on Works, as per books........		$215,194 62
Windlass Company, as per books........		170,740 70
...ent Shipyards, as per books........		247,974 33
. Moore & Sons Co., as per books........		30,291 32
...n & Hollingsworth Company, three years' net earnings, as per books, $282,407.51; average for the above period of one year		*94,135 84
...on Iron Works, as per books........	$659,959 38	
- which we add an estimated loss on account of a strike covering this entire period........	450,000 00	
		1,109,959 38
...tern Shipbuilding Company, as per books........		74,225 84
Total		$1,942,522 03

At the same time a statement was submitted showing the net ...rnings of the consolidated properties, including the Bethlehem ...ompany, for the three months ending November 30, 1902. This ...tatement was as follows:

Consolidated statement of the net earnings of the United States Shipbuilding Company and Bethlehem Steel Company, for the three months ending November 30, 1902:

Earnings		$1,163,022 22
Deduct:		
Reserves on estimated profits on contract work in shipbuilding construction	$74,138 04	
Accrued interest and sinking fund payment on all United States Shipbuilding Company's bonds for quarter	391,666 67	
		465,804 71
		$697,217 51

...ote.—The earning capacity of the Harlan & Hollingsworth Company should not be based on these figures, as the three years' net earnings ... diminished by an estimated loss of $180,000 on a steamship contract, ...S. Government.

Of the earnings of $1,163,022.22, United States Shipbuilding Company earned	$554,021 45
Bethlehem Steel Company earned	609,000 77
	$1,163,022 22

At the time of the original underwriting, it was reported in the prospectus that of the $14,500,000 bonds which were issued for public distribution, $9,000,000 had been fully underwritten in the United States and Europe. These bonds were underwritten by the syndicate at 90 and offered to the public at 97½. The underwriting syndicate received a bonus for their work of 25% of their subscription in preferred stock and an equal amount in common stock. At the same time the Trust Company of the Republic stated that the American subscriptions for the bonds would aggregate about $7,500,000, and that the balance had been more than subscribed for in Paris.

As disclosed later, the $5,000,000 of additional common stock issued beyond the amount given to Mr. Schwab on the Bethlehem account, was issued as additional compensation to the controlling interests.

Early in November, 1902, it began to be rumored that there was some hitch in the matter of closing up the syndicate affairs, and also that the subscriptions of the Paris bankers, said to aggregate about $4,000,000, had not been taken up. This situation created a good deal of concern among the American bondholders and stockholders, and about the middle of this month it was announced that a new syndicate, of which the North American Company would be a joint manager, had arranged to pay off the loans made by the Trust Company of the Republic in connection with the formation of the consolidation, and would purchase the collateral, consisting of a large block of stocks and bonds of the United States Shipbuilding Company. This new syndicate was under the management of George R. Sheldon and of Charles W. Wetmore, of the North American Company.

The following statement was at this time issued by the Trust Company of the Republic:

"There has been no change in the management of the underwriting syndicate. The Trust Company of the Republic is its manager, and will continue to act in that position until the expiration of the syndicate's life, on July 25, 1903.

In all, $8,100,000 in cash has been supplied to the United States Shipbuilding Company by the underwriting syndicate. This was obtained by the issuance of $9,000,000 of bonds at 90. The full terms of the contract between the Shipbuilding Company and the underwriting syndicate were carried out, and as a result the United States Shipbuilding Company owns every share of stock of its subsidiary companies, and, in addition, has plenty of working capital in its treasury. The Shipbuilding Company is a going concern.

France has so far failed to pay up its amount of subscriptions to the underwriting syndicate. Loans were made in this country at various institutions to take the place of these unpaid subscriptions. The Trust Company of the Republic carried a portion of these loans. A new syndicate, of which the North American Company is the corporate member, has been formed, and has purchased the collateral and is about to pay all the loans. By this payment the Trust Company of the Republic is relieved of any obligation toward the United States Shipbuilding Company, except its position as manager of the underwriting syndicate from which it has obtained a profit."

Lewis Nixon, president of the United States Shipbuilding Company, was quoted as saying at this time: "We were supplied with all the money necessary to purchase our properties and to give us a clear title, as well as ample working capital. We have given no notes in payment for our properties. Of course, there are bonds outstanding, but the earnings are fully able to take care of their interest. No developments in connection with the Trust Company of the Republic can affect us. We are concerned only in turning out contracts, *of which we have on hand fully* $50,000,000 *worth."*

A detailed statement of the condition of the Trust Company of the Republic, and its relations with the new syndicate, was published at this time in the *Journal of Commerce.* This statement was, in brief, as follows:

"A new syndicate has been formed to take over certain securities of the United States Shipbuilding Company, which have been in the possession of the Trust Company of the Republic. The new syndicate is managed by George R. Sheldon, and associated with him is the North American Company. The events which led up to the formation of this syndicate are set forth in the following statement, which was given out for publication on the authority of the officers of the Trust Company of the Republic, it being said that no one wished to be quoted personally, and no one was at liberty to tell who Mr. Sheldon's associates were: 'The securities of the United States Shipbuilding Company were underwritten abroad and in the United States under an underwriting agreement, which provided that the underwriting syndicate should last until July 25, 1903. The Trust Company of the Republic is the syndicate manager of this syndicate.

"Certain of the underwriters in France have so far failed to pay their subscriptions, but this did not affect the organization of the United States Shipbuilding Company, and all the properties included in that combination were transferred and their capital stocks are held by the Shipbuilding Company, and all the cash needed for the transaction was furnished and the company began business with $1,500,000 paid in its treasury for working capital and $1,500,000 of its bonds to be sold for future needs. The company is in splendid condition and doing a handsome business. On the French underwriting which was not taken up loans were made in this country by various institutions, and some loans were made on this underwriting by the Trust Company of the Republic. Comparatively recently a syndicate or pool was formed, of which Mr. George R. Sheldon is the manager, and associated with him is the North American Company. This pool, which is composed of some of the strongest people in the Street, has purchased all these securities that originally would have gone to France and is paying off the amounts borrowed on them. The payment to the Trust Company of the Republic of the loans which it made on some of these securities relieves it of its interest in them, but does not affect its position as syndicate manager, nor its profit as such. This operation, which was contemplated in the beginning, but deferred on account of the continuance of the coal strike and high money, has been completed and put the Trust Company in a very strong situation.'

"Lewis Nixon, president of the United States Shipbuilding Company, on Saturday said: 'I myself paid over the money to those concerns which demanded cash in payment for their plants. We were supplied with all the money necessary to purchase our properties and to give us a clear title, as well as an ample working capital. No developments in the Trust Company of the Republic can affect us.'

"The decline in the securities of both the Trust Company of the Republic and the United States Shipbuilding Company has attracted much attention in the financial district of late. The stock of the former, which at one time touched $355 a share, has recently sold as low as $175 a share. It was subscribed for at $150 a share. As regards the shipping securities, curb brokers say there has been practically no market for them for several days."

After the formation of the new syndicate, nothing of importance developed in connection with the affairs of the Trust until early in April, 1903. At that time, it being still persistently rumored that the affairs of the company were not running smoothly, a statement was made by President Nixon regarding the earnings of the company, in which he said:

"Every contract taken lately exhibits a living profit. We inherited some poor contracts and many difficulties. The influence of all losing contracts was promptly discounted by a drastic charging off, and while this has affected our earnings, we show enough in half a year to pay our fixed charges for a whole year. The outlook for our company is absolutely satisfactory."

Another official of the company was quoted as saying:

"The company has all the business it can attend to. It is getting the cream of the shipbuilding in the United States. Our net earnings for six months are ample to pay all interest and sinking fund charges for the year. This means that we have earned at least $1,625,000. We have no debts, and our present cash balance is over $1,000,000."

Within less than four weeks after the above statements were published, it began to be rumored that the company was in financial difficulties, and would have to be reorganized and secure $4,000,000 or $5,000,000 additional working capital. In connection with this rumor, President Nixon was quoted as saying, on May 1, 1903:

"There is so much talk of this character arising from the action taken by the great shipbuilding firm of Philadelphia, that any statement is liable to a misconstruction. We have found, for example, that if we wish to take care of the volume of work which now seems assured, we must increase our facilities, and as the experience of others shows how unwise it is to encroach on working capital for additions to plant, I have discussed very freely with our own management the various ways in which such additions might be handled. This, no doubt, has given rise to the rumors spoken of.

"If we should decide to be content with our present equipment, and simply work it for all it is worth, taking care to keep it in good condition, we can go ahead most satisfactorily just as we are. This is all there is to the story."

In spite of these reassuring statements of President Nixon and others, *a movement was at this time on foot* to prepare a plan of reorganization. The committee who were preparing the plan consisted of George R. Sheldon, Charles S. Fairchild, John E. Borne, Max Pam and Charles W. Wetmore. The plan which the committee prepared was based on reports which were furnished by E. M. McIlvain, president of the Bethlehem Steel Company, and A. C. Gary, treasurer of the United States Shipbuilding Company. These reports clearly showed that the company would be unable to meet the six months' interest on July 1, on its $16,000,000 of first mortgage bonds, or to take care of the outstanding notes of the company, or to obtain any funds for necessary improvements and working capital.

As reported by the *Commercial & Financial Chronicle,* the reports of Messrs. Gary and McIlvain were, in brief, as follows:

Mr. Gary in his report said, in part:

"It has been learned since the statement of earnings for the quarter ending November 30, 1902, was submitted that the system of bookkeeping of the various shipbuilding plants had been defective, destroying the reliability of reported earnings for the first quarter. Since submitting the balance sheet of the United States Shipbuilding Company it has been found necessary to deduct from the working capital items of contract work in construction and accounts and bills receivable the large sum of $1,381,425, and charge the same to cost of plant. This was because of errors discovered in the reports made concerning the condition of the different companies at the formation of the United States Shipbuilding Company. Each of the constituent companies, at the beginning, was without cash working capital, and was heavily indebted both for materials and on outstanding bills payable. Substantial new cash working capital is imperatively necessary.

"The cash requirements to August 1, 1903, for interest and sinking fund alone are $941,887. The earnings of the United States Shipbuilding Company for the eight months ending April 30, 1903, so far as ascertained, amount to $598,156, of which the first three months ending November 30, 1902, contributed $474,907. The working capital of the various companies, so far as ascertained, on April 1, 1903, including $730,831 due to the U. S. Shipbuilding Company, was, over and above current debts, $3,294,308.

"The uncompleted work under contracts on April 1, 1903, of the shipbuilding plants (excluding the Bethlehem Steel Company) was $14,675,449. It will require an average of 15 months to complete this work. In my opinion, the earnings of the shipbuilding plants for the year beginning May 1, 1903, will be $750,000. Assuming that provision is made for financing improvements and for the liquidation of current obligations, I feel safe in stating that there can be applied to payment of interest and other charges out of such earnings the sum of $400,000.

"President McIlvain of the Bethlehem Steel Company says:

"For the fiscal year ended April 30, 1903, the net earnings were $2,518,264, after deducting and allowing $1,406,901, as follows: Adjustments of inventory, etc., $146,873; adjustments heretofore made, $250,000; dividend paid U. S. Shipbuilding Company, $250,000; depreciation, $242,478; fixed charge of underlying bond issue, $517,550. On April 30, 1903, the working capital over all floating debt was $4,157,997.

"With the improvements made and under way, the earnings for the year beginning May 1, 1903, should be about $2,250,000, in addition to $517,550 of earnings applicable to underlying bond interest, the total aggregating $2,767,550. Assuming that all improvements are otherwise provided for, I am confident that there can be withdrawn for distribution during said year, in addition to the underlying bond interest, the sum of $1,200,000. The floating debt consists of current accounts, $973,524, and bills payable, $425,000. The latter will shortly be reduced by $175,000. The company has contracts on hand the uncompleted portions of which amount to $12,000,000 and over.

"The floating debt (estimated) is $3,335,264, viz.: Bethlehem Steel Co., $1,398,524; all other, $1,936,740."

The plan of reorganization which was submitted provided that a new company, to be entitled the Bethlehem Steel & Shipbuilding Company, be organized with an authorized capital of $16,000,000 7% non-cumulative preferred stock, $15,000,000 common stock, and $12,000,000 bonds. The bonds were to be secured by a first mortgage on all the properties, subject to the underlying issues of the old Bethlehem Iron and Bethlehem Steel Companies, and were to be given in exchange for the $10,000,000 5% collateral trust bonds of the Trust, which were known as the "Schwab issue." The holders of the latter (Mr. Schwab owned practically all) were to deposit their bonds, pay an assessment of 20% and receive for each $1,000 of the old issue, $1,200 in new bonds, $150 in new preferred stock and $160 in new common stock. The original first mortgage bondholders of the old company *were to receive no new bonds,* paid no assessment, but were to be given $1,000 in preferred stock and $200 in common stock of the new corporation for each $1,000 in bonds deposited. The old preferred stockholders were to receive for each $1,000 deposited, $400 in new common stock. The old common stockholders were to receive for each $1,000 deposited, $100 in the new common stock.

At this time an estimate was published of the earnings of the Trust for the year ended May 1, 1904, which predicted a total net income of $3,517,550 for both the Shipbuilding plant and the Steel Company. According to these figures, the new company would have no difficulty in earning its new charges and preferred stock dividends.

The plan of reorganization which had been submitted was not accepted with any enthusiasm, and a movement immediately commenced in opposition to the carrying out of the plan. On Thursday, June 13, 1903, application was made at Trenton, N. J., for the appointment of a receiver, the applicants being R. R. Conklin, Max Nathan, J. W. Mack and J. D. Maguire, all bondholders and stockholders of the company. The claim was made that the company had paid an extravagant price for the Bethlehem Steel Company, and that by the reorganization plan, ceased to give to the holders of the collateral trust bonds secured by deposit of that company's stock, a lien on all the property of the Shipbuilding Company, while at the same time converting the latter's first mortgage bonds into preferred stock.

Immediately after this, two statements were published, one from President Nixon and the other from Mr. Schwab. These statements were reported in the *Commercial & Financial Chronicle* of June 20, 1903, as follows:

"Two long statements regarding this company, one from President Lewis Nixon, the other from Charles M. Schwab, were published in the New York *Tribune* on Sunday.

"Mr. Nixon announces his intention to retire from the presidency on July 1 because he is 'not personally in accord with the policy of the organizers,' his 'advice in regard to taking new work and making bids having been disregarded,' and his freedom of action 'in matters pertaining to the practical as distinguished from the financial character of the business' being too much curtailed. He attributes the company's embarrassment to the increased cost of labor and materials and to insufficient working capital. Of the $5,000,000 of such capital provided by the plan, $1,500,000 was in bonds which it has been impossible to sell, leaving the amount actually available $3,500,000.

"Mr. Schwab explains that in the original plan no provision was made for the purchase of the Bethlehem Steel Company. His subscription to the extent of $500,000 to the first syndicate was made for the purpose of furthering the interests of the United States Steel Corporation in order that it might supply all the steel requirements of the Shipbuilding Company. Subsequently he was asked to purchase the Bethlehem Company for the last-named enterprise. On this point he says:

"'We finally agreed that I should secure for them the stock of the Bethlehem Steel Company and furnish the money necessary to make payment therefor to J. P. Morgan & Co., and in consideration thereof I should have the benefit of the accumulations of earnings ("over $1,500,000") since I first bought the property, and receive $10,000,000 in bonds and $10,000,000 in each kind of fully paid stock. Thereupon I took up the matter with Morgan & Co., who insisted that they must have, in addition to the cash invested, 25 per cent. of each kind of stock which I was to receive.

"'My direct financial interests in this transaction, including the cash advanced for the purchase of the Bethlehem stock for Morgan & Co., and accumulated earnings invested in the company, aggregated over $9,000,000, instead of $8,000,000, as stated in the complaint, besides my subscription of $850,000 to the two first mortgage bond syndicates.

"'Morgan & Co. had acquired the Bethlehem Steel Company for the original Steel Corporation syndicate, and just before the winding up of that syndicate I purchased from J. P. Morgan & Co. the $2,500,000 of each kind of Shipbuilding stock which they had received.'

"He further says that he consented reluctantly to join in the reorganization, and that if the first mortgage bondholders are dissatisfied, he is willing to do one of two things, namely, either to return all the securities (stocks and bonds) received in payment for the Steel Company and take back the property, or to proceed to foreclose his collateral trust mortgage. On the showing of the latter company, he says, he would have an investment which would be earning over 30 per cent., and that no plan of reorganization could be evolved which would give him any such possible earnings on any securities which he might receive. The offer to return the securities was later made formally by letter.

"To this Mr. Untermyer replied, under date of June 16, that Mr. Schwab's offer will be put in the hands of the Bondholders' Protective Committee when formed and that the receiver, if appointed, will be urged to present the offer for favorable consideration to the court in New Jersey. He, however, stipulates:

"'(1) That you repay to the Shipbuilding Company the moneys withdrawn from it for working capital and so-called betterments of the Bethlehem plant.

"'(2) That you account for any excessive profits of the steel plant that were made at the expense of the Shipbuilding Company.

"(3) That there shall be a full accounting of the transactions between the two companies to the end that both companies be restored to the same positions that they occupied before the purchase.

"'(4) That proper provision be made for the completion of the work now under way and undertaken under existing contracts by the Bethlehem Company for the Shipbuilding Company, at reasonable prices.

"'As the Bethlehem Company has contributed nothing to the resources of the Shipbuilding Company, and has, on the contrary, drawn largely on the resources of the latter for its support, notwithstanding its showing of paper profits, I trust you will appreciate the justice of these conditions.'

"C. Pendleton Anderson, of the law firm of Anderson & Anderson, denies that the Vanderbilts have any interest whatever in the Trust Company of the Republic or the Shipbuilding Company, and says:

"'I represent Mr. Harry T. Gause, who was President of the Harlan & Hollingsworth Company, and who holds a contract with the Trust Company of the Republic, signed by the vice-president and attested by its secretary under the seal of the company, by which the Trust Company guarantees the sale of his bonds and stock at 95 per cent. of the par value of the bonds, 68 per cent. of the par value of the preferred stock and 25 per cent. of the par value of the common stock, less brokerage expenses, and guarantees that the securities be sold at these prices on or before the 25th day of August, 1903. The Trust Company seeks to repudiate this contract on the ground that it was executed without knowledge of the board of directors and without sufficient authority on the part of the company.'

"It was announced on the same date that the executive committee of the Trust Company of the Republic 'were not in accord at the present time for any application for a receiver of the United States Shipbuilding Company,' and that they 'stood ready to deposit the bonds of that company with the reorganization committee as soon as certain details of negotiation respecting another matter had been arranged to the satisfaction of the executive committee.' The *New York Sun* said:

"'The "certain details of negotiations respecting another matter" referred to have to do with the complications arising from the conflicting claims on a part of the shipyard's securities held by the Trust Company. The Trust Company holds or controls, in one way or another, $3,100,000 of shipyard bonds, viz.: $400,000 held absolutely; $400,000 over which the Trust Company has power of attorney; $1,600,000 owned by Stuyvesant Fish and George C. Boldt and their friends, and about $700,000 worth in regard to which there is a dispute.

"'Winthrop E. Scarritt, the new president of the Trust Company, said that the company desires to have the Sheldon syndicate take over the securities in dispute and the claims which exist against them. That's where the rub comes. The Sheldon syndicate now holds or controls by pledge $5,000,000 of the shipyard's bonds—$1,000,000 from Charles M. Schwab and $4,000,000 that were sent back from France after the failure of the promoters to dispose of them in that country.

"'"The whole influence of the Trust Company," said a member of the executive committee, "will be for reorganization of the Shipbuilding Company. The backbone of the whole thing is the Bethlehem Steel Company's plant. If there is to be a receiver, Mr. Schwab will take out the Bethlehem plant and all we shall have left will be a lot of shipyards scattered all over the country without any head. With the market as it is in these days it would be impossible to enlist capital in the development of such an outfit as that. On the other hand, if the Sheldon reorganization plan goes through, the steel plant and the shipyards will be kept together, the rights of the bondholders will be preserved, and the interest on the bonds due in July will be attended to. The $2,000,000 additional capital that is needed to reorganize has been promised by Mr. Schwab."'"*

*As reported by the *Commercial & Financial Chronicle*, June 27, 1903.

Judge Andrew Kirkpatrick, at Newark, N. J., on July 1, 1903, appointed ex-United States Senator James Smith, Jr., as receiver for the United States Shipbuilding Company. Under the decree Mr. Smith will at the outset have no control of the management of the subsidiary companies. He will simply manage the Shipbuilding Corporation.

In announcing his decision for a receivership, Judge Kirkpatrick states his conclusion that the "corporation is insolvent under the law, and that its directors have not shown where they are about to take any steps to remedy the present condition of affairs. With its credit gone, and without funds to meet presently maturing obligations, it seems to be to the interest of the company and its stockholders, among whom are these petitioners, that a receiver should be appointed." The statement of the treasurer of the company made in connection with the reorganization plan, the judge says, proves the necessity for a receivership.

The reorganization committee believes that the receivership will not interfere with the carrying out of its plan of reorganization.

Samuel Untermyer, who represented the plaintiffs in the receivership suit, says the plan might properly be called a "plan of confiscation." At the same time he expresses the opinion that a foreclosure of the first mortgage is in no sense necessary or inevitable, as the Shipbuilding Company is, he claims, earning more than the interest on its bonds, while the Bethlehem Steel Company, he says, is withholding the surplus profits which ought also to be applied to the purposes of the Shipbuilding Company, and will shortly be so applied to prevent foreclosure.

Following the appointment of Senator Smith as receiver of the Trust, the bondholders' protective committee commenced its expert investigation, being represented by Samuel Untermyer as counsel. The testimony in this investigation began early in October, and at the present writing still continues.

At an early stage of the examination the following facts were given out:

"England having failed to provide as expected $3,000,000 of the underwriting of the $9,000,000 first mortgage bonds (at 90, with a bonus of 25 per cent. in each class of stock), Mr. Dresser raised the underwriting through his trust company to $4,750,000, with the understanding that the remainder was arranged for in Paris. The French underwriters failed to come to time, and Mr. Schwab having agreed to provide $2,000,000 cash if necessary, Mr. Dresser, in Mr. Schwab's absence from town, borrowed $2,100,000 on his own and Mr. Nixon's notes toward the bonds. These notes were afterward taken care of by the Sheldon reorganization committee. In all Mr. Dresser borrowed about $4,100,000 to carry through the deal. Less than $500,000 of the first mortgage bonds which were offered to the public at 97½ without stock bonus were placed.

"The purchase of the Bethlehem stock was made for $10,000,000 of collateral trust bonds and $10,000,000 of each class of stock, $2,500,000 of common and the same amount of preferred stock going to J. P. Morgan & Co. (on account, it appears, of interest and earnings during the time the plant was held for the steel syndicate). As J. P. Morgan & Co. required cash in place of the bonds, Mr. Schwab provided $7,246,871 cash, receiving the bonds and $7,500,000 of each class of the shares. An order for the sale of all the aforesaid stock was then placed with a brokerage house, the price for the preferred being placed at 65 and for the common at 25, this stock and $1,500,000 of each kind from certain vendors, being given preference in sale over all other stock.

The stock, however, was not sold under this order, and the Morgan portion was subsequently sold at a price to net $75,000."

In this connection J. P. Morgan & Co. made the following statement:

"Neither the firm of J. P. Morgan & Co. nor any partner ever had any connection with the inception, organization or financing of the United States Shipbuilding Company; nor have they ever received or owned any of its securities. As managers of the United States Steel Corporation syndicate we held the Bethlehem Steel Company stock until a purchaser was found. It was transferred to the United States Shipbuilding Company at the exact cost and the preferred and common stock which were received in lieu of interest and earnings of the company were sold at private sale for $75,000 and the proceeds were distributed as part of the profit of the United States Steel Syndicate. Any statement that we were parties to any agreement for selling the stock is wholly untrue."

The formal report of the receiver, which was issued under date of October 31, was very exhaustive. Some of its most important features are condensed below from an excellent digest of the report published in the *Commercial & Financial Chronicle* of November 7, 1903:

MISLEADING PROSPECTUS.

The amount of contracts on hand did not exceed $36,000,000, their face value being $34,182,861, but of this amount a profit was available only on the uncompleted portion of the contracts, which profit, as hereafter shown, will not exceed $1,078,261, and will take three years to earn.

These companies did not have a working capital of more than $5,000,000; the figures of the accountants show only a working capital of $3,278,798. This working capital, however, was almost obliterated by subsequent adjustment, as shown below.

The statement that the profits on contract work in hand would be $5,000,000 was undeniably false. If it is claimed that the profit was estimated on the entire amount of $36,000,000, the answer to this is that, admitting there was $36,000,000 worth of contracts (which was not true), the utmost profit that could be looked for, according to the figures of the accountants, was $3,600,000. When this prospectus was issued the persons who were responsible for it must have deliberately disregarded figures which would have shown that the amount of work still to be done on the contracts was but $20,605,639, instead of $36,000,000, and that upon such uncompleted work a liberal estimate would have placed the earnings at only a trifle over $2,000,000.

STATUS OF CONSTITUENT COMPANIES, JULY 31, 1902.

The status of the constituent companies on July 31, 1902, was as follows, the value of plants being as given by the companies' books and the current assets and liabilities (taken over by the United States Shipbuilding Company) as adjusted in the elaborate report of the Audit Company of New York to the receivers:

STATUS JULY 31, 1902 *(See above).*

Constituent companies.	Stock issued.	Value of plants.	Current assets.	Current liabilities.	Net working capital.
Bath	$100,000	$827,316	$348,767	$352,286	def. $3,519
Hyde	100,000	358,121	266,262	76,809	189,453
Crescent	1,200,000	470,584	133,815	537,007	def. 403,192
Moore	*300,000	404,789	123,356	128,395	def. 5,039
Eastern	500,000	237,279	280,361	278,970	1,391
Harlan	1,000,000	1,294,767	744,864	818,678	def. 73,813
Union	1,306,000	4,303,379	2,265,992	142,842	2,123,150
Total	$4,506,000	$7,896,235	$4,163,417	$2,334,987	$1,828,430
Bethlehem	14,998,250	**4,245,281	Not stated—say		3,750,000
Canda	....	300,000	....	....	....

For the above plants and their share capital were issued $67,997,000 in stocks and bonds, viz.: Preferred stock, $19,998,500; common stock, $24,998,500; first mortgage 5 per cent. bonds, $16,000,000; twenty-year gold bonds, $10,000,000; total, $70,997,000; less $3,000,000 returned to the company, viz.: Cash, $1,500,000; first mortgage bonds, $1,500,000.

The total net working capital as above ($1,828,430) contrasts with a total of $3,278,798 as shown by the books on same date.

During the eleven months ending July 1, 1903, the United States Shipbuilding Company was compelled to advance to the constituent companies (net) $959,201. In addition it was compelled to part with $520,000 of its bonds for the purpose of securing indorsements on promissory notes of the constituent companies. When the various properties were purchased, the debts of such companies were not disclosed. Had there been independent examination, it would have been discovered that the new company was taking over $2,334,988 of debts, a considerable part of which called for immediate attention.

* Authorized stock, $500,000; outstanding, 6,000 shares; par value understood to be $50.—Ed.

** After deducting underlying mortgages.

STATUS OF CONSTITUENT COMPANIES ON JULY 31, 1903.

The total current assets and liabilities of the constituent companies (the Bethlehem Steel Company is not so styled) on June 30, 1903, was as follows:

Current Assets—		Current Liabilities—	
Cash	*$176,654	Accounts payable	$1,182,192
Accts. and notes rec'd...	831,657	Notes payable	517,671
Contract work...........	**2,532,806	Due to U. S. S. Co.....	1,028,809
Merchandise and supplies	1,443,071		
Miscellaneous assets......	61,140	Total liabilities	$2,728,672
Deferred ch'gs to op.....	18,313	Balance net assets	2,389,961
Due by U. S. S. Co.....	54,992		
		Total	$5,118,633
Total assets	$5,118,633		

CONTRACTS.

The status of the contracts in substance is as follows:

Total amount of contracts	$34,182,862
(Bath, $5,915,320; Hyde, $603,328; Crescent, $3,918,551; Moore, $49,625; Eastern, $5,000,000; Harlan, $1,424,403; Union, $17,271,634.)	
Carried out to July 31, 1902 (expenditure, $12,969,336, less loss to companies thereon, $121,877)...........................	12,847,459
Balance of contracts July 31, 1902...........................	$21,335,403
Estimated cost to complete same based on expenditures to July 31, 1903	20,257,148
Balance of profits thereon on completion (partly est.)...	$1,078,261

EARNINGS.

So far as your receiver is able to ascertain, the full capacity of the yards, exclusive of the Bethlehem Steel Company, is about $14,000,000 of work annually, while $12,000,000 is an average volume of work. From the figures contained in the report of Messrs. Sampson and Riddle and Common, it appears that the average profit of the yards for the three years preceding their purchase by the United States Shipbuilding Company did not exceed 10 per cent. Upon this basis the average annual profit derived from the yards, on the basis of the capacity above stated, would not exceed $1,400,000.

This basis, however, is no guide to the actual earnings of the constituent companies. After being in operation for one year under the control of the United States Shipbuilding Company, the earnings of the constituent companies, exclusive of the Bethlehem Steel Company, instead of being $2,225,000 as alleged by the directors, or $1,400,000, as figured on the above basis of 10 per cent., did not exceed $833,459.

* In addition, the U. S. Shipbuilding Company holds $48,227; total, $224,881.

**"Contract work in construction, less payment received thereon."

This is shown by the following statement for the year ending August 1, 1903:

EARNINGS FOR YEAR ENDING AUGUST 1, 1903.

Bath	$59,824	
Hyde	73,485	
Crescent	def. 48,387	
Moore	13,283	
Eastern	124,605	
Harlan & Hollingsworth	40,353	
Union	570,295	
Total net profit of constituent companies		$833,459
Add—		
Bethlehem Steel Co. (net earnings) after deducting interest on underlying mortgages, discounts and depreciation		1,662,531
Total earnings claimed by companies		$2,495,989
Deduct—		
Paid to United States Shipbuilding Company—		
By constituent companies		$60,754
By Bethlehem Steel Co. to meet semi-annual interest on the $10,000,000 mortgage		250,000
Expended for new machinery and betterments—		
By constituent companies		165,067
By Bethlehem Steel Company		683,370
Total deductions		$1,159,191
Balance retained by companies		1,336,799

The balance of the earnings (considering the above amount as having been earned) amounting to the sum of $1,336,799, was retained by the companies. By reason of the unsafe method of ascertaining the profits of the shipbuilding companies it is extremely doubtful whether they have earned any such amount as above set forth.

The Bethlehem Company insisted that the above $250,000, or about 15 per cent. of its entire earnings, was the best it could do for the United States Shipbuilding Company. The Bethlehem deliberately used up its earnings in making enormous purchases of material for its own benefit, and in extensions, improvements, and repairs, in order, apparently, to keep its earnings from the United States Shipbuilding Company.

On the basis of what the United States Shipbuilding Company received from all the companies last year, there would be sufficient income only to meet the interest, at 5 per cent., on an investment of a trifle over $6,000,000. It may be insisted that this is not the best the companies can do, and therefore this amount should not be taken as a guide in establishing the value of the plants. Your receiver is satisfied that it is not the best the companies can do, especially in the case of Bethlehem. It is certain that better returns would have been received from the constituent companies if they had been brought within closer reach of the central company, and if officers had been placed in charge who had looked to the interests of the central organization and not wholly to the betterment of the constituent companies. It is undoubtedly true that the fastening upon the constituent companies of certain officials, at fixed salaries, and for a long term of years, practically beyond the reach of the central organization, has materially prevented the United States Shipbuilding Company from obtaining the best results from its properties.'

The report of the receiver created a great sensation, and, as the expert examination continued, and further disclosures of the methods and motives of the promoters of the Trust were brought to light, the public press was filled with comments condemning, in the strongest terms, the entire transaction, from beginning to end. At the present writing, no definite understanding has been reached between the opposing interests in the matter of reorganizing the property, and it is, indeed, difficult to say what will be the final outcome of this most disastrous enterprise.

II. Causes of Failure: In reviewing the causes that led to the disastrous downfall of this ambitious consolidation, the writer can hardly do better than to quote in full Receiver Smith's words on this subject. They are, therefore, given in full, and will undoubtedly be found to be of a most illuminatory nature, particularly from the standpoint of the innocent investor.

"What were the causes of failure of the United States Shipbuilding Company? One of such causes was the fact that the directors parted with bonds to an amount upon which it was impossible to meet the interest. The failure, however, was precipitated, if not directly brought about, by the fact that in the Bethlehem transaction the United States Shipbuilding Company officers had to deal with people who, while thoroughly understanding the intricacies of 'higher finance,' seemed to have overlooked the requirements of common fairness. In speaking of plant values elsewhere in this report, the Bethlehem property has been dealt with as though it had been purchased by the United States Shipbuilding Company, but an examination of the transaction will show that it was otherwise. While the agreed price for the Bethlehem Company was $9,000,000, to be paid for by an issue of $10,000,000 of bonds at 90, the directors of the United States Shipbuilding Company, upon request, handed over to Mr. Charles M. Schwab an additional amount of $20,000,000 in the common and preferred stock of the United States Shipbuilding Company. As this $20,000,000 of stock would not be sufficient to give Mr. Schwab the control of the United States Shipbuilding Company, *there was inserted in the mortgage given to secure his* $10,000,000 *of bonds, a provision that such bonds should have a voting power equal to* $10,000,000 *of stock.* As the total issue of stock of the United States Shipbuilding Company was but $45,000,000, the $30,000,000 voting power thus given to Mr. Schwab was sufficient to justify him in saying that he did not sell the Bethlehem Steel Company, but took over the United States Shipbuilding Company, the directors of that Company giving him $30,000,000 in stock and bonds for taking it off their hands.

"In this deal Mr. Schwab parted with nothing. In the sale of the other constituent companies, the real and personal property, as well as their capital stock, were transferred to the United States Shipbuilding Company by the necessary deeds, bills of sale and assignments. But in the case of Bethlehem, Mr. Schwab permitted to be given up only its capital stock, and this he did in such manner as to place it beyond the control of the Shipbuilding Company. If interests friendly to the United States Shipbuilding Company had controlled this stock it would have been able to reach the earnings of the Bethlehem Steel Company through a friendly board of directors; but in the $10,000,000 mortgage it was provided that the trustee should designate three of such directors, and the United States Shipbuilding Company should designate four. As Mr. Schwab controlled the United States Shipbuilding Company, by reason of his aforesaid majority of stock, and as the Trustee was of his own selection, the United States Shipbuilding Company was absolutely at the mercy of Mr. Schwab. His advisers, however, in evident fear that something had been overlooked, caused the United States Shipbuilding Company to execute a contract wherein it agreed and guaranteed that so long as any part of the $10,000,000 issue of bonds above referred to should be outstanding and unpaid, the Bethlehem Company should pay dividends on its entire outstanding capital stock at the rate of not less than six per cent. per annum, and for the purpose of making such payments the *Shipbuilding Company agreed that the Bethlehem Company should earn, over and above its operating expenses and fixed charges (including interest on its bonds and taxes), and over and above the working capital of $4,000,000 therein provided for, a sum sufficient to make such annual dividend disbursements;* and, in the event of the failure of the Bethlehem Company earning sufficient to pay such dividend at the rate of six per cent., *then the United States Shipbuilding Company was to pay to the Bethlehem Company, on demand, a sum sufficient to make such annual dividend disbursements.* The Shipbuilding Company further agreed to supply the Bethlehem Company with all such orders, contracts, work and earning capacity as should be necessary to enable it to earn and pay the annual dividends above mentioned. Was ever such another agreement, so apparently harmless, yet so ruinous, conceived by the mind of man? On its face it was simply an agreement to the effect that if sufficient earnings were not made by the Bethlehem to pay a dividend of 6 per cent. on its capital stock, the United States Shipbuilding Company would advance such sum. This agreement was an absurd arrangement, in view of the fact that the United States Shipbuilding Company was the nominal owner of this stock, and as such was entitled to its dividends; nevertheless the United States Shipbuilding Company was made to agree in effect that if it wanted dividends from Bethlehem it should contribute the means to enable the payment of such dividends. An excuse for the United States Shipbuilding Company officials entering into such an agreement might be found in the supposition that they may have believed that as they had the right to designate four of the seven directors of the Bethlehem Steel Company, they would be able to control the earnings of that company, and the agreement above mentioned might become inoperative. Such a belief, however, had no substantial foundation, for, as heretofore stated, the control both of the Bethlehem and the United States Shipbuilding Company was vested in Mr.

chwab. Your receiver will not attempt to advance any reason why the ıtter thought it necessary to take any such agreement in view of the fact ıat he had previously thereto obtained a control of the Shipbuilding Comany that would enable him at any moment to throttle it. As if the foregoing rovisions in said agreement were not sufficient, the United States Shipuilding Company was further made to agree that in the event that the 'orking capital of the Bethlehem Steel Company should at any time fall elow $4,000,000, the United States Shipbuilding Company would, upon deıand, make up such sum as might be necessary to bring the working capital p to that figure. The agreement contains other provisions, all operating gainst the United States Shipbuilding Company, but enough has been re:rred to to show that in signing it the United States Shipbuilding Company ad lost all chance of ever reaching the earnings of the Bethlehem Steel 'ompany. For, assuming that Mr. Schwab's directors of the United States hipbuilding Company should demand of Mr. Schwab's directors of the ethlehem Steel Company that a dividend be declared from the earnings f the latter company, Mr. Schwab's directors of the Bethlehem Steel Comany could always reply (as they did when demand was made) that it was ot considered wise to declare a dividend at that time.

"In April, 1903, it became apparent that unless funds were advanced by ıe Bethlehem Steel Company for the purpose of meeting the semi-annual ıterest on the first mortgage bonds due July 1st, a default in the payment ıereof would ensue. Notwithstanding the urgent need apparent at that me for retrenchment, and the necessity for requiring Bethlehem to set aside ɔme of its large earnings for the purpose of meeting the coming interest, ıe executive committee of the United States Shipbuilding Company, on the :h day of April, 1903, adopted a resolution approving a report of the presient of the Bethlehem Steel Company with reference to certain improvements ıd extensions alleged to have been required at the works of the latter comany, showing a total required expenditure of $2,802,000 (including $365,000 reviously appropriated). On the 14th day of April, 1903, the directors of ıe United States Shipbuilding Company held a meeting, at which time it 'as sought to approve the minutes of the previous meeting of the executive ɔmmittee. On a motion to approve such minutes, Mr. Lewis Nixon, the resident of the company, stated that he desired to go on record concerning ıe resolution passed, to the effect that in providing for any such extensions ıd improvements it should be made a condition of any such expenditure ıat proper provision should be made to safeguard the amount of $900,000, 'hich must be declared as a dividend by the Bethlehem Company, and sug:sted that provision to that effect be added to the authority asked for. Notithstanding this request of Mr. Nixon, the minutes of the executive comıittee were approved by the directors.

"Your receiver is informed, and believes it to be true, that thereafter [r. Lewis Nixon repeatedly sought to induce the directors of the United tates Shipbuilding Company to co-operate with him in compelling the Beth'hem Company to pay over some of its earnings for the purpose of staving ff the impending default of the United States Shipbuilding Company; but 'om the 14th day of April, 1903, until the 22d day of June, 1903, it was npossible to obtain a quorum either of the executive committee or of the directors of the United States Shipbuilding Company. Again, on the 27th of June, while the proceedings were pending in this court for the appointment of a receiver, Mr. Nixon demanded the Bethlehem Steel Company's assistance for the purpose of averting the impending default, through the medium of the following letter:

"NEW YORK, June 27, 1903.

"E. M. McIlvain, Esq., President Bethlehem Steel Company, South Bethlehem, Pa.:

"Dear Sir—The Bethlehem Steel Company, having earned during the year ending August 1, 1903, over and above its operating expenses and fixed charges (including interest on its bonds and taxes), and without impairment of its working capital of $4,000,000, a sum sufficient to pay a dividend of 6 per cent. on its entire present outstanding capital stock, I request and demand, in behalf of the United States Shipbuilding Company, as owner of all of said capital stock, that your company, on or before June 30, 1903, declare a dividend in an amount sufficient to pay a bond interest of $362,500, due July 1, 1903, and pay the same as required by the terms of the agreement of August 12, 1902, between your company and the United States Shipbuilding Company, and credit this upon the yearly dividend on the stock of the Bethlehem Steel Company, $250,000 of which has already been declared and paid in a similar manner to meet the interest on the twenty-year bonds.

"(Signed) Yours truly, LEWIS NIXON, President.

"No attention was paid to this demand, and the default followed. Had the efforts of Mr. Nixon been successful, the subsequent adjudication of insolvency and the appointment of a receiver would have been averted.

"Your receiver considers it his duty to bring to the attention of the court the fact that while the Bethlehem Company was earning upward of $2,000,000 annually, these earnings were being placed beyond the reach of the United States Shipbuilding Company by the making of vast extensions and improvements in the Bethlehem Company and the purchasing and ordering of enormous quantities of merchandise, with the apparent purpose of bringing about the destruction of the United States Shipbuilding Company.

"Further proof in this behalf is supplied by Mr. E. M. McIlvain, president of the Bethlehem Steel Company, in his letter to Mr. George R. Sheldon, chairman of the reorganization committee. In this letter, dated the 25th of May, 1903, Mr. McIlvain states that during the fiscal year of the Bethlehem Steel Company ending April 30, 1903, the net earnings of his company were $2,518,264.58. In the third paragraph of this letter he states that for the year beginning May 1, 1903, a conservative estimate of the net earnings of the Bethlehem Steel Company would be about $2,250,000 after deducting $517,550 of earnings for the purpose of paying interest on the underlying mortgages. Of this amount of earnings, he states, in the fourth paragraph of his letter, that he feels confident that there could be withdrawn for distribution (for dividends) the sum of $1,200,000. During the year within which Mr. McIlvain says the net earnings of the Bethlehem Steel Company were $2,518,264.54, the utmost that the Bethlehem Steel Company could be induced to give up to the United States Shipbuilding Company was $250,000. But in presenting the matter to the public, through the medium of the reorganization committee, and with a view to inducing the acceptance of a plan that would further the interests of Mr. Schwab, he states that from the earnings which are not in excess of the fiscal year ending April 30, 1903, he would be able to withdraw and pay over to the reorganized company a sum almost five times as much as his company was able to do when there was the utmost need for its greatest contribution. Your receiver is unwilling to believe that Mr. McIlvain would deliberately make a false statement in this connection. He is also willing to accept his statement that the Bethlehem Company would be able to withdraw from its current assets the sum of $1,200,000 for distribution during the year beginning May 1, 1903, but in accepting this statement and considering it in connection with the fact that all Bethlehem would advance during the past year was $250,000, and bearing in mind that the major part of the improvements and extensions above authorized were to be completed in subsequent years, it is difficult to draw any other conclusions than that the earnings of Bethlehem Company during the past year were deliberately withheld for the purpose of wrecking the United States Shipbuilding Company. During the year ending July 31, 1903, Bethlehem expended for additions to its plant the sum of $683,370.24. In addition to this amount it expended for extraordinary and general repairs, during the year ending April 30, 1903, according to the report of Price, Waterhouse & Co., the sum of $450,000. It increased its material (unfinished and finished product and stores) $687,149.16. Its notes payable, which amounted to $350,000 when the stock of this company was attempted to be purchased by the United States Shipbuilding Company, were reduced $200,000 up to August 1, 1903, and have since been entirely wiped out, and finally it reduced its accounts payable to the extent of $179,468.22. Why such enormous sums should be expended for additions, repairs and material at a time when the United States Shipbuilding Company was in urgent need of financial aid can be reasonably accounted for only upon the theory that it was in conformity with a deliberate plan to provide a plausible excuse for having withheld all dividends when the crash should come in the affairs of the United States Shipbuilding Company. Some attempt has been made by Bethlehem to justify its retention of its earnings by the statement that its credit had become impaired, and it was therefore necessary to pay cash for supplies, as well as to reduce its accounts and bills payable in order to placate its creditors. The alleged cause of the impairment of credit was said to be a mortgage for $10,000,000 which the Bethlehem Company made to the Colonial Trust Company upon its plant and property at the time of the purchase of Bethlehem by the United States Shipbuilding Company. As further security to Mr. Schwab for the $10,000,000 of bonds delivered to him as the purchase price of Bethlehem, the Bethlehem Steel Company executed to the Colonial Trust Company the mortgage above referred to to secure a bond in the like amount. Your receiver is advised that the execution and delivery of such bond and mortgage by Bethlehem to secure Mr. Schwab for the purchase price of the sale of the stock of the Bethlehem was a fraud upon the creditors of said company, and was otherwise void because of the control of the directors by Mr. Schwab. In addition thereto, it is evident that the impairment of credit, if any, which Bethlehem complains of, was the result of its own deliberate, unwarranted and illegal act. Your receiver submits, therefore, that there was no justification for withholding from the United States Shipbuilding

Company the entire earnings of the Bethlehem Company, and charges that the inability of the Shipbuilding Company to continue its business was due in large part to the failure of the Bethlehem Company to relinquish its earnings.

"At this point your receiver desires to call the attention of the court to another matter somewhat small in comparison with the enormous and unlawful appropriation of stocks and bonds of the United States Shipbuilding Company above mentioned, but of some importance in showing the manner with which the Bethlehem Company dealt with the United States Shipbuilding Company. At the time of the sale of the Bethlehem Steel Company to the United States Shipbuilding Company, a statement was made that the amount of inventory was a certain figure. After the sale of the Bethlehem Company to the United States Shipbuilding Company, $250,000 of this amount was charged off by the Bethlehem Company, for the purpose of adjusting the book value of the inventory with the actual value which had been placed thereon by the accountants after examination. This examination had been made in April, 1902, and the Bethlehem Company had been instructed at that time to charge off, to adjustment of inventory, $609,541.95. Instead of complying with this request, they charged off only $359,541.95, and at the time of the sale of the plant to the United States Shipbuilding Company the statement submitted contained a surplus $250,000 in excess of what Bethlehem knew to be the actual amount.

"Still another matter should be brought to the attention of the court. On the 22d of June, 1903, while proceedings were pending for the appointment of a receiver of the Shipbuilding Company, and, as it seems to your receiver, with a view of forestalling the action of the court, and in contempt thereof, the directors of said company adopted a resolution, as provided for under Mr. Schwab's mortgage, requesting the New York Security & Trust Company to vote the entire shares of the capital stock of the Bethlehem Steel Company in favor of and for the following persons, as directors of said Bethlehem Steel Company, namely: E. M. McIlvain, Archibald Johnson, Adolphe E. Borie and Lewis Nixon. Mr. McIlvain was at that time and is now the president of the Bethlehem Steel Company; Mr. Borie was and is the vice-president of the Bethlehem Steel Company, and Mr. Johnson was and is the general superintendent of said company. As the remaining directors were selected by Mr. Schwab's trustee, it is apparent that but one of the seven could be said to represent interests other than those of Mr. Schwab. By this means, if successful, Mr. Schwab was able to place the control of Bethlehem beyond the reach of the court for at least another year."

ONE OF THE METHODS OF "HAUT FINANCE."

Statement of working capital of constituent companies (exclusive of Bethlehem Steel Company) as at July 31, 1902:

	Original valuations upon which the books of the U. S. Shipbuilding Co. were opened.	Revised valuations as at same date.	Reduction on Revision.	
Bath Iron Works.......	$276,402.15	* $3,518.74	Reduction	$279,920.89
Hyde Windlass Co.....	221,719.79	189,453.06	Reduction	32,266.73
Crescent Shipyard Co..	215,216.26	* 403,192.28	Reduction	618,408.54
S. L. Moore & Sons Co.	8,422.85	* 5,039.27	Reduction	13,462.12
Eastern Shipbldg. Co...	* 6,515.89	1,391.34	Increase	7,907.23
Harlan & Holl'gsw'h Co.	15,849.69	* 73,813.44	Reduction	89,663.13
Union Iron Works......	2,547,703.63	2,123,150.40	Reduction	424,553.23
	$3,278,798.48	$1,828,431.07		$1,450,367.41

—*From Receiver Smith's Report.*

Two editorial comments, published in the *New York Evening Post,* one shortly after the collapse, and the other late in January of the present year, analyze the situation very concisely, and no doubt echo the general public sentiment at the present time. These comments were as follows:

THE SHIPYARD SCANDAL.

The question of the Shipyard Trust's collapse is now before the courts, where it undoubtedly belongs. There are some phases of this financial scandal—destined, very likely, to become a *cause celebre* in the history of the recent bubble-blowing period—on which we feel justified in commenting, even before the courts have handed down their opinion on the question of outright fraud. President Schwab of the Steel Corporation, whose relations to the shipyard promotion are made a part of the complaint in the pending suit, makes his own answer out of court, in a personal interview published yesterday. We feel warranted, therefore, in commenting now upon the matter, in the light of that public statement.

In the suit for a receiver, instituted last week by aggrieved shipyard bondholders, it was alleged that the purchase of the Bethlehem Steel Company from Mr. Schwab was made by the shipyard promoters after their associates had "underwritten" the original shipyard combination, and was made without knowledge of such associates. Further, it was asserted in the complaint that Mr. Schwab was reimbursed for a $3,000,000 original outlay in the Bethlehem property, by receiving $10,000,000 bonds of the shipyard combination, $10,000,000 preferred stock, and $10,000,000 common.

The burden of the complaint is that Mr. Schwab, through this immense inflation on a paper basis, received such preferential treatment over the rest of the shipyard security holders that he was able eventually, when the bubble

NOTE.—Figures marked * denote a deficit.

burst, to assert the power to control the whole. This power, it is shown, is conceded by the reorganization plan of the Shipyard Trust, which offers to Mr. Schwab, in exchange for his $10,000,000 holdings of old bonds, new bonds covering all the shipyard properties, while asking other present first mortgage bondholders to take new stock instead. It supplements this part of its complaint by charging that buyers of the shipyard bonds and stock, outside of the block of securities issued to Mr. Schwab, were induced to buy through "gross and persistent misrepresentation by the organizers," as to the company's assets, earnings, and condition.

This last allegation no one appears to dispute. The reorganization circular, in proposing settlement with Mr. Schwab, admits it. Instead of earning, as the original prospectus promised, interest on bonds, 6 per cent. on preferred shares, and a handsome surplus over, the reorganizers say:

"By reason of excessive mortgage obligations of the United States Shipbuilding Company, its borrowing capacity and credit have become so seriously impaired that outstanding notes are being pressed for payment, and the making of further loans is rendered impossible."

The $10,000,000 bonds, issued as part payment for the Bethlehem Steel, make up 40 per cent. of these "excessive mortgage obligations."

Mr. Schwab replied to these allegations, Saturday, in a personal statement. His narrative of his own part in the "deal" lacks clearness in some respects, especially as regards actual ownership of the Bethlehem property before its sale to the shipyard combination. The shipyard promoters went to Schwab with their proposals, supposing him to be the owner. So everyone else in Wall Street had supposed, from a statement publicly given out in September, 1901, that most of the Bethlehem Company's $15,000,000 stock had been purchased at $24 per share, through Drexel & Co. of Philadelphia, by Charles M. Schwab. Mr. Schwab, however, according to his account, answered the shipyard people, when they came to him some months later, that J. P. Morgan & Co. controlled the Bethlehem stock. In other words, it had apparently been turned over by Mr. Schwab, but in a curious way; the banking house, Mr. Schwab explains, having "acquired the Bethlehem Steel Company for the original Steel Corporation syndicate." This strikes us a little oddly, and probably will so strike subscribers to that syndicate.

But, passing that, the question is, What happened in the trade with the shipyard combination? Mr. Schwab tells this part of the story very clearly:

"I called upon J. P. Morgan & Co., and after several conferences they decided they would be willing to sell and dispose of the stock of the Bethlehem Steel Company provided payment therefor were made in cash. I communicated to Messrs. Nixon and Dresser the conclusion of Morgan & Co., and the former then wanted to know if I would be willing to assist them in securing the funds. As they had closed their underwriting for the Shipbuilding Company, I entered into negotiations with them looking to my furnishing the necessary cash requirements. . . .

"We finally agreed that I should secure for them the stock of the Bethlehem Steel Company and furnish the money necessary to make payment therefor to J. P. Morgan & Co., and in consideration thereof I should have the benefit of the accumulations since I first bought the property, and receive $10,000,000 in bonds and $10,000,000 in each kind of fully paid stock.

"Thereupon I took up the matter with Morgan & Co., who insisted that they must have in addition to the cash invested 25 per cent. of each kind of stock which I was to receive, and which I agreed I would be willing to have Messrs. Nixon and Dresser deduct from the $10,000,000 of each kind of stock they had agreed to give me, so that Morgan & Co. might receive it as additional payment for the Bethlehem stock."

Mr. Schwab contends that his actual outlay in the matter must be ascertained by adding, to his cash payment to the bankers, the accumulated earnings in the hands of the Bethlehem Company. On the face of things, we should question this. If he was buying the property from one owner for the benefit of another—he being merely intermediary—we fail to see what claim he had upon it, save for the actual purchase price. But waiving this point, too, Mr. Schwab's explanation shows that his personal interest in the Bethlehem transfer was the advancing of $9,000,000 cash, for which he received the $10,000,000 shipyard bonds and $20,000,000 stock as above described.

Mr. Schwab asserts very positively that he believes himself to have been a loser by the operation. This is possible, when at the present time the Stock Exchange bids 1 cent on the dollar for the shipyard common stock and 3 for the preferred. But we do not regard that fact as conclusive in the matter. We cannot see that even Mr. Schwab's frank proposition, to take back the Bethlehem property, and restore to the Shipyard Company the securities received for it, helps the matter very greatly. The question is, whether paper inflation of this sort was the kind of business in which these gentlemen had any right to be engaged. As the affair turned out, efforts to foist the shipyard shares on the public very generally failed. It did not, however, fail for want of false statements to the public. What we feel bound to ask is, what Mr. Schwab would have done with his $10,000,000 common and $10,000,000 preferred if the fish had swallowed the bait. Let us imagine the simple public bidding for shipyard stock at a valuation fixed by belief in the organizers' prospectus; what then? To us, the most serious thing about this whole financial scandal is the easy conscience which it shows financiers in places of great trust to have possessed in their attitude toward the public. It is conceivable that Mr. Schwab, like many others of our newly made "multi-millionaires," shared in the late delusions regarding paper capital and really believed that riches could be got overnight, without hurting anybody else by merely substituting thirty for nine millions in a balance sheet. But this, we must confess, is a sort of simplicity which we should greatly regret to see in the practical leaders of American industry.

The second comment is a portion of a review of the career of the late Whitaker Wright, and is as follows:

No man who examines his career can resist the conclusion that he was guilty, first of dishonesty, secondly of being caught. He obtained money for what was worth little or nothing, and he was overtaken by the detectives from Scotland Yard. In the point of essential morality, however, his case differs in no respect from that of the promoters of the Shipbuilding Trust—to take one striking modern instance. That buccaneering cruise into the sea of public credit began with a prospectus which, like Wright's, was stuffed with lies. The capital, as in Wright's companies, contained much water;

that is, paper certificates, entitling the holders to their portion of nothing. The promoters were, as in Wright's corporations, to receive a lion's share; and hard and fast agreements were drawn to enable the insiders to pocket their profits and clear out early in the game. The Shipbuilding Trust, like the London and Globe Company, relied upon the names of men who were supposed to embody our highest commercial ideals. But there is one vast difference between the case of Wright and that of some of our leaders of high finance: he was amenable to the severe English Companies law. He transgressed it, he paid the penalty; and a thousand preachers will use his fate as a text. Our transgressors of the same moral law walk the free air, lavish in their philanthropies, lauded from the pulpits as exemplars for our youth.

Number of plants acquired or controlled.............. 9
Proportion of industry controlled................... 40% to 60%
Product: Ship building.
Element of monopoly: Practically none (slight patent rights, tariff benefits, etc.).
Total capital issued: Par value, $79,851,000; market value, including underlying bonds, (about).......$13,000,000

COMMENT ON THE REORGANIZED TRUSTS.

It is hardly necessary for the writer to point out the weak features in the foregoing reorganized or "rehabilitated" trusts. In nearly every case cited it can be seen at a glance that the chief fault has been the enormous over-capitalization. In some cases, this over-capitalization was coupled at the start with the roseate estimates of the promoters regarding the wonderful possibilities and profits which it was claimed were sure to accrue. But in no cases have these promises been justified. Thus, at the very beginning, the start of most of these Trusts was false; their entire basis of financing was false, and when this falsity has been persisted in by the subsequent payment of dividends where the earnings have not warranted such payments, then disaster has been only a matter of time.

It has been the following out of this latter policy that has done the greatest amount of harm. Probably the great majority of the Industrial Trusts have been formed with an inflated capitalization, but many a management has been wise enough not to carry out the roseate dividend predictions of their prospectuses, particularly in the face of diminishing or abbreviated profits.

The lesson which is taught by these financial wrecks should be of chief value to the investing class. It is the investor whose capital is always at stake, and in ill-considered and false financing of this kind, he is the chief sufferer. The Street is constantly flooded with schemes for separating honest investors from their money, and the exposures of purposes and methods such as those embraced in the Shipbuilding swindle, should tend to teach every investor, even be he of a venturesome turn of mind, to thoroughly recognize the importance of careful and cautious investigation before embarking on the uncertain seas of industrial investment.

PART IV

The Greater Franchise Trusts

AMERICAN TELEPHONE AND TELEGRAPH COMPANY.

("The Telephone Trust.")

(Gould-Rockefeller Alliance.)

This company was incorporated under New York laws, February 28, 1885. It is at present the holding or parent company of all the Bell Telephone corporations of the United States, as well as being an operator of what are known as the long distance lines. Previous to the year 1900, however, this corporation owned only the long distance lines of the American Bell Telephone Company, but in that year the real estate and other property of the American Bell Telephone Company was transferred to the American Telephone & Telegraph Company through an exchange of stock, whereby the American Bell stockholders received two shares of the American Telephone & Telegraph Company in exchange for each single share of the other company.

The original company, known as the American Bell Telephone Company, was organized in May, 1880, as successor to the National Bell Telephone Company, which had previously succeeded the Bell Telephone Company. The latter was the first company to operate under the original patent granted to Alexander Graham Bell on March 7, 1876.

It is interesting to note that the first annual report of the American Bell Telephone Company, which covered the year ending February 20, 1881, showed 408 exchanges in the United States, with only about 132,000 instruments in the hands of licensees. At the present time there are in the Bell system over 1,500,000 exchanges and, on October 20, 1903, there were 3,665,582 instruments in the hands of licensees.

The authorized capital stock of the American Telephone & Telegraph Company is $250,000,000, of which there is now outstanding $158,826,400. Of this amount, $131,709,300 has been listed on the New York Stock Exchange, and is in the hands of the public, and, in addition, the American Bell Telephone Company holds $27,-117,100.

The amount of Bell Telephone stock outstanding at the time of its absorption by the American Company was $25,886,300. On this stock there had been paid in dividends from 1888 to 1900, the following:

From 1888 to 1891, 18% per annum; 1892, 15%; 1893, 18%; 1894, 16½%; 1895 to 1899, inclusive, 15%; 1900, 7½%. The dividends on the American Telephone & Telegraph Company began in July, 1900, at the rate of 7½% per annum.

The bonded debt of the American Telephone & Telegraph Company consisted of $28,000,000 collateral trust 4% bonds, due July 1, 1929, and the company is also responsible for the $10,000,000 of American Bell Telephone Company debentures, due July 1, 1908. Its total debt, therefore, is $38,000,000.

As stated above, in addition to an operating company as regards the long distance lines, the American Telephone & Telegraph Company controls through stock ownership, a large number of subsidiary operating companies. These companies, with their outstanding stocks and the amounts owned by the parent company, are given below:

	Total Capital.	Owned by Parent Company.
Bell Telephone Company of Buffalo........	$5,000,000.00	$2,511,500.00
Bell Telephone Company of Canada........	5,987,420.00	2,314,700.00
Bell Telephone Company of Missouri.......	3,150,950.00	2,090,450.00
Bell Telephone Company of Philadelphia...	9,980,500,00	8,073,450.00
Central Dist. & Printing Tel. Co..........	9,206,940.00	6,191,920.00
Central New York Telephone & Teleg. Co..	961,500.00	527,500.00
Central Union Telephone Company........	5,450,927.00	4,175,952.00
Chesapeake & Potomac Telephone Co......	2,650,000.00	1,512,100.00
Chicago Telephone Company..............	12,553,145.00	6,760,000.00
City & Suburban Telegraph Association.....	3,564,850.00	1,091,450.00
Cleveland Telephone Company............	3,100,000.00	700,000.00
Colorado Telephone Company..............	3,400,000.00	1,744,250.00
Cumberland Telephone & Telegraph Co.....	9,106,000.00	4,629,725.00
Delaware & Atlantic Teleg. & Telep. Co....	397,945.00	150,666.67
Duluth Telephone Company...............	100,000.00	56,650.00
Empire State Telephone & Telegraph Co....	200,000.00	131,880.00
Hudson River Telephone Company..........	3,613,200.00	1,844,500.00
Iowa Telephone Company..................	1,600,000.00	648,345.00
Missouri & Kansas Telephone Company.....	3,327,000.00	1,747,400.00
Nebraska Telephone Company..............	1,870,300.00	1,222,616.00
New England Telep. & Teleg. Co...........	19,938,600.00	11,538,600.00
N. Y. & Penn. Telephone & Telegraph Co....	1,000,000.00	492,900.00
New York Telephone Company.............	33,750,000.00	21,745,581.00
New York & New Jersey Telephone Co.....	11,995,050.00	1,016,760.00
Northwestern Telephone Exchange Co......	4,354,300.00	780,000.00
Pacific States Telephone & Telegraph Co....	11,000,000.00	5,511,200.00
Pennsylvania Telephone Company...........	2,210,196.00	1,325,100.00
Providence Telephone Company............	1,600,000.00	480,000.00

	Total Capital.	Owned by Parent Company.
Rocky Mountain Bell Telephone Company..	2,097,500.00	1,021,100.00
Southern Bell Telephone & Telegraph Co...	1,000,000.00	980,500.00
Southern New England Telephone Company	2,990,000.00	995,400.00
Southwestern Teleg. & Telep. Co...........	7,316,000.00	1,200,000.00
Western Telephone & Telegraph Company..	32,000,000.00	21,440,200.00
Western Electric Company.................	10,000,000.00	6,008,400.00
Wisconsin Telephone Company.............	3,011,100.00	505,100.00

The parent company also owns some of the bond issues of its subsidiary companies. The following is the list so owned:

	Total Bonds.	Owned by Parent Company.
Bell Telephone Company of Canada.........	$2,000,000.00	$302,500.00
Central Union Telephone Company.........	6,000,000.00	1,000,000.00
Iowa Telephone Company..................	750,000.00	350,000.00
Duluth Telephone Company................	240,000.00	210,000.00
New England Telep. & Teleg. Co...........	4,000,000.00	581,000.00

These subsidiary companies all have the benefits of the various Bell patents and have the exclusive right to the use of the same in the territories in which they operate. They are all licensee companies, and their business is, therefore, securely controlled by the parent company, whether the latter happens to own a majority of their stocks or not. Some of the subsidiary companies control still other corporations, either through lease or stock ownership. Taken in all, the Trust operates in all parts of the United States and Canada, and while it is subject to a certain amount of keen competition, from independent companies, at several points, yet its enormous system of exchanges and long distance lines gives it an advantage of great value over all other systems.

The sub-companies operate in the following localities:

Bell Telephone Company of Buffalo operates in Western New York, including Buffalo, Niagara Falls, Rochester, Lockport, Albion, Danville, Batavia and vicinity.

Bell Telephone Company of Canada operates in the Dominion of Canada, Province of Quebec, and westward to the Rocky Mountains.

Bell Telephone Company of Missouri operates in St. Louis, and five counties in Missouri and four in Illinois. It owns in St. Louis a conduit system in 25 miles of streets, and also the Bell Telephone Company Building in that city, and several other structures.

Bell Telephone Company of Philadelphia operates in Philadelphia and vicinity, and controls the Delaware & Atlantic Telephone &

Cumberland Telephone & Telegraph Company and the parent company.

Empire State Telephone & Telegraph Company operates in central New York, embracing the towns of Auburn Geneva Canandaigua, Oswego, etc.

Hudson River Telephone Company operates in the counties of New York State bordering on the Hudson River. It controls through stock ownership the Albany District Telegraph Company of New York.

Iowa Telephone Company operates in practically the entire State of Iowa. While it is controlled by the Bell Company, yet it has acquired interests in some of its important independent competitors in the State of Iowa.

Mexican Telephone Company operates throughout the Republic of Mexico, from whose government it has obtained important concessions.

Nebraska Telephone Company operates in the State of Nebraska and in the County of Pottawattomie, Iowa.

New England Telephone & Telegraph Company operates in the States of Maine, New Hampshire, Vermont and Massachusetts. It also controls the Southern Massachusetts Telephone Company, which operates in the southern part of Massachusetts.

New York Telephone Company operates in Manhattan and Bronx Boroughs, New York City. It controls jointly with the parent company, the New York & New Jersey Telephone Company and the Westchester Telephone Company. A portion of the capital stock of the New York Telephone Company, amounting to $5,191,000, is owned by the Western Union Telegraph Company. The New York Telephone Company also controls the Emnire Subway Company. Stocks and bonds, about, $5,250,000.

Pacific States Telephone & Telegraph Company operates throughout the States of California, Arizona, Nevada, Washington, and Oregon. It is itself the outcome of the following companies which formerly operated under the Bell patents on the Pacific Coast; Pacific Telephone & Telegraph Company, Sunset Telephone & Telegraph Company, Oregon Telephone & Telegraph Company, and Inland Telephone & Telegraph Company.

Pennsylvania Telephone Company operates in the Counties of Lancaster, York, Adams, Dauphin, Cumberland, Franklin, Fulton, Perry, Lebanon, Burke, Schuylkill, Lehigh, Carbon, Monroe, Northampton, Elk, Cameron, Clinton, Lycoming, Sullivan, Wyoming, Lackawanna, Luzerne, Montour, Columbia, Northumberland, Snyder, Union, Juniata, Mifflin, Huntington, Blair, Center and Clearfield, all in the State of Pennsylvania. It also operates in the western part of New Jersey. This company was originally known as the Southern Pennsylvania Telephone Company. It afterwards changed its name to the above, and, in 1886, absorbed the Pennsylvania & New Jersey Telephone Company and, in 1901, the Central Pennsylvania Telephone & Supply Company.

Providence Telephone Company operates throughout the State of Rhode Island.

Rocky Mountain Bell Telephone Company operates throughout the States of Utah, Idaho, Montana and Wyoming.

Southern Bell Telephone & Telegraph Company operates in Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia and a portion of West Virginia. It has recently acquired the Richmond Telephone Company, which operated in that city. A small amount of the stock of this company is owned by the Western Union Telegraph Company.

Southern New England Telephone Company operates in Boston, Mass., and throughout the State of Connecticut, with the exception of the town of Greenwich, and embraces in Connecticut the following cities and towns: Bridgeport, Danbury, Stamford, Hartford, New Britain, New Haven, Winsted, Waterbury, Norwich, New London and Saybrook.

Southwestern Telegraph & Telephone Company operates throughout the States of Arkansas and Texas. A majority of its stock is owned by the Western Telephone & Telegraph Company.

Western Telephone & Telegraph Company. This company is the successor to the Erie Telegraph & Telephone Company, and has acquired, through stock ownership, a large majority of the stocks of the Cleveland Telephone Company, Northwestern Telephone Exchange Company, Southwestern Telegraph & Telephone Company, Wisconsin Telephone Company, Postal Telegraph Cable Company of Texas, and the Michigan Telephone Company. These companies operate in the States of Ohio, Minnesota, North and South Dakota, Arkansas, Texas, Michigan and Wisconsin.

The foregoing companies, it will be seen, cover locally the entire territory of the United States. They all operate independently, but are, at the same time, connected with one another, through the long distance lines, which are owned directly by the parent company. Thus, the entire telephone system of the country is linked together.

Most of the companies show a very progressive spirit in keeping their plants up to date, and seem to be continually taking advantage of new and more economical methods for carrying on their business. During the year 1902, there was expended for construction and real estate by all the companies constituting the system in the United States, no less a sum than $37,336,500. During the two previous years, the amount for expenses of this kind had exceeded $31,000,000 each year. The expenditure during 1902 for the construction, equipment and supplies required for the long distance lines was $3,379,982.

In reference to its general progress, and particularly to these extraordinary expenses, the company made the following statement in its annual report, covering the year 1902:

"These figures show that the active development of the business which has been characteristic of recent years still continues, nor are there any signs of a diminution of the demands upon this company and its operating companies for increased construction to meet the call for telephone service throughout the United States. There is hardly a section of the country in which it can be said that the point has been reached at which the supply of telephone facilities equals the demand. During the past year the operating companies have made larger gains in their lists of subscribers than in any previous year, and, almost without exception, they look forward to a still greater increase in the near future.

"The demand for additional toll lines, and the use of those already constructed, are greater than ever before. A striking illustration of the growth of the toll line business after it is established appears in the fact that the estimate for the coming year, merely for new circuits on the now existing long distance lines which are operated directly by this company, calls for an amount equal to about 10 per cent. of the entire investment made to date by this company in its long distance plant.

"Large as has been the investment in the past of this company and the operating companies associated with it, it is clear that to fulfil the duty of giving to the country a complete and comprehensive system of telephonic transmission, there must be a constant extension of facilities, involving a corresponding increase in investment. It is even more true of the telephone business of this company and its associated companies than of any other like business, that the necessary facilities to cover the territory, which in our case is the whole country, must be supplied to the full extent required to meet the reasonable demands of the public. The users of telephones recognize the enormous advantage of a complete service such as is afforded by the Bell companies, and expect to pay a proper compensation for the same. There can be no room for doubt that whatever investment is necessary to enable the business to be done properly will receive an adequate return.

"An essential obligation on the part of this company and the operating companies with which it is associated is to use every effort to give to their patrons the best possible service. To do this the apparatus must be of the best design and quality, and must be installed under the most favorable conditions. More than that, the working force, including not only the telephone operators who come in direct contact with the public, but all those upon whom is imposed the duty of keeping the apparatus in order and arranging with the public for its use, must be thoroughly trained, as well in the practical part of their work as in meeting and dealing properly with the public.

"There is no apparatus more complicated than that employed in telephony when organized on a large scale, and no conditions exist in which a failure to adopt and act upon a high standard, both of mechanism and of relations to the public, is more incompatible with success.

"This company and its associated companies are devoting their energies not only to that great development which the public interest requires, and which is so essential to the prosperity of the telephone companies themselves, but also to perfection of apparatus, the discovery of improved methods of operation, and the training and discipline of employees.

"During the past year there has been even greater progress in the same direction. More of the wires in the large towns have been placed underground. At the present time about fifty-five per cent. of the entire mileage of wires used for exchange service throughout the country is in underground conduits. To a greater extent every year the operating companies acquire land and erect buildings specially designed to meet the requirements of modern exchange operation, locating them at points from which the distribution of the wires can be most economically and effectively made.

"The introduction of the modern form of switchboard in the place of the older forms has progressed steadily. New and more effective cables have been designed and put into use, and in all the details of the work one improvement after another has been adopted as soon as it appeared that the adoption would contribute to the improvement of the service.

"During the past year special efforts have been made to standardize the apparatus used throughout the country by this company and its operating companies, and to ensure that in all parts of the country the most efficient central office equipment, underground and toll lines, and subscribers' station apparatus were employed. Much attention has been given to methods of operating, and, while perfection has not yet been attained, and probably can never be attained in so difficult an art as that of telephony, there is no doubt that the service of the Bell companies, both long distance and local, throughout the country, has very generally improved. Every effort will be made to improve it still further, both by the introduction of better apparatus and by the adoption of better methods of operating, to the intelligent study of which the best men available are devoting constant attention."

Officers and directors: Frederick P. Fish, President; Edward J. Hall, Vice-President and General Manager; C. W. Amory, Geo. F. Baker, Nathaniel Thayer, Theodore N. Vail, John I. Waterbury, C. P. Bowditch, Alexander Cochrane, J. Malcolm Forbes, Chas. E. Perkins, G. L. Bradley, T. Jefferson Coolidge, Jr., Henry S. Howe, Thomes Sowders, Francis Blake, John H. Cahill, C. E. Hubbard, Moses Williams.

Number of sub-companies controlled................	36
Proportion of entire American industry .... (about)	65%*

*There are said to be in existence about 2,000 "independent" companies operating in this country (many very small), the *total* aggregate business of which embraces about 2,000,000 instruments.

Western Union Telegraph Company.

("The Telegraph Trust.")

(Gould-Rockefeller domination.)

This company was incorporated under New York laws April 2, 1851, as the New York & Mississippi Valley Printing Telegraph Company, the name being changed to the present title in 1856. In 1881, the company absorbed all the other large telegraph companies which were then operating. The chief of these were the American Union Telegraph Company, and the Atlantic & Pacific Telegraph Company. From that time on the company acquired the stocks of other corporations operating in different parts of the United States, and in 1887 it absorbed its last large rival, the Baltimore & Ohio Telegraph Company, paying therefor $5,000,000 in Western Union stock and a rental of $60,000 per year to the Baltimore & Ohio Railroad Company for fifty years for the use of the railroad wires.

The leading companies which are controlled at the present time, either through lease of otherwise, are the following:

American Telegraph & Cable Company, Empire & Bay States Telegraph Company, Franklin Telegraph Company, Golden Stock Telegraph Company, Illinois & Mississippi Telegraph Company, International Ocean Telegraph Company, New York Mutual Telegraph Company, Northwestern Telegraph Company, Pacific & Atlantic Telegraph Company, Southern & Atlantic Telegraph Company and Alabama Midland Telegraph Company.

The company also has an interest in the Telephone Trust, being owner of a proportion of the capital stock of the New York Telephone Company. The most important rival of the Western Union Company at the present time is the Commercial Cable Company, which operates various cable lines, and also owns nearly all of the capital stock of the Postal Telegraph & Cable Company. The latter company controls the Postal Telegraph Company of Texas, which operates in a number of the Southern States. The stock of the Texas Company is owned by the Western Telephone & Telegraph Company, a sub-company of the Telephone Trust, but it operates under a fifty-year contract with the Postal Telegraph Cable Company of New York.

Securities belonging to the company and held by the treasurer:

STOCKS.

	No. shares.	Par value.
Anglo-American Telegraph Company	.....	£1,308
American District Telegraph Co., of New Jersey	7,835	$783,500
American District Telegraph Co., of New York	4,114¼	411,425
American Speaking Telephone Company	12,075	1,207,500
Brooklyn District Telegraph Company	250	6,250
Chicago & Mississippi Telegraph Company	2,500	125,000
California State Telegraph Company	23,816	2,381,600
Continental Telegraph Company	5,268	131,700
Dominion Telegraph Company	5,766	288,300
Delaware River Telegraph Company	1,311	32,775
East Tennessee Telegraph Company	513	25,650
Franklin Telegraph Company	6,329	632,900
Gold & Stock Telegraph Company	14,438	1,443,800
International Ocean Telegraph Company	231	23,100
Illinois & Mississippi Telegraph Company	2,007	100,350
Lynchburg & Abingdon Telegraph Company	272	27,200
New York Telephone Company	97,331	9,733,100
Ohio & Mississippi Telegraph Company	1,629	81,450
Pacific & Atlantic Telegraph Company	58,325	1,458,125
Philadelphia Local Telegraph Company	8,000	200,000
Southern & Atlantic Telegraph Company	15,619	390,475
Vermont & Boston Telegraph Company	2,395	119,750
Western Union Telegraph Company	294	29,400
Washington & New Orleans Telegraph Company	10,639	531,950

BONDS.

Kansas City N. W. R. R. Co	$2,500
Paris & Danville Railroad Company	3,000
Chicago & North Western Telegraph Company	40,000

Securities owned by the company, and held by the Mercantile Trust Company as trustee, in exchange for collateral trust bonds:

	No. shares.	Par value.
Gold & Stock Telegraph Company	11,118	$1,111,800
International Ocean Telegraph Company	19,615	1,961,500
New York Mutual Telegraph Company	95,508	2,387,700
Mutual Union Telegraph Company	Bonds	3,043,000

The volume and growth of business of the Telegraph Trust during the past thirty-six years have been phenomenal. In 1866, it had 46,270 miles of poles and cables, 85,291 miles of wire, and 2,565 offices. During that year its gross receipts amounted to $6,586,925 and its net profits were $2,624,919. During the year ended June 30, 1903, it had 196,517 miles of poles and cables, 1,089,212 miles of wire and 23,120 offices. Its messages sent during this year were 69,790,866, in comparison with 5,879,282 in 1866. Its gross receipts amounted to $29,167,687, and its net profits, $8,214,472.

The authorized capital stock of the Trust is $100,000,000, of which there is now outstanding $97,370,000. Dividends have been paid at the rate of 5% since 1888, with the exception of 1892, when 10% extra in scrip was paid. The bonded debt consists of $8,504,000 collateral trust 5% bonds, due 1938, and $16,000,000 4½% funding and real estate bonds, due 1950.

The following facts, taken from the last annual report, will be of interest, as showing a comparison of earnings and costs of sending messages, etc.:

STATISTICS.—*The following Table Exhibits the Mileage of Lines Operated, Number of Offices, Number of Messages Sent, Receipts, Expenses, Profits and Average Tolls and Cost per Message for Each Year Since 1866.*

Year.	Miles of Poles and Cables.	Miles of Wire.	Offices.	Messages.	Receipts.	Expenses.	Net Revenue.	Average Tolls Per Message.	Average Cost to Co. of Message.
1866	37,380	75,686	2,250	....	....	....	....	......	......
1867	46,270	85,291	2,565	5,879,282	$6,568,925 36	$3,944,005 63	$2,624,919 73	......	......
1868	50,183	97,594	3,219	6,404,595	7,004,560 19	4,362,849 32	2,641,710 87	104.7	63.4
1869	52,099	104,584	3,607	7,934,933	7,316,918 30	4,568,116 85	2,748,801 45	89.3	54.2
1870	54,109	112,191	3,972	9,157,646	7,138,737 96	4,910,772 42	2,227,965 54	75.5	51.2
1871	56,032	121,151	4,606	10,646,077	7,637,448 85	5,104,787 19	2,532,661 66	69.5	45.7
1872	62,033	137,190	5,237	12,444,499	8,457,095 77	5,666,863 16	2,790,232 61	66.2	43.8
1873	65,757	154,472	5,740	14,456,832	9,333,018 51	6,575,055 82	2,757,962 69	62.5	43.4
1874	71,585	175,735	6,188	16,329,256	9,262,653 98	6,755,733 83	2,506,920 15	54.9	39.5
1875	72,833	179,496	6,565	17,153,710	9,564,574 60	6,335,414 77	3,229,157 83	54.	35.2
1876	73,532	183,832	7,072	18,729,567	10,034,983 66	6,635,473 69	3,399,509 97	50.9	33.5
1877	76,955	194,323	7,500	21,158,941	9,812,352 61	6,672,224 94	3,140,127 67	43.6	29.8
1878	81,002	206,202	8,014	23,918,894	9,861,355 23	6,309,812 53	3,551,542 70	38.9	25.
1879	82,987	211,566	8,534	25,070,106	10,960,640 46	6,160,200 37	4,800,440 09	38.6	25.2
1880	85,645	233,534	9,077	29,215,509	12,782,894 53	6,948,956 74	5,833,937 79	38.5	25.4
1881	110,340	327,171	10,737	32,500,000	14,393,543 85	8,485,264 13	5,908,279 72	38.4	25.6
1882	131,060	374,368	12,058	38,842,247	17,114,165 92	9,996,095 92	7,118,070 00	38.2	25.8
1883	144,294	432,726	12,917	41,181,177	19,454,902 98	11,794,553 40	7,660,349 58	38.	26.
1884	145,037	450,571	13,761	42,076,226	19,632,939 60	13,022,503 90	6,610,435 70	36.5	25.2
1885	147,500	462,283	14,184	42,096,583	17,706,833 71	12,005,909 58	5,700,924 13	32.1	24.9
1886	151,832	489,607	15,142	43,289,807	16,298,638 55	12,378,783 42	3,919,855 13	31.3	23.4
1887	156,814	524,641	15,658	47,394,530	17,191,909 95	13,154,628 54	4,037,281 41	30.4	23.
1888	171,375	616,248	17,241	51,463,955	19,711,164 12	14,640,592 18	5,070,571 94	31.2	23.2
1889	178,754	647,697	18,470	54,108,326	20,783,194 07	14,565,152 61	6,218,041 46	31.2	22.4
1890	183,917	678,997	19,382	55,878,762	22,387,028 91	15,074,303 81	7,312,725 10	32.4	22.7
1891	187,981	715,591	20,098	59,148,343	23,034,326 59	16,428,741 84	6,605,584 75	32.5	23.2
1892	189,576	739,105	20,700	62,387,298	23,706,404 72	16,307,857 10	7,398,547 62	31.6	22.3
1893	189,936	769,201	21,078	66,591,858	24,978,442 96	17,482,405 68	7,496,037 28	31.2	22.7
1894	190,303	790,792	21,166	58,632,237	21,852,655 09	16,060,170 21	5,792,484 88	30.5	23.3
1895	189,714	802,651	21,360	58,307,315	22,218,019 18	16,076,629 97	6,141,389 21	30.7	23.3
1896	189,918	826,929	21,725	58,760,444	22,612,736 28	16,714,756 10	5,897,980 18	30.9	24.
1897	190,614	841,002	21,769	58,151,684	22,638,859 16	16,906,656 03	5,732,203 13	30.5	24.3
1898	189,847	874,420	22,210	62,173,749	23,915,732 78	17,825,581 52	6,090,151 26	30.1	24.7
1899	189,856	904,633	22,285	61,398,157	23,954,312 05	18,085,579 19	5,868,732 86	30.8	25.1
1900	192,705	933,153	22,900	63,167,783	24,758,569 55	18,593,205 87	6,165,363 68	30.8	25.1
1901	193,589	972,766	23,238	65,657,019	26,354,150 85	19,608,902 68	6,685,248 17	30.9	25.1
1902	196,115	1,027,984	23,567	69,374,883	28,073,095 10	20,780,766 21	7,292,328 89	31.	25.7
1903	196,517	1,089,212	23,120	*69,790,866	29,167,686 80	20,953,215 07	8,214,471 73	31.4	25.6

* Not including Messages sent over Leased Wires or under Railroad Contracts.

Officers: Robert C. Clowry, President and General Manager; George J. Gould, J. B. Van Every and Thomas F. Clark, Vice-Presidents; A. R. Brewer, Secretary; M. T. Wilbur, Treasurer. Directors: Thomas T. Eckert, Chairman; Robert C. Clowry, John T. Terry, Russell Sage, George J. Gould, Samuel Sloan, Edwin Gould, Louis Fitzgerald, Frank J. Gould, Jacob Schiff, James H. Hyde, J. Pierpont Morgan, Wm. D. Bishop, Charles Lanier, Chauncey M. Depew, Henry M. Flagler, John Jacob Astor, Oliver Ames, C. Sidney Shepard, J. B. Van Every, John K. Cohen, James Stillman, Thomas F. Clark, Wm. L. Bull, Morris K. Jesup, E. H. Harriman, Charles Lockhart, Samuel Spencer, Howard Gould, John J. Mitchell.

Main office, 195 Broadway, New York.

The United Gas Improvement Company.

(Elkins-Dolan-Rockefeller Alliance.)

Incorporated in Pennsylvania June 1, 1882, under the name of "United Gas Improvement Company," with a capital of $1,000,000.

The company was primarily organized to introduce the Lowe water gas system. In 1888 the stock of the Union Contract Company was acquired. The latter company was organized in Pennsylvania in 1870 under a special charter. The name of the Union Contract Company was then changed to the United Gas Improvement Company, and this company then issued its own stock, dollar for dollar, in exchange for the stock of the old United Gas Improvement Company, and took over all the business of the old concern. Following this, the authorized capital of the new organization was increased to $10,000,000 in shares of $50 each. The authorized issue was later increased to $15,000,000, then to $22,500,000, then to $28,250,000, and at the annual meeting on May 4, 1903, the amount was increased to $36,725,000. All of the increased issues since the new organization of 1888, with its capital of $10,000,000, have been offered to the stockholders of the company at par, or sold in the open market at this price.

The business of the company since 1885 has been that of building, leasing, purchasing and operating gas works. In addition to this, the company has now gone into the electric light and street railway fields, and is to-day by far the largest concern in the United States, which, as a security holding corporation, controls public utility corporations from Maine to Florida, and from the Atlantic Seaboard to the Rockies.

In 1898 the following explanation of the company's purposes and methods was given to the public:

"The theory of the United Gas Improvement Company is that gas companies are the servants of the public, and that the improvements of methods looking to raising the quality of gas manufactured and cheapening the cost and selling price of the same, and the education of consumers how to obtain the fullest possible return for their money, can best be accomplished by united management, given to each sub-company, the benefit of comparing through the central organization, its results with those of other companies doing the same business. The results obtained at every one of the works controlled by the United Gas Improvement Company are compared regularly through monthly reports, which cover all important features of the business. Each local manager receives yearly a comparison slip, on which appear the results of each feature of his management, and immediately below each such item his results of the year before, and below that, the best results obtained (on each item) by the works of the same class. If the General Superintendent thinks that this best result is not worthy to be accepted as a standard, that fact is noted, so that a still higher standard may be aimed at. In addition to all this, the managers, superintendents and engineers are all brought together once a year for a discussion of all the debatable points, and to properly prepare for this, the General Superintendent, months in advance, assigns certain subjects to be reported upon by certain men, and appoints others to follow in the discussion of these reports."

In nearly all cases the operating companies are controlled through stock ownership, and in only a few instances by lease. The phrase stock ownership does not mean that the parent company necessarily owns all of the stock of the sub-company, but it does mean that it must own at least a majority thereof. However, in some of its more recent acquisitions, the United Gas Improvement Company has not directly acquired even a majority of the stock of the controlled corporation. In such cases, the control has been acquired jointly with other interests known to be friendly to the main parent company. This has been the case in its recent connection with the Rhode Island Company and the Public Service Corporation of New Jersey.

The following is a list of the companies in which the United Gas Improvement Company was interested on December 31, 1903, and the territory served by each. The amount of capitalization outstanding, both stocks and bonds, is also given:

The Allentown Gas Company—Operates in the city of Allentown, Pa.

Burlington Gas Light Company—Operates in the city of Burlington, Iowa.

Concord Light & Power Company—Operates in the city of Concord, N. H.

Connecticut Railway & Lighting Company—Operates trolley lines in all the important lines in the southwestern part of Connecticut, and gas and electric light plants in the cities of Waterbury, Norwalk, South Norwalk, New Britain, New Canaan, Greenwich and other towns.

Capital City Gas Light Company—Operates in the city of Des Moines, Iowa.

Harrisburg Gas Company—Operates in the city of Harrisburg, Pa., and vicinity.

Fulton County Gas & Electric Company—Operates in the cities of Johnstown and Gloversville, N. Y.

New Gas Light Company—Operates in the city of Janesville, Wis.

Kansas City (Mo.) Gas Company—Operates in the city of Kansas City, Mo.

Wyandotte Gas Company—Operates in the city of Kansas City, Kan.

Kennett Electric Light, Heat & Power Company—Operates in Kennett Square, Avondale and West Grove, Pa.

The Peoples' Gas Light Company—Operates in the city of Manchester, N. H.

Meriden, Southington & Compounce Tramway Company—Operates trolley lines in Meriden, Southington and Plantsville, Conn.

Minneapolis Gas Light Company—Operates in the city of Minneapolis, Minn.

Omaha Gas Company—Operates in the cities of Omaha and South Omaha, Neb.

Northern Liberties Gas Company—Operates in that part of Philadelphia known as Northern Liberties.

Equitable Illuminating Gas Light Company—Controls and operates the Philadelphia Gas Works.

Pensacola Gas Company—Operates in the city of Pensacola, Fla.

Consumers' Gas Company—Operates in the city of Reading, Pa.

Mutual Gas Light Company—Operates in the city of Savannah, Ga.

Sioux City Gas & Electric Company—Operates in the city of Sioux City, Iowa.

Sioux Falls Gas Light Company—Operates in the city of Sioux Falls, S. D.

St. Albans Gas Light Company—Operates in the city of St. Albans, Vt.

St. Augustine Gas & Electric Light Company—Operates in the city of St. Augustine, Fla.

Vicksburg Gas Light Company—Operates in the city of Vicksburg, Miss.

Waterbury Gas Light Company—Operates in the city of Waterbury, Conn.

Merion & Radnor Gas & Electric Company—Operates in Ardmore, Haverford, Rosemont, Wynnewood, Merion and a number of other towns near the city of Philadelphia.

Public Service Corporation of New Jersey—Operates trolley lines and supplies gas and electric light throughout the entire State of New Jersey, covering all the important towns and cities in the State.

Rhode Island Securities Company—Owns all the stock of the Rhode Island Company of Providence, R. I., which operates under agreement, the Union Railroad Company, Rhode Island Suburban Railway Company, Pawtucket Street Railway Company, and the Inter-State Consolidated Street Railway Company. These systems practically cover the entire State of Rhode Island.

In addition, the United Gas Improvement Company controls the Welsbach Company, and the United Lighting & Heating Company. The latter conducts a street lighting business throughout the United States.

The Public Service Corporation of New Jersey and the Rhode Island Securities Company are completely described in this book under separate headings.

In addition to the above controlled companies, the United Gas Improvement Company has interests in the New York City surface railways, and is said to be interested in the McMillin properties. This last is not confirmed, but is probably true. During the summer of 1903 negotiations were on for the acquisition of all the gas, electric light and traction interests of Cincinnati, Ohio. This deal has not, however, gone through as yet.

The capital stock outstanding is $36,725,000. This was increased during 1903 from $28,250,000. Dividends have been paid regularly since 1889 at the rate of 8% per annum. In January, 1896, an extra scrip dividend of 15% was paid.

The company has no bonded debt.

Net earnings of the company during the past four years have been as follows: 1899, $1,548,923; 1900, $1,714,347; 1901, $2,535,-288; 1902, $3,473,643. Estimated earnings for 1903 are about $4,400,000. During the years 1899 and 1900 the net income was increased by over $5,000,000 through the sale of securities.

Officers: Thomas Dolan, President; Geo. Philler, First Vice-President; Sam'l T. Bodine, Second Vice-President and Manager; Randall Morgan, Third Vice-President and Counsel; Lewis Lillie, Secretary and Treasurer. Directors: Thomas Dolan, C. A. Griscom, Geo. Philler, Samuel T. Bodine, W. W. Gibbs, Randall Morgan.

Public Service Corporation of New Jersey.

(Allied with United Gas Improvement Company.)

Incorporated under New Jersey laws on May 6th, 1903, to consolidate the street railway and lighting interests of the State of New Jersey. Capital authorized $25,000,000, of which $10,000,000 has been issued for cash at par, and the balance can be issued only in the same way. The company has acquired by consolidation and purchase the shares of the street railway corporations named below: North Jersey Street Railway; Jersey City, Hoboken & Paterson Street Railway; Elizabeth, Plainfield & Central Jersey Railway, and Orange & Passaic Valley Railway. It has also acquired control of the United Electric Company of New Jersey, and has leased, for a period of 900 years, the Essex & Hudson Gas Company, Hudson County Gas Company, Paterson & Passaic Gas Company, and South Jersey Gas, Electric & Traction Company. Later the company acquired control of the South Orange & Maplewood Traction Company, and in December, 1903, there was formed in its interests the Somerset, Union & Middlesex Lighting Company, which was a consolidation of the Somerset Lighting Company, The Plainfield Gas & Electric Lighting Company, and the Citizens Electric Company. In November of 1903 it also acquired a majority of the stock of the Central Electric Company of New Jersey.

The various corporations which are embraced in this consolidation represent practically all of the street railway business of Northern New Jersey, a large part of that of Central and South New Jersey, and a great majority of the gas and lighting interests of the entire State of New Jersey. Included in the consolidation are nearly two hundred different companies, and the total capitalization, both stocks and bonds, which is represented, exceeds $150,000,000.

Rhode Island Securities Company.

(Allied with United Gas Improvement Company.)

Incorporated under New Jersey laws in June, 1902, for the purpose of consolidating the various street railway, gas and electric light properties of Rhode Island. The Securities Company is capitalized at $20,000,000, of which there is outstanding $12,000,000.

It has also authorized two issues of bonds, amounting to $20,000,000 in all. Of these, $3,500,000 have been issued. The company owns all the stock of the Rhode Island Company, which itself is a corporation organized under Rhode Island laws in 1902. The Rhode Island Company has leased for 999 years the Union Railroad Company, the Pawtucket Street Railway Company, and the Rhode Island Suburban Railway Company. The shares of the leasing company are owned by the United Traction & Electric Company and the lease provides rentals of amounts sufficient to pay the United Traction & Electric Company a sum equal to the interest on its bonds, and dividends of 5% on its stock. The shares of the United Traction & Electric Company were exchanged on August 1, 1902, for shares of the Rhode Island Securities Company.

The lines of street railway controlled by this system cover nearly all of Rhode Island, and embrace a consolidation of nearly fifty different corporations. The outstanding capitalization of the entire consolidation is in the neighborhood of $100,000,000.

INTER-STATE RAILWAYS COMPANY.

Incorporated under New Jersey laws December 8, 1902, and acquired control of the United Power & Transportation Company, through purchase of the outstanding capital stock on a basis of $75 for each $25 share, payable in collateral trust bonds. At the present time nearly all the stock of the United Power & Transportation Company has been so acquired. The company controls the capital and franchises of about 40 projected companies in New Jersey and Pensylvania, in addition to the companies already operating under the United Power & Transportation Company. These projected companies are as follows:

Reading Power Company, Reading; West End Electric Street Railway Company, Reading; the Arch & Green Streets Railway Company, Norristown; East Side Street Railway Company, Reading; Chester & Rose Valley Street Railway Company, Delaware County; West Side Street Railway Company, Norristown; Chester & Middletown Street Railway Company, Delaware County; Chester & Rockdale Railway Company, Delaware County; Darby & Fernwood Street Railway Company, Delaware County; Black Bear Street Railway Company, Pottstown to Reading; Womelsdorf & Myerstown Street Railway Company, Lebanon County; Twelfth & Thirteenth Streets Railway Company, Reading; South End Street Railway Company, Reading; Front & Fifth Streets Railway Company, Reading; Hamburg Street Railway Company, Hamburg to Reading; Birdsboro Street Railway Company, Birdsboro to Reading; Lima, Gradysville & West Chester Electric Street Railway Company, Delaware County; Colwyn & Ridley Park Street Railway Company; Clifton & Sharon Street Railway Company, Sharon Hill, Pennington & Hopewell Street Railway Company, New Jersey.

Capital authorized, $10,000,000. Now issued, $2,000,000. Par $100; 50% paid in. Bonds authorized, $10,781,250 collateral trust gold 3, 3½ and 4% bonds; dated February 1, 1903; due Feb. 1, 1943. Secured by deposit of United Power & Transportation Company stock. They bear 3% interest the first year, 3½% the second year, and 4% thereafter.

The various controlled properties are as follows:

Citizens' Electric Light & Power Company of Delaware County.
Delaware County & Philadelphia Electric Railway.
Edison Electric Illuminating Company of Lebanon, Pa.
Holmesburg, Tacony & Frankford Electric Railway Company.
Lebanon Valley Street Railway Company.
Media, Glen Riddle & Rockdale Electric Street Railway.
Philadelphia & Chester Railway.
Reading & Southwestern Railway.
Reading & Hamburg Railway (10 per cent. paid).
Reading & Birdsboro Railway (10 per cent. paid).
Reading Power Company (10 per cent. paid).
Reading & Lancaster Street Railway (10 per cent. paid).
Birdsboro Street Railway (10 per cent. paid).
Roxboro, Chestnut Hill & Norristown Railway Company.
Schuylkill Valley Traction Company.
Southwestern Street Railway.
Trenton Street Railway.
Trenton Traction Company.
United Traction Company of Reading, Pa.
Wilkesbarre & Wyoming Valley Traction.
Wilmington & Chester Traction.
Wilmington City Electric.
Wilmington & Great Valley Turnpike Company.
Wilmington & Philadelphia Turnpike.
Wilmington & Christiana Turnpike Company.

The foregoing operating companies are all located in Eastern Pennsylvania, Northern Delaware and Southwestern New Jersey. Many are connected, and the form practically a complete and compact system of electric roads and lighting companies.

Interborough Rapid Transit Company, New York City.

(Belmont control—Probable Rockefeller influence.)

Incorporated under New York laws May 6, 1892, for the purpose of operating the Rapid Transit Subway Railroad in New York City. It acquired the stock and all the interests of the Rapid Transit Subway Construction Company. Incorporated February 19, 1900, with a perpetual charter to build and equip the Rapid Transit Tunnel road. The road in process of construction extends from City Hall north under Elm Street, Fourth and Park Avenues to Forty-second Street, thence under Forty-second Street and Broadway to 104th Street, all this line being laid with four tracks. From 104th Street the road extends in a double track line on the West Side to King's Bridge Station, part of the distance being laid with three tracks, and on the East Side under Central Park to Bronx Park, with a third track over the viaduct at Westchester Avenue. It is expected that the road will be in operation before 1904. The company also has a contract for an extension of the tunnel south from the City Hall under Broadway to the Battery and under the East River via Fulton and Flatbush Avenues to Atlantic Avenue in Brooklyn, where connection is to be made with the Long Island Railroad. The total mileage to be constructed is 25 miles of roadway, or about 65 miles of single track. There will be 58 stations.

The contract with the city calls for the construction of the above-named road, with the exception of the Brooklyn extension, for $35,000,000, exclusive of equipment, and its lease to the interborough Rapid Transit Company for a period of 50 years from completion, renewable for 25 years, the rental to be equivalent to the interest on the bonds issued by the city for the construction, and a sinking fund of 1% per annum to retire the bonds, the sinking fund to begin 5 years after the road begins operations, provided the company is then earning dividends at the rate of not less than 5% per annum on its stock. The company must also at its own expense provide the electrical equipment. All equipment is to be assumed by the city at the end of the lease at its then value. The extension south from City Hall to Brooklyn is to be built by the company without any aid from the city, except about $3,000,000.

The Manhattan Elevated Railway was leased to the Interborough Rapid Transit Company on November 26, 1902, for 999 years. The lease to date from April 1, 1903. The rental is to be equal to the net earnings, not less than 6% per annum, and not exceeding 7% on the stock until January 1, 1906. After this date it is to be 7% per annum.

Capital stock authorized, $35,000,000; par, $100. Of the authorized stock $13,600,000 is full paid, the balance being 70% paid and the additional 30% to be called for payment in three consecutive monthly installments of 10% beginning May, 1903. Of the total amount of stock $13,600,000 was used to acquire the $6,000,000 stock and all interests of the Rapid Transit Subway Construction Company; $9,000,000 was offered to the stockholders of the last-named company at par, and $2,400,000 was sold to the public at 110%.

The company has no bonded debt, and is exempt from all taxation, including the franchise tax.

An estimate of the income of the new company, not including that derived from the lease of the Manhattan Elevated Railway, is as follows: Gross earnings, $7,500,000; operating expenses, $3,375,000; net earnings, $4,125,000; interest on bonds, $1,295,000; surplus, $2,830,000, about 8% on the stock.

Officers: August Belmont, President; Fred'k Evans, Secretary; J. F. Buck, Treasurer.

Directors: Wm. H. Baldwin, Jr., Chas. T. Barney, Aug. Belmont, Andrew Freedman, James Jourdan, John B. McDonald, Walter G. Oakman, Wm. A. Read, John Pierce, Cornelius Vanderbilt, E. B. Bryan, Gardiner M. Lane, M. F. Plaut, G. W. Young.

Office, 13 Park Row, City.

Boston Elevated Railway Company.

Incorporated under Massachusetts laws July 2, 1894, to build and operate an elevated railway, lease and operate surface lines, and furnish rapid transit to the city of Boston. The company leases the West End Street Railway for 24 years, 8 months and 9 days from October 1, 1897.

The West End Street Railway Company is itself a consolidation of practically all the street railway lines in and about the city of Boston. On December 1, 1896, this company leased from the city of Boston the right to operate its cars in the Boston subway for 4⅞% per annum of the net cost of the subway. This cost not to exceed $7,000,000. This lease has been assumed by the Boston Elevated Railway Company.

The Elevated section of the system which has recently been put in operation extends from Sullivan Square, Charlestown, to a connection with the subway lines at the North Union Station, and also from the subway lines on the south to Dudley Square, Roxbury.

Miles of track operated, including both subway and elevated systems, 408. Total population served, about 1,050,000.

Capitalization.—The authorized capital stock consists of $20,000,000; outstanding, $15,000,000. Par value, $100. Dividends paid August 15, 1902, 3%; February 15, 1903, 3%. Transfer agents, Old Colony Trust Company, Boston.

Bonded Debt.—Under the terms of the lease the Boston Elevated Railway guarantees 7% per annum upon the common and 8% upon the preferred stock of the West End Street Railway, and also all interest and rental charges for which the West End Street Railway is responsible. The capitalization of the latter is as follows: $9,085,000 in common stock. Par value, $50. Dividends payable April and October, and $6,400,000 preferred stock. Par value, $50. Dividends payable January and July. The bond issues so assumed are as follows:

$2,000,000 West End Street Railway 4½% debenture bonds; due March 1, 1914. Interest payable March and September, at American Loan & Trust Company, Boston.

$815,000 West End Street Railway 4% gold debenture bonds; due May 1, 1916. Interest payable May and November, at American Loan & Trust Company, Boston.

$2,700,000 West End Street Railway 4% gold debenture bonds; due February 1, 1917. Interest payable February and August, at American Loan & Trust Company, Boston.

$4,239,000 West End Street Railway 4% debenture bonds; due August 1, 1915. Interest payable February and August at Old Colony Trust Company, Boston.

$362,000 Cambridge Railroad Company first mortagage 5% bonds; due April 1, 1903. Interest payable April and October, at New England Trust Company, Boston.

$150,000 Charles River Street Railway Company first mortgage 5% bonds; due April 1, 1904. Interest payable April and October, at American Loan & Trust Company, Boston.

$500,000 Boston Consolidated Street Railway 5% debentures; due January 1, 1907. Interest payable January and July, at American Loan & Trust Company, Boston.

$500,000 Metropolitan Railroad Company, 5% debentures; due December 15, 1903. Interest payable June and December 15, at American Loan & Trust Company, Boston.

$200,000 Middlesex Railroad 5% debentures; due July 1, 1904. Interest payable January and July, at American Loan & Trust Company, Boston.

$200,000 South Boston Railroad Company 5% debentures; due May 1, 1905. Interest payable May and November, at American Loan & Trust Company, Boston.

$3,559,000 West End Street Railway 4% debenture bonds; due August 1, 1932. Interest payable February and August, at American Loan & Trust Company, Boston.

Management.—Officers: William A. Bancroft, President; Charles S. Sergeant, Vice-President; William Hooper, Treasurer; John T. Burnett, Secretary; Henry L. Wilson, Auditor; George A. Kimball, Engineer of Elevated lines. Directors: Frederick Ayer, William A. Bancroft, John J. Bright, Samuel Carr, T. Jefferson Coolidge, Jr., Francis H. Peabody, James Phillips, Jr., James M. Prendergast, N. W. Rice, William S. Spaulding, Walter S. Swan, Quincy A. Shaw, Jr., Robert Winsor.

Main office, 101 Milk Street, Boston.

Massachusetts Electric Companies.

A voluntary association formed in June, 1899, and managed by a board of 15 trustees, who hold the title to its assets. The declaration of trust contains strict provisions against the creation of any indebtedness whereby any shareholder or trustee can be held to any personal liability. It holds the majority, and in most instances, practically all the stock of the following street railway and electric lighting companies: Boston & Northern Street Railway Company, Newport & Fall River Street Railway Company, Hyde Park Electric Light Company and Old Colony Street Railway Company.

These companies, embracing over 750 miles of track, cover the greater part of the street railway mileage north of Boston, as far as Nashua, N. H., and Newburyport and Gloucester, Mass., and south as far as Fall River, Mass., and Newport and Providence, R. I., connecting directly with the street railway system of Boston. Various electric lighting companies, doing business in the same section are also included. Their operations and financial statements are given under their own headings.

Capital stock, $15,057,400 4% cumulative preferred, and $14,293,100 common. 55,000 additional shares authorized in May, 1902. Shares outstanding September 30, 1902, $17,432,400. Par, $100. Dividends on preferred, January and July 1, 4% per annum. The capital stock is represented by certificates of participation, which give the holders proportionate interests in the shares held by the Trustees.

Funded Debt.—$2,700,000 4½% coupon notes, dated January 1, 1901; due January 1, 1906. Interest, January and July, at Old Colony Trust Company. Authorized issue, $3,500,000. Redeemable on a 4% basis after January 1, 1902. Issued to take up $1,016,000 new stock of Lynn & Boston Street Railway, and $1,393,300 new stock of Brockton Street Railway. These stocks are deposited as collateral to secure the notes. The bonds of the constituent companies are described under their respective statements.

Earnings.—The report of the constituent companies for the year ended September 30, 1902, showed net earnings of $2,262,796; 1901, $1,862,646. In 1901 taxes were included in operating expenses.

Officers: Gordon Abbott, President; Chas. E. Cotting, Vice-President; J. H. Goodspeed, Treasurer; E. W. Burdett, Secretary; P. F. Sullivan, General Manager. Trustees: Richard Olney, Chas. E. Cotting, Eugene N. Foss, Percy Parker, Chas. Francis Adams, 2d; Gordon Abbott, Reginald Foster, Alex. Cocherane, Stillman F. Kelley, Walter Hunnewell, S. Endicott Peabody, Philip Dexter, Everett W. Burdett, Philip L. Saltonstall, E. Rollins Morse.

Office, 14 Kilby Street, Boston, Mass.

Stock quoted on Boston market.

PHILADELPHIA RAPID TRANSIT COMPANY.

(Elkins-Widener alliance—Rockefeller influence.)

Incorporated May 1, 1902, under the laws of the State of Pennsylvania, organized for the purpose of operating a traction motor company with the powers conferred by the Act of March 22, 1887, and its supplements.

The company, since it formation, has acquired the entire capital stock of the following companies, each of which has obtained the necessary consent of the City Councils of Philadelphia to construct its lines:

Market Street Elevated Passenger Railway Company.
Ridge Avenue Elevated Passenger Railway Company.
Frankford Elevated Passenger Railway Company.
Passyunk Avenue Elevated Passenger Railway Company.
Germantown Avenue Elevated Passenger Railway Company.
Broad Street Rapid Transit Street Railway Company.
Central Rapid Transit Street Railway Company.
Eastern Rapid Transit Street Railway Company.
Western Rapid Transit Street Railway Company.
Northern Rapid Transit Street Railway Company.
Southern Rapid Transit Street Railway Company.
Chestnut Hill and Glenside Rapid Transit Street Railway Company.

The company has undertaken the construction of a subway at once on Market Street from 23d Street to the Delaware, and south on Delaware Avenue to South Street.

The company has also entered into a lease with the Union Traction Company of Philadelphia for its entire system for 999 years from July 1, 1902, which lease provides in part as follows:

"Rapid Transit shall and will, in addition to the payments hereinafter provided for, pay to the Union, as rent of the premises hereby demised, the yearly rent or sum of nine hundred thousand dollars ($900,000), payable semi-annually in each year of the first two years from the date of this lease; the yearly rent or sum of one million two hundred thousand dollars ($1,200,000), payable semi-annually, in each year of the next two years thereafter; the yearly rent or sum of one million five hundred thousand dollars ($1,500,000), payable semi-annually, in each year of the next two years, and in each and every year thereafter during the continuance of the term, the yearly rent or sum of one million eight hundred thousand dollars ($1,800,000), payable semi-annually, all which said payments shall be payable in gold coin of the United States of America, of the present standard of fineness and weight. Said yearly rentals shall be paid in equal semi-annual payments on or before the first days of January and July in each year, so that Union, on such days, respectively, may be able to make distribution of the same as a dividend to its stockholders, the first payment to be made on or before the first day of January, A. D. 1903. There shall be no abatement whatsoever upon these payments, or upon any of them, by reason of any advances or other payments which Rapid Transit may hereafter be compelled to make on account of Union, or for any reason whatsoever, it being intended that Union shall receive the same clear of all deductions of every sort and kind, so that it may be able to declare and pay upon each of its outstanding shares a semi-annual dividend of seventy-five cents ($0.75) per share on the first days of January and July of each year of the first two years from the date of this lease; a semi-annual dividend of one dollar ($1) per share on the first days of January and July in each of the next two years thereafter; a semi-annual dividend of one dollar and twenty-five cents ($1.25) per share on the first days of January and July in each of the next two years, and a semi-annual dividend of one dollar and fifty cents ($1.50) per share on the first days of January and July in each and every year thereafter during the continuance of this lease, said dividends all to be free and clear of all deductions, charges, taxes, and assessments whatsoever."

The Union Traction Company was formed in 1895, taking over the properties of the Philadelphia Traction Company, the Peoples Traction Company and the Electric Traction Company. It subsequently acquired the property of the Hestonville Passenger Railroad Company, and has built a number of extensions and several new lines. Its present mileage of single track is 486 miles, and its equipment consists of about 3,200 cars, including open and closed cars, mail cars, sweepers, etc.

The Union Traction Company has never paid a dividend, but on June 30, 1901, had a credit in Profit and Loss Account of $2,034,381.39.

The Union Traction Company has followed the policy of carrying its own insurance, except in a few isolated cases, and in 1896 transferred to an insurance fund from capital account $250,000, and this fund has grown, from monthly payments made to it and charged to operation, until, at the present time, it is made up of investments with a market value of $860,000 and upwards.

The total funded debt of the Union Ttraction Company and its underlying companies, outstanding at this date, amount to $8,006,600.

This item includes $1,500,000 4% collateral bonds to be issued by the Union Traction Company on July 1, 1902, in order to fund its floating indebtedness. These bonds are secured by a deposit of Hestonville, Mantua & Fairmount Passenger Railroad Company stock with the Land Title & Trust Company, Trustee. The principal of said bonds is due July 1, 1952, and they are subject to call at 105 and accrued interest.

In addition to the above referred to funded indebtedness, there are the following issues of stock trust certificates:

$5,807,970 Peoples Passenger Railway 4% Stock Trust Certificates, due February 1, 1943. These certificates are secured by a deposit of Peoples Passenger Railway stock with the Pennsylvania Company for Insurance on Lives and Granting Annuities, trustee, and are subject to a sinking fund of $25,000 per annum, from February 1, 1903.

There are also $29,725,864 Electric and Peoples 4% stock trust certificates, due at the option of the Union Traction Company, after October 1, 1945. These certificates are secured by a deposit of Electric Traction stock and Peoples Traction stock with the Pennsylvania Company for Insurance on Lives and Granting Annuities, trustee.

The total fixed charges of the Union Traction Company, of all kinds, including interest on funded debt, sinking fund charges, licenses, taxes, rentals, etc., all of which have been assumed by the Philadelphia Rapid Transit Company, amount to—including the yearly rental of $900,000, which will have to be paid by the Philadelphia Rapid Transit Company to the Union Traction Company, for the year ending June 30, 1903—$7,734,722.32.

The Philadelphia Rapid Transit Company has no obligation other than that assumed under the lease of the Union Traction Company and as herein stated.

On July 26, 1903, the Doylestown & Willow Grove was leased. This company operates 13 miles from Doylestown to Willow Grove.

The authorized capital stock of the Philadelphia Rapid Transit Company is $30,000,000, divided into 600,000 shares of the par value of $50, upon which there has been paid in $5 per share, subject to call till full paid.

UNION TRACTION COMPANY.—Incorporated under Pennsylvania laws September 13, 1895, as a consolidation of the Peoples Traction Company and the Electric Traction Company of Philadelphia. The company then leased for 999 years the Philadelphia Traction Company at a rental of 8% per annum, and guaranteed the interest on its entire funded debt and the various dividends on the stocks of its leased companies. The company now owns or operates under leases, directly or indirectly, the following street railway properties in the city of Philadelphia, aggregating in all about 475 miles of track.

PHILADELPHIA TRACTION SYSTEM.

Philadelphia Traction Company, Catherine & Bainbridge Street Railway Company, Continental Passenger Railway Company, Empire Passenger Railway Company, Huntington Street Connecting Railway Company, Kessler Street Connecting Passenger Railway Company, Marshall Street Railway Company, Philadelphia City Passenger Railway Company, Philadelphia & Darby Railway Company, Philadelphia & Gray's Ferry Passenger Railway Company, Ridge Avenue Connecting Railway Company, Ridge Avenue Passenger Railway Company, Schuylkill River Passenger Railway Company, Seventeenth & Nineteenth Streets Passenger Railway Company, Thirteenth & Fifteenth Streets Passenger Railway Company, Twenty-second Street & Allegheny Avenue Passenger Railway Company, Union Passenger Railway Company, Walnut Street Connecting Passenger Railway Company, West Philadelphia Railway Company, Hestonville, Mantua & Fairmount Passenger Railway Company, Fairmount Park & Haddington Passenger Railway Company.

PEOPLES TRACTION SYSTEM.

Centennial Passenger Railway Company, Chelton Avenue Passenger Railway Company, Germantown Passenger Railway Company, Girard Avenue Railway Company, Green & Coates Passenger Railway, Northern Passenger Railway Company, Peoples Passenger Railway Company, Philadelphia, Cheltenham & Jenkintown Passengen Railway.

ELECTRIC TRACTION SYSTEM.

Citizens, Clearfield & Cambria Street Railway Company, Citizens East End Street Railway Company, Citizens Passenger Railway Company, Frankford & Southwark, Philadelphia City Passenger Railway, Lehigh Avenue Railroad Company, Second & Third Streets Passenger Railway Company.

Capitalization.—The capital stock authorized, $30,000,000. Par value, $50. Paid in $10,500,000, or $17.50 per share. The last installment of $5 per share was called on November 16, 1898.

Bonded Debt.—$29,730,114 4% trust certificates, redeemable after October 1, 1945. Interest payable April and October, at the Pennsylvania Company for Insurance on Lives and Granting Annuities. These certificates are not a direct obligation of the Union Traction Company, but were issued by the Pennsylvania Company for Insurance on Lives and Granting Annuities to pay for the shares of the Electric and Peoples Traction Companies purchased, and are secured by deposit of these shares with the trustee. The certificates are guaranteed as to both principal and interest by the Union Traction Company.

$5,807,970 Peoples Passenger Railway 4% trust certificates; due February 1, 1943. Interest payable February and August, at the Pennsylvania Company for Insurance on Lives and Granting Annuities. These certificates are secured by deposit with the trustee of the shares of the Peoples Passenger Railway Company, in the proportion of 14 2-7 shares of stock for each $1,000 certificate issued; also by contract with the Peoples Traction Company, whereby the latter guarantees the payment of both principal and interest. The sinking fund requires that on and after February 1, 1903, $25,000 per annum shall be set aside for the purchase of these certificates at a price not exceeding par.

Bonded Debt of Controlled Properties.—$150,000 Catherine & Bainbridge Street Railway first mortgage 5% bonds; due April 1, 1920. Interest payable April and October, at the Land Title & Trust Company, Philadelphia.

$280,000 Continental Passenger Railway first mortgage 6% bonds; due January 1, 1900. Interest payable January and July, at Land Title & Trust Company, Philadelphia.

$200,000 Empire Passenger Railway first mortgage 3½% bonds; due March 1, 1930. Interest payable March and September, at Land Title & Trust Company, Philadelphia.

$67,500 Fairmount Park & Delaware River Passenger Railway first mortgage 5% bonds; due June 1, 1904. Interest payable June and December, at Guarantee Trust & Safe Deposit Company, Philadelphia.

$1,250,000 Hestonville, Mantua & Fairmount Passenger Railway consolidated mortgage gold bonds; due May 1, 1924. Interest on $199,500 is at the rate of 3½%, and the balance at 5%. Interest payable May and November, at the Girard Trust Company, Philadelphia.

$150,000 Lombard & South Street Passenger Railway first mortgage 3½% gold bonds; due December 1, 1951. Interest payable June and December, at the office of the Real Estate, Title Insurance & Trust Company, 523 Chestnut Street, Philadelphia.

$234,000 People's Passenger Railway first mortgage 7% bonds; due January 15, 1905. Interest payable January and July 15, at the Real Estate Title & Trust Company, Philadelphia, Pa.

$285,000 People's Passenger Railway first mortgage 5% bonds; due July 15, 1911. Interest payable January and July 15, at the Real Estate Title & Trust Company, Philadelphia, Pa.

$246,000 People's Passenger Railway consolidated mortgage 5% bonds; due March 1, 1912. Interest payable March and September, at Real Estate Title & Trust Company, Philadelphia, Pa.

$200,000 Philadelphia City Passenger Railway first mortgage 5% bonds; due January 1, 1910. Interest payable January and July, at the office of the Land Title & Trust Company, Philadelphia.

$100,000 5% debenture bonds; due March 1, 1925. Interest payable March and September, at office of the Land Title & Trust Company, Philadelphia.

$100,000 Philadelphia & Darby Railway first mortgage 4% bonds; due May 1, 1927. Interest payable May and November, at Land Title & Trust Company, Philadelphia.

$736,000 Philadelphia Traction Company collateral trust gold 4% bonds; due August 15, 1917. Interest payable February and August 15, at Land Title & Trust Company, Philadelphia. These bonds are secured by deposit of West Philadelphia & Union Passenger Railway stock. They are subject to call at 105.

$100,000 Seventeenth & Nineteenth Street Passenger Railway first mortgage 5% bonds; due July 1, 1919. Interest payable January and July, at Land Title & Trust Company, Philadelphia.

$100,000 Thirteenth & Fifteenth Streets Passenger Railway first mortgage 7% bonds; due October 1, 1903. Interest payable April and October, at the Fidelity Insurance, Trust & Safe Deposit Company, Philadelphia.

$400,000 Thirteenth & Fifteenth Streets Passenger Railway consolidated mortgage 5% bonds; due January 1, 1934. Interest payable January and July, at the Fidelity Insurance, Trust & Safe Deposit Company, Philadelphia.

$500,000 Union Passenger Railway first mortgage 5% bonds; due March 31, 1911. Interest payable April and October, at Land

Title & Trust Company, Philadelphia. Sinking fund requires that $20,000 shall be redeemed annually.

$250,000 Union Passenger Railway second mortgage 5% bonds; due March 31, 1910. Interest payable April and October, at Land Title & Trust Company, Philadelphia.

$132,100 West End Passenger Railway first mortgage 7% bonds; due October 1, 1905. Interest payable April and October, at Real Estate Title Insurance & Trust Company, Philadelphia.

$246,000 West Philadelphia Passenger Railway first mortgage 6% bonds; due April 1, 1906. Interest payable April and October, at Land Title & Trust Company, Philadelphia.

$750,000 West Philadelphia Passenger Railway second mortgage 5% bonds; due May 1, 1926. Interest payable May and November, at Land Title & Trust Company, Philadelphia.

$500,000 Doylestown & Willow Grove Railway 4% bonds; due June 1, 1930. Interest payable June and December, at Land Title & Trust Company, Philadelphia.

$1,500,000 Union Traction Company collateral trust 4% gold bonds; due July 1, 1952. Interest payable January and July 1, at Land Title & Trust Company, Philadelphia.

Stocks of Controlled Lines.—$400,000 Catherine & Bainbridge Street Railway. Par value, $50. Dividends paid, 6% per annum, March and September.

$500,000 Citizens' Passenger Railway Company. Par value, $50. Dividends paid, 28% per annum, quarterly, January.

$580,000 Continental Passenger Railway. Par value, $50. Dividends paid, $12 per annum, January and July.

$500,000 Green & Coates Streets Passenger Railway. Par value, $50. Dividends paid, 12% per annum, quarterly, January.

$1,966,100 Hestonville, Mantua & Passenger Railway common stock. Par value, $50. Dividends paid, 4% per annum, January and July. $533,900 preferred stock. Par value, $50. Dividends, 6% per annum, payable January and July.

$1,500,000 People's Passenger Railway common stock. Par value, $25. Dividends paid, 10% per annum, March and September 30. $575,000 preferred stock. Par value, $25. Dividends paid, 10% per annum, March and September 30.

$1,000,000 Philadelphia City Passenger Railway. Par value, $50. Dividends paid, $7.50 per annum, January and July.

$200,000 Philadelphia & Darby Railway. Par value, $50. Dividends paid, 4% per annum, January and July.

$619,000 Philadelphia & Gray's Ferry Passenger Railway. Par value, $50. Dividends paid, 8% per annum, January and July.

$20,000,000 Philadelphia Traction Company. Par value, $50. Dividends paid, 8% per annum, April and October.

$750,000 Ridge Avenue Passenger Railway stock. Par value, $50. Dividends paid, 24% per annum, quarterly, January.

$771,076 Second & Third Streets Passenger Railway stock. Par value, $50. Dividends paid, 24% per annum, quarterly, January.

$500,000 Seventeenth & Nineteenth Streets Passenger Railway stock. Par value, $50. Dividends paid, 3% per annum, January and July.

$1,000,000 Thirteenth & Fifteenth Streets Passenger Railway. Par value, $50. Dividends paid, 24% per annum, payable January and July.

$1,541,750 Union Passenger Railway stock. Par value, $50. Dividend paid, 19% per annum, January and July.

$750,000 West Philadelphia Passenger Railway. Par value, $50. Dividends paid, 20% per annum, January and July.

Management of Union Traction Company.—Officers: John B. Parsons, President and General Manager; George D. Widener, First Vice-President; Chas. O. Kruger, Second Vice-President; Robt. B. Selfridge, Secretary and Treasurer; Alexander Rennick, Comptroller. Directors: Wm. L. Elkins, Alex. M. Fox, John B. Parsons, Wm. H. Shelmerdine, J. J. Sullivan, P. A. B. Widener, Geo. D. Widener, Geo. W. Elkins, Alex. Balfour, Chas. O. Kruger, Jno. M. Mack, Geo. H. Earle, Jr.

Management of Philadelphia Rapid Transit Company.—Officers: John B. Parsons, President; George D. Widener, Vice-President; Charles O. Krouger, Secretary and Treasurer; John B. Peddle, Assistant Secretary and Treasurer. Directors: John B. Parsons, George D. Widener, J. J. Sullivan, Wm. H. Shelmerdine, P. A. B. Widener, Wm. L. Elkins, John M. Mack and Michael Murphy.

Main office, Land Title Building, Broad and Chestnut Streets, Philadelphia, Pa.

Brooklyn Rapid Transit Company.

(*Rockefeller alliance.*)

Incorporated under New York laws January 17, 1896, to succeed to the property of the Long Island Traction Company, operating throughout the Borough of Brooklyn and vicinity. The Brooklyn Rapid Transit Company is not itself an operating company, but controls the various street railway and elevated railway lines of Brooklyn, through stock ownership, directly and indirectly. At the date of the last annual report, June 30, 1902, the company owned the following stocks and bonds of its various controlled properties:

STOCKS.

$200,000 Brooklyn Heights Railroad Company, being the entire capital stock.

$2,000,000 Brooklyn, Queens County and Suburban Railroad, being its entire capital stock.

$650,000 Sea Beach Railway Company, being its entire capital stock.

$8,500,000 Nassau Electric Railroad Company, being its entire common stock.

$6,052,000 Nassau Electric Railway Company preferred, being about 99% of its preferred stock.

$4,641,159 Brooklyn Elevated Railroad preferred stock, being about 94% of its entire preferred stock.

$11,093,936 Brooklyn Union Elevated Railroad Company common, being about 93% of its common stock.

$35,400 Coney Island and Gravesend Railway Company, being its entire stock.

BONDS.

$1,627,000 Brooklyn City Railroad first mortgage 5% bonds.

$2,000,000 Brooklyn, Queens County and Suburban Railroad first mortgage 5% bonds.

$50,000 first consolidated mortgage B., Q. C. and S. R. R. Company.

$29,000 Nassau Electric Railroad first consolidated 4% bonds.

The Brooklyn City Railroad is operated under a 999-year lease dated February 14, 1893, which guarantees all fixed charges, expenses and taxes, and a 10% dividend on $12,000,000 of Brooklyn City Railroad stock. The lease was made to the Brooklyn Heights Railroad, but is practically to the Brooklyn Rapid Transit Company, as the latter company owns the entire capital stock of the Brooklyn Heights Company, and guarantees the payment of dividends, etc., as above. In 1898, the Brooklyn Heights Company leased the Brooklyn, Queens County and Suburban Railroad, the terms of rental being payment of fixed charges, taxes and general expenses.

In April, 1899, the Brooklyn Heights Railroad Company leased the Brooklyn Union Elevated Railroad Company, the terms being $100,000 per annum and fixed charges, taxes and organization expenses. On July 1, 1901, leased for a period of 999 years the Brooklyn Heights Railroad. The lessee agrees to pay organization expenses, taxes and fixed charges, and as rental such net earnings not to be less than $150,000 per annum the first 3 years, $200,000 the next 2 years, and $250,000 per annum thereafter. Lessee also agrees to guarantee principal and interest all bonds of the Brooklyn Union and Kings County Elevated Railroad Company, the guaranty to be stamped upon bonds upon presentation. The Brooklyn Union Elevated Railroad was successor in 1899 to the Brooklyn Elevated Railroad, which went into the hands of a receiver several years before. In May, 1900, the Brooklyn Union Elevated Railroad Company acquired all the stock of the Kings County Elevated Railroad, and was consolidated with it. The Kings County Elevated Railroad was a reorganization in 1899 of the Kings County Elevated Railway and the Fulton Elevated Railway. Before consolidation with the Brooklyn Union Elevated Railroad it absorbed the Sea View Railroad.

On April 1, 1899, the Nassau Electric Railroad Company was leased to the Brooklyn Heights Railroad. This lease was made permanent for 999 years from April 1, 1900. Under the terms of the lease the Brooklyn Heights Company pays all fixed charges, taxes and organization expenses of the Nassau Electric Railroad, and also all net earnings from the property so leased, the latter guaranteed to be not less than 4% each year on the preferred stock of the Nassau Railroad. The Nassau Electric Railroad owned the entire capital stock of the Coney Island and Gravesend Railway and the Sea Beach Railway. In April, 1899, the Brooklyn Rapid Transit also acquired the franchises and properties of the Brooklyn and Brighton Beach Railroad Company, the Prospect Park and Coney Island

Railroad, the New York and Coney Island Railroad, and the Prospect Park and South Brooklyn Railroad.

The mileage covered by the Brooklyn Rapid Transit system includes all the street railway and elevated lines in the Borough of Brooklyn, with the one exception of the Coney Island and Brooklyn Railroad. In all, the company operates over 523 miles of track, of which 68 miles are elevated. On the elevated lines the motive power is partly the electrical third-rail system, and partly steam. The company's lines, both surface and elevated, operate over the Brooklyn Bridge. Population served, 1900 census, 1,166,-882.

Capitalization.—The capital stock authorized and issued, $45,-000,000. Par value, $100 per share. Transfer agents, Central Trust Company, 54 Wall Street, New York.

Bonded Debt.—$6,000,000 Brooklyn City Railroad first consolidated mortgage 5% bonds; due July 1, 1941. Interest payable January and July, at the Nassau National Bank, Brooklyn.

$200,000 Brooklyn Crosstown Railroad first mortgage 5% bonds; due July 1, 1908. Interest payable January and July, at the office of the company.

$200,000 Calvary Cemetery, Green Point and Brooklyn first mortgage 6% bonds; due June 1, 1907. Interest payable June and December, at the office of the company.

$200,000 Grand Street and Newtown Railroad first mortgage 5% bonds; due August 1, 1906. Interest payable April and October, at the office of the company.

$125,000 Green Point and Lorimer Street Railroad first mortgage 6% bonds; due May 1, 1910. Interest payable May and November, at the office of the company.

$200,000 New Williamsburgh and Flatbush Railroad first mortgage 4½% bonds; due July 1, 1941. Interest payable February and August, at the office of the company.

$250,000 Brooklyn Heights Railroad Company first mortgage 5% bonds; due April 1, 1941. Interest payable April and October, at the People's Trust Company, Brooklyn.

$3,500,000 Brooklyn, Queens County and Suburban Railroad first mortgage 5% gold bonds; due July 1, 1941. Interest payable January and July, at the First National Bank of Brooklyn. Subject to call after July 1, 1916.

$2,884,000 Brooklyn, Queens County and Suburban Railroad first consolidated mortgage 5% gold bonds; due July 1, 1941. Interest payable May and November, at the First National Bank of Brooklyn. Subject to call after July 1, 1916.

$240,000 Jamaica and Brooklyn Railroad Company first mortgage 5% gold bonds; due January 1, 1930. Interest January and July, at the office of the company.

$7,000,000 Brooklyn Rapid Transit Company first consolidated mortgage 5% gold bonds; due October 1, 1945. Interest payable April and October, at Central Trust Company, New York. Authorized issue, $7,000,000.

$5,000,000 Brooklyn Rapid Transit first refunding gold 4s; dated July 1, 1902; due July 1, 2002. Interest payable January and July, at Central Trust Company, New York. Authorized issue, $150,000,000, of which $61,000,000 are reserved to retire prior liens, and the balance may be issued for improvements, additions, extensions, etc. They are convertible into stock at par after July 1, 1904, and before July 1, 1914.

$16,000,000 Brooklyn Union Elevated Railroad Company 4-5% first mortgage gold bonds; due February 1, 1950. Interest payable February and August, at the Central Trust Company, New York, at 4% per annum, up to February 1, 1905, and 5% thereafter.

$7,000,000 Kings County Elevated Railroad first mortgage 4% gold bonds; due August 1, 1949. Interest payable February and August, at the Central Trust Company, New York.

$650,000 Sea Beach Railway Company first mortgage 4% gold bonds; due September 1, 1916. Interest payable March and September, at the office of the company.

$10,476,000 Nassau Electric Railroad Company first consolidated mortgage 4% gold bonds; due January 1, 1951. Interest payable January and July, at the Guaranty Trust Company, New York. These bonds are guaranteed by indorsement by the Brooklyn Heights Railroad Company. Coupon, $1,000. Authorized issue, $15,000,000, of which those unissued are reserved to retire the various underlying liens described below.

$660,000 Nassau Electric Railroad first mortgage 5% bonds; due April 1, 1944. Interest payable April and October, at the office of the company.

$730,000 Atlantic Avenue Railway first mortgage 5% bonds; due October 1, 1909. Interest payable April and October, at the office of the company.

$2,241,000 Atlantic Avenue Railway general mortgage 5% gold bonds; due April 1, 1931. Interest payable April and October, at the office of the company.

$220,000 Atlantic Avenue Railway improvement mortgage 5% bonds; due January 1, 1934. Interest payable January and July, at the office of the company.

$250,000 Brooklyn, Bath and West End Railroad Company first mortgage, series A, 5% bonds; due January 1, 1907. Interest payable January and July, at the Colonial Trust Company, New York. Subject to call at the option of the company.

$250,000 Brooklyn, Bath and West End Railroad Company first mortgage, series B, 5% bonds; due January 1, 1917. Interest payable April and October, at the Colonial Trust Company, New York.

$52,000 Brooklyn, Bath and West End second mortgage 5% bonds; due June 1, 1911. Interest, June and December, at the Colonial Trust Company, New York. Redeemable at the option of the company.

$121,000 Brooklyn, Bath and West End general mortgage 5% gold bonds; due October 1, 1933. Interest payable April and October, at the Colonial Trust Company, New York.

In addition to the above bonded debt, the Brooklyn Rapid Transit Company is responsible for the following rentals on its various controlled properties:

Brooklyn City Railroad Company, 10% dividends per annum, on $12,000,000 of capital stock, amounting to $1,200,000 per annum.

Brooklyn Union Elevated Railroad Company, $150,000 in cash per year, in addition to fixed charges and organization expenses.

Nassau Electric Railroad Company, $260,000 per annum, being 4% dividends on the preferred stock of the company. Nearly all of this stock, however, is now owned by the Brooklyn Rapid Transit Company.

Prospect Park and Coney Island Railroad, $40,000 per annum, being the yearly rental of that road.

Sea Beach Railway Company, $6,500 per annum, yearly rental.

Management.—Officers: E. W. Winter, President; H. C. Du-Val, First Vice-President; Timothy S. Williams, Second Vice-President; C. D. Meneely, Secretary and Treasurer; J. C. Brackenbridge, General Manager. Directors: Anthony N. Brady, Chairman; F. W. Winter, N. B. Ream, H. H. Porter, H. C. Du Val, Timothy S. Williams, E. H. Harriman, Henry Siebert, John G. Jenkins, Walter G. Oakman, David H. Valentine, R. Somers Hayes, A. R. Flower.

Main office, 168 Montague Street, Brooklyn.

Metropolitan Securities Company.

(Rockefeller-Ryan domination.)

This is a security holding company organized under New York laws, February 14, 1902, with a capital of $30,000,000, of which $50 per share has been paid in. The duration of the corporation is 1,000 years. It holds the entire stock of the New York City Street Railway, which was formerly known as the Interurban Street Railway. The latter company in turn leases the Metropolitan Street Railway Company, which itself controls by absorption and otherwise, a large number of smaller street railway companies operating on Manhattan Island, and also controls through a 999-year lease the Third Avenue Street Railway. The Metropolitan Securities Company also owns all the stock of the Peoples Traction Company, and the New York, Westchester & Connecticut Traction Company.

The powers of the Metropolitan Securities Company are very broad and allow it to acquire the securities of corporations of New York State or any other State, "including corporations which own, operate or lease, or which are organized for the purpose of constructing, owning, operating or leasing street, surface railroads, elevated railroads, rapid transit railroads, underground railroads, tunnels, bridges, tunnel railroads, railway terminals, or railroads of any character or description in the City of New York or its suburbs, or in territory adjacent thereto, and corporations engaged in furnishing or organized to furnish electricity for any lawful purpose, or power in any form for use upon or which may be used upon street railroads, or other railroads." Also "to purchase, acquire, hold and dispose of the stocks, bonds and other evidences of indebtedness of any corporation, domestic or foreign, and issue in exchange therefor its stocks, bonds or other obligations."

The chief operating company, known as the New York City Street Railway, was incorporated in New York in 1901 as the Interurban Street Railway. It was understood to have taken a 999-year lease of the Peoples Traction Company, which had the right to build an extensive system of trolley lines in Bronx Borough, and was also to build about 50 miles outside the city limits, in connection with the New York, Westchester & Connecticut Traction Company. In February, 1902, the capital of the New York City Company was increased to $20,000,000, all of which was taken by the Metropolitan Securities Company. The latter company then paid $23,000,000 in cash into the treasury of the Interurban Company, receiving in return stock of the Interurban Company at par, and debentures bearing interest at not over 4%. The Securities Company was also to acquire all future issues of stock or securities of the Interurban Company. The $23,000,000 cash received by the Interurban Company was paid over to the Metropolitan Street Railway Company, which latter in payment therefor, turned over $11,000,000 of Metropolitan Street Railway rfdg. 4s, and certain other securities, which it is understood included $8,000,000 of Third Avenue Railroad stock. The Interurban Company also leased the Metropolitan Street Railway Company for 999 years, from February 14, 1902, at 7% per annum on its stock.

The Metropolitan Street Railway Company, which has itself been leased to the New York City Street Railway Company, was organized November 12, 1895, as a consolidation of practically all the street railways of Manhattan Island, with the exception of the Manhattan Elevated Railway and the Third Avenue Street Railway. It acquired the Third Avenue Railway, however, in April, 1900, taking a lease of the property for 999 years. It has also acquired certain other properties, including the Compressed Air Company. Through the latter it made various tests for the operation of air power cars, which, however, were not successful.

Before leasing the Third Avenue system, in 1900, it purchased in the open market a controlling interest in the Third Avenue Railroad stock, paying an average of 80 for about 80,000 shares.

The franchises of the various companies controlled by the Metropolitan Street Railway Company are all perpetual, with the exception of the Kingsbridge Street Railway, which is a short line of 3¼ miles.

The miles of track operated by the Metropolitan Street Railway increased from 80 in 1893 to 200 in 1902, not including the Third Avenue system. The latter added 215 miles, making a grand total of 435 miles.

The total outstanding capital stocks of the various companies are as follows: Metropolitan Securities Company, $30,000,000; New York City Street Railway Company, $7,302,500 stock, and $3,465,000 3% notes; Metropolitan Street Railway Company, $52,000,000 stock, $25,280,000 direct mortgage bonds and about $0,000,000 in subsidiary bond issues; Third Avenue Railroad, $16,000,000 in stock and about $54,000,000 in bonds.

The directors of the Metropolitan Securities Company include Wm. H. Baldwin, Jr., Thomas F. Ryan, Edward J. Berwind, Paul D. Cravath, Thomas P. Fowler, George G. Haven, James H. Hyde, Aug. D. Juilliard, Mortimer L. Schiff.

Consolidated Gas Company of New York.

(*Standard Oil domination.*)

Incorporated in New York, on November 11, 1884, acquiring, by consolidation, the following companies:

Harlem Gas Light Company, Knickerbocker Gas Company, Manhattan Gas Light Company, Metropolitan Gas Light Company, Municipal Gas Light Company, New York Gas Light Company.

These properties represented at that time practically the entire industry on Manhattan Island.

In December, 1898, interests friendly to this company acquired by purchase a majority of the capital stock of the New York Mutual Gas Light Company. The capital stock is $3,500,000, on which 6% was paid in 1900, 9% in 1901.

In the spring of 1899 the company acquired control of the United Electric Light & Power Company, operating in New York City under the high-tension Brush and Westinghouse system.

In March, 1900, control of the New York Gas & Electric Light, Heat & Power Company was acquired, through the purchase of the entire capital stock of that company. In September of the same year control of the Standard Gas Light Company and the New Amsterdam Gas Company was acquired, thus giving the Consolidated Company control of the entire gas and electric lighting interests of Manhattan Island.

New Amsterdam Gas Company.—This company was incorporated in New York, November 1, 1897, to do business under a plan of consolidation of the New York & East River Gas Company and the Equitable Gas Light Company. Original plans for this consolidation were made public in September, 1897, but opposition arose, and in January, 1898, a revised plan was issued and accepted by the stockholders of both companies. At the time of consolidation the Equitable Company had over 150 miles of mains in New York City and extensive works; the East River Gas Company had 140 miles of mains in New York and Long Island City, and extensive works at Long Island, these being connected with New York by a tunnel under the East River. The New Amsterdam Company also acquired control of the Central Union Gas Company of New York and the Northern Union Gas Company, and guarantees the pricipal and interest on the bonds of the former.

Authorized capital, $10,000,000 5% preferred and $13,000,000 common stock, of which there were outstanding in July, 1900, $9,000,000 preferred and $12,165,000 common stock. The Consolidated Gas Company offered to exchange its 6% debentures for this stock, at the rate of $50 and $26 per share, respectively, and at the present time nearly all the stock has been so exchanged.

On July 20, 1900, the Consolidated Gas Company decided to issue $4,033,100 in additional stock, to be exchanged for the above described 6% debentures on the basis of $190 per share.

New York Gas & Electric Light, Heat & Power Company.—Organized October 3, 1898, under the laws of New York, for the purpose of manufacturing, supplying and selling gas and electricity in the city of New York. It subsequently acquired control of the following companies:

Mount Morris Electric Light Company, North River Electric Light & Power Company, New York Heat, Light & Power Company, Borough of Manhattan Electric Company, Consolidated Telegraph & Electrical Subway Company, Block Lighting & Power Company, Manhattan Lighting Company, Yonkers Electric Light & Power Company, Edison Electric Illuminating Company of New York.

Through the acquisition of the Edison Company it also acquired control of the property of the Manhattan Electric Light Company and the Harlem Lighting Company. The only electric lighting company in the Borough of Manhattan which was not acquired was the United States Electric Light Company, operating under the Westinghouse system, and which was acquired by the Consolidated Gas Company.

The authorized capital stock is $36,000,000, all of which was sold to the Consolidated Gas Company in January, 1900, in exchange for a like amount of the latter company's debentures. These debentures were made exchangeable for stock at the option of the company at any time within six months from their date, at the rate of $232 per share for the stock and par for the debentures. Accordingly on March 9, 1900, an increase in Consolidated Gas Company stock of $15,517,200 was authorized, and the foregoing exchange was made. In 1902, a new corporation was formed, called the New York Edison Company. It issued $45,200,000 capital stock, in exchange for the $36,000,000 stock of the N. Y. Gas El. L., H. & P. Co., and $9,200,000 stock of the Edison Electric Illuminating Company of New York. The stock of the new company is owned by the Consolidated Gas Company.

Standard Gas Light Company.—Organized under New York laws in 1886, and operates in that portion of New York City above Thirteenth Street, owning extensive works on the East River front at the foot of Thirty-third Street. Capital stock, $3,721,100 6% preferred and $5,000,000 common stock. A large majority of the stock is owned by the Consolidated Gas Company.

The sales of gas of the Consolidated Gas Company in the year 1900 aggregated over 16,000,000,000 cubic feet, being an increase of 13% over the previous year. The business of the electrical department of the company, which is by far the largest in the world, showed an increase during the year of over 19%. The company has recently completed a new electric light station on the East River, which has greatly increased its capacity.

Capital stock of the Consolidated Gas Company is $80,000,000, of which all is issued. Par, $100. The amount outstanding in February, 1900, was $39,078,000, but this was increased in March, 1900, to $54,595,000 for the acquisition of the debentures given in exchange for New York Gas & Electric Light, Heat & Power stock under the plan described above; and on July 16, 1900, a further increase of $17,681,000 was authorized, of which $4,033,100 was to be issued in exchange for New Amsterdam Gas Company stock, and the remainder (including $900,000 recently authorized) for other purposes of the company. Dividends have been paid in recent years as follows: 1893 to 1898, 8% per annum; 1899, 5½%; 1900, March, 1%; June, 1%; September, 1%; December, 2%; 1901 to date, 8% per annum. Dividends quarterly, March 15.

Transfer office, 4 Irving Place, New York City.

Bonded Debt.—Direct obligations: $1,461,000 Consolidated Gas Company 5% debenture bonds, dated 1888; due May 1, 1908.

OBLIGATIONS OF NEW AMSTERDAM GAS COMPANY.

$10,635,000 first consolidated mortgage 5% gold bonds, issued 1898, due January 1, 1948.

$3,500,000 Equitable Gas Light Company consolidated (now first) mortgage 5% gold bonds, issued 1892, due March 1, 1932.

$3,500,000 New York & East River Gas Company first mortgage 5% gold bonds, issued 1894; due January 1, 1944.

$1,500,000 New York & East River Gas Company first consolidated mortgage 5% gold bonds, issued 1895; due January 1, 1945.

$3,450,000 Central Union Gas Company first mortgage 5% gold bonds, issued 1897; due July 1, 1927.

$1,250,000 Northern Union Gas Company first mortgage 5% gold bonds, due 1927.

OBLIGATIONS OF NEW YORK GAS AND ELECTRIC LIGHT, HEAT AND POWER COMPANY.

$15,000,000 first mortgage 5% gold bonds, issued December 1, 1898, due December 1, 1948. In coupon or registered form, $1,000. These bonds are a direct lien upon the entire property of the company, subject only to the underlying liens, and as to the Edison Company's property, to its purchase money 4% bonds. The proceeds of the issue were used for the purchase of the constituent companies and for the purpose of creating a cash guarantee fund of $4,000,000 for the benefit of the Edison property, as more fully described below, and for improvements.

$20,929,391 purchase money mortgage 4% gold bonds, issued February 1, 1899; due February 1, 1949. Interest, February and August, at Central Trust Company, New York. These bonds are secured by direct vendor's lien upon the entire capital stock of the Edison Electric Illuminating Company, of New York. They are additionally secured by a deposit with the trustee of a $4,000,000 cash guarantee fund. This fund may be invested by the power company in extensions or betterments to the plant or property of the Edison Company only, subject to the approval of the trustee of the purchase money mortgage. The bonds were issued to acquire the entire capital stock of the Edison Company, consisting of $9,200,000.

$4,312,000 Edison Electric Illuminating Company of New York first mortgage 5% gold bonds; issued 1890; due March 1, 1910. A first lien on the entire Edison property.

$2,188,000 Edison Illuminating Company of New York first consolidated mortgage 5% gold bonds; issued 1895; due July 1, 1995. Interest payable January and July. Authorized issue $15,000,000.

$988,000 Mount Morris Electric Light Company first mortgage 5% gold bonds; issued 1890; due Sept. 1, 1940.

$150,000 New York Heat, Light & Power Company first mortgage 4% gold bonds.

OBLIGATIONS OF STANDARD GAS LIGHT COMPANY.

$1,362,000 first mortgage 5% 40-year gold bonds; issued 1890; due May 1, 1930. Coupon, $1,000. Interest payable May and November, at Mercantile Trust Company, New York.

OBLIGATIONS OF UNITED ELECTRIC LIGHT AND POWER COMPANY.

$4,838,000 first mortgage 5% bonds; issued 1894; due July 1, 1924. Coupon, $1,000.

$275,000 Brush Electric Illuminating Company first mortgage 5% bonds; due 1904.

ANNUAL STATEMENT YEAR ENDED DECEMBER 31, 1902.

At the annual meeting, President Gawtry said:

"The year just ended has been a trying one for the company; the works, both gas and electric, have been run up to their full capacity, and it is a source of congratulation that the company has been able to meet the demands made upon it. The scarcity of fuel caused much anxiety, as at times during the last two or three months the requirements ran up as high as 3,500 tons a day, for which, in most cases, high prices have had to be paid, as all contracts were suspended during the strike. There was imported early in the summer a quantity of Welsh coal, which helped out the situation to a great degree. It was a serious question at one time whether all the supply of gas required could be supplied, some days the consumption running very near 80,000,000 cubic feet. While it is too early to give the exact figures, the net profits, after the payment of dividends, were $2,100,000, against $1,500,000 the previous year.

"The sales of gas in the year increased to 11.65% over the previous year. The increase during the last three months of the year ran as high as 20%, and in some districts to 30%, over the corresponding period of the previous year. The increase in the cost of materials during the year amounted to $440,000. The company sold 42,632 gas ranges, stoves, heaters, etc., during the year. The output of electricity during the year increased 18 3-8%. There was an increase in the number of users of electricity during the year of 4,700. The company has 7,639 employees, and during the year has paid out $18,916 for pensions and to benefit societies. The company has sold coal to its employees at low rates. The company itself consumed 947,743 tons, an average of 2,600 tons a day."

Comparison for the years 1902 and 1901:

Output—	1902.	1901.	Increase.
Gas, cubic feet	18,358,478,000	16,443,000,000	1,915,000,000
Electricity, kilowatts	88,370,000	74,656,000	13,714,000

Earnings—			
Net over interest...............	$7,932,000	$7,328,000	$604,000
Dividends, 8 per cent...........	5,832,000	5,828,000	4,000
Surplus for year, approximate...	2,100,000	1,500,000	600,000
Various Statistics—			
Miles of gas mains on Dec. 31...	1,783	1,740	43
Number of gas meters on Dec. 31	556,063	523,597	22,466
Paid during year for repairs....	$1,335,424	$895,000	$440,000
Charged off for depreciation....	744,434	700,000	44,000
Charged off for taxes, including franchise tax	1,755,685	1,670,195	85,490

BALANCE SHEET OF NEW YORK EDISON COMPANY NOVEMBER 30, 1902.

Assets.		Liabilities.	
Plant, property, etc.......	$87,504,742	Capital stock	$45,200,000
Treasury bonds	107,890	First mortgage bonds.....	11,500,000
Treasury stocks	149,000	Purchase money 4% bonds.	21,000,000
Accounts receivable.......	1,786,368	Edison Electric Illuminating Co., capital stock.	29,671
Supplies	331,941	First mortgage bonds...	4,312,000
Cash	271,622	Consol. mortgage bonds.	2,188,000
		Mount Morris Electric Light Co., bonds......	988,000
		Real estate mortgages.....	155,000
		Guaranty deposits, reserve, etc.	143,450
		Bills and accounts payable.	2,012,605
		Profit and loss...........	2,622,837
Total	$90,151,563	Total	$90,151,563

Management.—Officers: Harrison E. Gawtry, President; Samuel Sloan, Vice-President; Lewis B. Gawtry, Vice-President; George W. Doane, Treasurer; Jas. A. Bennett, Secretary; C. C. Simpson, Assistant Secretary; B. Whiteley, Assistant Treasurer. Directors: Harrison E. Gawtry, Samuel Sloan, Wm. Rockefeller, M. Taylor Pyne, Geo. F. Baker, James Stillman, Stephen S. Palmer, Frank Tilford, F. Augustus Schermerhorn, Wm. C. Whitney, Anthony N. Brady, Thos. F. Ryan.

Main office, 4 Irving Place, New York City.

ANALYSIS OF THE GREATER FRANCHISE TRUSTS.

I.

The foregoing descriptions have been purposely confined to the larger public service corporations chiefly for the reason that any attempt to cover the entire field would involve several hundred pages, and at the same time would probably not give any better idea of the magnitude and general tendencies of the franchise trusts. Therefore, the writer believes that in presenting descriptions of the Bell Telephone system, the Western Union Telegraph system, and the gas, electric light, and street railway corporations of the greater cities, he gives sufficient insight into the subject to satisfy the most fastidious.

In examining this subject from any point of view, the great tendency towards consolidation in these industries stands out in bold relief. They seem to be less subject to competition than any of the industrial trusts, and the aggregations are, in many cases, of far greater magnitude. The cause of all this is not far to see.

Every public service corporation is necessarily "monopolistic" in its nature. Its most important asset in all cases is its franchise, which enables it to hold certain exclusive rights which are granted to it by the government. It is, of course, true that sometimes rival corporations acquire rights of the same nature, but when this is the case, consolidation is sooner or later inevitable, because of fundamental economic tendencies. It has been again and again proven that public utility enterprises cannot in their nature be competitive, and any attempt to make them so is unsound in theory and ineffective in practice. For twenty years legislatures have been fighting this tendency, but with no effect. Like the illogical fights against railroad consolidations, all such legislation is uneconomic and unsound, and in the long run proves as futile and ineffective as would a legislative bill which pretended to abolish the law of gravitation.

It is both instructive and entertaining to trace the gradual consolidation of the public utility corporations of the larger cities, such as the City of New York. It will be noted that at the present time the franchise corporations of the greater city are all either directly controlled or dominated by those able, resourceful and far-seeing capitalists known as the Standard Oil Group—the same circle of men who, as we have thus far seen, dominate or in some measure influence practically the entire trust-formed industries of the United States. A hurried glance over the events of the last generation will show how inevitably the local franchise corporations have gravitated into a few strong hands.

Prior to 1884, New York City (then Manhattan Island only) was entirely lighted by gas. There were then six small companies supplying gas in different parts of the city, their operations being only partially competitive, as their respective territories did not very greatly overlap. However, as the city grew, these six companies began to compete for each other's business more and more, and, in 1884, the Consolidated Gas Company was formed as a consolidation of them all. Shortly after this, several other gas companies were organized, including the Standard Gas Light Company and the New York Mutual Gas Light Company. Later the Central Union Gas Company, the Northern Union Gas Company and the Equitable Gas Light Company, were formed. Shortly following, the New York & East River Gas Company was incorporated, and in 1897 the latter was consolidated with the Equitable Gas Light Company, under the name of the New Amsterdam Gas Light Company. The New Amsterdam Company then absorbed the Central Union and the Northern Union companies. At about the same time the Consolidated Gas Company acquired control of the New York Mutual Gas Light Company, and a year later, the grand gas consolidation took place, the Consolidated Company absorbing all its rivals. For several years previous the Standard Oil interests had dominated the Consolidated Gas Company.

It should not be forgotten that this evolution towards gas consolidation had taken place in spite of all legislative opposition, in spite of many serious attempts to maintain competitive conditions, and in the face of several bitter rate wars, during which the several companies had supplied gas far below its actual cost. In 1884, when the Consolidated Company was first formed, the price of gas was $1.50 per thousand. It is now $1.00, but because of economies, large scale methods, and the great growth of population, the company is now making far more profit per thousand feet than it did in the days of higher priced gas.

While these gas consolidations were going on, the electric light industry was developing with equal, if not greater, rapidity. In 1881, the Edison Electric Illuminating Company had been formed to supply electric light and power in New York City, and for ten years thereafter was the only electric lighting company of any importance on Manhattan Island. Its business grew by leaps and bounds, but during the eight years from 1892 to 1900 eight or nine smaller competitors were formed. The Edison Company absorbed only two or three of these, but it continued to do more than 90% of the electric lighting business on Manhattan Island.

During the year prior to the general gas consolidation, a new company, called the New York Gas & Electric Light, Heat & Power Company, was formed by what were known as the Whitney-Brady interests (who already dominated the street railways of New York and Brooklyn). This new company immediately absorbed the Edison Company and all its competitors. In the meanwhile, and before the culmination of the gas war, which was then in full swing, the Standard Oil Group (representing the gas interests) and the Whitney-Brady Group, after a bitter Wall Street "squeeze," came together and as a result the New York Gas & Electric Light, Heat & Power Company and all its allied interests were absorbed by the Consolidated Gas Company, thus giving the latter control of the entire gas and electric lighting interests of the Island of Manhattan.

Almost analogous was the movement of the lighting industries in the Borough of Brooklyn. The Brooklyn Union Gas Company was formed in 1895, and absorbed its various competitors. Later it acquired a number of suburban gas companies, and it now dominates the entire gas lighting industry in the Boroughs of Brooklyn and Queens. The Standard Oil interests have controlled the Brooklyn Union Gas Company from the start. In the meanwhile, the Edison Electric Illuminating Company of Brooklyn had been formed and was rapidly developing the electric lighting industry in that section. But in 1898, the Kings County Electric Light & Power Company, a new company controlled by the Whitney-Brady interests, absorbed the Brooklyn Edison Company. Immediately after this absorption the Whitney-Brady circle, as has been shown above, became an adjunct of the Standard Oil Group. The Brooklyn Union Gas Company and the Kings County Electric Light & Power Company are still operated separately, but both are dominated by the same interests.

The street railway corporations have worked towards consolidation in a no less interesting manner. Previous to 1890, there were many companies operating on Manhattan Island, nearly all using horse power. About this year, however, the Metropolitan

Traction Company was formed, and it absorbed several important connecting lines and continued to spread out over all parts of the city for several years thereafter. The Metropolitan Traction Company was controlled from the beginning by the Whitney people, who afterwards allied themselves with the Standard Oil Group. In 1900 the Third Avenue system was leased to the Metropolitan, and in 1902 the Metropolitan itself was leased to the new Interurban Street Railway (now the New York City Street Railway), the latter being formed to control all the surface lines in the Boroughs of Manhattan and The Bronx. In the meanwhile, the Interborough Rapid Transit Company had been formed to operate a system in the new subways which are now being constructed. This latter company, while not actually controlled, is strongly influenced by and its management affiliated with the Standard Oil interests. It has not begun to operate as yet, but in 1902 it entered into a deal with the Gould interests whereby it has leased the entire Manhattan Elevated system for a period of 999 years. The Gould family, who still maintain a large interest in the Manhattan system, are, of course, closely allied to the Rockefellers, and are generally looked upon in the railway world at least as a part of the so-called Standard Oil Group. Thus it will probably be but a brief period before all transportation systems in Manhattan and Bronx Boroughs are operated practically as one.

In Brooklyn, the situation has developed along the same lines. The Brooklyn Rapid Transit Company, which controls over 90% of the street railway interests in that Borough, is controlled by the Brady-Rockefeller interests, these capitalists having dominated it for some years.

In addition to the direct alliance of all these public service aggregations, it is interesting to note that other important alliances exist. The two tunnels which are now being constructed for trolley lines under the North River are to be operated by interests at least allied with, if not controlled by, the Standard Oil Group. And on the other side of the river in New Jersey, the immense aggregation known as the Public Service Corporation, which controls practically the entire public utility business of northern, central and southwestern New Jersey, is also dominated by this same group of capitalists, and is identified quite closely with the United Gas Improvement, or Philadelphia Group, who themselves have close affiliations with the Standard Oil people. The United Gas Improvement interests, as is well known, control gas, electric light and street

railway interests in over thirty (30) cities in the United States. They dominate the entire franchise situation of Philadelphia; they control the Connecticut Railway & Lighting Company, a system of lighting and trolley lines which extends from the New York and Connecticut State line practically through to Hartford; they also control the Westchester Lighting Company, on the north of New York City, and they are the dominating factors in the Rhode Island Company, which controls practically all of the public utility interests in the State of Rhode Island.

The diagram which is appended shows how the various New York City public service corporations are linked together.

II.

In these days of agitation regarding the value of municipal franchises, and the general discussion of whether such franchises are or are not monopolistic in nature, it is well worth while examining a concrete case, and in this way analyzing this much mooted question. There are many who claim that every public utility franchise has no real value, and does not increase in value; while, on the other hand, there are those who pretend to prove that while the franchises have value, these franchises are not monopolistic in nature. The present writer proposes to show by taking one concrete example from the New York City public service aggregations, that modern municipal franchises must of their very nature increase in commercial value, and that this value is a monopoly value. This example is not given for the purpose of in any sense condemning the custom of granting franchises, for as the writer has in several instances shown in this book, monopoly value is one of the chief essentials to business success under modern social customs, and without it industrial society of the present day could not be conducted as it is. He desires, wherever possible, to reiterate the thought that a great deal of the dispute now going on between those who favor and those who oppose monopoly has been due to a lack of frankness on both sides; its friends pretending to disown it, rather than explain it, and its enemies very often declining even to analyze it.

To demonstrate how modern municipal franchises do grow in commercial value, the following review of the electric lighting industry in New York City is presented.

In 1898, the Edison Electric Illuminating Company of New York controlled practically the entire illuminating business of Manhattan Island. There existed, it is true, several small competing concerns with limited franchises, but the figure they cut was small; the Edison Company doing all the city lighting, and furnishing over 90% of the entire commercial demand. The capitalization of the Edison Company at this time consisted of $6,500,000 in 5% bonds, and $9,200,000 in stock, the latter paying 6% dividends.

The business of the company had been expanding rapidly for many years, and by the end of 1898 the company was earning about 11% on its capital stock, beyond a liberal amount set aside each year to cover depreciation of plant.

About this time a new corporation, known as the New York Gas & Electric Light, Heat & Power Company, was formed by the so-called Whitney-Brady interests. The new corporation secured a liberal franchise, and was organized with an authorized capital of $36,000,000. Its first move was to acquire control of the Consolidated Telegraph & Electrical Subway Company. The latter company owned certain franchises giving it the right to use many city streets for the laying of electrical subways and also to use for electric current the subways already laid along Broadway and other thoroughfares by the Metropolitan Street Railway for its underground electrical system.

After absorbing the Consolidated Telegraph & Electrical Subway Company in December, 1898, the New York Gas & Electric Light, Heat & Power Company then acquired control of five small electric lighting concerns. In acquiring the Consolidated Company and these smaller consolidations, it issued $7,500,000 in first mortgage 5% bonds, running fifty years. It then acquired the entire capital stock of $9,200,000 par value of the Edison Company, by issuing in exchange therefor $21,000,000 in its own 4% bonds, secured as a purchase-money mortgage on the stock itself. In acquiring this stock it agreed to deposit with the Trustee $4,000,000 in cash, to be ultimately spent on the property. This cash was raised by issuing $4,000,000 more of its first mortgage 5% bonds, making the total of the latter $11,500,000.

The entire electric lighting industry on Manhattan Island was now consolidated, and properties which a few months before had had an outstanding capitalization in the aggregate of about $19,700,000 now had securities outstanding as follows:

Edison Company's old mortgages, $6,500,000; underlying bonds of the smaller companies, $1,150,000; New York Gas & Electric Light, Heat & Power Company 5% bonds, $11,500,000; the same company's 4% purchase money bonds, issued for Edison stock, $21,000,000; the same company's capital stock, all outstanding, $36,000,000; total capitalization, $76,150,000.

Here was an increase in capitalization (par value) in three or four months from $19,700,000 to $76,150,000, all of which, less the $4,000,000 cash mentioned above, apparently represented either franchise value or pure "inflation."

That the above was practically all tangible franchise value and not mere inflation was shown by events which shortly thereafter followed.

In December, 1899, the Consolidated Gas Company acquired the entire capital stock of the New York Gas & Electric Light, Heat & Power Company by issuing in exchange therefor $16,517,000 in par value, or $29,730,060 in market value, of its own stock. Thus the owners of the $36,000,000 of New York Gas & Electric stock sold out for a cash equivalent of $29,730,060. But the market value of this amount of Consolidated Gas stock has since increased several millions more. The aggregate market value of the bonds at the time of exchange was about equal to their aggregate par value.

At the present time the market value of the stocks and bonds has so increased that the present value of all the securities involved is something like $75,000,000, or an increase of about $50,000,000 over the amount of money which had actually been put into property. This $50,000,000 logically represents the present values of the franchises.

This franchise value, represented by about $50,000,000 of securities out of a total of about $75,000,000, is certainly a very valuable asset. The company has practically capitalized it at $50,000,000 and is earning and paying interest and dividends on all of the securities. The credit of the company is high, and it could undoubtedly sell its business and franchises to-day for fully as much and possibly for more than the $75,000,000 at which the concern is financially valued.

It will thus be seen that the theory that municipal franchises do not increase in commercial value is upon its face absolutely false. The franchise itself confers a privilege upon the company which becomes an important asset, and the market value of the securities which are issued as against this special asset represents the amount it would bring if sold to the highest bidder. There is nothing in the above demonstration to indicate, however, that a franchise monopoly should not exist. On the contrary, it is a natural condition, and there is no way to prevent its existence, and, furthermore, there should be no desire on the part of the public to prevent its existence. Of course, there are those who claim that this monopoly should be transferred from the hands of private individuals or corporations, to ownership and operation by the municipality or State. The wisdom of such a course can only be judged according to the point of view of those interested. It is not the purpose of the present writer to enter into any discussion of this question, as his wish here is simply to point out the fact that a public service corporation of any kind must, if economically operated, have the benefits of a natural monopoly, and this is true whether it is operated by an individual, a corporation or by the State.

PART V

The Greater Railroad Groups

THE GREATER RAILROAD GROUPS*

I.

The so-called "communities of interest," or steam-railroad groups of financiers who control directly nearly 95% of the vital American steam railroad lines, and partially control or influence the policy of the remainder, are made up of a circle of capitalists who dominate this enormous amount of steam railway, chiefly through the medium of what are known in Wall Street as " security holding companies."

That is to say, the bulk of the controlled mileage is divided into several great systems of railway lines, each system or group of lines being dominated by a particular financier or set of financiers, through the medium of these holding corporations. Many of these holding companies are, of course, also operating corporations, and in some cases the systems or groups are held together partially by the means of a holding company, and partially through the personal holdings of the individuals who dominate the group.

The original five groups, which are known as the Morgan, the Vanderbilt, the Pennsylvania, the Gould-Rockefeller, and the Harriman-Kuhn-Loeb groups, control in all about 139,500 miles of railway, but in addition to these five groups, there is now embraced in this general "community of interest" a sixth group of more recent origin, known as the Rock Island, or Moore group, which embraces about 25,000 miles. Thus, included in the six groups or systems there is (counting the Atchison system as a part of the Moore group, with whom it has close traffic affiliations) a total of 164,586 miles of steam railroad directly embraced in this greater "community of interest" or Railroad Trust.

The important statistical facts regarding the six great groups are as follows:

I. THE VANDERBILT GROUP: The steam railroad systems embraced in what is known as the Vanderbilt Group of steam railways

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*It is not intended to furnish here any detailed descriptions of railroad properties, as has been done in the case of the Industrial Trusts, for the reason that statistical information regarding steam railroads is quite accessible to all, there being several publications giving such information. The statistical matter embraced in this article is taken chiefly from the recent editions of *Moody's Manual of Corporation Securities.*

comprise in all 132 operating corporations, covering 21,888 mile of lines, and embracing a total outstanding capitalization (par value stocks and bonds) of $1,169,196,132.

The detailed figures of the various lines embraced in the group are as follows:

	Capitalization.
New York Central System, proper	$210,276,410
Leased lines	171,753,595
Lake Shore & Michigan Southern System	101,266,000
Michigan Central Railway System	40,013,000
New York, Chicago & St. Louis Railroad	49,425,000
Lake Erie & Western Railway	34,555,000
Indiana, Illinois & Iowa Railroad	9,850,000
Cleveland, Cincinnati, Chicago & St. Louis System	96,602,037
Cincinnati Northern Railway	4,000,000
Chicago & Northwestern Railway System	303,226,512
Chesapeake & Ohio Railway System	138,228,579
Smaller systems and branches (about)	10,000,000
Total capitalization afloat of all lines embraced in the Vanderbilt Group	$1,169,196,132

The total mileage of these same systems is as follows:

	Miles.
New York Central System and leased lines	3,422
Lake Shore & Michigan Southern System	1,544
Michigan Central Railway System	1,653
New York, Chicago & St. Louis Railroad	512
Lake Erie & Western Railway	887
Indiana, Illinois & Iowa Railroad	253
Cleveland, Cincinnati, Chicago & St. Louis Railroad	2,287
Cincinnati Northern Railway	208
Chicago & Northwestern Railway System	8,971
Chesapeake & Ohio Railway System	1,641
Smaller Systems and Branches (about)	500
Total mileage of all lines embraced in the Vanderbilt Group	21,888
Number of sub-companies or subsidiary corporations embraced in the entire Vanderbilt Group	132

In the list of corporations enumerated above, the Vanderbilt interests, while dominating the Chesapeake & Ohio system, share the control of it jointly with the Pennsylvania Railroad interests. The Vanderbilts are also known to be interested to a formidable extent in the Lehigh Valley Railroad with the Pennsylvania and Morgan interests, and the Lake Shore & Michigan Southern Railroad owns a large amount of the capital stock of the Reading Company, thus partially dominating that system jointly with the Penn-

sylvania Railroad Group. As a matter of fact, the Vanderbilt and Pennsylvania Railroad groups are quite closely linked in several important respects.

II. THE PENNSYLVANIA RAILROAD GROUP: The railroad systems embraced in what is known as the Pennsylvania Railroad Group of railways include the following large corporations and their tributary and subsidiary lines:

Pennsylvania Railroad System, east of Pittsburg and Erie.
Pennsylvania Railroad System, west of Pittsburg and Erie.
Baltimore & Ohio Railroad System.
Norfolk & Western Railway System.
Reading Company System.

These several systems of railroads which are controlled by or dominated by the Pennsylvania Railroad interests comprise operating corporations, embracing over 19,300 miles of lines, and have a total outstanding capitalization (par value of stocks and bonds) of $1,822,402,235. These facts are given in detail as follows:

	Capitalization.
Pennsylvania Railroad System proper, lines both east and west of Pittsburg and Erie	$873,398,368
Baltimore & Ohio Railroad System	392,846,225
Norfolk & Western Railway System	142,097,500
Reading System	394,060,142
Total capitalization afloat of all lines embraced in the Pennsylvania Railroad Group	$1,822,402,235

The total mileage of these same systems is as follows:

	Miles.
Pennsylvania Railroad System proper, lines both east and west of Pittsburg and Erie	10,784
Baltimore & Ohio Railroad System	4,397
Norfolk & Western Railway System	1,685
Reading System	1,134
Miscellaneous lines (about)	1,300
Total mileage of all lines embraced in the Pennsylvania Railroad Group	19,300
Number of sub-companies or subsidiary corporations embraced in the entire Pennsylvania Railroad Group (about)	280

The Reading Company system is jointly controlled by the Pennsylvania interests and the Vanderbilts, but it is located in the territory of the Pennsylvania Group, and is practically dominated, as far as its policy is concerned, by the latter. The Morgan Group also still have some interest in the Reading properties, but they no longer dominate the system.

Both the Pennsylvania and Vanderbilt groups have an interest in the Lehigh Valley system, which, however, is still understood to be a part of the Morgan Group.

III. THE MORGAN GROUP: The steam railroads embraced in what is known as the Morgan Group, and including also the so-called Morgan-Hill Group, include the following important systems:

*Northern Securities Company (embracing the Chicago, Burlington & Quincy, Northern Pacific and Great Northern Systems).
Southern Railway System (embracing the Central of Georgia, Alabama Great Southern, Mobile & Ohio Systems, etc.).
Atlantic Coast Line System (embracing Louisville & Nashville, Chicago, Indianapolis & Louisville, etc.).
**Hocking Valley System (embracing Toledo & Ohio Central Lines).
Erie Railroad System.
Lehigh Valley Railway System.

The foregoing systems embrace in all 47,206 miles of lines, a total outstanding capitalization (par value of stocks and bonds) of $2,265,359, and include about 225 operating corporations.

The detailed figures are given below:

	Capitalization.
Northern Securities Company (stock)	$364,867,849
Chicago, Burlington & Quincy System (bonds)	152,072,400
Northern Pacific Railway System (bonds)	286,798,433
Great Northern Railway System (bonds)	205,670,148
Southern Railway System, proper	365,755,265
Alabama Great Southern, affiliated and miscellaneous lines	18,800,000
Central of Georgia Railway System	54,146,000
Atlantic Coast Line System (including Louisville & Nashville, etc.)	297,097,650
Hocking Valley System	54,187,214
Erie Railroad System	372,321,400
Lehigh Valley System	93,400,000
Total capitalization afloat of all lines embraced in the Morgan Group	$2,265,116,359

*The Northern Securities Company is also largely dominated by the Harriman-Kuhn-Loeb interests, the latter owning or controlling a large amount of the Northern Securities stock, and being represented strongly on its Board of Directors.

**The Pennsylvania Railroad interests are now represented in the management of the Hocking Valley System.

The total mileage of these same systems is as follows:

	Miles.
Northern Securities System.	
Chicago, Burlington & Quincy System	8,724
Northern Pacific System	5,355
Great Northern Railway System	5,849
Southern Railway System, proper	8,093
Alabama Great Southern and affiliated lines, etc	1,209
Central of Georgia Railway System	1,877
Atlantic Coast Line System, proper	4,567
Louisville & Nashville System	6,133
Georgia Railroad	626
Hocking Valley Railroad System	818
Erie Railroad System	2,556
Lehigh Valley Railroad System	1,399
Total mileage of all lines embraced in the Morgan Group	47,206
Number of operating sub-companies or subsidiary corporations included in the entire Morgan Group (about)	225

IV. THE GOULD-ROCKEFELLER GROUP: The various systems of railroads which go under the name of Gould-Rockefeller properties are located in all parts of the United States. Some of them are purely Gould systems, whereas others display but little of the Gould influence, but in these the Rockefeller personality is more prominent. In a sense, therefore, this group is of a dual nature, as some of the systems are apparently quite distinct in their control from the others. The two interests, however, which make up the Gould-Rockefeller group are closely allied in many ways, and apparently always operate with the utmost harmony.

The systems embraced in this apparently double group include the following:

Missouri Pacific Railway System.
Texas & Pacific Railway System.
Wabash Railroad System.
St. Louis Southwestern Railway System.
Denver & Rio Grande Railroad System.
International & Great Northern System.
Wheeling & Lake Erie Railroad.
Western Maryland System.
Colorado Southern System.
Missouri, Kansas & Texas Railway System.
Delaware, Lackawanna & Western Railway System.
Chicago, Milwaukee & St. Paul System.

The first eight properties are more distinctively Gould systems, whereas in those named last the Rockefeller influence is most conspicuous.

The outstanding capitalization and mileage of these various systems is given below:

	Capitalization.
Missouri Pacific System	$233,006,875
Texas & Pacific System	85,908,125
Wabash Railroad System	102,999,000
St. Louis Southwestern System	36,187,250
Denver & Rio Grande System	127,200,100
Missouri, Kansas & Texas Railway System	149,672,300
International Great Northern System	34,601,052
Wheeling & Lake Erie System	53,728,350
Western Maryland System	118,684,800
Colorado Southern System	77,197,378
Delaware, Lackawanna & Western System	119,124,510
Chicago, Milwaukee & St. Paul System	230,567,800
Total capitalization afloat of all the lines embraced in the Gould-Rockefeller Group	$1,368,877,540

	Miles.
Missouri Pacific System	6,006
Texas & Pacific System	1,794
Wabash Railroad System	2,483
St. Louis Southwestern System	1,280
Denver & Rio Grande System	2,536
Missouri, Kansas & Texas Railway System	2,713
International Great Northern System	1,130
Wheeling & Lake Erie System	529
Western Maryland System	522
Colorado & Southern System	1,465
Delaware, Lackawanna & Western System	966
Chicago, Milwaukee & St. Paul System	6,733
Total mileage of all lines embraced in the Gould-Rockefeller Group	28,157

In addition to the above, the Rockefellers have large interests in the New York, New Haven & Hartford System, and other lines which are classified below as "Independent Allied Lines."

V. HARRIMAN-KUHN-LOEB GROUP: The railroad systems embraced in what is known as the Harriman-Kuhn-Loeb Group of railways include the following large corporations and their various controlled and subsidiary lines:

Union Pacific Railroad System, proper.
Southern Pacific Company System.
Illinois Central Railroad System.
Chicago & Alton Railway System.
Kansas City Southern Railway Company.

The above systems of railroads are all distinct in matters of operation, and they all have territories of their own. They embrace collectively 22,943 miles of lines, $1,321,243,711 of capitalization (par value stocks and bonds) and include about 85 distinct operating corporations.

The details are as follows:

	Capitalization.
Union Pacific System, proper	$451,762,965
Southern Pacific System	460,939,256
Illinois Central Railroad System	226,560,690
Chicago & Alton Railway System	100,980,800
Kansas City Southern Railway	81,000,000
Total capitalization afloat of all lines embraced in the Harriman-Kuhn-Loeb Group	$1,321,243,711

The total mileage of the several systems is as follows:

	Miles.
Union Pacific Railroad System	6,105
Southern Pacific Company System	9,621
Illinois Central Railroad System	5,463
Chicago & Alton Railroad System	915
Kansas City Southern Railway	839
Total mileage of all lines embraced in the Harriman-Kuhn-Loeb Group	22,943
Number of operating sub-companies or subsidiary corporations included in the entire Harriman-Kuhn-Loeb Group.. (about)	85

The Southern Pacific Company also owns a majority of the $10,-000,000 capital stock of the Pacific Mail Steamship Company. In 1903 the Rock Island Company, controlled by the Moore interests, purchased a half interest in the Houston & Texas Central, The Houston, East & West Texas, and the Houston & Shreveport railroads; these latter being included as part of the Southern Pacific system.

The Kansas City Southern Railway is controlled by the Harriman-Kuhn-Loeb interests, but the Gould-Rockefeller Group is also identified with it.

VI. THE MOORE GROUP: The railroad systems embraced in what is known as the Moore Group are practically all controlled by a large security-holding corporation called the Rock Island Company. The Rock Island Company controls through stock ownership or otherwise the following large corporations, and their various subsidiary companies:

Chicago, Rock Island & Pacific Railroad, which controls the operating company known as the Chicago, Rock Island & Pacific Railway.
Burlington, Cedar Rapids & Northern System.
Rock Island & Peoria Railway.
Choctaw, Oklahoma & Gulf Railroad.
Chicago, Rock Island & El Paso Railway.
Chicago, Rock Island & Gulf Railway.
Chicago, Rock Island & Mexico Railway.
Chicago, Rock Island & Texas Railway.
St. Louis, Kansas City & Colorado Railroad.
Des Moines & Fort Dodge Railroad.
Keokuk & Des Moines Railroad.
Peoria & Bureau Valley Railroad.

In addition to above, the company has acquired a one-half interest in the following corporations, which are considered as part of the Harriman-Kuhn-Loeb Group, having always been controlled by the Southern Pacific Company:

Houston & Texas Central Railway Company.
Houston, East & West Texas Railway Company.
Houston & Shreveport Railroad Company.

The Chicago, Rock Island & Pacific Railway has also absorbed and consolidated various smaller lines, and has a number of others under construction at the present time.

The following lines have been acquired directly by the Rock Island Company:

St. Louis & San Francisco Railway System.
Evansville & Terre Haute Railroad System (including the Chicago & Eastern Illinois Railroad).

The St. Louis & San Francisco interests became identified with the Seaboard Air-Line system in 1902, and as the former has now been absorbed into the Rock Island Group, it is generally understood that the Moore interests have a minority influence in the Seaboard property, and are working in special harmony with it.

While the Moore interests undoubtedly do not as yet control the Atchison System, still they partially dominate it, and through close traffic alliances, operate in perfect harmony. These two last-named systems have, therefore, been included in the figures of the Moore Group.

The outstanding capitalization of the Moore Group is as follows:

	Capitalization.
Rock Island Company (embracing all controlled properties)	$490,771,800
Seaboard Air-Line System	110,207,609
Atchison, Topeka & Santa Fe System	458,271,530
Total capitalization of all lines embraced in the Moore Group	$1,059,250,939

Total mileage of the several systems is as follows:

	Miles.
Rock Island Company (embracing Chicago, Rock Island & Pacific System)	7,123
St. Louis & San Francisco System	5,512
Evansville & Terre Haute System	331
Miscellaneous lines (some under construction)	895
Seaboard Air-Line System	2,617
Atchison, Topeka & Santa Fe System	8,614
Total mileage embraced in all lines of the Moore Group	25,092
Number of operating sub-companies or subsidiary corporations included in the entire Moore Group	(about) 91

SUMMARY: The following table shows the total capitalizations of the different groups, and the total of all of them. Also their mileage at the present time, as well as the amount of mileage which was controlled by practically the same interests on July 1, 1897:

	Capitalization.
Vanderbilt Group	$1,169,196,132
Pennsylvania Railroad Group	1,822,402,235
Morgan Group	2,265,116,350
Gould-Rockefeller Group	1,368,877,540
Harriman-Kuhn-Loeb Group	1,321,243,711
Moore Group	1,070,250,939
Grand total of capitalization afloat of all the lines embraced in the six greater railroad groups	$9,017,016,907

	Miles. 1897.	Miles. 1903.
Vanderbilt Group	16,909	21,888
Pennsylvania Group	8,977	19,300
Morgan Group	15,173	47,206
Gould-Rockefeller Group	10,858	28,157
Harriman-Kuhn-Loeb Group	9,916	22,943
Moore Group		25,092
Totals	61,833	164,586
Increase in mileage of these groups in six years		102,753

II.

There are now, according to authoritative estimates, about 204,000 miles of steam railroad lines in the United States, whose aggregate capitalization is about $12,000,000,000. Of this, 164,586 miles, as shown above, are directly controlled by six "communities of interest." The remainder, aggregating about 39,500 miles, are made up as follows:

	Miles.
Boston & Maine System	3,298
New York, New Haven & Hartford System	2,234
Pere Marquette System	2,351
Delaware & Hudson System	824
Buffalo, Rochester & Pittsburg System	500
New York, Ontario & Western System	549
Wisconsin Central Railway System	1,043
Chicago, Great Western Railway System	1,464
Minneapolis & St. Louis Railway System	443
Cincinnati, Hamilton & Dayton System	1,015
Smaller railroads and systems	25,779
Total	39,500

Of the above "independent" mileage, 5,532 miles are located in New England. This New England mileage is controlled almost exclusively by two large railroad corporations, the policy of which, while undoubtedly influenced by the general "community of interest" principle, is yet somewhat distinct from the larger alliances, because of the fact that the traffic is largely local, and the systems are therefore not affected so forcefully by the same influences that dominate the trunk lines. The Rockefeller interests, however, and also the Pennsylvania Railroad people have important holdings in the New York, New Haven & Hartford system.

Of the other large railroad systems not embraced in the six groups, the most important are the Pere Marquette, the Wisconsin Central, the Cincinnati, Hamilton & Dayton, and the Delaware & Hudson companies. Morgan interests are represented quite strongly in the Cincinnati, Hamilton & Dayton, Vanderbilt and Rockefeller interests in the Delaware & Hudson Company, and the other companies mentioned above are all more or less closely allied with one or more of the six great groups.

Thus the actual total of "independent" mileage is really that embraced in the item of less than 26,000 miles under "smaller railroads and systems." The total capitalization of the seven independent "allied" systems referred to in the above paragraph is approximately $380,277,000. Adding this to the total capitalization of the six great groups, we make a total of $9,397,293,907 as the amount of par value capitalization of the American railroads which are dominated by the greater "community of interest," or Railroad Trust. Deducting this amount from the total of $12,000,000,000, as the total railroad capitalization of the country, we find that the "independent" (not allied) lines are represented by only about $2,602,706,093 of capitalization, or less than 22% of the total.

These remaining railway lines which can still be looked upon as "independent," embrace, as we have shown above, about 25,779 miles. This mileage is made up chiefly of small roads, many of which are feeders for the large systems, and are therefore more or less dependent on the latter, or else they are disconnected and unprofitable cross country lines, running from nothing to nowhere, or not operating at all. In short, this 25,779 miles represents largely the useless, worn out, or profitless steam railway mileage of the country. Whatever portion of it may become valuable to the larger systems will sooner or later be acquired by those systems.

We see, therefore, that the total *vital* railway mileage of this country amounts to about 177,721 miles. Of this the six groups or "communities of interest" control *directly* 164,556 miles; they dominate and partially control the balance of 13,165 miles, and it is evidently only a question of two or three years when they will absorb most of the latter. The statement, therefore, that the "communities of interest" dominate by direct control nearly 95% of the vital railway mileage of the country is shown to be literally true. Furthermore, they indirectly dominate and bid fair shortly to directly dominate the remaining five or six per cent. of vital mileage and they will also ultimately absorb or wipe out most of the 25,779 miles of small disconnected or more or less unprofitable lines.

But there is a further fact to be noted. Not only is this enormous percentage of railway property dominated by these six groups, but these groups themselves are in many important ways, linked one to the other, and the various interests which control them overlap, as it were, into each other's group or circle. In fact, the six groups, with the "independent" allied lines are really banded together by the closest of commercial and industrial ties. There are elements in every group, which are also parts of other groups. Thus, the dominating men in the Morgan group are also important factors in the Gould, Pennsylvania and the Moore groups; and the Rockefeller-Gould interests are represented to a greater or less degree in every group, and also in most of the "independent" allied lines. The whole aggregation thus makes up a gigantic "community of interest" or Railroad Trust, being allied together by most remarkable and intricate ties of inter-dependence and mutual advantage. While nominally controlled and operated by nearly two thousand corporations, the steam railroads of the country really make up a mammoth transportation Trust, which is dominated by a handful of far-seeing and masterful financiers.

The financiers who are at the head of and entirely dominate this Railroad Trust are J. Pierpont Morgan, John D. & Wm. Rockefeller, W. K. & F. W. Vanderbilt, George J. Gould, A. J. Cassatt, James J. Hill, Edwin Hawley, H. H. Rogers, August Belmont, Thomas F. Ryan, and W. H. & J. H. Moore.

Not only do these financiers dominate their respective groups, but, as stated above, the most important of them, such as Rockefeller, Morgan, Harriman, Gould and Vanderbilt, are interested in and more or less dominate all the groups, and in this way knit together the entire railroad system of the country into this greater "community " or "Trust." The superior dominating influence of Mr. Rockefeller and Mr. Morgan is felt in greater or less degree in all of the groups.

It is both interesting and important to note that these able and influential capitalists who control this Railroad Trust are also the men who dictate the policies of and control the Steel Trust, the Oil Trust, the Copper Trust, the Tobacco Trust, the New York City Franchise aggregations, and many other enterprises of the same kind, great and small.

These men are nearly all possessed of very great financial ability. It is a mistake, as is sometimes done, to belittle the cleverness and capacity of such men as J. P. Morgan, John D. Rockefeller, A. J. Cassatt, or E. H. Harriman. They are all men of exceptional energy and brains, who have been fortunate enough to have wonderful special opportunities fall in their paths, and have been far-seeing and clever enough to take the fullest advantage of these opportunities. They are nearly all intensely practical men with practical motives, and they are quick to recognize the factors which give strength and success to industrial combinations and trusts in general. They always recognize a special advantage such as the presence of a monopoly element in a consolidation and they are usually quick to profit by the same. This fact has been proven over and over again, and is not in any sense open to dispute by those who are familiar with the actual facts. For instance, Mr. Morgan recognized the value of the monopoly element when acquiring control of and consolidating the anthracite coal fields of Pennsylvania. It was also pointed out as a great source of strength in the formation of the Steel Trust, upon whose coal and ore deposits a valuation of $1,100,000,000 was placed by its managers; Mr. Cassatt recognizes it as the great factor in the increase in importance and value of his own properties, particularly as regards railroad terminals, sites, etc.; and Mr. Rockefeller recognizes it as the great solidifier and strengthener in the entire Standard Oil group of industries. In short, it is considered a main factor, and rightly so, all along the line.

ANALYSIS OF THE RAILROAD GROUPS.

In no other branch of industrial or commercial life has the tendency to concentration of control in a few hands been so pronounced as in the case of the steam railroads. As the writer has undertaken to demonstrate in other parts of this volume, and particularly in the introduction, this is a perfectly normal tendency and seems quite inevitable. That this movement is not accidental or artificial is clearly enough attested by the fact that it has persisted in spite of all prohibitive legislation to the contrary. Indeed, it would appear that the very laws that have been passed to prohibit steam railroad concentration have tended rather to encourage than to prevent this tendency. A number of years ago, when the companies were free to enter into various agreements and pools, they were continually breaking these agreements, and the general slashing of rates was a lamentable evil; but later, when the Supreme Court of the United States declared that the traffic agreements and pools themselves were illegal, the various competing lines were impelled from motives of sheer self-protection to consolidate into various "communities of interest" with much greater rapidity than they might otherwise have done.

This general subject of railway consolidation and control has recently been very ably analyzed by Mr. Charles F. Beach, Jun., of St. Paul, in an argument before the Supreme Court of the United States, in October, 1903, in the Northern Securities case, which was then up before that body. Mr. Beach, in his argument for the appellants goes into the matter of railway evolution and points out the natural and inevitable tendency of transportation companies to consolidate, in a very clear and incisive manner. He shows that railway mergers in any given division of territory are the natural result of an irresistible trend or tendency in railway development. He speaks, of course, particularly in reference to the Northern Securities Company, but the various points he makes are equally applicable to railway consolidation in general, and particularly so with reference to the tendency throughout the United States. Mr. Beach says:

"The promotion, organization and existence of the Northern Securities Company is a phase or manifestation of a world-wide tendency to combine and consolidate railway lines operating in the same territory. This tendency manifests itself in every country in the world of any commercial consequence where there are railways, and most strongly in those countries which exhibit the highest and most complicated commercial development. Sometimes it takes one form, and sometimes another; but it everywhere exists as a dominating and controlling force in railway economics. The practical result sought to be accomplished by the formation of the Northern Securities Company is found to be different in no material respect or degree from what is done and accomplished in railway management, operation and control—in one way or another—in almost every State in the Union, and in every considerable country on the globe where there are railways. Mergers of parallel and competing lines of railway—in one shape or another—so as to operate as a substantial division of territory between independent companies, are a natural and absolutely inevitable result of the normal growth and development of that modern scheme of transportation by rail line, which obtains everywhere. They are arrangements of universal and world-wide acceptance, validity, utility and inevitability. The history of the matter throughout the world in detail fully supports this proposition."

In analyzing this tendency towards consolidation, and speaking particularly of the causes of it, Mr. Beach brings out the fact with particular clearness that transportation companies are, in the nature of things, monopolies, and that every attempt, legal or otherwise, made with a view to curtailing or eliminating this element of monopoly in railroads is a sheer waste of effort and of capital, and tends to do more harm than good to both the companies themselves, and the public who make use of them. To support this general argument, he makes quite extended reference to the experience of the English railways and shows how more than twenty-five years ago the English railway managers, and English public sentiment also, arrived at the logical conclusion that railroad lines were monopolistic in their nature, and should be treated as being such. These facts are so well brought out that it is deemed wise to quote Mr. Beach's review of the English experiensce quite fully:

"The first English railway charters contained provisions intended to prevent competition both between the lines themselves and between them and the canals, especially in freight traffic. George Stephenson, the father of English railways, seems to have appreciated clearly the mischief to be avoided in the matter of competition, even at that early day, and he therefore set himself to the task of getting the railway system in that country started right in this particular. His view on this subject was summed up in his much-quoted saying that 'where combination is possible, competition is impossible.'

"In 1836, a Mr. Morrison, M. P. from Inverness, made a remarkable speech in Parliament, in the course of a discussion of the then English railway situation, in which he pointed out with utmost clearness that a railroad must in the nature of things be a monopoly; that competing roads will inevitably combine; that parallel lines are sheer waste of capital, and that fixed maximum rates are useless.

"This utterance is the more remarkable because it stated clearly, at the outset of railway building and before there was any basis of fact and experience upon which to found such generalization, the ultimate principles which long experience has since demonstrated to be sound.

"Thus it is seen that the English railways started right; but that they soon got wrong, and for the first thirty years and more blunders in plenty were made in futile endeavors to construct and operate railroads on the principle of inter-competition. Uncounted treasure was wasted in these attempts, and absolutely nothing but experience was gained by it. By 1872 competition had been substantially eliminated through the operation of natural laws and in spite of hostile legislation and litigation. It was said in Parliament, in the debates over the appointment of the Select Committee in 1872, that there was not at that time a single competitive rate existing in the Kingdom. With the legislation of 1873 the general railway situation in England was fixed and determined, and the fatuous agitation for competition ended. The railways ceased to be bugbears, and fears of mischief to the public from the growth of railway influence and power gave place to intelligent criticism of railway methods and to a public-spirited determination to get good service at fair rates while giving the companies a free hand to manage their finances in their own way. Thus, after nearly forty years of experiment, agitation and disturbance, the English people came back about 1872 to their point of commencement. Mr. Adams, in his 'Railroads and Railroad Questions,' says that then England 'settled down on the doctrine of *laissez faire*;' and President Hadley, in his 'Railroad Transportation,' says, 'It might better be said that it is settled down on the policy of specific laws for specific troubles.' By about 1872, as we thus see, the problem was solved by the operation of immutable economic laws, and the decision against competition between lines made beyond all possibility of reversion.

"To make a summary statement and to bring it quite down to date, it appears that in 1847 there were about 5,000 miles of railway in England, owned and operated by several hundred independent and competing companies; twenty-five years later there were 13,000 miles of railway, owned and operated by twelve partly competing companies; now there are a little over 15,000 miles, owned and operated by about six non-competing companies.

"What the English people would have saved in squandered capital and wasted effort, if they had not abandoned the sound economic principles upon which they began to construct and finance their railways, and to which they ultimately returned, are sums too vast for computation. The futile effort to preserve the principle of competition between railways in England was the costliest blunder ever made outside of America in any single business matter by any people on the earth since time began. It was a form of insanity which Americans might well have avoided, and it is a sort of politico-mental disorder that American courts are not well employed in fostering and promoting.

"Let us take up the history of some of the greater English companies a little in detail. The London & Northwestern Railway was first opened for traffic in 1837, about a month after the accession of Queen Victoria. In 1846 it consisted of a main line from London to Birmingham, with some insignificant branches. In 1852 a writer on the position of the company complains that it 'fell a few years back into the error generally committed by railway companies of amalgamation with numerous other railway companies. From being a line from London to Birmingham 112½ miles, it has become a line or lines of 539½ miles long—five times its original length.' Since that time it has increased its mileage nearly fourfold, and has merged into its system the Chester and Holyhead lines on the west and the Lancashire and Carlisle on the north, besides numerous smaller undertakings too numerous to mention.

"The Great Western Railway has been absorbing smaller independent lines in its territory for many years, and altogether considerably more than 100 have been so absorbed within the last forty years. Since 1896 it has taken over about 20 such lines, adding thereby 260 miles to its system. Of its total capital expenditure from 1892 to 1901, amounting to about 15½ millions sterling, nearly five millions represented amalgamations.

"The North-Eastern Railway is a consolidation of various small lines which has resulted in a vast network of railway in the northeast of England without a single intruder in the territory in the shape of a competitor. The report of the Select Committee on Railway Amalgamation in 1872 contained the following reference to this line:

" 'The case of the North-Eastern is a striking illustration. That railway, or system of railways, is composed of thirty-seven lines, several of which formerly competed with each other. Before their amalagmation they had, generally speaking, high rates and fares, and low dividends. The system is now the most complete monopoly in the United Kingdom; from the Tyne to the Humber, with one local exception, it has the county to itself, and it has the lowest fares and the highest dividend of any large English railway. It has had little or no litigation with other companies. Whilst complaints have been heard from Lancashire and Yorkshire, where there are so-called competing lines, no witness has appeared to complain of the North-Eastern; and the general feeling in the district it serves appears favorable to its management. . . .'

"Mr. Yerkes and Mr. Morgan, working independently for the time being, are revolutionizing, consolidating and rebuilding the antiquated system of underground railway in London, and are thus correcting the faulty competitive construction and operation of these lines hitherto. Their efforts, which are for the present sharply competitive, are working harmony between the former conflicting and competing interests, and are bringing order and system out of the old antagonism and confusion. Much new mileage and greatly improved facilities are and are to be the result. It now seems certain that in no very long time all intermural transit in London, which is wholly or partly underground, aggregating nearly 225 miles in length, will be consolidated into no more than two great substantially non-competing enterprises, dividing the territory in a way between them, upon a line (roughly speaking) which runs northwest and southeast through Piccadilly Circus, or dividing, along noncompetitive lines as much as possible, about Piccadilly Circus and converging severally therein. The Joint Parliamentary Committee of 1901 reported that it was desirable that the working of underground railways in and around London should be put under the control of some one consolidated interest; and if we read into the future of these underground lines the railway experience of the past in England above ground, that is sure to be the ultimate solution."

After a very exhaustive review of the experience not only of England, but of the various European countries in handling this question of competition and consolidation, Mr. Beach returns to the particular subject under discussion, the Northern Securities case, and states:

"The mandate of the Court in this case, it goes without saying, will—whatever it may be—be scrupulously obeyed by every party to the case. It is our way in this country to bow to the law. But the thing itself will go on and subsist. A judicial decision may 'hinder and thwart it, but it cannot prevent it.' Such a decision may disturb and disarrange and postpone; it may work temporary injury, it cannot work ultimate destruction. All history demonstrates the absolute truth of this assertion.

"The existence of every consolidated railway system in the United States bears further testimony to the truth of this proposition. It is absolutely and literally true that every one of these amalgamations has been created in the face of the very strongest legislative and judicial opposition possible to be brought against it. The statute books of every State in the Union across which the lines of one of those great consolidated companies run bristle with enactments against the combination of parallel and competing lines. Absolute prohibition is the universal law of statute and decision alike; penalties are imposed, fines and confiscations threatened, sometimes in constitutions, sometimes in statutes, and sometimes in judicial decisions. But in spite of all this, the practical outcome has been everywhere the same. A bare mention of the States of New York, Pennsylvania, Texas, the six New England States, taken as one, the territory southwest of St. Louis, and the State of California, and the most cursory consideration of the railway situation in those territories, severally illustrates to a demonstration the truth of all that is here claimed—the entire futility of attempts to prevent by statute and judicial decision what in the nature of things cannot thus be prevented.

"No truth was ever any truer than this, and it needs only to be stated. Railway consolidations in the United States have gone on and been made effective in face of all the opposition, legislative and judicial, that could be brought against them. This opposition, like that in England, has perhaps at times somewhat 'hindered and thwarted' them, but it has not 'prevented' them. It is difficult then to see what useful purpose the opposition has served; it has not been successful, and thus seems to have been misdirected and wasted effort. Where it has caused expense and trouble to the parties concerned it has been something worse. If it have operated merely to impede economic advancement, to hamper development, and to throw blocks under the wheels of human progress, it was worse than a crime; it was a blunder. Prohibitory and preventive statutes of this sort, both here and abroad, together with the judicial decisions which attempt to enforce them, have become in only some few years after the fact obsolete. The world moves on and quite away from them, and in total disregard of them; and presently they are treated by one of the taxidermists and find shelf-room as legal curios or mere antiques in the cabinets of collectors of judicial and legislative curiosities. The statute books and the report-books are full of such legal mummies."

Whatever view one may take as to the healthfulness of the tendency, certainly no intelligent man can be blind to the fact that general railway consolidation in the United States has now proceeded so far that we can never go back to the old discarded methods of the many small competing lines. As Mr. Beach has demonstrated, and as all experience in this country during the last thirty years shows, no amount of blind public opposition or restrictive legislation can prevent this constant change from small scale to large scale methods. Undoubtedly the most intelligent way to handle the much-discussed railroad question is to rather further these tendencies towards consolidated and more economic methods than to endeavor to prevent them. The foreign railways have in most cases solved this question in the way indicated, and nowadays no attempts are made to establish competing lines or to keep alive a competition which at best must be wholly artificial. Of course, in some cases the foreigners have gone to another extreme in dealing with the question, and have adopted government ownership and operation as a means whereby the advantages of concentrated control could be retained, and the fears of any corporate and exclusive monopoly power eliminated.

The question of public ownership and operation will not be discussed here. Its wisdom or unwisdom can only be judged according to the point of view. It is, of course, an abstract proposition at the present time as far as the American railroads are concerned, and it is not believed that more than 10% of the American people would advocate its adoption.

PART VI

Classified Statistics of all Trusts

I. CLASSIFIED STATISTICS OF ALL TRUSTS, INDUSTRIAL, FRANCHISE, TRANSPORTATION AND MISCELLANEOUS, REVISED TO JANUARY 1, 1904.*

No. I. The Greater Industrial Trusts:

	Name of Company.	Incorporation. Date.	Incorporation. State.	*Number of plants acquired or controlled.*	*Total capitalization, stocks and bonds outstanding.*
1.	Amalgamated Copper Company	1899	N. J.	11	$175,000,000
2.	American Smelt. & Refin. Co. (and affiliated corporations)	1899	N. J.	121	201,550,400
3.	American Sugar Refining Co. (and affiliated corporations)	1891	N. J.	(about) 55	145,000,000
4.	Consolidated Tobacco Co. (and affiliated corporations)	1901	N. J.	(about) 150	502,915,700
5.	International Merc. Marine Company	1902	N. J.	6	170,786,000
6.	Standard Oil Company	1899	N. J.	(about) 400	97,500,000
7.	United States Steel Corporation (and controlled properties)	1901	N. J.	(about) 785	1,370,000,000
	Totals (7 Greater Industrial Trusts)			1,528	$2,662,752,100

*In this list the "number of plants acquired or controlled" embraces not only the corporations and plants now operating, but also those which operated previously to their acquirement, whether they have now been discontinued or not.

The "total capitalization" includes the stocks and bonds *afloat* (in the hands of the public) of all subsidiary or controlled corporations, as well as those of the parent company. The figures given are the par values. It must be clearly understood that in some cases both the number of plants acquired and the amount of stocks and bonds outstanding are only approximately correct. There are instances in which it is practically impossible to secure the accurate figures for both of these items. However, the greatest care has been used in arriving at these approximate figures.

No. II. Lesser Industrial Trusts:

	Name of Company.	Incorporation. Date.	Incorporation. State.	Number of plants acquired or controlled.	Total capitalization, stocks and bonds outstanding.
1.	Acker, Merrall & Condit Company	1903	N. Y.	8	$8,500,000
2.	Acme Harvester Company	1902	Ill.	2	2,500,000
3.	Adams, American, United States & Wells-Fargo Express Companies (closely affiliated)	1854 to 1866		10	60,000,000
4.	Aeolian Weber Piano & Pianola Company	1903	N. J.	12	9,500,000
5.	Alabama Consol. Coal & Iron Company	1899	N. J.	5	5,490,000
6.	Alabama & Georgia Iron Company	1899	N. J.	2	1,300,000
7.	Alaska-Peninsula Packing Company	1903	N. J.	(about) 12	2,750,000
8.	Allis-Chalmers Company	1901	N. J.	4	36,250,000
9.	Alpha Portland Cement Company	1895	N. J.	3	1,250,000
10.	Amalgamated Sugar Company	1902	Utah	4	4,000,000
11.	American Agricultural Chem. Company	1899	Conn.	40	35,365,600
12.	American Automatic Weighing Mach. Company	1899	Eng.	5	1,350,000
13.	American Axe & Tool Company	1897	Pa.	5	2,000,000
14.	American Barrel & Package Corporation	1902	N. J.	3	5,000,000
15.	American Book Company	1890	N. J.	8	5,700,000
16.	American Box & Lumber Company	1902	N. J.	4	500,000
17.	American Brake Shoe & Foundry Company	1902	N. J.	5	5,500,000
18.	American Brass Company	1900	Conn.	9	10,000,000
19.	American Butter Company	1902	W. Va.	4	1,000,000
20.	American Can Company	1901	N. J.	123	82,579,600

21.	American Car & Foundry Company	1899	N. J.	17	60,000,000
22.	American Caramel Company	1898	Pa.	3	2,475,000
23.	American Cement Company	1899	N. J.	6	2,895,000
24.	American Chicle Company	1899	N. J.	6	9,000,000
25.	American Coal Company	1893	Md.	2	1,500,000
26.	American Coal Products Company	1902	N. J.	2	15,000,000
27.	American Colortype Company	1902	N. J.	3	4,000,000
28.	American Cotton Company	1896	N. J.	8	9,000,000
29.	American Cotton Oil Company	1889	N. J.	(about) 60	33,435,700
30.	American Felt Company	1899	N. J.	5	3,754,000
31.	American Fork & Hoe Company	1902	N. J.	13	4,336,000
32.	American Fruit Products Company	1902	N. Y.	15	2,000,000
33.	American Ginning Company	1899	N. J.	2	5,000,000
34.	American Glue Company	1894	N. J.	9	2,100,000
35.	American Graphophone Company	1887	W. Va.	6	2,602,000
36.	American Grass Twine Company	1899	Del.	8	13,083,000
37.	American Hardware Corporation	1902	Conn.	2	5,000,000
38.	American Hide & Leather Company	1899	N. J.	22	32,716,000
39.	American Hominy Company	1902	N. J.	10	4,575,000
40.	American Ice Company	1899	N. J.	(about) 40	42,508,000
41.	American Iron & Steel Mfg. Company	1899	Pa.	5	20,000,000
42.	American Lithographic Company	1896	N. Y.	9	5,770,710
43.	American Locomotive Company	1901	N. Y.	9	50,418,500
44.	American Lumber Company	1901	N. J.	3	5,100,000
45.	American Machine & Ordnance Company	1902	N. Y.	2	10,000,000

No. II. Lesser Industrial Trusts—Continued:

	Name of Company.	Incorporation. Date.	Incorporation. State.	Number of plants acquired or controlled.	Total capitalization, stocks and bonds outstanding.
46.	American Mutoscope & Biograph Company	1895	N. J.	5	$2,200,000
47.	American Oak Leather Company	1903	Ohio	2	2,500,000
48.	American Packers' Association	1902	Del.	60	2,000,000
49.	American Pastry & Mfg. Company	1899	N. J.	4	1,300,000
50.	American Pipe Mfg. Company	1889	N. J.	18	2,000,000
51.	American Pneumatic Service Company	1899	Del.	25	8,698,750
52.	American Radiator Company	1899	N. J.	12	7,893,000
53.	American Refractories Company	1902	Pa.	50	20,000,000
54.	American Saddlery & Harness Company	1903	N. J.	11	9,000,000
55.	American School Furniture Company	1899	N. J.	22	10,430,100
56.	American Screw Company	1860	R. I.	2	3,250,000
57.	American Seeding Machine Company	1903	N. J.	6	15,000,000
58.	American Sewer Pipe Company	1900	N. J.	33	9,523,000
59.	American Shipbuilding Company	1899	N. J.	9	30,000,000
60.	American Shot & Lead Company	1890	Ill.	8	3,000,000
61.	American Soda Fountain Company	1891	N. J.	4	3,750,000
62.	American Steel Foundries Company	1902	N. J.	10	30,400,350
63.	American Stove Company	1901	N. J.	9	5,750,000
64.	American Talking Scale Company	1903	Me.	2	1,000,000
65.	American Thread Company	1898	N. J.	13	16,890,475
66.	American Tube & Stamping Company	1899	Conn.	2	[illegible]

67.	American Type Founders Company	1892	N. J.	(about) 34	6,930,800
68.	American Union Electric Company	1902	N. J.	6	5,200,000
69.	American Vulcanized Fibre Company	1901	Del.	4	2,817,300
70.	American Waltham Watch Company	1854	Mass.	2	4,000,000
71.	American Window Glass Company	1899	Pa.	22	17,000,000
72.	American Window Glass Mach. Company	1902	N. J.	2	20,000,000
73.	American Wood-working Machinery Company	1901	Pa.	11	1,630,000
74.	American Woolen Company	1899	N. J.	27	49,501,000
75.	American Wringer Company	1891	R. I.	2	2,500,000
76.	American Writing Paper Company	1899	N. J.	31	38,000,000
77.	Ames Shovel & Tool Company	1901	N. J.	7	5,000,000
78.	Anthony & Scoville Company	1901	N. Y.	4	2,500,000
79.	Appleton (D.) & Company	1900	N. Y.	3	3,000,000
80.	'Armour, Swift, National Packing, Cudahy (and affiliated interests)			(about) 55	(ab't) 110,000,000
81.	'Associated Merchants Company	1901	Conn.	6	16,299,900
82.	Associated Oil Company of California	1902	Cal.	(about) 40	45,000,000
83.	Atlantic Rubber Shoe Company	1901	N. J.	8	10,000,000
84.	Atlas Portland Cement Company	1899	Pa.	2	10,000,000
85.	'Automatic Weighing Machine Company	1902	N. Y.	3	3,600,000
86.	Baltimore Brick Company	1902	Del.	12	4,500,000
87.	Bamberger-DeLamar Gold Mines Company	1902	Wyo.	7	5,000,000
88.	Bigelow Carpet Company	1899	Mass.	2	4,455,000
89.	Bingham Consol. Mining & Smelt. Company	1901	Me.	4	10,000,000
90.	Bliss (E. W.) Company	1892	W. Va.	2	2,750,000

No. II. Lesser Industrial Trusts—Continued:

	Name of Company.	Incorporation. Date.	Incorporation. State.	Number of plants acquired or controlled.	Total capitalization, stocks and bonds outstanding.
91.	Bon Air Coal & Iron Company	1902	Me.	3	$5,335,000
92.	Booth (A.) & Company	1898	Ill.	5	5,500,000
93.	Borax Consolidated Ltd.			20	12,000,000
94.	Borden's Condensed Milk Company	1899	N. J.	7	25,000,000
95.	British Columbia Packers' Association	1902	N. J.	46	4,000,000
96.	Brunswick-Balke-Collender Company	1882	Ohio	4	2,100,000
97.	Bush Terminal Company	1902	N. Y.	16	10,500,000
98.	Butterick Company	1902	N. Y.	6	12,000,000
99.	California Fruit Canners' Association	1900	Cal.	18	2,891,000
100.	California Wine Association	1894	Cal.	20	4,337,200
101.	Cambria Steel Company	1898	Pa.	3	50,000,000
102.	Carbonate Company	1902	N. J.	2	1,200,000
103.	Casein Company of America	1900	N. J.	5	6,492,000
104.	Celluloid Company	1890	N. J.	4	5,925,000
105.	Central Coal & Coke Company	1893	Mo.	8	7,000,000
106.	Central Fireworks Company	1896	N. J.	9	3,700,000
107.	Central Foundry Company	1899	N. J.	13	17,863,000
108.	Central Stamping Company	1896	N. Y.	2	485,200
109.	Champion International Company	1902	Me.	2	950,000
110.	Chartered Company of Lower California	1902	Me.	7	14,000,000
111.	Chicago Pneumatic Tool Company	1901	N. J.	7	8,330,000

112.	Clarksburg Fuel Company	1901	W. Va.	10	5,500,000
113.	Cleveland-Akron Bag Company	1903	Ohio	4	2,000,000
114.	Cleveland & Sandusky Brewing Company	1898	Ohio	11	12,000,000
115.	Colonial Sugars Company	1902	N. J.	3	4,930,000
116.	Colorado Fuel & Iron Company	1892	Colo.	7	48,000,000
117.	Consolidated Mercur Gold Mines Company	1900	N. J.	2	2,000,000
118.	Compressed Air Company	1900	N. Y.	5	8,500,000
119.	Computing Scale Company of America	1901	N. J.	5	3,274,000
120.	Consolidated Car Heating Company	1889	W. Va.	3	1,250,000
121.	Consolidated Cross Tie Company	1902	N. J.	2	10,000,000
122.	Consolidated Naval Stores Company	1903	Fla.	10	3,000,000
123.	Consolidated Railway Lighting & Refrigerating Company	1901	N. J.	(about) 10	20,000,000
124.	Consolidated Rosendale Cement Company	1901	N. Y.	6	2,600,000
125.	Consolidated Wagon & Machine Company	1901	Utah	2	1,225,000
126.	Consolidation Coal Company	1864	Md.	4	12,500,000
127.	Continental Coal Company	1902	W. Va.	4	6,250,000
128.	Continental Cotton Oil Company	1899	N. J.	7	2,325,686
129.	Continental Gin Company	1899	Del.	6	2,750,000
130.	Continental Railway Equipment Company	1902	N. J.	3	3,400,000
131.	Corn Products Company	1902	N. J.	(about) 20	71,642,800
132.	Coxe Brothers & Company, Inc.	1882	Pa.	2	3,230,500
133.	Crane's Nest Company	1902	Va.	2	20,000,000
134.	Crocker-Wheeler Company	1891	N. J.	2	1,000,000
135.	Crucible Steel Company of America	1900	N. J.	14	60,250,000
136.	Cuba Company	1900	N. J.	3	8,000,000

No. II. Lesser Industrial Trusts—Continued:

	Name of Company.	Incorporation. Date.	Incorporation. State.	Number of plants acquired or controlled.	Total capitalization, stocks and bonds outstanding.
137.	Cumberland Coal & Coke Company	1899	N. J.	2	$3,300,000
138.	Cuyahoga Wire & Fence Company	1902	Ohio	2	1,550,000
139.	Daylight Glass Mfg. Company	1902	Pa.	2	3,625,000
140.	Development Company of America	1901	Del.	5	4,000,000
141.	Diamond Match Company	1889	Ill.	(about) 18	15,000,000
142.	Distillers' Securities Corporation	1902	N. J.	93	50,366,000
143.	Eastern Steel Company	1902	Pa.	4	5,700,000
144.	Eastman Kodak Company	1901	N. J.	(about) 20	19,673,000
145.	Dupont International Powder Company	1903	N. J.	(about) 40	50,000,000
146.	Electric Boat Company	1899	N. J.	3	7,041,000
147.	Electric Storage Battery Company	1888	N. J.	11	16,250,000
148.	Electric Vehicle Company	1897	N. J.	4	2,475,000
149.	Elliott-Fisher Company	1902	Del.	2	10,000,000
150.	Empire Steel & Iron Company	1899	N. J.	17	7,781,400
151.	Fairmont Coal Company	1901	W. Va.	5	18,000,000
152.	Fay (J. A.) & Egan Company	1893	W. Va.	2	2,500,000
153.	Federal Chemical Company	1901	Del.	2	4,000,000
154.	Federal Lead Company	1900	Del.	12	5,000,000
155.	Federal Manufacturing Company	1899	N. J.	7	3,387,500
156.	Fireproofine Company	1899	N. J.	5	2,000,000
157.	Fisheries Company	1900	N. J.	10	3,500,000

158.	Fremont County Sugar Company	1902	Utah	2	6,000,000
159.	General Chemical Company	1899	N. Y.	24	17,410,300
160.	General Electric Company	1892	N. Y.	8	46,154,600
161.	Gilchrist Transportation Company	1897	Ohio	8	10,000,000
162.	Gold Car Heating & Lighting Company	1902	N. Y.	2	1,000,000
163.	Gottlieb-Bauernschmidt-Strauss Brewing Company	1901	N. J.	8	14,125,000
164.	Great Lakes Towing Company	1899	N. J.	8	3,637,850
165.	Great Western Cereal Company	1901	N. J.	10	4,350,000
166.	Greene Consolidated Copper Company	1899	W. Va.	4	7,200,000
167.	Guffey (J. M.) Petroleum Company	1901	Tex.	8	19,000,000
168.	Harbison-Walker Refractories Company	1902	Pa.	17	31,100,000
169.	Hartford Carpet Corporation	1901	Conn.	2	5,000,000
170.	Herring-Hall-Marvin Safe Company	1901	N. J.	4	3,200,000
171.	Heywood Bros. & Wakefield Company	1897	N. J.	4	6,000,000
172.	Hudson River Water Power Company	1899	N. J.	4	7,000,000
173.	Hydraulic Press Brick Company	1895	Mo.	14	3,000,000
174.	Illinois Brick Company	1900	Ill.	8	9,000,000
175.	International Harvester Company	1902	N. J.	6	120,000,000
176.	International Nickel Company	1902	N. J.	8	27,483,012
177.	International Paper Company	1898	N. Y.	24	52,935,500
178.	International Power Company	1899	N. J.	4	7,340,000
179.	International Pulp Company	1893	N. Y.	4	5,000,000
180.	International Silver Company	1898	N. J.	18	23,413,200
181.	International Steam Pump Company	1899	N. J.	8	25,637,300
182.	International Time Recording Company	1900	N. J.	5	2,140,000

No. II. Lesser Industrial Trusts—Continued:

	Name of Company.	Incorporation. Date.	Incorporation. State.	Number of plants acquired or controlled.	Total capitalization, stocks and bonds outstanding.
183.	Johns (H. W.) Manville Company	1901	N. Y.	2	$3,000,000
184.	Jones & Laughlins Steel Company	1902	Pa.	(about) 15	30,000,000
185.	Keystone Watch Case Company	1899	Pa.	2	4,400,000
186.	Kirby Lumber Company	1901	Tex.	(about) 25	21,000,000
187.	Lackawanna Steel Company	1902	N. Y.	7	56,775,000
188.	Magnus Metal Company	1899	N. J.	5	3,000,000
189.	Massachusetts Breweries Company	1900	Va.	9	16,200,000
190.	Mississippi Wire Glass Company	1901	N. J.	5	1,500,000
191.	National Biscuit Company	1898	N. J.	80	56,524,000
192.	National Candy Company	1902	N. J.	16	7,400,000
193.	National Car Wheel Company	1903	N. Y.	4	2,500,000
194.	National Carbon Company	1899	N. J.	11	10,000,000
195.	National Casket Company	1899	N. Y.	5	6,000,000
196.	National Enameling & Stamping Company	1899	N. J.	13	23,838,400
197.	National Fireproofing Company	1889	Pa.	29	15,500,000
198.	National Glass Company	1899	Pa.	19	5,500,000
199.	National Novelty Corporation	1902	N. J.	18	11,250,000
200.	National Rice Milling Company	1892	N. J.	3	1,500,000
201.	National Roofing & Corrugating Company	1900	W. Va.	8	5,000,000
202.	National Steel & Wire Company	1901	Me.	6	10,000,000
203.	New England Brick Company	1900	N. J.	37	5,750,000

204.	New York Air Brake Company	1896	N. J.	2	8,012,500
205.	New York Dock Company	1901	N. Y.	(about) 20	28,280,000
206.	Niles-Bement Pond Company	1899	N. J.	5	7,000,000
207.	North Star Mines Company	1899	N. J.	10	2,500,000
208.	Northern Commercial Company	1901	N. J.	4	5,120,000
209.	Ohio Grocery Company	1903	N. J.	25	11,250,000
210.	Otis Elevator Company	1898	N. J.	9	12,939,800
211.	Pacific Coast Biscuit Company	1899	N. J.	11	2,425,000
212.	Pacific Starch Company	1901	Mich.	2	500,000
213.	Penn-American Plate Glass Company	1900	Del.	2	2,000,000
214.	Pennsylvania Central Brewing Company	1897	Pa.	12	8,300,000
215.	Pennsylvania Coal & Coke Company	1903	Pa.	3	24,000,000
216.	Pennsylvania Steel Company	1902	N. J.	7	41,250,000
217.	People's Brewing Company of Trenton	1899	N. J.	4	3,300,000
218.	Pioneer Pole & Shaft Company	1903	Ohio	14	3,750,000
219.	Pittsburg Brewing Company	1899	Pa.	13	19,500,000
220.	Pittsburg Coal Company	1899	N. J.	207 (about)	84,000,000
221.	Pittsburg Plate Glass Company	1882	Pa.	10	10,000,000
222.	Pittsburg Stove & Range Company	1899	Pa.	9	2,000,000
223.	Pittsburg Valve Foundry & Construction Company	1900	Pa.	6	1,150,000
224.	Planters Compress Company	1900	Pa.	3	10,000,000
225.	Pneumatic Signal Company	1902	N. Y.	3	3,000,000
226.	Pocahontas Collieries Company	1902	N. J.	3	5,750,000
227.	Pope Manufacturing Company	1903	N. J.	60	22,500,000
228.	Pressed Steel Car Company	1899	N. J.	2	28,500,000

No. II. Lesser Industrial Trusts—Continued:

	Name of Company.	*Incorporation.* *Date.*	*State.*	*Number of plants acquired or controlled.*	*Total capitalization, stocks and bonds outstanding.*
229.	Pullman Company	1867	Ill.	2	$/4,000,000
230.	Pure Oil Company	1895	N. J.	15	10,000,000
231.	Quaker Oats Company	1901	N. J.	3	12,446,050
232.	Railway Steel Springs Company	1902	N. J.	14	27,000,000
233.	Republic Iron & Steel Company	1899	N. J.	(about) 45	47,607,800
234.	Rochester Optical & Camera Company	1899	N. J.	6	3,500,000
235.	Rocky Mountain Paper Company	1900	N. Y.	2	1,350,000
236.	Rogers (Wm. A.) Ltd.	1901	Ont.	6	1,500,000
237.	Royal Baking Powder Company	1899	N. J.	5	20,000,000
238.	Rubber Goods Mfg. Company	1899	N. J.	17	24,993,100
239.	Seacoast Canning Company	1902	N. J.	9	2,000,000
240.	Sherwin-Williams Company	1902	Ohio	11	3,500,000
241.	Singer Manufacturing Company	1873	N. J.	5	10,000,000
242.	Sloss-Sheffield Steel & Iron Company	1899	N. J.	11	18,200,000
243.	Somerset Coal Company	1901	Pa.	14	8,000,000
244.	Springfield (Mass.) Breweries Company	1899	W. Va.	6	3,300,000
245.	Springfield (Ill.) Coal Mining Company	1902	N. Y.	5	2,900,000
246.	Standard Chain Company	1900	N. J.	12	3,558,000
247.	Standard Milling Company	1900	N. J.	19	11,500,000
248.	Standard Rope & Twine Company	1895	N. J.	21	21,551,300
249.	Standard Sanitary Mfg. Company	1899	N. J.	9	5,729,900

250.	Standard Table Oil Cloth Company	1901	N. J.	7	8,000,000
251.	Standard Wall Paper Company	1903	N. Y.	2	1,250,000
252.	Stillwell-Bierce & Smith-Vaile Company	1892	N. J.	2	1,400,000
253.	Susquehanna Iron & Steel Company	1899	Pa.	9	1,800,000
254.	Temple Iron Company	1873	Pa.	8	20,000,000
255.	Tennessee Coal, Iron & R. R. Company	1860	Tenn.	7	23,049,600
256.	Texas & Pacific Coal Company	1888	Tex.	5	2,472,000
257.	Tide Water Steel Company	1899	Pa.	2	2,100,000
258.	Torrington Company		Me.	3	4,000,000
259.	Trenton Potteries Trust (and affiliated corporations)	1903	N. J.	(about) 45	50,000,000
260.	Union Bag & Paper Company	1899	N. J.	10	27,000,000
261.	Union Carbide Company	1898	Va.	7	6,500,000
262.	Union Iron & Steel Company	1899	Del.	5	2,000,000
263.	Union Switch & Signal Company	1882	Pa.	2	2,000,000
264.	Union Typewriter Company	1893	N. J.	5	18,015,000
265.	Union Waxed & Parchment Paper Company	1900	N. J.	11	3,200,000
266.	United Box Board & Paper Company	1902	N. J.	26	27,436,500
267.	United Breweries Company	1898	N. J.	13	9,000,000
268.	United Button Company	1902	N. J.	3	2,332,600
269.	United Copper Company	1902	N. J.	6	50,000,000
270.	United Engineering & Foundry Company	1901	Pa.	4	5,500,000
271.	United Fruit Company	1899	N. J.	14	17,969,500
272.	United Mattress Machinery Company		W. Va.	5	600,000
273.	United Shoe Machinery Company	1899	N. J.	12	20,656,750
274.	United States Cast Iron Pipe & Foundry Company	1899	N. J.	9	26,194,000

No. II. Lesser Industrial Trusts—Continued:

	Name of Company.	Incorporation. Date.	Incorporation. State.	Number of plants acquired or controlled.	Total capitalization, stocks and bonds outstanding.
275.	United States Coal & Oil Company	1895	Me.	3	$6,000,000
276.	United States Envelope Company	1898	Me.	10	6,725,000
277.	United States Finishing Company	1899	N. J.	5	4,750,000
278.	United States Glass Company	1891	Pa.	12	6,000,000
279.	United States Gypsum Company	1901	N. J.	35	8,500,000
280.	United States Leather Company	1893	N. J.	25	130,444,600
281.	United States Paving Company	1900	N. J.	3	2,000,000
282.	United States Playing Card Company	1894	N. J.	4	3,600,000
283.	United States Printing Company	1891	Ohio	4	3,376,300
284.	United States Reduction & Refining Company	1901	N. J.	7	12,708,300
285.	United States Rubber Company	1892	N. J.	13	58,591,500
286.	United States Standard Voting Machine Company	1900	N. Y.	2	1,000,000
287.	United States Whip Company	1893	Me.	4	2,000,000
288.	U. S. Bobbin & Shuttle Company	1899	N. J.	6	2,120,000
289.	United Wire & Supply Company	1902	R. I.	2	2,000,000
290.	Universal Tobacco Company	1901	N. J.	4	10,000,000
291.	Virginia Iron, Coal & Coke Company	1899	N. J.	(about) 32	17,641,600
292.	Washburn Wire Company	1900	Me.	3	3,750,000
293.	Vulcan Detinning Company	1902	N. J.	2	3,500,000
294.	Western Stone Company	1899	Ill.	7	2,522,000
295.	Westinghouse Companies			(about) 16	44,025,500

296.	Wheeling Consolidated Coal Company	1902	W. Va.	5	5,000,000
297.	Wisconsin Lime & Cement Company	1900	N. J.	6	5,000,000
298.	Yellow Pine Company	1891	N. J.	8	2,500,000
	Totals (298 Lesser Industrial Trusts)			3,426	$4,055,039,433

No III. Important Industrial Trusts in process of Reorganization or Readjustment:

	Name of Company.	Incorporation. Date.	Incorporation. State.	Number of plants acquired or controlled.	Total capitalization, stocks and bonds outstanding.
1.	American Malting Company	1897	N. J.	80	$24,000,000
2.	Consolidated Lake Superior Company	1897	Conn.	16	117,000,000
3.	Consolidated Rubber Tire Company	1899	N. J.	3	8,000,000
4.	General Asphalt Company	1903	N. J.	20	31,000,000
5.	International Fire Engine Company	1899	N. J.	(about) 12	9,000,000
6.	International Salt Company	1901	N. J.	28	42,000,000
7.	New England Cotton Yarn Company	1899	N. J.	9	17,230,000
8.	Pacific Packing & Navigation Company	1902	N. J.	16	26,500,000
9.	United States Cotton Duck Corporation	1901	N. J.	21	26,000,000
10.	United States Realty & Construction Company	1902	N. J.	7	66,000,000
11.	United States Shipbuilding Company	1902	N. J.	9	79,851,000
12.	Virginia-Carolina Chemical Company	1895	N. J.	111	57,000,000
13.	White Mountain Paper Company	1901	N. J.	2	25,000,000
	Totals (13 Important Industrial Trusts, in process of Reorganization or Readjustment)			334	$528,551,000

	Summary of Industrial Trusts.	*No. of plants acquired or controlled.*	*Total capitalization stocks & bonds outstanding.*
7	Greater Industrial Trusts	1,528	$2,662,752,100
298	Lesser Industrial Trusts	3,426	4,055,039,433
13	Important Industrial Trusts in process of Reorganization or Readjustment	282	528,551,000
	Grand Totals of Industrial Trusts:		
318	Important Industrial Trusts	5,288	$7,246,342,533

NOTE.—None of the above capitalization figures are duplicated. They represent, not the amount of securities authorized or even issued, but simply those which are "afloat" or in the hands of the public. No securities of subsidiary corporations which are owned by the controlling corporations are included in these figures.

In addition to above, there will be found on page 478 an additional list of 37 large disintegrated, inactive or paper "trusts," representing an authorized capitalization of $602,579,600.

No. IV. The Leading Franchise Trusts:

a. Telephone and Telegraph Consolidations:

	Name of Company.	Incorporation. Date.	Incorporation. State.	Number of plants acquired or controlled.	Total capitalization, stocks and bonds outstanding.
1.	American (Bell) Telephone & Telegraph Company (parent and sub-companies)			36	(ab't) $391,826,500
2.	Commercial Cable Company (and affiliated companies)		N. Y.	8	55,000,000
3.	Consolidated Telephone Company of Buffalo	1901	Del.	16	6,500,000
4.	Federal Telephone Company (Cleveland, O.)	1889	N. J.	(about) 25	(ab't) 30,000,000
5.	International Telephone Company of America	1902	Del.	3	15,000,000
6.	Inter-State Telephone Company of New Jersey	1901	N. J.	15	(ab't) 4,000,000
7.	United Telephone & Telegraph Company	1899	N. J.	9	5,500,000
8.	Western Union Telegraph Co. (and all affiliated properties)	1851	N. Y.	(about) 25	121,874,000
	Totals, Telephone and Telegraph consolidations			136	$629,700,500

b. Electric Light, Railway and Gas Companies:

	Name of Company.	Incorporation. Date.	Incorporation. State.	Number of plants acquired or controlled.	Total capitalization, stocks and bonds outstanding.
1.	Albany & Hudson Railroad Company	1903	N. Y.	8	$3,620,000
2.	American Gas Company	1892	N. J.	13	4,257,500
3.	American Light & Traction Co. (and allied properties)	1901	N. J.	10	50,000,000
4.	American Railways Company	1900	N. J.	18	11,350,000
5.	Beaver Valley Traction Company	1891	Pa.	8	2,150,000
6.	Binghamton Railway Company	1901	N. Y	5	1,627,000

7.	Birmingham Ry., Light & Power Company	1901	Ala.	5	12,000,000
8.	Boston Elevated Railway Co. (and affiliated properties)	1897	Mass.	9	68,708,250
9.	Boston-Suburban Electric Companies	1901	Mass.	8	9,252,650
10.	Boston & Worcester Electric Companies	1901	Mass.	4	5,232,500
11.	Brooklyn Rapid Transit Company	1896	N. Y.	(about) 40	170,000,000
12.	Brooklyn Union Gas Company	1895	N. Y.	14	35,000,000
13.	Buffalo Gas Company	1899	N. Y.	4	7,900,000
14.	California Gas & Electric Corporation	1901	Cal.	8	(ab't) 27,000,000
15.	Capital Traction Company	1895	D. C.	2	13,080,000
16.	Charleston Consol. Ry., Gas & Electric Company	1899	S. C.	6	4,000,000
17.	Chicago Edison Company	1887	Ill.	5	18,000,000
18.	Chicago Union Traction Company	1899	Ill.	12	111,127,000
19.	Cincinnati Gas & Electric Company	1901	Ohio	5	29,300,000
20.	Cincinnati Traction System	1901	Ohio	6	20,000,000
21.	Cleveland Electric Ry. Company	1893	Ohio	5	29,776,000
22.	Cleveland & Southwestern Tract. Company	1902	Ohio	7	7,010,000
23.	Columbus (O.) Railway & Light Company	1903	Ohio	6	14,538,000
24.	Connecticut Railway & Lighting Company	1899	Conn.	15	24,857,700
25.	Consolidated Gas Company of Baltimore	1888	Md.	3	(ab't) 19,000,000
26.	Consolidated Gas Co. of N. Y. (and affiliated properties)	1884	N. Y.	27	150,338,391
27.	Consolidated Railway & Power Co. of Salt Lake City	1901	Utah	4	5,870,000
28.	Dallas Electric Corporation	1902	N. J.	4	7,580,000
29.	Danville, Urbana & Champaign Railway	1902	Ill.	4	4,075,000
30.	Denver & Northwestern Railway	1899	Colo.	7	19,380,000
31.	Detroit United Railway	1900	Mich.	15	32,785,000

No. IV. The Leading Franchise Trusts—Continued:

	Name of Company.	Incorporation. Date.	Incorporation. State.	Number of plants acquired or controlled.	Total capitalization, stocks and bonds outstanding.
32.	Duluth-Superior Traction Company	1900	Conn.	4	$7,350,000
33.	Eastern Ohio Traction Company	1902	Ohio	4	4,152,000
34.	Edison Elec. Ill. Company of Boston	1881	Mass.	8	11,000,000
35.	Electric Company of America	1899	N. J.	13	21,000,000
36.	Georgia Railway & Electric Company	1902	Ga.	5	17,688,600
37.	Hudson Valley Railway Company	1901	N. Y.	7	6,750,000
38.	Huntington Syndicate (Calif. electric railways, etc.)			25	55,000,000
39.	Indiana Union Traction Company	1903	Ind.	10	23,300,000
40.	Indianapolis & Cincinnati Traction Company	1903	Ind.	3	5,100,000
41.	Indianapolis Traction & Terminal Company	1902	Ind.	4	23,000,000
42.	Interborough Rapid Transit Co. (including Manhattan Elev. Co.)	1902	N. Y.	5	127,000,000
43.	International Traction Company of Buffalo	1899	N. J.	17	45,621,500
44.	Inter-State Railways Co. (and controlled properties)	1902	N. J.	27	16,889,000
45.	Kansas City Railway & Light Company	1903	N. J.	16	45,118,880
46.	Kings County Electric Light & Power Company	1890	N. Y.	3	17,500,000
47.	Lake Shore Electric Railway	1901	Ohio	4	12,364,000
48.	Lancaster County Ry. & Light Company	1901	N. J.	9	6,350,000
49.	Lehigh Valley Traction Company	1893	Pa.	15	13,900,000
50.	Louisville Traction Company	1903	N. J.	7	21,000,000
51.	Lynchburg Traction & Light Company	1901	Va.	6	1,530,000

52.	Manchester Trac., Light & Power Company.............1901	N. H.	5		3,465,000
53.	Manufacturers' Light & Heat Company.................1899	Pa.	3		5,500,000
54.	Massachusetts Gas Companies.........................1902	Mass.	8		51,000,000
55.	Massachusetts Electric Companies.....................1899	Mass.	67		69,531,600
56.	Metropolitan Securities Co. (and controlled properties)....1902	N. Y.	30		224,441,000
57.	Milwaukee Electric Railway & Light Company..........1896	Wis.	3		21,250,000
58.	Nashville Railway & Light Company..................1903	Tenn.	8	(ab't)	12,000,000
59.	New Hampshire Traction Company....................1901	N. H.	17		7,850,000
60.	New Orleans Railways Company......................1902	N. J.	12	(ab't)	57,000,000
61.	New York & Queens County Railway..................1896	N. Y.	6		6,300,000
62.	Norfolk, Portsmouth & Newport News Company........1902	Va.	15	(ab't)	16,000,000
63.	North American Company (electric light and railways, including controlled properties)....................		30	(ab't)	80,000,000
64.	Northern Ohio Traction & Light Company..............1902	Ohio	4		13,250,000
65.	Northern Texas Traction Company....................1901	Tex.	5		4,500,000
66.	Oakland Transit, Consolidated........................1902	Cal.	14		11,500,000
67.	Ohio & Indiana Consol. Natural & Illg. Gas Company.....1899	N. J.	5		16,250,000
68.	Omaha & Council Bluffs Street Railway................1901	Neb.	6		19,000,000
69.	Pennsylvania & Mahoning Valley Railway..............1902	Pa.	5		10,750,000
70.	Peoples Gas Light & Coke Company of Chicago..........1897	Ill.	13		67,465,000
71.	Philadelphia Company of Pittsburg....................1884	Pa.	(about) 40	(ab't)	100,000,000
72.	Philadelphia Electric Company.......................1889	N. J.	(about) 17		55,000,000
73.	Philadelphia Rapid Transit Company..................1902	Pa.	(about) 40		117,538,000
74.	Public Service Corporation of New Jersey.............1903	N. J.	(about) 70		176,229,000
75.	Public Works Company of Bangor, Me.................1896	Me.	4		1,531,000

No. IV. The Leading Franchise Trusts—Continued:

	Name of Company.	Incorporation. Date.	Incorporation. State.	Number of plants acquired or controlled.	Total capitalization, stocks and bonds outstanding.
76.	Pueblo & Suburban Trac. & Lighting Company	1902	Colo.	6	$7,550,000
77.	Railways Company General	1899	N. J.	13	3,000,000
78.	Rhode Island Company	1902	N. J.	12	41,810,000
79.	Richmond Light & R. R. Company of S. I.	1902	N. Y.	4	5,200,000
80.	Rochester Railway Company	1890	N. Y.	5	9,575,000
81.	St. Louis & Suburban Railway	1902	Mo.	5	9,400,000
82.	St. Louis Transit Company	1901	Mo.	35	(ab't) 70,000,000
83.	Savannah Electric Company	1901	Ga.	6	6,006,000
84.	Schuylkill Traction Company	1892	Pa.	9	2,750,000
85.	Seattle Electric Company	1900	Wash.	16	18,000,000
86.	Syracuse Rapid Transit Railway	1896	N. Y.	5	8,000,000
87.	Terre Haute Electric Company	1902	Ind.	7	5,600,000
88.	Toledo Rys. & Light Company	1901	Ohio	12	(ab't) 23,000,000
89.	United Electric Light & Power Company of Baltimore	1899	Md.	4	6,500,000
90.	United Gas & Electric Co. of N. Y. (and controlled properties)	1901	N. J.	10	(ab't) 7,000,000
91.	United Gas Improvement Co. (and controlled properties*)	1871	Pa.	(about) 40	(ab't) 100,000,000
92.	United Railways & Elec. Co. of Baltimore	1899	Md.	15	70,186,000
93.	United Railways & Investment Co. of San Francisco	1902	N. J.	8	45,000,000

*In addition to other controlled consolidations described in this list.

94.	United Traction Company of Albany	1899	N. Y.	8	9,500,000
95.	Virginia Passenger & Power Company	1901	Va.	13	27,000,000
96.	Washington Railway & Electric Company	1902	D. C.	11	32,000,000
97.	Wheeling Traction Company	1901	W. Va.	7	4,500,000
98.	Wilkesbarre & Hazleton Railroad	1901	N. J.	5	10,000,000
99.	Worcester & Connecticut Eastern Railway	1901	Conn.	7	2,800,000
100.	Worcester Railways & Investment Company	1901	Mass.	6	(ab't) 7,000,000
101.	Youngstown-Sharon Ry. & Light Company	1900	N. J.	14	6,500,000
102.	York County Traction Company	1900	N. J.	10	2,700,000
103.	Zanesville Railway, Light & Power Company	1902	Ohio	4	2,085,000
	Totals, 103 leading gas, electric light and street railway consolidations			1,200	$3,105,755,571

Summary.

8	Important Telephone and Telegraph Trusts	136	$629,700,500
103	Important Gas, Electric Light and Street Railway consolidations	1,200	3,105,755,571
	Totals, 111 important franchise trusts	1,336	$3,735,456,071

No. V. The Great Steam Railroad Groups:

Name of Company.	Incorporation. Date.	Incorporation. State.	Number of plants acquired or controlled.	Total capitalization, stocks and bonds outstanding.
Vanderbilt Group			(about) 132	$1,169,196,132
Pennsylvania Railroad Group			(about) 280	1,822,402,235
Morgan Group			(about) 225	2,265,116,350
Gould-Rockefeller Group			(about) 109	1,368,877,540
Harriman-Kuhn-Loeb Group			(about) 85	1,321,243,711
Moore Group			(about) 91	1,070,250,939
Totals			(about) 790	$9,017,086,907

No. VI. "Allied Independent" Steam Railroad Systems:

Name of Company.	Incorporation. Date.	Incorporation. State.	Number of plants acquired or controlled.	Total capitalization, stocks and bonds outstanding.
Boston & Maine System				
New York, New Haven & Hartford System				
Pere Marquette System				
Delaware & Hudson System				
Buffalo, Rochester & Pittsburg System			(about) 250	380,277,000
New York, Ontario & Western System				
Wisconsin Central Railroad System				
Chicago Great Western Railway System				
Minneapolis & St. Louis Railway System				
Cincinnati, Hamilton & Dayton System				
Totals, (all steam railroad consolidations)			1,040	$9,397,363,907

Grand Summary.

No. I.	Totals of the Greater Industrial Trusts................	1,528	$2,662,752,100
No. II.	Totals of the Lesser Industrial Trusts.................	3,426	4,055,039,433
No. III.	Totals of Industrial Trusts in process of reorganization or readjustment	334	528,551,000
	Totals of all Industrial Trusts	5,288	$7,246,342,533
No. IV.	Totals of the Franchise Trusts......................	1,336	$3,735,456,071
No. V.	Totals of the Great Steam Railroad Groups............	790	9,017,086,907
No. VI.	Totals of "Allied Independent" Steam Railroad Systems.	250	380,277,000
	Totals of all Franchise and Transportation Trusts........	2,376	$13,132,819,978
Grand totals of all Trusts, Industrial, Franchise, Transportation, etc.......		**8,664**	**$26,379,162,511**

II. LIST OF DISINTEGRATED, DEFUNCT, "PAPER" AND INACTIVE TRUSTS.

American Alkali Co.................1899	N. J.	$30,000,000
American Bicycle Co...............1899	N. J.	39,500,000
American Molasses Co.............1902	N. J.	3,000,000
American Silver & Casket Co.......1900	N. J.	500,000
American Plow Co.................1899	N. J.	75,000,000
American Witch Hazel Corporation..1902	N. J.	4,000,000
Anglo-American Gypsum Co........1902	N. J.	7,500,000
Artificial Lumber Co. of America....1899	N. J.	12,000,000
Atlantic Coast Lumber Co...........1899	Va.	4,000,000
Chemical Co. of America.............1902	N. J.	5,000,000
Consol. Grocers of America.........1903	Ill.	1,500,000
Consol. Liquid Air Co..............1902	N. J.	1,000,000
Consol. Match Co...................1902	N. J.	10,000,000
Eastern Milling & Export Co........1900	N. J.	4,000,000
Farmers Co-Operative Exchange....1902	S. D.	50,000,000
Hawaiian Securities Co.............1902	N. J.	12,000,000
Illinois Coal & Coke Co............1902	N. J.	12,000,000
International Barrel Co.............1902	Ariz.	20,000,000
International Tin Co...............1902	N. J.	20,000,000
Kentucky Coal, Lumber, Iron & Oil Co.1902	S. D.	10,000,000
Mohawk Valley Steel & Wire Co.....1902	Me.	60,000,000
Nat'l Bread Co....................1901	N. J.	3,000,000
Nat'l Creamery Co.................1902	N. J.	18,000,000
Nat'l Fibre & Cellulose Co..........1902	Del.	10,000,000
Nat'l Grocer Co...................1902	N. J.	5,500,000
Nat'l Saw Co......................1896	Ky.	1,000,000
Nat'l Wall Paper Co...............1892	N. Y.	35,079,600
New England Consol. Ice Co........1902	N. J.	17,000,000
People's Pure Milk Co.............1903	N. Y.	25,000,000
Southern Car & Foundry Co........1899	N. J.	3,500,000
Southern Textile Co...............1903	N. J.	14,000,000
Standard Shoe Machinery Co.......1899	N. J.	5,000,000
Suffolk Leather Mfg. Co...........1903	Mass.	50,000,000
Union Lead & Oil Co...............1900	N. J.	15,000,000
United States Cotton Mfg. Co......1903	Mass.	40,000,000
Totals		$602,579,600

III. "THE SHRINKAGE IN 100 INDUSTRIALS.*

Amounts to $1,753,793 *From the High Prices of the Boom.*

"The leading industrial stocks of the country show a shrinkage of $1,753,959,793 from the high prices of the boom to the recent low. The market value of 100 industrial stocks at the highest price at which each has sold during the past three years, was $4,090,047,450, and at the recent low price it was $2,336,087,657, a loss in market value of 43.4%.

"The total capitalization of these stocks is $3,693,410,837.

"We present below a table comparing the highest prices at which each of 100 industrials has sold during the past three years, with the recent low and showing the total shrinkage on each. Not one of the stocks which we have taken shows a shrinkage of less than $1,000,000.

		CAP. STOCK.	HIGH.	LOW.	SHRINKAGE.
1	Allis-Chalmers	$20,000,000	21	8	$2,600,000
2	Amalgamated	155,000,000	130	33⅝	149,381,250
3	Agri Chemical	16,715,600	35	11	4,011,744
4	Agri Chem pf	17,153,000	91	69¼	3,731,078
5	Amer Bicycle pf	9,294,000	52	⅜	4,798,030
6	Amer Can	41,233,300	31½	3b	11,751,491
7	Amer Can pf	41,233,300	80¼	28¼b	21,441,316
8	Am Car & Fdy	30,000,000	41¾	17¾	7,200,000
9	Am Car & Fdy pf	30,000,000	93⅜	61¼	9,637,500
10	Am Cotton Oil	20,237,100	57¾	27⅞	6,045,831
11	Am Cot Oil pf	10,198,600	100	82	1,835,748
12	Am Hide & Lea	11,274,100	13¾	2½	1,268,336
13	Am Hide & L pf	12,548,300	43½	10	4,203,681
14	Amer Ice	25,000,000	49½	4¾	11,187,500
15	Am Ice pf	15,000,000	78½	19	8,925,000
16	Am Linseed pf	16,750,000	66	28	6,365,000
17	Am Loco	25,000,000	36⅞	10½	6,593,750
18	Am Loco pf	24,100,000	100¼	67½	7,892,750
19	Am Malt pf	14,440,000	31½	15	2,382,600
20	Am Shipbuild	7,600,000	63	28	2,660,000
21	Am Sm & Ref	50,000,000	69	36¾	16,125,000

*From the *Wall Street Journal* of October 24, 1903.

		Cap. Stock.	High.	Low.	Shrinkage.
22	Am Sm & Ref pf....	50,000,000	105	80¼	12,625,000
23	Am Snuff	11,001,700	135	90	4,950,765
24	Am Snuff pf	12,000,000	101	80	2,520,000
25	Am Steel Fdy......	15,000,000	15	5	1,500,000
26	Am St Fdy pf......	15,500,000	70	48	3,410,000
27	Am Sug Ref	45,000,000	153	107⅛	20,640,000
28	Am Sugar pf......	45,000,000	130	116⅛	6,240,000
29	Am Tel & Tel......	109,685,000	186	114½	78,424,780
30	Am Tob pf	14,000,000	151½	130	3,010,000
31	Am Woolen pf	20,000,000	82¾	65	3,550,000
32	Am Writing P pf ..	9,500,000	25⅝	10½b	1,436,875
33	Anaconda	30,000,000†	53	16	22,200,000
34	Cambria Steel	45,000,000	29⅛	18¾b	9,337,500
35	Calumet & Hecla ...	2,500,000†	860	430	43,000,000
36	Col Fuel & Iron....	24,000,000	136½	25	26,760,000
37	Commer Cable	13,333,300	189	149¼	5,299,987
38	Consol Gas	73,000,000	238	170	49,640,000
39	Con Lake Sup	73,961,500	50	¾	36,426,039
40	Con Lake Sup pf....	27,406,500	80¼	2½	21,308,554
41	Cont Tob pf......	48,846,100	126½	98	13,921,139
42	Corn Products	44,869,255	38¾	22	7,515,600
43	Corn Prod pf......	27,362,750	90	73	4,652,668
44	Crucible Steel	25,000,000	27⅞	5⅛	5,687,500
45	Diamond Match ...	15,000,000	152½	129	3,525,000
46	Dist Securities	27,927,777	33	20½	3,770,250
47	Cop Range Con	28,500,000	83	42¼	11,756,250
48	Dom Iron & Steel ...	20,000,000	79⅞	7	14,575,000
49	Electric Vehicle	10,450,000	70	5b	6,792,500
50	Elec Veh pf	8,125,000	90	8b	6,662,500
51	Gen Electric	41,957,100	195	139	23,495,976
52	Int Mer Marine	48,000,000	21	4b	8,160,000
53	Int Mer Mar pf	52,000,000	50	15b	18,200,000
54	Int Paper	17,422,000	28	10⅜	3,070,630
55	Int Paper pf	22,406,700	81½	60	4,817,440
56	Int Power	5,047,000	199	29¾	8,542,048
57	Int St Pump	12,262,500	57¼	33	2,973,656
58	Int St Pump pf	8,850,000	95	70	2,212,500
59	Lehigh C & N	15,801,300*	79¾	63b	5,293,437
60	Mass Gas	15,000,000	42⅜	31	1,706,250
61	Mass Gas pf	15,000,000	84¼	75⅜	1,331,250
62	Mergenthaler.......	10,000,000	190	170	2,000,000

		Cap. Stock.	High.	Low.	Shrinkage.
63	Nat Biscuit	29,236,000	53¼	32	6,312,650
64	Nat Bis pf	23,825,100	109½	94	3,692,913
65	Nat Lead	14,905,400	32	11½	1,565,067
66	Nat Lead pf	14,904,000	106½	75	4,694,760
67	Penn Steel pf	16,500,000	105	48b	9,405,000
68	People's Gas	32,969,100	111½	89	7,418,048
69	Pittsburg Coal	32,000,000	35⅛	21	4,520,000
70	Pitts Coal pf	29,701,200	99¼	67½	9,430,131
71	Pressed St Car	12,500,000	65¼	28	4,656,250
72	Press St Car pf	12,500,000	96½	67	3,687,500
73	Rep Iron & S......	27,191,000	27½	7¼	5,506,178
74	Rep I & S pf......	20,356,900	83⅜	54½	5,878,054
75	Rub Goods Mfg....	16,941,700	38¼	13¾	4,150,717
76	Rub Gds Mfg pf....	8,051,400	90	70	1,610,280
77	Standard Oil	97,500,000	830	580	243,750,000
78	Swift & Co........	25,000,000	177½	100¼	19,312,500
79	Tenn C & I........	22,801,600	104	26¼	17,728,244
80	Un Bag & Pap......	16,000,000	25	4½	3,440,000
81	Un Bag & Pap pf...	11,000,000	85	65	2,200,000
82	Union Typewriter ..	10,000,000	132	93	3,900,000
83	Un B Bd & P pf ...	11,418,000	71	18	6,051,540
84	United Fruit	12,369,500	137	93	5,442,580
85	Un Gas Imp	28,125,000*	126	77	27,562,500
86	Un Shoe Mach.....	10,720,300†	57¼	38¾	7,933,022
87	U S Leather	62,882,300	19	6⅝	7,761,685
88	U S Leather pf	62,282,300	96¾	71½	15,726,281
89	U S Realty & C....	33,198,000	32	5¼	8,879,715
90	U S R & C pf......	27,011,100	75½	35½	10,804,440
91	U S Rubber	23,666,600	44	7¾	8,578,925
92	U S Rub pf.......	23,525,500	104¾	35	16,409,037
93	U S Steel	508,495,200	55	12½	216,110,460
94	U S Steel pf......	430,000,000	101⅞	57¼	191,900,000
95	Va Car Chem......	27,984,400	76⅜	17½	16,475,819
96	Va Car Chem pf....	12,000,000	134⅞	90	5,385,000
97	West Tel & Tel.....	16,000,000	33½	10	3,760,000
98	West Tel & T pf....	16,000,000	106½	71	5,680,000
99	Western Union	97,340,504	100¼	80½	19,224,750
100	Westinghouse	14,016,551	233	130	14,437,048

* 50 par; †$25 par.

"In U. S. Steel preferred, we have allowed for the amount converted into bonds. We have not included the $10,000,000 each of common and preferred issued by the Massachusetts Gas Companies last January. We have taken one-half of the shrinkage of Anaconda, as Amalgamated holds one-half of the Anaconda stock, and the shrinkage of that appears in the figures for Amalgamated.

"The shrinkage in Colorado Fuel & Iron, Calumet & Hecla, Anaconda, International Power, Standard Oil and Westinghouse is in each case more than the par value of the capital stock and in Amalgamated and United Gas Improvement, nearly equal to it.

"The $20,000,000 preferred and $25,000,000 common of U. S. Shipbuilding are not included, owing to the fact that there has never been any market for them.

"It has been estimated that the capitalization of the industrial corporations of the United States, aside from gas and electric companies, is $8,000,000,000. All of these have sustained some shrinkage, but the percentage would probably not be as large on the whole number as it is on those we have taken above, because the stocks we have not included are largely inactive, more closely held and less subject to general market influences."—*Wall Street Journal.*

PART VII

General Review of the Trust Movement

GENERAL REVIEW OF THE TRUST MOVEMENT

CHAPTER I. MAGNITUDE OF THE TRUSTS.

The foregoing pages have been devoted chiefly to descriptions of the various Trusts, particular effort having been made to furnish in uniform and complete shape the important facts regarding their organization, capitalization, commodities produced, elements of monopoly which they possess, dominating financial interests and so forth. In the matter of capitalization, we have seen that the Greater Industrial Trusts, of which there are seven, are represented by an aggregate of outstanding stocks and bonds (par value) which reach no less a total than $2,662,752,100. Of this amount, over one-half, or $1,370,000,000, is included in the capitalization of the United States Steel Corporation and its subsidiary companies. These Greater Industrial Trusts have all been organized since 1898, with one exception (the Sugar Trust), and all are incorporated under New Jersey laws. They represent an aggregate consolidation of over 1,500 distinct plants.

While the par value capitalization of these Trusts is $2,662,752,100, their market value is only about $2,278,460,000. It is interesting to note that while in the matter of par value the Morgan properties (International Mercantile Marine Company and the United States Steel Corporation) represent $1,540,000,000, or 60% of the total, yet in comparing the market values we find that the distinctively Morgan interests represent but $820,000,000 out of the total market value of $2,278,460,000, or less than 37%, whereas the balance of $1,458,460,000 of market value, or 63%, is represented by the remaining five Greater Trusts, which are all more or less strongly dominated by the Standard Oil or Rockefeller interests.

Turning next to the Lesser Industrial Trusts, we find that there are now in active existence, as reported in the statistical tables on pages 454 to 467, 298, with a total par value capitalization of $4,055,039,433. These 298 Trusts represent consolidations of over 3,400 original plants. Eighty-five of these Lesser Trusts are described in detail in Part II of this volume. The capitalization of all of them, with the date of incorporation, State in which incorporated, and the number of distinct plants absorbed, controlled operated is given in Part VI.

In Part III will be found described a number of those importa and active Industrial Trusts which are at the present time unde going or have very recently undergone reorganization or readju ment in the matter of their capitalizations. There are thirteen these reported in our statistical list, with a total capitalization (p value) of $528,551,000. These Trusts represent an aggregate co solidation of 334 plants.

As a result of the foregoing analyses, it will be seen that tl aggregate capitalization outstanding in the hands of the public the 318 important and active Industrial Trusts in this country is the present time no less than $7,246,342,533, representing in a consolidations of nearly 5,300 distinct plants, and covering pra tically every line of productive industry in the United States. Tl figures furnished undoubtedly represent the most thorough and a curate list of active Industrial Trusts ever published in this countr In the issue of *Moody's Manual* for 1903 a list of 235 Industri Trusts was printed, showing a total capitalization of $6,506,013,50 Various other lists have also from time to time been publishe which have purported to give complete statistics of Industri Trusts, but as far as the present writer has been able to ascertai such lists have not been noted for their accuracy, usually bein either padded or "skimped" to suit the bias of the compiler, an nearly all containing glaring inaccuracies in the way of duplicate figures and so forth.

Of the 318 active Industrial Trusts here given, 236 have bee incorporated since January 1, 1898, and 170 are organized und New Jersey laws. Those incorporated prior to January 1, 1898 (tl year in which the modern Trust-forming period really dates i beginning) represent a total capitalization of but $1,196,724,31 while those formed since that date make an aggregate of $6,049 618,223.

In the matter of control of their respective industries or ma kets, an effort has been made in Parts I, II and III to show tl approximate conditions in this respect of the 92 important Trus described in these three sections. Therefore, at the end of ea statement has been appended either an actual or approximate e timate of the proportion of a given industry or market the Tru is said to dominate or control. It will be noted that these pe centages range all the way from 10% to 95%, and there are mai cases in which the Trust does not control more than 40%. Of tl total 92, however, 78 control 50% or more of their product, and 57 control 60% or more. Twenty-six control 80% or over.

Other statistics given with the statements of each Trust include estimates of the element of monopoly in their makeup, with brief indications of what this monopoly consists of. These monopoly figures are based on the conception of monopoly outlined in the Introduction, where the writer has endeavored to properly define this much-abused and vaguely understood term, and to show its correlative relationship to modern industrial methods and aims, and its importance as an element of stability in all commercial and industrial enterprises.

Passing from the statistics of Industrial Trusts, let us examine for a moment the figures covering the Greater Franchise consolidations on pages 470 to 475, the most important of which are described and their general tendencies pointed out in Part IV. In this list are embraced important public service consolidations, including telephone, telegraph, gas, electric light and electric railway companies, representing about 1,336 original corporations. The total outstanding capitalization of these Franchise Trusts is, as reported, $3,735,456,071. It should, of course, be borne in mind that this list does not include all public service consolidations, but only the larger ones, many small local combinations of gas, electric light and other companies being omitted. It is probable that several hundred million dollars more of capitalization could be added to this total by including the smaller consolidations.

These public utility Trusts are, of course, essentially local in their nature, with the exception of the telephone and telegraph lines. In the telephone industry, the leading Trust is the Bell Telephone aggregation, which operates locally in almost every part of the United States and Canada, and connects its local systems by an enormous network of long distance lines. Yet the Bell system, while possessing the natural monopoly that comes with the possession of any public franchise, is by no means without competitors, particularly in certain territories. Only a few "independent" (or anti-Bell) telephone consolidations are included in our list, but it is a fact that there are at least 2,000 small independent telephone companies and partnerships in the United States to-day, the great majority of which are operating. The total number of Bell telephones reported to be in use at the present time is about 3,600,000, but it is authoritatively estimated that the "independent" lines of the country now operate in the neighborhood of 2,000,000 telephones.

The telegraph industry is, of course, of much the same nature as the telephone. As is well known, the telegraph systems of this country are divided between two large corporations, which operate in complete harmony as to rates and so forth. Much the larger of these two is the Western Union Telegraph Company. Its only competitor, the Postal Telegraph Cable Company, is a sub-corporation of the Commercial Cable Company. The latter operates the Mackay-Bennett cables between this country and Europe, and also other Atlantic lines. In addition, it controls the Commercial Pacific Cable Company, now operating between this country, Hawaii and the Philippines.

The total capitalization of the Trusts embraced in our list in the telephone and telegraph industries amounts to $629,700,500, representing 8 Trusts or consolidations and including 136 original plants.

The other more local franchise consolidations are the trolley, gas and electric lighting interests. In the tables in Part VI figures are given showing 103 of these consolidations with an aggregate capital of $3,105,755,571, and covering about 1,200 original companies. Many of these consolidations represent the entire lighting and street railway interests of their respective localities, and their capitalizations run up into the hundreds of millions. The greater aggregations are, of course, chiefly those located in the great centres of population, like New York, Philadelphia, Pittsburg and Boston, and so forth. Others, such as the United Gas Improvement Company of Philadelphia, are security-holding corporations which control a large number of local operating companies in different parts of the United States.

In Part V are furnished figures which should prove of much public interest, covering the steam railroad aggregations of the country. These aggregations, which are analyzed in a general way on pages 443 to 450, cover railroad consolidations representing a combined outstanding capitalization (par value of stocks and bonds) of $9,397,363,907, or nearly 80% of all the floating railroad capitalization of this country, and, as has been shown on page 441 nearly 95% of the vital American railway mileage. These railway consolidations embrace about 1,040 original companies.

Thus it will be seen that including Industrial, Franchise, Transportation and miscellaneous, about 445 active Trusts are represented in the book with a total capitalization of $20,379,162,551. They embrace in all about 8,664 original companies.

To analyze these figures slightly in detail we find that of the Industrial Trusts 10 have $100,000,000 capitalization or over, 30 have $50,000,000 or over and 129 have $10,000,000 or over. Of the Franchise Trusts 11 exceed $100,000,000, 23 exceed $50,000,000 and 94 exceed $5,000,000. Of the six Great Railroad Groups, all exceed $1,000,000,000 capital, while the Morgan Group exceeds $2,200,000,000.

CHAPTER II. DOMINATING INFLUENCES IN THE TRUSTS.

The large diagram facing the Introduction gives an indication of the extent to which the Greater Trusts are dominated by that remarkable group of men known as the "Standard Oil," or Rockefeller financiers. These men, it will be seen, either entirely control or make their influence felt to a marked degree in all the Greater Trusts. They are in fact the real fathers of the Trust idea in this country, and, of course, have always been the controlling factors in that most far-reaching and successful of all Trusts, the Standard Oil Company. This latter corporation, with a par value capitalization of $97,500,000, absolutely dominates the oil industry of the United States, supplying 84% of the domestic demand of oil, and over 90% of the export demand. Furthermore, it produces in the neighborhood of 200 different by-products of oil, and in nearly all of these latter industries there are said to be large profits which contribute to an important extent in making up the enormous earnings of the Trust. The dividends of the Standard Oil Trust are more than $40,000,000 per year, and its net profits are reported to exceed over $60,000,000 per annum.

But it is not merely in oil and its allied industries that the Rockefeller interests are dominant. They are the controlling factors in the Copper Trust and the Smelters' Trust, and are also closely identified with the mammoth Tobacco Trust, which now practically encircles the globe. Furthermore, while not entirely dominant, they are interested in and display a marked influence in the great Morgan properties, such as the United States Steel Corporation. In the hundreds of smaller Industrial Trusts, the Rockefeller interests are also conspicuous in many ways. They dominate a variety of minor industries, and it was recently reported that they had acquired an important interest in the production of asbestos.

Even a hasty glance through the pages of this book will show that the different members of the Standard group of financiers are identified with a great many of the prominent Trusts herein described, and it is a well-known fact that their indirect influence is of great importance in many other industrial consolidations. It is worth noting, however, and is a matter of some significance that they do not seem to be prominently connected with any of the crippled or mismanaged Trusts which are described in Part III.

Coming to the Franchise aggregations, we find that everywhere the Standard Oil influence is most prominent. The Rockefeller interests practically dominate the entire public service aggregations of Greater New York, represented by over $725,000,000 of capital; they are allied in interest with the well-known United Gas Improvement Company of Philadelphia, which is itself the leading corporation of the famous Philadelphia or Widener-Elkins group, and which dominates the public utility interests in a number of the largest centres of population in the United States, and in addition controls the lighting interests of a score or more of the smaller American cities.

And turning to the steam railroad field, we find that the Standard Oil interests are one of the conspicuous factors and are steadily increasing their influence there. One of the greater groups (the Gould-Rockefeller) is, of course, directly dominated by them; but, as a matter of fact, the Standard influence is felt quite forcefully in all the Railroad groups, and this influence is showing a steady growth throughout the entire steam railroad field. It is now freely predicted in Wall Street that the next decade will see the Rockefeller interests the single dominating force in the world of railway finance and control.

The great Rockefeller alliances in the railroad and industrial fields are supplemented and welded together, as it were, through the New York city financial interests of the group. Their banking influence is of very great importance, and their ramifications are far-reaching and of great effectiveness. Thus, the Standard Oil chain of banking institutions, headed by the great National City Bank, with a capital and surplus of $40,000,000, and deposits exceeding $200,000,000, includes also the Hanover National Bank, the Second National Bank, the United States Trust Company, the Farmers Loan & Trust Company, the Central Realty Bond & Trust Company and a number of smaller institutions. Some of these banks (particularly the National City) have strong dominating influences with the larger banking institutions of other great cities. The Standard interests are also closely allied with the great life insurance companies, such as the Equitable and the Mutual of New York.

In fact, it is not possible to more than attempt an approximate estimate of the entire Standard Oil industrial, financial and commercial interests of the nation, as their ramifications are so varied and extensive that a clear line of demarcation could not be drawn which would absolutely distinguish the interests which are more or less dominated by them, from those which are not. The chart which we publish, however, gives a fairly accurate "bird's eye view" of the immensity of their influence and importance as the leading factors in American financial and industrial affairs.

The Morgan group of industries and transportation companies is, next to the Standard Oil interests, by far the most important. In fact, the only gigantic interests or groups which can in any sense be considered as on the same plane are the Rockefeller and Morgan groups. There are, it is true, a number of other large groups in special lines, but these two are the only distinctively great interests that dominate immense areas in all lines, steam transportation, public service, industrial, financial, banking, insurance and so forth. The great Morgan enterprises in the industrial world are the Steel and Shipping Trusts, the Electrical Supply Trust, the Rubber Trust, and a score or more of smaller aggregations. In the public utility field the Morgan interests dominate a series of lesser enterprises, but have never been so conspicuous in these lines as have the Rockefeller financiers.

But it is in the railroad world that the Morgan influence makes its greatest claim for public attention. In Part V. of this book will be found figures indicating that the Morgan group of steam railroad properties embraces over 47,000 miles of lines, or nearly twice the mileage of any other one group; and its capitalization exceeds $2,265,000,000, a sum far in excess of that of any of the other five groups, and, in fact, amounting to nearly 25% of all the group railroad capital of the United States. The Morgan railroad properties are nearly all located in growing sections of the country, and there is probably a very small proportion of worthless and unprofitable mileage embraced in the various Morgan systems. Another feature about the Morgan group is that in most cases the lines embraced absolutely dominate certain sections of the country; such as, for instance, the entire South and the great Northwest.

The Morgan domination, like the Standard Oil, makes itself felt through the means and influence of large metropolitan financial institutions and great banks, such as the National Bank of Commerce, First National Bank, Chase National Bank, and Liberty National Bank. The great life insurance companies, such as the New York Life, and trust companies, such as the Mercantile, Guaranty and Central Trust, are generally rated as being at least partially under the Morgan control.

It should not be supposed, however, that these two great groups of capitalists and financiers are in any real sense rivals or competitors for power, or that such a thing as "war" exists between them.

For, as a matter of fact, they are not only friendly, but they are allied to each other by many close ties, and it would probably require only a little stretch of the imagination to describe them as a single great Rockefeller-Morgan group. It is felt and recognized on every hand in Wall Street to-day, that they are harmonious in nearly all particulars, and that instead of there being danger of their relations ever becoming strained, it will be only a matter of a brief period when one will be more or less completely absorbed by the other, and a grand close alliance will be the natural outcome of conditions which, so far as human foresight can see, can logically have no other result.

Around these two groups, or what must ultimately become one greater group, all the other smaller groups of capitalists congregate. They are all allied and intertwined by their various mutual interests. For instance, the Pennsylvania Railroad interests are on the one hand allied with the Vanderbilts, and on the other with the Rockefellers. The Vanderbilts are closely allied with the Morgan group, and both the Pennsylvania and Vanderbilt interests have recently become the dominating factors in the Reading system, a former Morgan road, and the most important part of the anthracite coal combine, which has always been dominated by the Morgan people. Furthermore, the Goulds, who are closely allied with the Rockefellers, are on most harmonious terms with the Moores of the Rock Island system, and the latter are allied in interest quite closely with both the Harriman and the Morgan groups. Therefore, viewed as a whole, we find the dominating influences in the Trusts to be made up of an intricate network of large and small groups of capitalists, many allied to one another by ties of more or less importance, but all being appendages to or parts of the greater groups, which are themselves dependent on and allied with the two mammoth or Rockefeller and Morgan groups. These two mammoth groups jointly (for, as pointed out, they really may be regarded as one) constitute the heart of the business and commercial life of the nation, the others all being the arteries which permeate in a thousand ways our whole national life, making their influence felt in every home and hamlet, yet all connected with and dependent on this great central source, the influence and policy of which dominates them all.

CHAPTER III. THE CHIEF CHARACTERISTIC OF THE TRUSTS.

To view this immense aggregation of over $20,000,000,000 of consolidated capitalization, nearly all of which has taken the Trust form within the last decade, is to at once raise in the mind the all-important problem as to what is the underlying cause of this seemingly irresistible tendency towards business centralization. For there must clearly be such a cause, and a deep-lying one.

As pointed out in the Introduction to this volume, the public press, the legislative records, and the minds of political orators are replete with alleged causes, and they have been so for many years. Furthermore, the same so-called authorities have been busily creating and applying remedies for the speedy removal of these so-called causes. And still the Trust movement has seemed all the time to plunge forward with accelerated speed, and there appears to be little in sight as yet to frustrate it in the slightest degree.

In spite of all this babel of discussion, accusation and crimination, it is believed that the Trust-doctors and "Trust-busters" are for the most part as far from the real cause and real remedy (if, indeed, a "remedy" is needed) as daylight is from darkness. Instead of the growth of the Trust movement being an achievement to be laid at the door of Mr. Morgan or Mr. Rockefeller, or any other leader of men, it should be laid at the door of nature. For if anything in this world is true, the following proposition is:

The modern Trust is the natural outcome or evolution of societary conditions and ethical standards which are recognized and established among men to-day as being necessary elements in the development of civilization.

While all successful Trusts are not monopolies, all successful and permanent ones which are capitalized on anything but a free-competitive basis, do at least embrace elements of monopoly, and necessarily must, or they could not exist. For monopoly, as pointed out by all well-balanced, thoughtful men, and particularly by Mr. S. C. T. Dodd, solicitor of the Standard Oil Company,* is one of the necessary assets in modern methods of progress; it is an element that reaches far down and makes its influence felt in every walk of life, and is, if not directly, at least indirectly, one of the great factors

*See *Introduction*.

which makes for concentration and growth throughout all civilized society. Business could not be carried on under present high social conditions and ethical standards without at least a tacit recognition of the legitimacy of the monopoly factor.

The natural law which engenders monopoly is fundamental. That men naturally seek to gratify their desires with the least exertion is a fundamental truth, and the experience of all civilized society demonstrates it. And as men have gradually become more civilized, their minds have been exerted more and more to devise "short-cuts" to achieve their aims. Thus, machinery and all other economical factors for production have been invented; improved methods of transportation have reduced time and labor to a minimum, and in matters of business method, economy in commerce and finance, men have irresistibly gravitated from expensive to economical modes of labor, from small to large-scale means of production and distribution. This tendency, working through many generations, has finally brought mankind to the present civilized condition of society.

Reasoning along the same line, we find that this same tendency has been the creator of and is the underlying cause of monopoly and the modern Trust. For man, in seeking to accomplish his purposes quickly, simply, and cheaply, has, as pointed out above, ever been alert to the possibilities of economy in method through the seeking of "short-cuts." It is his desire to achieve at all hazards, and in all ways; it was this inherent tendency which was the creator of competition, which came later in commerce and industry, to be known as the "life of trade," and, therefore, of commercial society itself. And, up to a certain point, it certainly was true that competition was the life of trade. But not so beyond that point. For quite early in the modern commercial and industrial life of men it was discovered that there were advantages to be gained in the adopting of methods somewhat different from those in vogue under the old regime of competition. By combining together and acquiring, either as a result of this joint effort or otherwise, a special privilege or "monopoly," men found they could accomplish the same ends far more cheaply and satisfactorily than in the old ways, and do so without the same exposure to what was frequently expensive and costly in the field of competition. It was then that men began to first cultivate this element of monopoly, with the result that it was not long before the more progressive all recognized the importance of the monopoly feature and hastened to take advantage of it. With the active working of this new element in our modern life, industry grew with greater rapidity than before; commerce took on greater strides, and with the assistance of the more effective methods of modern transportation, spread to all quarters of the globe; great enterprises controlled by greater minds came into being; wealth grew with wonderful rapidity, and instead of being dissipated and left to unproductive uses, began to be put to a thousand new uses as capital, and through the able and concentrated control of the master minds at the head of the gigantic industries, a point has been finally reached where wealth is to-day produced and massed with greater economy of expenditure and greater aggregate result than ever before in the history of mankind.

And this condition has been largely brought about by the existence of monopoly power. As before stated, this monopoly element is not merely the product of a tariff or of other so-called "class legislation." It is far more fundamental than that. While it is true that patents are monopolies, and the protection of an industry by a tariff fosters a monopoly, so also is a railway or gas franchise a monopoly; railroad terminals and rights of way are monopolies; building sites are monopolies; the National Banking Law creates a monopoly; exclusive grants of land and steamship subsidies are monopolies. The fact is, we find the element of monopoly all about us, and how modern civilization is going to get away from it or even retrench it by the passage of ineffective laws, such as the Sherman Anti-Trust Act, is, in the light of the foregoing facts, an exceedingly intricate question

But in spite of the fact that the great majority of American financiers and apparently of legislators believe, as expressed by Mr. Charles F. Beach, Jun. (elsewhere referred to in this volume), that while the element of monopoly is ever present, "in point of fact, a monopoly is not necessarily an evil, it may be a great good," yet, as stated at the beginning of this chapter, remedies are nevertheless being broached and tried from time to time which seek in one way or another to "remedy the evils of the Trust."

The most important legislation of this kind is briefly considered in the next chapter.

CHAPTER IV. REVIEW OF SO-CALLED REMEDIES.

The first general Federal law which can be regarded as a result of the Trust agitation was the Inter-State Commerce Act passed in 1887. This Act was the outgrowth of the sentiment which had been created during the previous years by the general cutting of rates by the railroads, and their inequitable dealings with shippers in all parts of the country. The relations of the railroads with the Standard Oil Trust were matters of particular criticism at this time, and the immediate purpose of the Act was mainly to eliminate the illegal discriminations in favor of the Standard, and, if possible, give all shippers the same opportunities.

The Inter-State Commerce Law has now been in existence for nearly seventeen years, but its results have in no way verified the predictions of its framers. It was, very soon after its enactment, amended in such a way that it became quite ineffective so far as its ability to remedy the so-called evils of discrimination was concerned, and it has gradually evolved into a mere bureau of railroad statistics. In the latter respect, it serves a certain valuable mission, chiefly in the matter of securing from the railroads complete and exhaustive statements of operation and general methods. As a regulator of railway rates, however, or as a factor in preventing the tendencies of railways to assume monopoly powers, it has been quite impotent.

The measure which was created in 1890, and is popularly known as the Sherman Anti-Trust Act, is the law which was passed for the express purpose of eliminating monopoly in railroads or other corporations which may become established "in restraint of trade." It is the law under which the Northern Securities Company is now being sued by the Attorney-General of the United States. This law declares unlawful every contract, combination or conspiracy in restraint of trade or commerce among the several States or with foreign nations; and also declares unlawful, monopolies, and any attempt to monopolize, or any combination or conspiracy to monopolize any interstate or international trade. The law has been in effect now for over twelve years. In that time there are said to have been instituted and prosecuted by the Federal government under the Act twenty-six suits. In addition, there have been brought by private individuals in Federal courts, under the Act, twenty-seven suits. Of the twenty-six suits brought by the Federal government, nearly all have resulted in failure on the part of the prosecution. Out of the total, only ten were won by the government, and of these, four were against combinations of labor, thus leaving six as the total number in which the United States has thus far prevailed in litigation against the Trusts. Of these six, three were cases in which a decision for the government could have been secured as well without the statute as with it; two others of the six were the Trans-Missouri Freight Association case and the Joint Traffic Association case. The remaining one is the Northern Securities case, which has not yet been settled.

In view of the foregoing facts, it is plain to see that the Sherman Anti-Trust law has not been a success. As statistics show, nearly all the great Trusts, transportation and other, have been created since the passage of this anti-trust law, and in spite of it. As has been recently pointed out by a capable observer, this statute "seems to have not even the slightest tendency, either to do away with Trusts after they are created, or to prevent their creation. We may, therefore, be excused for wondering what such a statute is good for, or whether it is good for anything. And from what has been accomplished in these dozen years under the Sherman Law, we may 'guess,' as the Yankee might say, what is likely to be accomplished in future by amendments thereto, and by the further legislation of similar sort now proposed or pending in Congress or elsewhere."*

Since the passage of the Sherman Anti-Trust law, the public agitation in opposition to Trusts has resulted in no Federal legislation of importance, unless the recently created Department of Commerce and Labor can be regarded as important. The new department has now been in existence about one year, but like the Inter-State Commerce Commission, it is already quite apparent that its scope will not go beyond that of a mere statistical bureau, which will file records of comparison for general public uses. It was claimed at the time of the passage of the bill that the new department would have a large and important influence on the future of Trusts in this country. The clause creating the department reads: "The Commissioner shall have authority to make, under direction of the Secretary, diligent investigation into the organization, conduct and management of the business of any corporation, joint stock company, or corporate combination engaged in commerce among the several States and with foreign nations, and to gather such information and

*Mr. Charles F. Beach, Jun.

data as will enable the President of the United States to make recommendations to Congress, for legislation for the regulation of such commerce, and to report such data to the President from time to time as he shall require."

If the various remedies which have from time to time been tried or are now being discussed aim at anything they aim to "curtail monopolies said to be maintained in restraint of trade." That those which have been tried have not "curtailed" anything has been well demonstrated by events, and we may be equally sure regarding the others.

The weakness of all this legislation lies in the fact that while it pretends to aim at the "regulation" of monopoly, it really never touches the monopoly, and simply frustrates the natural growth of modern economical means of production and distribution. Thus, the Sherman Anti-Trust law, in all of the cases in which it has been applied, has proven itself absolutely futile and inefficient. To abolish a monopoly in the steam railroad field, a law would have to be passed to abolish the railroad itself, for its very essence is monopolistic. A great weakness of all these laws aimed at the Trusts is that no distinction is made between large-scale methods and monopoly. For whatever view one may take regarding the element of good or bad in monopoly, all must admit the efficiency and importance of large-scale methods in production. For instance, a department store is an example of large-scale production, but it does not necessarily embrace any monopoly at all, nor need it embrace any element of monopoly to be successful. On the other hand, there are other large businesses, such as the manufacture of patented articles, which are not combinations or trusts, do not do business on a very large scale, and yet are pure monopolies.

The public mind is extremely hazy on this subject. The talk of "criminal trusts," "predatory wealth" and the like is, when analyzed. utterly and absolutely meaningless to the average man. When our political agitators talk about the good and bad Trusts, and prate about "predatory wealth," and are applauded for their words, neither they nor the public at large are clear-cut or definite in what they mean.

CHAPTER V. CONCLUSION.

Mr. Sereno S. Pratt, author of "The Work of Wall Street," contributed to the *World's Work* for December, 1903, an entertaining article descriptive of the financial concentration in the United States, in which, after briefly and graphically describing conditions as they are, he concludes with the following paragraph:

"This concentration has its undoubted advantages. It is an economic evolution of tremendous power. It has among other causes, enabled this country in the past twenty years to develop more wealth than in all the preceding years since the discovery of America. It may be argued, however, that this concentration is too high a price to pay even for benefits such as these. Concentration of the control of wealth certainly presents problems the gravity of which it is impossible to conceal or evade. How to preserve the advantages of concentration and at the same time to get rid of its evils; how to prevent the waste of competition without destroying it; how to secure stability and strength without loss of individual liberty; how to permit the railroads to combine and at the same time to provide for government regulation of rates; how to make possible the achievement of great enterprises without resort to methods involving the violation of law, and the corruption of legislatures; how to encourage promotion without the evils of over-capitalization and over-speculation; how to secure comprehensive publicity without disclosure of proper trade secrets—these form the one large problem before us that overshadows and includes all others."

The foregoing paragraph embraces in succinct form nearly the whole problem of modern industrial society. And in treating this problem from the point of view of not one interest nor one class of citizens; in viewing it from the standpoint of the ordinary citizen as well as from that of the capitalist and investor, we must necessarily bear in mind certain fundamental facts. The first of these facts is that large-scale and economic production is the outcome of a natural evolution and has undoubtedly come to stay. Another fact is that concentration and exclusive financial control are chiefly the result of monopolistic conditions which are themselves an evolution from customs and ethical standards which have for a long time been recognized as fair and equitable among an apparent majority of our citizens. It is a peculiar fact that while the term "monopoly" is more or less obnoxious to us all, the thing itself does not seem to be.

In view of these facts, the anti-trust legislation which has thus far been tried or broached in this country would appear to be singularly inefficient and beside the point. It does not seem to be in any sense in conformity to the spirit of modern tendencies and conditions. It aims merely to prick the pimples of the social problem rather than to go to the root of things. For when we realize what monopoly is, its depth and width and general importance in modern industrial and commercial life, we can readily see that any kind of legislation aiming to abolish or materially retrench monopoly would have to be far-reaching and radical in its effects and would constitute a practical revolution in the bases of modern society. Whether one may regard monopoly as a curse or a blessing it is too deeply rooted in civilized society to be whisked away with a broom. This being so, there would seem to be no immediate prospect of "effective" legislation touching the Trust problem.

At the same time, thoughtful men everywhere are viewing with growing annoyance and alarm the arbitrary and harmful legislation which is becoming so conspicuous to-day in our legislative halls, and which seems to represent a sentiment of antagonism towards all progressive large-scale industry, whether it possesses any special advantages or not. It is this growing desire among the people for restrictive and arbitrary legislation, apparently concurred in by those at the very head of our government, which, in the view of the many, is doing more in this country to generate a dangerous growth of socialistic sentiment than any other one factor. Prominent men in business, journalism and also in financial fields, are beginning to quietly admit that they are Fabian socialists, and assert that public sentiment should be guided with a view to the possibility of a quasi-socialistic regime coming upon us within a generation or two.

That this is a most dangerous tendency goes without saying, and in our efforts to counteract it we should not forget that the chief considerations are the preservation of equal individual liberty and the free working of natural laws. In this connection, two paragraphs from an able article written by Mr. Thomas F. Ryan, Vice-President of the Consolidated Tobacco Company, and published in the *North American Review* for February, 1903, while essentially political in their purpose, are quoted below as being particularly applicable to the subject under discussion:

"It will be a day of dark portent for the future of our institutions when the Federal Government lays its heavy hands on every man's shoulder, and reaches down into his private business and his household life. Such interference is tolerated at the custom houses and in the manufacture of liquors and cigars, because it is limited to the special purposes of taxation; but if the time ever comes when the same degree of interference is extended to all the relations of life, the American Republic will represent a systematized machine only waiting the firm hand of a Cæsar or a Napoleon to divert its potent enginery to personal and dangerous ends. If a President can lawfully interfere between one class of employers and their employees, he can interfere in all, and the safeguards of State law and local courts will become as impotent as the empty forms of the Roman constitution under Augustus."

" 'Let me exhort and conjure you,' wrote Junius, 'never to suffer an invasion of your political constitution, however minute the instance may appear, to pass by without a determined, persevering resistence.' There has of late been an evasion of the Constitution which was but the first step to an invasion of it. Nothing has happened in forty years that has given more concern to all thoughtful men than the usurpation by the Executive of the power to interfere between the employer and employed. Furthermore, it is impossible to disconnect it from the expressed intention to force an amendment to the Constitution, for ends wholly at variance with its spirit, and with the intent of its framers—ends than which nothing could ultimately prove more subversive of the rights of the States or more destructive of the very foundations of the government itself."

APPENDIX

LIST OF BOOKS, ARTICLES, REVIEWS AND PERIODICALS TREATING OF THE TRUST QUESTION WHICH HAVE BEEN READ, REFERRED TO OR QUOTED IN PREPARING THIS VOLUME.

AN INSIDE VIEW OF TRUSTS: Being a compilation of the testimony regarding the Standard Oil industry which was submitted to the Industrial Commission in 1900.

ANNUAL REPORTS OF THE INTER-STATE COMMERCE COMMISSION. 1887 to date. Published at Washington, D. C., for public distribution.

BOSTON NEWS BUREAU. Complete file, 1899 to date. Published daily in Boston, Mass., by C. W. Barron.

CAPITALIZATION OF PUBLIC SERVICE CORPORATIONS. By William Z. Ripley. Published in the *Quarterly Journal of Economics* for November, 1900. George H. Ellis Company, Boston, Mass.

CHICAGO CONFERENCE ON TRUSTS. Complete report published by the Civic Federation of Chicago, 1900.

CITY FOR THE PEOPLE (THE). By Frank Parsons. Published by C. F. Taylor, Philadelphia, Pa., 1901.

COMBINATION AND COMPETITION. An address delivered before the Merchants' Association of Boston by S. C. T. Dodd, 1899.

COMBINATIONS: Their Uses and Abuses, with a History of the Standard Oil Trust. By S. C. T. Dodd, Solicitor of the Sandard Oil Trust. Published by G. F. Nesbitt, New York, 1894.

COMMERCIAL & FINANCIAL CHRONICLE. Complete file, 1880 to date. Published weekly by the W. B. Dana Company, New York.

COMMERCIAL TRUSTS: The Growth and Rights of Aggregated Capital. An Argument before the Industrial Commission, corrected and revised. By John R. Dos Passos. Published by G. P. Putnam's Sons, New York and London, 1901.

CONTROL OF TRUSTS (THE). By Professor John B. Clark of Columbia University. Published by The Macmillan Company, New York, 1901.

COPPER HANDBOOK (THE). Volumes I., II. and III. Compiled and published by Horace J. Stevens, Houghton, Mich.

CORPORATION FINANCE. By Thomas L. Greene, Vice-President of the Audit Company of New York. Published by D. Appleton & Co., New York, 1899.

ECONOMICS OF DISTRIBUTION (THE). By J. A. Hobson. Published by The Macmillan Company, New York, 1900.

EMPIRE OF BUSINESS (THE). By Andrew Carnegie. Published by Doubleday, Page & Co., New York, 1902.

ENCLYCLOPAEDIA OF SOCIAL REFORMS. Edited by William D. P. Bliss. Published by Funk & Wagnalls Company, New York, 1897.

EVOLUTION OF MODERN CAPITALISM. By J. A. Hobson. Published in London, 1894.

FEDERAL CONTROL OF TRUSTS. By 'Alton D. Adams. Published in the *Political Science Quarterly* for March, 1903.

GUNTON'S MAGAZINE. Complete file, 1898 to date. Published monthly by the Gunton Company, New York.

HISTORY OF THE STANDARD OIL COMPANY. By Ida M. Tarbell. Published serially in *McClure's Magazine*, New York.

INDUSTRIAL COMBINATIONS. By Charles R. Flint. Published in New York, 1899.

INDUSTRIAL LIBERTY. By John M. Bonham. Published by G. P. Putnam's Sons, New York, 1888.

INSIDE HISTORY OF THE CARNEGIE STEEL COMPANY. By James H. Bridge. Published by the Aldine Book Company, New York, 1903.

INTRODUCTION TO THE STUDY OF ECONOMICS. By Charles J. Bullock. Published in New York, 1900.

IRON AGE (THE). Complete file, 1890 to date. Published weekly by the David Williams Company, New York.

MONOPOLIES AND TRUSTS. By Richard T. Ely. Published by The Macmillan Company, New York, 1900.

MOODY'S MANUAL OF CORPORATION SECURITIES. Complete file, 1900 to date. Published annually by the Moody Publishing Company, New York.

MUNICIPAL MONOPOLIES. Edited by Edward W. Bemis. Published by Thomas Y. Crowell & Co., New York, 1899.

POOR'S MANUAL OF RAILROADS. Complete file, 1868 to date. Published annually by H. V. & H. W. Poor, New York.

PRESENT LEGAL STATUS OF TRUSTS (THE). By S. C. T. Dodd, Solicitor of the Standard Oil Company. Published in the *Harvard Law Review* for November, 1893.

PROPOSED RAILWAY TRUSTS (THE). By Charles F. Beach, Jr. Published in the *Railway and Corporation Law Journal*, February, 1890.

PUBLICATIONS OF THE AMERICAN ECONOMIC ASSOCIATION. Complete file, 1900 to date. Published by The Macmillan Company, New York.

QUARTERLY JOURNAL OF ECONOMICS. Complete file, 1900 to date. Published for Harvard University by the Geo. H. Ellis Company, Boston, Mass.

RAILROAD TRANSPORTATION: Its History and Its Laws. By Arthur T. Hadley, Published by G. P. Putnam's Sons, New York, 1885.

RAILWAY LEGISLATION IN THE UNITED STATES. By B. H. Meyer. Published by The Macmillan Company, New York, 1902.

RECOMMENDATIONS OF THE AMERICAN BAR ASSOCIATION'S COMMITTEE ON COMMERCIAL LAW. Issued August 27, 1903.

REPORT OF THE UNITED STATES CENSUS BUREAU, Covering Census for 1900. Published at Washington, D. C., 1902.

REPORT OF UNITED STATES INDUSTRIAL COMMISSION. Issued 1900 and 1902. Published at Washington, D. C.

RISE AND PROGRESS OF THE STANDARD OIL COMPANY (THE). By Gilbert Holland Montague. Published by Harper & Bros., New York, 1903.

SOCIAL UNREST (THE): Studies in Labor and Socialist Movements. By John Graham Brooks. Published by the Macmillan Company, New York, 1903.

SOME ASPECTS OF COMPETITION. By Alfred Marshall. Published in London, 1900.

SOME CONSEQUENCES OF THE TRUST MOVEMENT. By H. T. Newcomb. An address delivered before the American Association for the Advancement of Science at its annual convention in Pittsburg, Pa., on Tuesday, July 1, 1902. Published in the *Railway World* of July 5, 1902.

STATE CONTROL OF TRADE AND COMMERCE. By National or State Authority. By Alfred Stickney. Published by the Baker-Voorhis Company, New York, 1898.

TRUE INWARDNESS OF THE LITTLEFIELD BILL (THE). Editorial in *New York Sun* of January 28, 1902. Reprinted in the *Railway World* of January 31, 1903.

TRUST (THE); Its Book. Being a Presentation of the Several Aspects of the Latest Form of Industrial Evolution. By Charles R. Flint, James J. Hill, James H. Bridge, S. C. T. Dodd and Francis B. Thurber. Published by Doubleday, Page & Co., New York, 1902.

TRUST FINANCE. A Study of the Genesis, Organization and Management of Industrial Combinations. By Edward Sherwood Meade. Published by D. Appleton & Co., New York, 1903.

TRUST PROBLEM (THE). By Professor Jeremiah W. Jenks of Cornell University. Published by McClure, Phillips & Co., New York, 1900.

TRUSTS. By S. C. T. Dodd, Solicitor of the Standard Oil Company. Published in New York, 1900.

TRUSTS (THE): What Can We Do With Them; What Can They Do For Us? By William Miller Collier. Published by the Baker & Taylor Company, New York, 1900.

TRUSTS (THE): Facts Established and Problems Unsolved. By Jeremiah W. Jenks. Published in the *Quarterly Journal of Economics* for November, 1900.

TRUSTS, or Industrial Combinations and Coalitions in the United States. By Ernest Von Halle. Published by The Macmillan Company, New York, 1895.

TRUSTS AND THE BAR ASSOCIATION. Editorial in the *New York Evening Post,* Friday, August 28, 1903.

TRUSTS AND THE PUBLIC. By George Gunton. Published by D. Appleton & Co., New York, 1900.

TRUSTS: Their Uses and Abuses. By James B. Dill. An address delivered before the Merchant's Club of Chicago, November 9, 1901.

UNITED STATES SHIPBUILDING COMPANY. Report of Hon. James Smith, Jr., Receiver. Published on October 31, 1903.

UNITED STATES STEEL CORPORATION BOND CONVERSION. By Edward Sherwood Meade. Published in the *Quarterly Journal of Economics* for November, 1903.

WALL STREET JOURNAL. Complete file, 1895 to date. Published daily by Dow, Jones & Co., New York.

WEALTH AGAINST COMMONWEALTH. By Henry Demarest Lloyd. Published by Harper & Brothers, New York, 1894.

WORK OF WALL STREET (THE). By Sereno S. Pratt. Published by D. Appleton & Co., New York, 1902.

WORLD ALMANAC. Complete set, 1895 to date. Published by the *New York World,* New York.

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"Now that the American security market has had such a thorough shaking down there will be a natural increase in the amount of interest felt by those having money to invest, in the character and makeup of the securities which are now for sale at attractive prices. We recommend to all such persons the monumental work of John Moody, called 'Moody's Manual of Corporation Securities.' This is probably the most comprehensive financial reference publication in the country. In it are described the formation, business and financial condition of nearly eleven thousand American corporations, including railroads, waterworks, banks and trust companies, mining, industrial and miscellaneous business corporations of all sorts. * * * Moody's Manual is itself an entirely proper investment for any investor."—*Dry Goods Economist.*

"Within its pages is compressed an enormous mass of information concerning the corporations of the United States. Each corporation is dealt with in a separate article, giving all the facts ascertainable about it up to the date of publication. Railroads, 'Trusts,' Telephone, Gas, Electric Light and Traction Companies, Mines, Banks, etc., are given with all possible fullness. It is plain that the utmost care has been taken in all cases to be accurate and perfectly clear. *The big work fairly bulges with facts.* To every piece of information a clew is to be found in the excellent index. If the person referring to the volume knows what he wants, the keyword in his own mind is certain to be in its alphabetical place in the index, and that will guide him to the page or pages whereon the knowledge he wants is printed. It is difficult for any one whose business has to do at all with the study of security values to get along without Moody's Manual."—*Toronto Mail and Empire.*

"An authority on corporations."—*St. Louis Globe-Democrat.*

"The standard authority."—*San Francisco Argonaut.*

"It is a mine itself."—*Hartford Courant.*

"Makes good the claim of the publishers to be the most complete work of the kind known in the United States."—*Springfield Republican.*

" A book which has grown to be a standard reference boo of the corporations of the United States."—*Iron Age, New Yor*

" The book is, perhaps, too well and favorably known to nee praise, but too much commendation can not be given to th splendid system of indexes, by which, at a turn of the hand, an information sought for can be located. This master key to th entire work is a feature of especial merit."—*Cleveland Financ*

" The book has now become in all its departments well nig indispensable to all who are interested in any way in corporatio finance."—*Wall Street Journal.*

" It is the only book issued which gives financial informatio in anything like complete shape."—*Leslie's Weekly.*

" The new edition quite lives up to its predecessors."—*Brooklyn Times.*

" Great pains have apparently been taken to present accurat statements."—*Engineering and Mining Journal.*

The Bureau of Corporation Statistics

Operated in connection with
Moody's Manual of Corporation Securities
35 Nassau Street, New York

The growth of corporate industry in this country during the past six years is in many respects the most remarkable phenomenon of modern times. In every conceivable line of human activity—commercial, financial, manufacturing, transportation, public service—great and extensive development has taken place.

And, consistently enough, this development has proceeded along certain definite lines. The period from 1897 to date might be looked upon as the transition period of the world's—and particularly America's—industrial forces. It has been a time of business change chiefly—not merely a growth in aggregate volume or output—but a change in method and in scope. In other words, it has been the period of evolution from small to large methods; from limited to unlimited capacity; from competitive to co-operative means of production and distribution.

With this evolution of the industrial organism numerous changes have taken place in the ideas, wishes and ambitions of business and professional men, and, in fact, of workers of every kind; many customs and habits in commercial and industrial fields have grown obsolete and have been superseded by others; new industries have been created and avenues opened for the production of wealth which were not dreamed of a few years back. These changes in the ways of wealth production have reached every walk of life, influenced all classes of people, and must be considered and their influence weighed by every business man. But while these changes in industrial life have been uniformly salutary in some respects, they have not consistently been so in others, and have given rise to many problems, both theoretical and practical, the solution of which is vital to the entire community.

Naturally enough, one class which is most vitally interested in the development of industrial matters and methods is that known as the " investor class." It is the investor whose capital is always at stake, and who is therefore most deeply involved in the success or failure of the enterprise. His class, too, is one which has naturally evolved from a small portion of the community to a very large one, as, since all undertakings of importance are now conducted on the corporate plan, he has necessarily become a stock or bond holder, where formerly he was a partner, or, as in many cases, sole owner.

Now, this growth of the investor class, and of the investor's field, has made it necessary that the details of all large businesses be given greater publicity than ever before; that the fullest knowledge possible be given the public regarding the ability and personnel of the corporation's management; its methods; its situation; its advantages; its political relations; its financial and commercial status, income, etc. And here is an instance of where the new industrial regime has created a new industry—that of the financial or corporation statistician. It has made this new vocation necessary and important, just as it has brought into being other business specialists—the underwriters, the men of affairs, and the so-called "generals of industry." Without the men of affairs and industrial experts generally, no large modern enterprise could be successful; and it is equally true that without some economical method of furnishing to the public accurate details and statistics of the many thousand public corporations, the investor, banker or broker would forever be at sea.

Following these logical lines, a natural and practical development of the past few years has been THE BUREAU OF CORPORATION STATISTICS, located at 35 Nassau Street, New York City. This Bureau furnishes general and special information regarding the entire corporation field, and covers all lines of industry—Steam and Electric Railroad, Industrial, Gas, Electric Light, Mining, Telephone and Telegraph, Banks, Trust Companies—in fact, all corporate undertakings and enterprises.

The Bureau of Corporation Statistics has grown with remarkable rapidity, both as regards its accumulation of information and its general patronage. It now embraces a financial library of thousands of volumes, and current data (increasing daily and systematically revised) regarding American and foreign corporations and investments of every kind and nature. Originally devised to supplement the information published annually in MOODY'S MANUAL in compact form, it has gradually developed until it has reached a point far beyond all previous expectations, and is now being operated as a distinct business.

Each subscriber is entitled to the full use of the financial statistical files, and to make special inquiries whenever he may desire to do so, either by personal call, mail or telephone. Reports are furnished to subscribers regarding all corporations and investment securities. The business is in no sense, however, a mere stock market "information bureau," and the reports furnished are not influenced or "inspired," and have no bearing on