5140. Also, petition of R. A. Fuller, Moline, Ill., favoring House bill 14759; to the Committee on the Post Office and Post Roads.

5141. Also, petition of Rev. W. L. Torrence, for people of Elmira and Stark Counties, urging that entire appropriation asked by the department be granted for dry-law enforcement; to the Committee on Appropriations.

5142. Also, petition of Duke Schroer, city clerk, Quincy, Ill., urging that Congress make ample provision for the preservation of the Quincy Harbor; to the Committee on Rivers and Harbors.

5143. Also, petition of Paul Blatchford, secretary Central Supply Association, Chicago, urging legislation enabling civilians to sue the Government for "damages by Government agencies"; to the Committee on the Judiciary.

5144. Also, petition of Mr. F. P. Hixon, president Shevlin Hixon Co., Minneapolis, Minn., opposing the placing of duty on lumber imported into the United States, particularly from Canada; to the Committee on Ways and Means.

5145. Also, petition of James McNabb, editor Carrollton Gazette, Carrollton, Ill., urging the passage of Mr. DYER's bill in behalf of men who were members of Philippine Scouts; to the Committee on Military Affairs.

5146. Also, petition of Mr. William B. Joyce, president National Surety Co., 115 Broadway, New York City, urging an appropriation for the continuance of the section of surety bonds; to the Committee on Appropriations.

5147. Also, petition of Joseph C. Belden, president Belden Manufacturing Co., Chicago, urging the passage of the Winslow measure, directing the Treasury Department to honor Interstate Commerce Commission certificates for partial payments; to the Committee on Interstate and Foreign Commerce.

5148. Also, petition of Mr. and Mrs. C. H. Yohn, Mr. and Mrs. Ray C. Peters, Mr. and Mrs. Roy E. Peters, and Chauncey H. Shamberger, all of Chicago, and Martin A. Shale, supervisor department of physical training, Springfield, Ill., all favoring the Fess-Capper bill, House bill 12652, substituting physical training for compulsory military training; to the Committee on Education.

5149. By Mr. YOUNG of North Dakota: Petition of Victory Post, No. 92, American Legion, Northwood, N. Dak.; Kindred Post, No. 117, American Legion, Kindred, N. Dak.; and Charles Beck Post, No. 102, American Legion, Van Hook, N. Dak., urging the passage of House bill 14157, bonus for ex-service men; to the Committee on Ways and Means.

SENATE.

FRIDAY, *January 21, 1921.*

(Legislative day of Tuesday, January 18, 1921.)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

Mr. SMOOT. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The reading clerk called the roll, and the following Senators answered to their names:

Ashurst	Harris	McKellar	Spencer
Borah	Harrison	Moses	Sterling
Brandegee	Heflin	Myers	Sutherland
Capper	Henderson	Nelson	Townsend
Colt	Johnson, Calif.	New	Trammell
Culberson	Jones, N. Mex.	Overman	Wadsworth
Curtis	Jones, Wash.	Page	Walsh, Mont.
Dial	Kendrick	Phipps	Warren
Dillingham	Keyes	Poindexter	Watson
Edge	Kirby	Sheppard	Williams
Elkins	Knox	Sherman	Willis
France	Lenroot	Simmons	Wolcott
Gerry	Lodge	Smith, Ariz.	
Gooding	McCormick	Smith, Ga.	
Hale	McCumber	Smoot	

Mr. CURTIS. I have been requested to announce the absence of the Senator from Connecticut [Mr. MCLEAN], the Senator from New York [Mr. CALDER], the Senator from Ohio [Mr. POMERENE], the Senator from Florida [Mr. FLETCHER], and the Senator from Oklahoma [Mr. OWEN] on official business.

Mr. GERRY. I wish to announce the absence of the Senator from Oregon [Mr. CHAMBERLAIN] and the Senator from South Dakota [Mr. JOHNSON] on account of illness.

I wish also to announce the absence of the Senator from Virginia [Mr. SWANSON], the Senator from Arkansas [Mr. ROBINSON], and the Senator from Massachusetts [Mr. WALSH] on official business.

The VICE PRESIDENT. Fifty-seven Senators have answered to the roll call. There is a quorum present.

CHAPLAIN OF THE SENATE.

Mr. LODGE. I ask permission of the Senator who has the floor for the consideration of the resolution which I send to the desk.

Mr. SHERMAN. I yield for that purpose.

The VICE PRESIDENT. The resolution submitted by the Senator from Massachusetts will be read.

The resolution (S. Res. 430) was read, considered by unanimous consent, and agreed to, as follows:

Resolved, That the Rev. J. J. Muir, D. D., of the District of Columbia, be, and he is hereby, elected Chaplain of the Senate.

CREDENTIALS.

Mr. CAPPER presented the credentials of J. W. HARRELD, elected a Senator from the State of Oklahoma for the term beginning March 4, 1921, which were read and ordered to be filed, as follows:

STATE ELECTION BOARD, STATE OF OKLAHOMA,
Certificate of Election.

The State of Oklahoma, to whom these presents shall come, greeting:

Know ye that at a general election held throughout the State of Oklahoma on the 2d day of November, A. D. 1920, J. W. HARRELD, the regularly selected and legally qualified candidate for the office of United States Senator on the Republican ticket, received the highest number of votes cast at said election for said office, as appears from the records of the State election board of said State.

This, then, is to certify that the said J. W. HARRELD is the regularly and legally elected United States Senator of said State for a term of six years, beginning with and from the 4th day of March, A. D. 1921.

In testimony whereof the State election board of the State of Oklahoma has caused this certificate of election to be issued by its secretary and its official seal to be hereunto affixed on this the 4th day of January, A. D. 1921, in the capital of said State.

[SEAL.]

W. C. MCALISTER,
Secretary of the State Election Board of the State of Oklahoma.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by D. K. Hempstead, its enrolling clerk, announced that the House had passed the bill (H. R. 15682) making appropriations for the current and contingent expenses of the Bureau of Indian Affairs, for fulfilling treaty stipulations with various Indian tribes, and for other purposes, for the fiscal year ending June 30, 1922, in which it requested the concurrence of the Senate.

PETITIONS AND MEMORIALS.

Mr. TOWNSEND presented telegrams in the nature of memorials from John L. Lovett, general manager Michigan Manufacturers' Association; Carl F. Clark, president Monroe Steel Castings Co.; Everitt Bros.; H. C. Schleuss; H. D. Robertson; the Chas. B. Bohn Foundry Co.; Kennedy Floyd & Co.; E. J. Woodison Co.; C. C. Everhart; W. H. Walker; J. H. Galloway, jr.; Neill Winters; C. E. Mitchell; A. J. O'Connor, traffic manager P. Koenig Coal Co.; Arthur Croyn; Peninsular Smelting & Refining Co.; and John S. Haggerty, all of Detroit, Mich., remonstrating against the enactment of the so-called Calder bill, to regulate the coal industry, etc., which were referred to the Committee on Manufactures.

He also presented a resolution adopted by the Detroit Live Stock Association, of Detroit, Mich., favoring a substantial increase in the Federal appropriation for tuberculosis eradication in cattle and hogs, which was referred to the Committee on Agriculture and Forestry.

Mr. NELSON presented a petition of the American Hoist & Derrick Co., of St. Paul, Minn., praying for the enactment of legislation amending the revenue laws relative to taxation of undistributed profits in relation to individuals and partnerships, which was referred to the Committee on Finance.

Mr. OVERMAN presented a petition of sundry citizens of North Carolina, praying for the enactment of legislation for the relief of the destitute and starving in China, which was referred to the Committee on Foreign Relations.

Mr. BRANDEGEE presented a petition of the jurors sitting in the case of the United States *v.* the Remington Arms, Union Metallic Cartridge Co., et al., at New Haven, Conn., praying for the enactment of legislation to increase the compensation of United States court jurors, which was referred to the Committee on the Judiciary.

Mr. JONES of Washington presented petitions of sundry citizens of the State of Washington, praying for the enactment of legislation to control the production, importation, exportation, and transshipment of opium, cocaine, etc., which were referred to the Committee on the Judiciary.

He also presented petitions of sundry citizens of the State of Washington, praying for the enactment of legislation to strengthen the Volstead prohibition enforcement act, which were referred to the Committee on the Judiciary.

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

UINTAH INDIAN RESERVATION LANDS, UTAH.

Mr. CURTIS. I report back from the Committee on Indian Affairs a communication from the Acting Secretary of the Interior, dated December 28, 1920, in relation to the leasing of irrigable Indian land on the Uintah Reservation, Utah, and claims for alleged damages arising in connection therewith.

I ask that it be referred to the Committee on Printing, with a view to having it printed as a document.

The VICE PRESIDENT. It will be so ordered.

EUROPEAN RELIEF.

Mr. BRANDEGEE, from the Committee on Foreign Relations, to which was referred the concurrent resolution (S. Con. Res. 35) submitted by Mr. SUTHERLAND on December 30, 1920, officially indorsing the relief work of the European Relief Council, and calling upon the people of the United States to contribute to its humanitarian activities, reported it with amendments and submitted a report (No. 708) thereon.

DISARMAMENT.

Mr. BORAH, from the Committee on Foreign Relations, to which was referred the joint resolution (S. J. Res. 225) authorizing the President of the United States to advise the Governments of Great Britain and Japan that the Government of the United States is ready to take up with them the question of disarmament, etc., reported it with amendments and submitted a report (No. 709) thereon.

DELAWARE RIVER BRIDGE.

Mr. EDGE. I report back favorably with amendments from the Committee on Commerce the bill (S. 4787) granting consent for the construction, maintenance, and operation of a bridge across the Delaware River from the city of Philadelphia, Pa., to the city of Camden, N. J., and also to consent to an agreement between the States of Pennsylvania and New Jersey and the city of Philadelphia for the construction, maintenance, and operation of such bridge, and I submit a report (No. 711) thereon. As the bill is of great importance, I ask unanimous consent for its present consideration.

There being no objection, the Senate, as in Committee of the Whole, proceeded to consider the bill.

The amendments were, on page 2, line 3, after the word "March," to strike out the numerals "3, 1899," and insert in lieu thereof "23, 1906"; on page 2, to strike out all of sections 2 and 3; and renumber section 4 to read "Sec. 2," so as to make the bill read:

Be it enacted, etc., That the consent of Congress is hereby granted to the Delaware River Bridge Joint Commission, acting in behalf of the States of Pennsylvania and New Jersey and the city of Philadelphia, to construct, maintain, and operate a bridge and approaches thereto across the Delaware River at a point suitable to the interests of navigation at or between Green Street and South Street in Philadelphia, Pa., and points approximately opposite in Camden, N. J., in accordance with the provisions of an act entitled "An act to regulate the construction of bridges over navigable waters," approved March 23, 1906.

SEC. 2. That the right to alter, amend, or repeal this act is hereby expressly reserved.

The amendments were agreed to.

The bill was reported to the Senate as amended, and the amendments were concurred in.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended so as to read: "A bill granting consent for the construction, maintenance, and operation of a bridge across the Delaware River from the city of Philadelphia, Pa., to the city of Camden, N. J."

COLUMBIA RIVER BRIDGE.

Mr. EDGE. I report back favorably with an amendment from the Committee on Commerce the bill (S. 4825) to extend the time for the construction of a bridge across the Columbia River, between the States of Oregon and Washington, at or within 2 miles westerly from Cascade Locks, in the State of Oregon, and I submit a report (No. 710) thereon. I ask for the immediate consideration of the bill.

There being no objection, the bill was considered as in Committee of the Whole.

The amendment was, on page 1, line 9, before the word "years," to strike out the word "two" and insert "one and three," so as to make the bill read:

Be it enacted, etc., That the times for commencing and completing the construction of a bridge and approaches thereto across the Columbia River at a point suitable to the interests of navigation at or near a point within 2 miles westerly from Cascade Locks, in the county of Hood River, State of Oregon, authorized by the act of Congress approved February 3, 1920, are hereby extended one and three years, respectively, from the date of approval hereof.

SEC. 2. That the right to alter, amend, or repeal this act is hereby expressly reserved.

The amendment was agreed to.

The bill was reported to the Senate as amended, and the amendment was concurred in.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

BILLS AND JOINT RESOLUTIONS INTRODUCED.

Bills and joint resolutions were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. SPENCER:

A bill (S. 4894) to provide longevity pay for reserve officers and National Guard officers serving under orders of the War Department; to the Committee on Military Affairs.

By Mr. CURTIS:

A bill (S. 4895) to amend section 6 of an act approved January 17, 1914, entitled "An act to prohibit the importation and use of opium for other than medicinal purposes," approved February 9, 1909; to the Committee on Finance.

By Mr. WADSWORTH:

A bill (S. 4896) for the relief of the estate of Joseph Matthews; to the Committee on Claims.

By Mr. KNOX:

A bill (S. 4897) to amend section 9 of an act entitled "An act to define, regulate, and punish trading with the enemy, and for other purposes," approved October 6, 1917, as amended; to the Committee on the Judiciary.

By Mr. TOWNSEND:

A bill (S. 4898) to amend the transportation act, 1920; to the Committee on Interstate Commerce.

AMENDMENT TO EMERGENCY TARIFF BILL.

Mr. JONES of Washington submitted an amendment intended to be proposed by him to House bill 15275, the emergency tariff bill, which was ordered to lie on the table and be printed.

MEAT-PACKING INDUSTRY.

Mr. STERLING submitted an amendment in the nature of a substitute intended to be proposed by him to the bill (S. 3944) to create a Federal live-stock commission, to define its powers and duties, and to stimulate the production, sale, and distribution of live stock and live-stock products, and for other purposes, which was ordered to lie on the table and be printed.

Mr. SMOOT submitted nine amendments intended to be proposed by him to the bill (S. 3944) to create a Federal live-stock commission, to define its powers and duties, and to stimulate the production, sale, and distribution of live stock and live-stock products, and for other purposes, which were ordered to lie on the table and be printed.

COAST GUARD ACADEMY, NEW LONDON, CONN.

Mr. BRANDEGEE submitted an amendment proposing to appropriate $281,345 for central heating and power plant, quarters for commissioned officers and warrant officers, remodeling and relocating certain buildings, providing facilities for small boats, filling and grading and retaining walls, and purchase of additional necessary land at the Coast Guard Academy, New London, Conn., intended to be proposed by him to the sundry civil appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed.

SUPERINTENDENT OF HOUSE DOCUMENT ROOM.

Mr. NELSON submitted an amendment proposing to increase the compensation of the superintendent of the House of Representatives document room from $2,900 to $3,500 intended to be proposed by him to the legislative, etc., appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed.

DISARMAMENT.

Mr. FRANCE submitted an amendment intended to be proposed by him to the joint resolution (S. J. Res. 225) authorizing the President of the United States to advise the Governments of Great Britain and Japan that the Government of the United States is ready to take up with them the question of disarmament, etc., which was ordered to lie on the table and be printed.

HOUSE BILL REFERRED.

The bill (H. R. 15682) making appropriations for the current and contingent expenses of the Bureau of Indian Affairs, for fulfilling treaty stipulations with various Indian tribes, and for other purposes, for the fiscal year ending June 30, 1922, was read twice by its title and referred to the Committee on Indian Affairs.

COMPENSATION OF UNITED STATES EMPLOYEES.

Mr. JOHNSON of California. Mr. President, a parliamentary inquiry. Yesterday there was pending before the Senate the bill (H. R. 5726) to fix the compensation of certain employees of the United States. It is still pending.

The VICE PRESIDENT. It is.

Mr. JOHNSON of California. While pending, the Senator from Illinois [Mr. SHERMAN] made his address and is in the midst of the address, in which he digressed from that particular bill to speak upon the packers' bill. The RECORD states that "the Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 3944) to create a Federal live stock commission," and so forth, and that the Senator from Illinois spoke upon that particular bill.

The VICE PRESIDENT. There is something wrong with the RECORD. The Chair understands the parliamentary situation to be that what is known as the emergency tariff bill is before the Senate as the unfinished business and has been temporarily laid aside for the purpose of considering what is known as the minimum wage bill. The Senator from Illinois is ostensibly speaking on the minimum wage bill, but in reality he is talking about the packers' bill, as he has a right to do. The rules do not require a Senator to speak to the matter in hand.

Mr. JOHNSON of California. I merely wished to have the RECORD corrected in that respect.

MEAT-PACKING INDUSTRY.

Thursday, January 20, 1921.

Mr. SHERMAN. Mr. President, I wish to avow frankly to the Senate that I rise for the purpose of discussing at some length the packers' bill. It has been agreed that a vote shall be taken next Monday on that measure, and in all probability the vote will be a final one both as to the amendments and the bill itself. I therefore have thought it proper to take such time as might be reasonably necessary to discuss the bill and its various proposals for the regulation of the business concerned, as well as a general consideration of live-stock production, the packing industry, and foreign and domestic markets.

I know of no particular reason, Mr. President, why the packing industry should be singled out to be governed by a commission more than many other enterprises handling staple products. Meat is no more necessary than many other of the essential elements that enter into the living or the kitchen of the average family. Bread ordinarily is spoken of as the "staff of life." There is no more reason for placing the meat industry of this country under commission rule than there is for placing the various flouring mills of the United States, both as to their domestic and foreign markets, under commission rule. Coal, iron, steel, leather, footwear, clothing, building material, medicines, drugs, chemicals, and a host of other merchantable products which enter into the common necessities of the average family offer the same reasons for being placed under a commission that are offered in the case of the meat industry.

The suggestion is often made that, because of the alleged inordinate profits of the packers, some diminution of the margin between cost and selling price ought to be made under the regulatory hand of a commission. The charge is further made that no new money has been put into the packing business for many years; that the reinvested profits of the business have built up the industry to its present magnitude. The charge is heard that they control the purchase of live stock in the live-stock markets of the United States, and that they control the selling price of their packing-house products so that ultimately both producer and consumer are at their mercy. The large packers are, it happens, all found in Chicago, and the charges are leveled against five particular companies or families engaged in the packing business. The five have from the beginning of the meat industry in this country developed their business, it has so chanced, in the largest live stock, and the largest but one of the banking, railway, and commercial centers of the United States. If they have grown to large proportions there, it is no more than other legitimate occupations have done. In the same time that Armour, Morris, Swift, Cudahy, and the predecessors of Wilson & Co., in Chicago, have grown to their present status in the packing business, the estate of Marshall Field, and the business of Marshall Field in his lifetime, have grown into many millions of dollars. The Senator now occupying the floor can remember the time when Marshall Field carried a sample case upon the railways in Illinois, selling dry goods for his own house in Chicago. I can remember when Montgomery, Ward & Co. began business as an original grange supply store. It was intended to eliminate one or more of the middlemen standing between the producer and the consumer. I can remember when Sears, Roebuck & Co., of Chicago, were a small house, and can almost remember when their general freight business was hardly enough to attract the soliciting agencies of the freight departments of the principal railways whose home offices were in Chicago.

The founder of the business came down from Wisconsin and finally formed a partnership. The firm afterwards became Sears, Roebuck & Co., and grew to its present magnitude, now under the management of Julius Rosenwald, at the same time that the packing-house industry in Chicago has grown to its present volume of business.

While the packing industry has grown, there has been a marvelous expansion in every other legitimate enterprise of the United States where its business centered in the larger municipalities of the country. It is to be expected that these industries will either grow, or languish and perish. It is characteristic of every large municipality—from New York and Philadelphia to Chicago, St. Louis, Kansas City, and elsewhere—that no business can last long unless it is commercially successful. It can not live upon very small dividends or no dividends, or take risks upon doubtful percentages of profit. It either goes up or goes down, following the swift rise or fall of commercial enterprises in every great metropolitan district.

So the undertakings that are singled out in this bill are no more in their growth to be the subject of invidious criticism than many others that have grown to figures that are colossal to the average mind. I have seen, as men of my generation have, the iron and steel business of the United States expand to tremendous proportions. I have seen the largest corporate enterprise in the world created in the United States in the individual incorporation known as the United States Steel Corporation. It was the first billion-dollar corporation the world ever knew. We have all seen the development in oil, and how it expanded from a local business. The first oil territory was developed in the State of Pennsylvania. We have seen it grow until it reached the status now attained by the Standard Oil Co.

The Standard Oil Co. is not the only large oil company in the United States. The Sinclair Oil Co. is another. It draws its supplies largely from Oklahoma and from the southwestern oil fields. The late Secretary of the Interior, Mr. Lane, lately became identified with the Sinclair Oil people, to take his experience, his knowledge, and his ability to handle large matters to the conduct of that business.

It is not proposed to put the oil companies under any commission. They were prosecuted several years ago as being in violation of the antitrust act. They embraced not only the Standard Oil Co. but a variety of subsidiary concerns. They were all under one head. This suit was for the purpose of dissolving the single control. They were dissolved finally by a decree meeting with the approval of the Federal Supreme Court. Each of these subsidiary companies is now operating as an independent company, every one of them handling any of the products, whether it be refined oil in some particular form, such as Pratt's Astral Oil, supposed to be a superior illuminant in the day when oil held the lead in that particular, through all the various by-products of lubricants, vaseline, and so forth. All of those companies handling it were dissolved and returned to their constituent bodies. The only result has been to increase the requirement for several bookkeepers on the part of the owners of the Standard Oil Co. and of the subsidiary companies. No change has been observed in the prices. No change has been observed upon the stock market in the dividends paid. The consuming public has not complained of the prices paid for the finished product, and they have been reasonable, nor has the investing portion of the public complained of the return upon its investments. The stocks are still for sale upon the general market.

If there be monopolies because merely of size and success, there are as many alleged monopolies in the oil business as there are in the packing business. As a matter of fact, there are no monopolies in either. The business is an open one, and all the year is an open season for anybody to engage in either or any of the larger occupations of the United States at his pleasure.

It has so chanced in the development of affairs that two of the largest live-stock markets in the world are found in the United States. The first is Chicago. The other is Kansas City. Neither has gained this preeminence by unfair means. First, Kansas City is at the gateway of a great stock-producing region. It commands, both by reason of railway transportation and by natural advantages, great strength in that particular. Therefore much of the western and southwestern country seeking a live-stock market gravitated into Kansas City. It followed, it did not precede, the development of the live-stock business in Chicago. The live-stock market in Chicago, for similar reasons, expanded earlier. It began shortly following the close of the Civil War, when all forms of industrial activity took on renewed life and volume, when the danger of a division of the States was past. We became national in character, and the manufacture, transportation, and commerce of the country flowed undisturbed through all of the trade veins of the Union. So in Chicago began, as well as Kansas City, the phenomenal growth in many lines of enterprise. In none is it more remarkable than

in the live-stock and packing business of the country. If it were possible to touch so prosaic a subject with the wand of imagination, it would be the greatest industrial epic in the world.

It is not merely a live-stock market that is sufficient. There must be other facilities. There must be housing facilities for the numerous employees required in a large business. More than 60,000 people are upon the Armour pay roll; more than that number are upon the pay rolls of Swift & Co., and large numbers are upon the pay rolls of the other packers, Armour and Swift taking the lead in the volume of business transacted. In like manner their houses or branch houses at Kansas City employ large numbers. Great housing facilities are required to care for the employees. Naturally there collect or grow up with or about every large live-stock market banking facilities, cattle loan associations, steam railways, the ordinary commercial lines that all develop together as a natural result of a great center of population. So the packing business normally tends to develop to its full stature in a larger city. Such a packing business could not exist in a town of 5,000 inhabitants. There are no such facilities as are required for their trade, even their domestic volume.

In the beginning of the packing business their market was purely domestic. It was limited in character. Before the days of artificial refrigeration there was no thought of extending the fresh-meat market beyond what could be slaughtered and consumed within a single day during any of the warm months. More than a merely local traffic was not to be thought of in the meat business, except during the severe cold of the winter months and in northern latitudes. Because of this limitation the larger part of the meat business was confined to cured, pickled, salted, or preserved meats that would keep a reasonable length of time and stand higher temperatures.

Matters went on this way, the market absorbing such quantities of live stock as it could assimilate and find a market for among the consumers of the country until a change occurred, beginning in its infancy in 1870. The Senator now occupying the floor can remember, in the principal live-stock markets of the western country, when there was no continuous market. The market was local in character. It was at its best but, say, three times a year. There was a fall market, a spring market, and a summer market to supply the local demands of the fresh-meat producers for such a limited area, as it could be slaughtered and consumed in a limited time. There was no such market as that which exists at the present time. The authors of this bill seem to contemplate that a market for live stock is a natural thing, that it is like fresh air, as free as water, and, like the elements, distributed under the unvarying, unchangeable laws of nature; that a live-stock market will rise anywhere it is wished, and all to be done is merely to touch the magic rug and we will be transported for thousands of miles by the mere wish of our imagination and without the expenditure of a dollar, an hour of thought, or the burning of a ton of coal. Nothing in all the vital relations of civilized society is so complex, sensitive, and subject to destruction as a live-stock market and packing center. It is all artificial, and the clumsy hand of careless or malevolent ignorance can dislocate its mechanism as surely as an incendiary or negligent torch can burn a city.

However, Mr. President, the live-stock market did not exist in Chicago and Kansas City, taking those two as the leading markets of the country at one time. It was purely local in its character. It grew, from well-understood economic causes, to its present magnitude just as the jobbing houses in dry goods in New York City have grown to their present prominence, just as other lines of legitimate enterprise have developed in their day and time until they now occupy the field.

In the seventies Hammond, the elder Armour, the elder Swift, Nelson Morris, and possibly others began to consider the possibilities of artificial refrigeration. Chemists had learned, not as the philosophers of an earlier time had, that artificial freezing was something to be controlled by human agency, not as a mere curiosity nor a toy in the laboratory, but as a great industrial and commercial possibility.

Artificial refrigeration had grown until it became a manufacturing process in embryo. Soon refrigeration in ice boxes and compartments became common, and from that the inquiring, inventive genius of the American mind has naturally led on, as from the bed in your bed chamber or mine Pullman was led to invent the sleeping car for the traveling public.

So those packers, some of them thinking along the same lines, worked out by means of artificial refrigeration the use of ice, brine tanks, and beef racks in a car for the purpose of producing what to-day is the developed and completed refrigerator car. They demonstrated to their own satisfaction its usefulness and its practicability.

They went with their models, with their demonstrations, to the managers of the principal railway lines leading out of Chicago. Even before that time the live-stock car had been developed. It was a specially constructed car for the transportation of meat-producing animals on the hoof. The railroad companies as a rule declined even to build a stock car. They declined with increasing vehemence the proposal to build a refrigerator car and give it as a part of the common carrier service to the packers. The average steam railway manager, who is responsible to his stockholders for results, and to the board of directors as well, has come through many hard experiences to his present knowledge of railroading. It was so even then, a matter of nearly 50 years ago.

They declined to experiment. The whole steam railway business, from its infancy up to the time of their declination to build refrigerator cars, had been a series of developments through costly experiments. Some of them had been disastrous to the investor. There is scarcely a large steam railway system in the United States which does not represent a concentrated capital and the sinking of vast sums of the original investment. It means bankruptcies and receiverships, reorganizations, and the scaling of debts, the par value of securities, and the reformation into new companies. It represents consolidations of constituent companies, hostile legislation, business depressions and panics, and with all this experience in their minds, they declined to enter upon the manufacture of a fleet of refrigerator cars which ran in cost into millions of dollars of good cash.

There was but one remedy left. If the packers extended their market beyond a mere local area of 30 miles or so about Chicago or Milwaukee as a center, it remained for them to demonstrate their faith in their own opinions of refrigerator cars by manufacturing those cars themselves. They did so, and when they did it they followed the course of the successful enterprising men in every other enterprise of any magnitude in this country. When the oil business assumed proportions, when it became vital to the industries of the country, the oil-tank car was invented. Later pipe lines came, and both of them are the necessary instrumentalities of every large oil business in the world, and especially in our own country, where distances are so great to be traversed between the centers of production and the large areas of consumption.

Therefore the packers manufactured and, under arrangement made with the steam railroads, transported their own products, their own fresh meat, in the refrigerator cars from their packing houses to the principal markets of the country. This enlarged the dressed-beef market of Chicago, of Kansas City, of St. Louis, Omaha, St. Paul, and some minor points in the United States in later days from a local market to a national market. Instead of being local, the fresh-meat business became continental in character. Later, when the same refrigeration idea was applied to ocean transportation, the fresh dressed-meat business became international in its export character, and is so to-day, as well as continental in our domestic affairs.

It is now charged in the investigations and the reports made of the packers, Mr. President, that they have committed a great economic offense in owning refrigerator-car lines. So far as there are packing companies operating refrigerator-car lines through separate but affiliated corporations, it is for the purpose of keeping an account of the cost, operating expenses, and earning powers of the cars. It is merely a bookkeeping question. By segregating the original cost of a fleet of refrigerator cars, their maintenance, the charges paid for transportation, and a fair dividend upon the investment, it can be found what the refrigerator car costs to the fresh-beef market, as well as the fresh-beef producer. It has been found, for instance, by this segregation of costs that the refrigerator-car lines are not profitable investments. Some of them lose money, taking a series of years. Some of them no more than pay for themselves and come out even, so that at a given time in the lifetime of a refrigerator car, from its construction, operation, and maintenance until it is on the scrap heap, it would no more than keep itself even, and, like any other of the machinery of the packing house, when it is worn out it must be charged up to profit and loss as a part of plant depreciation.

There is no one of the packers, large or small, owning from 1 packing car to 6,000 or more, who has a practical knowledge of a refrigerator car, who is not uniform in his testimony in the voluminous hearings held in the House before what is commonly called the Sims committee, and before the Senate Committee on Agriculture, of which the senior Senator from North Dakota [Mr. GRONNA] is the chairman, who does not say that it is not a profitable investment. They add that they went into the refrigerator-car business in order to furnish a necessary instrumentality in the fresh-dressed beef or meat trade, which otherwise they could not have; and without these instrumen-

talities their business is of a purely local character, both in slaughter and in distribution.

I can only approximate it, but there are altogether about 20,000 refrigerator cars in the United States equipped for that line of business. They comprise a well-built car with proper sides, with brine tanks, with meat racks, and otherwise constructed to handle that particular line of trade. There are some twenty or more thousand other refrigerator cars, but not of the refrigerator meat-car variety. The others are used in the transportation of vegetables, of perishable fruits, and of that character of market gardening that is of a fragile or perishable character, and requires speedy transportation from southern points to a northern market during the winter months.

The United Fruit Co. did not of itself, except as a necessity, build the fruit car, ventilated and regulated as it is, for the transportation of perishable tropical fruits. Its office is in Boston. It has made the fresh-fruit market of this country as we now know it possible, as the packer has made the fresh dressed meat of the country accessible to distant points. Without it the banana trade would be a nullity, without it pineapples and the large volume of tropical products which northern latitudes had never seen have been opened to the kitchens and the tables of all the peoples of North America.

I have heard many criticisms of the United Fruit Co., much of them of the same character as those directed against the packers. Much of it, too, has come from alien sources. Great Britain's authorities have more than once pointed out the fact that while originally her zone of influence in Central America and the island of Jamaica covered all the sources of banana raising, the trade is now taken by Americans, and the profits upon that business were diverted to American exchequers. Costa Rica, Honduras, and certain others of the Central American countries are, by nature, designed as the great banana-producing areas of the world. Two-thirds of all the bananas of the world are raised in Central America and Costa Rica, and more recently Honduras, it is now claimed, holds the lead in the production of that article.

The other third of the supply of merchantable bananas that goes into the commercial markets of the world comes from Jamaica, a British possession, and there is where our British cousins good naturedly find cause of complaint. Commercially, in world-wide business, the Englishman has learned to cover the globe and he, of course, notices any alien enterprise even if it be American who enters upon it, somewhat as a poacher is upon the grounds of some noble lord. The same criticism which applies to the United Fruit Co. has been applied with great vigor to the packers, because they, too, have not been content to remain in the domestic market, but have gone abroad.

Before I take up the full limit of their activities, Mr. President, I wish to say that in one live-stock animal the United States holds preeminence over the world. She will continue to hold it unless it is taken from her by South America, notably, the Argentina country, and I doubt whether it will ever be done there.

I remember some years ago when we had a United States minister in Denmark. He came from Illinois. Every time a melancholy Dane grew dyspeptic it was attributed to eating American pork. One day the family of some noble gentleman was seized with intestinal convulsions, which resulted in some discomfort. They laid it at once to the American hog and an embargo went out upon that animal. The minister, being of an inquiring turn of mind and being himself from the great American hog-belt, investigated it. He obtained access by consent, under the guise of being an investigator and a searcher for truth, whatever it might be, to the kitchen of the family. He found the iron vessel in which the pork had been prepared. Not satisfied with merely looking at it, he noticed that the interior surface had collected some strange looking substance. He diligently scraped off a quantity of it and took it to a competent chemist to have it analyzed.

The chemist promptly reported that it had been taken from a dye pot, and asked where he got it. He kept his own counsel, ascertained the evil effects of such dyes upon the human anatomy when taken internally, and soon discovered that some of the ladies of the household had been refurbishing their wardrobes and putting up some new colors for spring appearance, and had used this identical pot for dyeing some of their silk wear. I forbear to tell the character of the wear. Senators with more or less vivid imagination can draw their own conclusions. Nevertheless, some of the dyes remained adhered to the interior of the surface of the pot, and in boiling the pork some deleterious quantity had been absorbed in the American hog. The noble family consumed it, with the result aforesaid, as lawyers are wont to say.

A report was promptly made. The United States consul was called upon, and a consular report was forthcoming through official channels. In a little while the American hog was exonerated and his edible character fully restored, but it took persistent advertising, investigation, and official action to remove the ban that had been placed upon American hog products by this accident.

Not many years ago pellagra and various other diseases were charged to the consumers of corn products in Europe. People in Europe do not eat corn meal, dried corn, canned corn, corn in any of the 100 or more various forms of product which the Corn Products Co. sends out as merchantable in the markets. They think it is hog feed. We eat it; they do not. When they were subjects of charity and we sent them corn meal, they often indignantly refused it and preferred to suffer hunger than eat it. In South Africa they have learned better. The mealies, as they are called in South Africa, are nothing more than corn. It is our maize grown south of the Equator.

I call attention to these instances for the purpose of illustrating the power of prejudice, of hostility to an American product, to the difficulty of opening up foreign markets, and the readiness with which anything is seized, foreign or domestic, to destroy our export trade. It will illustrate the damaging character of the Federal Trade Commission's report hereinafter referred to.

Pork products and the raising of the hog can never be separated from the United States. The hog as a commercial article must be raised near the great corn belt. The two are contiguous and twin companions for the supplying of the human table. I know that by the Mosaic law the hog is an unclean animal, but for many centuries a great portion of the human race have used it as an article of food, and with modern development it may be confidently asserted that the hog is one of the permanent principal food-producing animals of the world. South Africa produces him, and by the increased production of corn in that area as well as in the Argentine country the hog there becomes a profitable, merchantable product.

So it is a perfectly natural reason why in Chicago and Kansas City the great live-stock markets of the country have been developed. They did develop and have developed to an unexampled magnitude, not only in pork products but all other meats, so much so that they have excited the alarm of various gentlemen holding Government positions. Here is something I desire to read, not from a wicked packer, not from some dry goods millionaire, but from a national bank, the Irving National Bank of New York. It is seldom that a bank has a sense of humor or permits it to become visible; but this extract rivals anything that Juvenal or Voltaire ever wrote, and the bank is as unconscious of it as we are of being statesmen:

> In the atmosphere of government, as for years we have known it in this country, there appears to be some quality which makes nearly impossible a proper relationship between this atmosphere and the other atmosphere which surrounds it. There appears to be in this atmosphere of government some strange poison which in its milder effect, even upon the sound business man who goes into government, causes him to view himself and his function with a seriousness not in the least justified by facts.
>
> In a more serious form it causes him to imagine that his is a heaven-sent function, and that his chief duty on earth is to discipline some one or to check something, to interfere with some one's plans, to throw the proverbial monkey wrench into some one's machinery. In other words, he is disposed to exercise a function in which the destructive predominates and in which is to be found but little which may be of actual use in building up things.
>
> In the third stage, and unfortunately this stage is not necessarily fatal, he becomes the great protector of the downtrodden, the enemy of oppression, and Wall Street, money domination, and so forth, assume deadly form in his mind. At this stage he usually becomes famous in his home town as an orator.

If there was ever any more complete description of the genesis, the development, and the full flowering unto the perfect day of a demagogue written in the English language, it is written by this prosaic bank that would have the world think it as void of a sense of humor as a cobblestone.

Unfortunately some of these gentlemen have been in public office during our time in the Senate. They have been charged with responsibilities and vested with power. The power rightly used could have been an auxiliary to business. It could have developed our domestic trade and been of infinite value in the development of our exports. Instead of being a menace and exercising the destructive power which they have shown, they might, with an admonitory hand, have directed business where it was in doubt about what it could properly do and where enterprise waited upon the decision of the hour. It could have helped American enterprises in their struggles to enter foreign markets instead of serving as a club in the hands of their distant competitors.

During the depression in 1915 in the bituminous coal trade in the western area, as I now remember, a number of coal operators came to Washington. They laid before me a method by which they could divide the business and open up the idle shafts. Towns of 4,000 population were idle and county support through the poor laws had to be given to some of the dependent families. They desired to remove that condition, but they could only do it

by allocating their output to various markets, and to do that they wished to know whether they would violate the Sherman antitrust law.

They came here with their plan on paper. I took it to the Attorney General's office, that being one of the very few times in the eight years now drawing to a close when I have gone to any department asking anything. I laid the plan before the Attorney General. The Attorney General looked at it and said he could give neither approval nor condemnation; that it might be that upon complaint it would be found to be a violation of law and he would be called upon to indict and prosecute those who entered into it. He said:

> My reasons are further strengthened by the creation of the soon-to-be-in-operation Federal Trade Commission. It is designed to cover just such cases as this, so business men who are in doubt may go and lay their method of transacting business before the commission, and, even if the commission should be mistaken, it would take away any intent of wrongdoing from the contemplated action, or at least it would result in no more than a restraining order or, at most, a nominal fine.

So the Federal Trade Commission was created. Very much was hoped from it. Several gentlemen were appointed upon the commission. They entered upon the discharge of their duties. They have up to the present time produced a number of reports. In response to a Senate resolution of June 10, 1918, they presented a report on profiteering. In contains a mass of material in its 20 pages of printed matter on the dividends of a variety of occupations. In it they lose no chance, of course, to single out the packers as being the chief among the offenders; but the fact remains, nevertheless, that in many other occupations the earnings during the war period, both before we entered the war, prior to 1917, as well as subsequently, were far in excess of those of the packers. Without reading from the pamphlet at length, I note amongst the industries in that category those producing steel, copper, zinc, nickel, sulphur, lumber, coal, petroleum and petroleum products, leather and leather goods. The latter articles may be, directly or indirectly, connected with the packing industry, and so, perhaps, ought to be excepted. I also note the producers of flour, canned milk, and salmon.

I have prepared some additional instances of great profit-earning industries in order to supplement the commission's report since that time. The Western Grocery Co. earned dividends of 19.52 per cent; the Texas Co.—an oil company—earned dividends of 31.77 per cent; the Quaker Oats Co., 20.20 per cent; the Anaconda Copper Co., 20.80 per cent. The Federal Reserve Bank of New York, a Government enterprise, has made earnings which are worthy of note. It must be remembered that the Federal reserve banks took all of their capital stock with which to do business from the member banks; they seized all of the reserves of the member banks and segregated them in the hands of the Federal reserve banks. The New York Federal reserve bank shows earnings of 109 per cent. So the Government is considerable of a profiteer. With money rates running from 5 to 7 per cent up to "call" money at almost any price during the emergency which the person requiring it could pay, it looks as though 109 per cent to the Government would justify some reduction in their dividends and a corresponding reduction of interest rates to the borrowers at the several member banks, because that is where the trouble begins. Member banks are the ones who deal with the depositor and borrower; they are the ones who keep their hands upon the pulse of business and know what is doing in their respective communities. The Monarch Rubber Co. earned a dividend of 30 per cent. In view of these supplementary figures, I submit that the packers are not the only concerns which have made fair or large dividends in their business. There have been many other industries whose profits have been quite as large as those of the packers.

The agricultural-implement business has developed greatly. I can remember the first corn planter I ever saw. Corn planters came in about the day when I was the right weight for the hand dropper, and the boys of my age all remember that we were impressed in the service. We were told, with flattery such as nobody but an old farmer knows how to use, just how we fit on the seat of one of the old wooden corn planters and how the Lord had ordained that we should grow up to be just right for the corn planter at that time. So we fairly enjoyed working ourselves to death and became good droppers. There were no checkrowers in those days. The agricultural-implement business grew apace.

The old hand rake and hand dropper passed away; the self-binder and the mower came, and the cradle, the scythe and the sickle, of literary and biblical days, passed into the discard. With all of this development of farm machinery, of gang plows and steel moldboards, there came a tremendous expansion of agricultural implements. From the time that John Deere started on the banks of the Rock River, in Rock Island, Ill., in 1849, there has grown up on the site of his old shop the John Deere Co., one of the large agricultural implement companies in the world. In common with the Moline Plow Co., with Parlin & Orendorff, at Canton, Ill., and other very large concerns in that section, it has become one of the largest agricultural-implement producing areas in the world. The International Harvester Co. was organized. This will be referred to again. Many of those companies send products around the world; until the great World War it sent them everywhere. The wheat fields in the vicinity of the Black Sea and all the tributary country saw American agricultural implements putting in the crops. They broke the soil in Rumania; American plows cut the sod in Argentina. The American companies sent their agricultural implements to every country where modern agriculture has taught humanity to raise a crop by modern methods. Other great areas developed; and so down State in Illinois, in Indiana, in Ohio, in Missouri, and in all the great sections of the West that are agricultural or of a live-stock raising character the agricultural-implement business grew to great proportions. After a while the International Harvester Co., already referred to, was formed. Its formation led to a prosecution; it further led to a decree in the Supreme Court of the United States, not so long ago, to the effect that, while it was a monopoly in some of its characteristics, it was a harmless monopoly; that, while it was a giant, it had used its gigantic power temperately, to no man's injury; that it had reduced the prices of its products and had opened up new markets; had placed new inventions upon the market; and had been a benefit rather than a burden upon the farmer since its combination. That company paid some dividends, and that was regarded as an unanswerable criticism to be made of them.

The mail-order houses and the great grocery houses grew up during that time, Mr. President. Let me present you, Senators, with a concrete fact. It is not necessary for one living within a radius of 300 miles of any mail-order house or any of its branches in the respective parts of the United States, and especially east of the Rocky Mountains, to order groceries over the telephone.

With that radius it is possible for a person to send an order for anything he needs, from groceries to farm tractors, to a mail-order house and by the following Monday the order, if accompanied by a check, is filled; the tractor will be in the barnyard and the grocery order will be on the back porch. Orders can be sent by telegram. The mail-order houses are the most complete retail business houses in the world.

I know there is a hostility against them, and I know exactly where it comes from. It comes from the retailer and from the jobber. In buying from any of the three or four largest mail-order houses in the world the consumer buys direct from the jobber, because those houses are jobbers and they omit in their economic processes the middleman known as the wholesaler. They have raised up against themselves a host of critics, it is true. We have not forgotten the vociferous crusade against department stores a few years ago by a great army of small retailers. It was insisted nobody be allowed to sell hardware and dry goods in one store. In like manner we have had of late years many criticisms of the number of middlemen who are living off of merchantable products from the time they leave the producer, especially in the case of food products, until they reach the consumer's kitchen.

In last week's number of the Saturday Evening Post there is an article by Mr. Atwood, who takes up this subject at some length. While ordinarily I do not quote newspaper articles, the one referred to so tallies with human experience that I am disposed to quote a paragraph from it. It presents further the indubitable fact that if the middleman in this country is to be eliminated his elimination must come as a result of economic processes and not by any wildcat legislation. There is no legislation in the power of the Congress of the United States or of any State legislature that will destroy a middleman for 24 hours if he is found anywhere in response to an economic demand. He has become a part of the distributing machinery, and he will remain a part of the distributing machinery until economic processes have removed him. Alluding to this subject at great length and fullness of detail, Mr. Atwood says:

> Current distributing practices embrace the entire range of known procedure, all the way from complete dependence upon the middleman for creating and maintaining a market, through every degree of co-operation up to complete assumption by the producer of the entire work of distribution. First of all, we have manufacturers who sell direct to retailers or who even maintain their own retail stores.

The Douglas Shoe Co. is a good illustration of that. That company, a Massachusetts house, maintains branches, sells its own shoes, advertises everywhere, and, as a result, has gained the unmitigated hostility of a certain line of business conducted by retailers; but it has survived that hostility.

Some of the largest manufacturers are free from any entanglement with wholesalers.

The packers and also the milk distributors in the larger cities have cut out the orthodox wholesaler from two important classes of perishable food products. The wholesaler to some extent has been crowded out of the ready-made clothing field; automobile manufacturers seem to have skipped the wholesaler or jobber quite successfully; and the same is apparently true of the many manufacturers of sewing machines, adding machines, candy, and shoes, who, in addition, have in numerous cases established their own retail stores.

I might parenthetically remark that the Singer Co., the largest single manufacturer and distributor of sewing machines in the world, have their own branch houses and sales agencies. It is possible to buy a Singer sewing machine at Pretoria or at Cape Town, at Alexandria, Egypt, or in any part of the Orient. Where machine sewing is known, the Singer sewing machine can be bought. They maintain their own agents, their own branch houses. They do not sell to retailers, but if a purchaser desires a Singer sewing machine he can go to a Singer agent and get it. The agent represents the company at the particular point, and such agents and selling agencies are found everywhere. It is called a monopoly by some, and it is a monopoly if wealth and business ability produce a monopoly, and ordinarily those two combined do in their respective lines of effort produce at least a large concentration of the trade in the particular line.

I might here remark, too, Mr. President, that indictments were secured against the milk producers in northern Illinois within the last two years, embracing farmers and farmers' associations—those who raise for the dairy trade, and especially who send their milk into the Chicago market.

A large number of dairymen, of farmers keeping dairy cows or herds, were indicted for conspiracy. They were prosecuted. They were not prosecuted at the instigation of the consumer. They were prosecuted by those who bought and sold milk in Chicago. It was the middleman, the distributor, who stood between the dairyman and the consumer of milk, who wished an exclusive right to distribute milk in Chicago, and who procured the indictment to perpetuate themselves. It was tried, and the defendants were found not guilty. All the milk producers in northern Illinois, all through the Fox River Valley and the Elgin country, reaching up into Wisconsin, have now formed a distributors' agency, incorporated it, and sell their milk to that agency, and that agency distributes it or sees that it is distributed in Chicago; and the milk middleman who raised the trouble seems to have been effectually eliminated from his business, or he must go out and start a dairy herd. That is open. You can always buy land for grazing; you can put up forage and get grain to keep them through the winter. The business is an open one for anybody who wants to go into it.

I mention these matters as I have in a preliminary way for the purpose of showing that there is equal cause for putting any of the various enterprises, successful in character and paying dividends, under a commission government that there is with the packers. Where is the border line to be found? Somewhere, certainly. Heretofore, the average statesman, the lawmakers, and the publicists who discuss these questions largely theoretically, have found a line of demarcation between a public utility and a private enterprise.

The public utilities are ordinarily those which are not only charged with conducting their business continuously but those which are given what is ordinarily termed a franchise, more than a mere corporate franchise, which is simply a right to exist as a corporation, which is not such other franchise at all. I do not mean that. I mean the franchise by which an exclusive right to occupy streets, alleys, public ground, and public places, or to go upon the private property of others and condemn it for the purpose of their enterprise and often a further exclusive right to render a service or supply a commodity which is vested in them as a corporate right. Some of those privileges, extraordinary in character and exclusive as well in the corporation concerned, are always attendant upon a franchise found in a public utility. The public utility is rightfully subject to regulation in the method of transacting its business, the service rendered, and the price of the commodity sold. The regulations ordinarily in most of those with which we have concern at our respective homes are local in character and are within the regulatory power of the State. Others in interstate commerce are regulated by acts of Congress, notably the steam railways of the country.

It is well understood not only from ancient usage but from modern practice what a public utility is. It is now proposed to advance this line of division and take in the packing industry of the United States and declare it to be a public utility, impressed with a public interest, and subjected not to the regulation of law but to the regulation of a commission of five men, they themselves not acting under law but given the right to make laws, which shall be in some instances, I fear, based upon recent experience, oppressive in character rather than promotive of the welfare of the corporation or business concerned or the welfare of the general public and in no wise necessary for the protection of that public or the private consumer.

Upon what natural ground can this rest? It can not be on the ground that meat is more indispensable to human life than many others of the staple articles now found in the average household. The most ancient form of human food is bread, often referred to as "the staff of life," both in biblical and in modern days. There are tribes, there are whole nations, that live from birth to death without the meat of any of our live-stock animals ever passing between their mortal lips. They are vegetarians. The whole of the Hindu race are nonmeat eaters. They are vegetarians of a most pronounced type. As far as they progress toward an animal diet is the eggs of fowls. They will not take animal life in any form. So, if it be regarded upon natural grounds, meat is not an indispensable necessity to human life as much as bread. Then why ought not the markets of the country for all of the flour-producing grains, the finer grains, be regarded as subject to a public interest? Why ought not all of the commercial flouring mills of the country be regarded as public utilities, impressed with a public interest, and brought under the regulations of a commission form of government? Why ought not their economic and commercial processes be subject to the unbridled discretion of rules promulgated by a commission?

I see no natural reason why all of the breadstuffs ought not be brought within these regulations, bake shops in like manner, and the distribution of bread by retail, because finally it must reach the consumer to be of any value.

One reason I have heard offered is that the packers have so conducted their business as to develop it to an unexampled size, to produce a market which they control; that junction railways, switches, cold-storage warehouses, refrigerator-car lines, terminals, large packing plants, and buildings adequate for the conduct of such large affairs, all pass under the influence of the packers. Failing to see any natural distinction between the meat industry and breadstuffs, building material, and clothing, I shall examine in detail the reasons why this industry is singled out by the authors of this bill for this departure from the elements of sound government.

Food, clothing, and shelter are the primary needs of a human being. Cotton and cottonseed oil, the latter directly related to butterine, ought to come under the commission, for the same reason. If there is any soundness in the reason, then every bale of cotton produced in this country and all the cotton spinners and the weavers of cloth ought to be brought under it; in like manner woolens and all the wool producers, because in the north temperate latitudes, practically from the Tropic of Cancer to the frozen solitudes about the North Pole, every human being must wear clothing in some form. Not only is it required by police regulations and the average rules of common society, especially among Anglo-Saxons, but it is an indispensable necessity of weather conditions during the greater part of the year. Why not bring cotton and wool under a commission form of government—for that is what this is—along with flour and all the grain foods producing the foodstuffs of human life?

But it is said that the packers control the commission men; that the commission men sell the cattle produced by the farmer and the live-stock raiser. Let me tell you why I know personally this is not true.

I know one commission firm in Chicago that has been doing business for more than 30 years. Among their customers are farmers and live-stock raisers, men who own a thousand or more acres of as good agricultural lands as there are in the world, who are as independent as anybody, and who would know if they were not getting a fair deal. Some of them were my neighbors, some of them my boyhood friends, my classmates, and they have been stock raisers and farmers for more than 40 years. One of them that I have in mind has sent to a single commission house in Chicago—the firm of Clay, Robinson & Co.—for more than 30 years every hoof of live stock of every kind he has raised. He is as independent as any farmer or stockman in our country. If he did not think he was getting a fair deal, he would quit his commission men in a moment. He does not have to sell there. This man's experience is the experience of hundreds whose names I can give in a single congressional district.

There was an old commission firm founded originally by a native-born Scot. He came to Chicago many years ago, entered into the live-stock commission business after the war, and grew up with the live-stock trade and the packing-house business in Chicago. From another part of Illinois, where I lived for nearly a quarter of a century, many of the live-stock men sent their

products to the commission house of Gregory Cooley & Co. These commission men were as independent of the packers as anybody in the world and as the commission men are to-day. They are controlled by nobody. They represent their customers in the sale of their live stock.

There is a reason for the building up of the live-stock market in Kansas City and Chicago. As I briefly outlined a moment ago, it is because they stand at the gate and thereby become the natural gateway of this traffic, not only in view of natural facilities but of artificial development. The natural facilities are a large area of fertile country and, farther West and Southwest, of grazing land.

I have already adverted to the fact that swine and corn must be contiguous. Not only that, but fertile soil for the production of grains, as well as roughage, or forage, must be contiguous to every great live-stock producing area where corn-fed native animals are produced for the market.

In addition to this, those that come from the range—the grass animals—are added. They are not supposed to be quite as good for general packing purposes, but they are a merchantable article and enter into the live-stock business.

Chicago and Kansas City, with certain other points I have named, being advantageously situated, the live-stock business grew in its natural development and became one of the large industries of those points.

After the refrigerator car came the dressed-meat business was no longer local. It extended, so that Chicago, Kansas City, Omaha, and St. Paul, with some other points, began to distribute fresh meat from those slaughtering points direct to retailers in the various parts of the country. The refrigerator cars can not be kept upon the tracks any great length of time. They are not a profitable concern of themselves. They must be unloaded and the cars returned to the home packing plants, where the initial shipment originates, as early as possible.

This necessarily and naturally led to the construction of branch houses and cold-storage facilities in connection with branch houses, so that the refrigerator car could be unloaded in apt time and be returned to the initial shipping point.

I can say here, to correct some popular misapprehension, that the packers do not engage in the retail meat trade. There have been a few minor exceptions, I think, such as where small packing plants have sold out to one of the larger packers, and where they had retail meat markets connected with them; but these have been conducted just long enough to close them out or sell them. They do not engage in the retail business and, I understand, have no desire to do so.

But either from the refrigerator car or from the branch house they sell to the local meat market, or to the grocer handling meats, at the respective points of the country. The meat market and the grocer reach the consumer. The packers, I repeat, have not engaged in the retail business. The consent decree, of course, prohibits them from doing so in the future.

It so happened—and this is one of the points of which much complaint is made—that the packers engaged in other than the strictly edible meat business. First, it became necessary in the modern packing plant to develop the by-product as an economic method of curtailing waste. Many of the by-products were heretofore wasted. They now are made into merchantable articles. An average steer will dress out, say, fifty-fifty, something like that, sometimes 55 per cent. Twenty per cent can be recovered in by-products, and the remaining 25 per cent is lost. This consists principally of an unavoidable shrinkage of the moisture content of the animal, which escapes and can not be recovered.

In the earlier days of the packing business the by-product was wholly waste. Outside of the hide and horns, nothing was saved, and often nothing by the hide. The development of the by-product into merchantable substances naturally led to the establishment of separate departments and in many cases of subsidiary companies. It is practically the only way to find out in many instances how to conduct the business or to prevent it from incurring a loss. That does not prevent but facilitates the distribution of the cost of the packing business over the whole line of the products of the live animal. They can be equitably distributed to the edible portion of the animal, so that the meats for human consumption shall only carry their fair share of the cost of the reduction of the animal to merchantable form.

Nevertheless, the by-products business grew up. The hair became a subject of saving. At times there could not be found a ready sale for the hides. It will be found in the hearings, voluminous in character, extending over many thousands of pages, that Mr. Armour or his agents give an explanation of the reason why they became interested in a tanyard. They had a glut of hides. The tanners could not absorb the ordinary hide production on the market, to say nothing of taking large quantities from the packers. In order to work up the surplus hides, they bought a small tanyard and developed it, turned in their hides from that packing plant, and in time it became a large tannery business. It became one of the subsidiary concerns of the packing industry, if you want to put it that way.

The laboratories of the four or five packers became great manufacturing research houses. It was industrial chemistry, in applied form, that made possible the salvage of the by-products which heretofore were waste in the packing business. The blood was no longer wasted. It was utilized for several purposes. The albumen was extracted in commercial form. It was shown during the war that albumen so obtained was the base of a glue to unite perfectly the wood veneers in airplanes. The pituitary substance was extracted and converted, when a pound of it was secured, into pituitary liquid. This was known to the surgical world as a modern discovery. It is entirely impossible for the small packer. More than 5,000 hogs must be slaughtered, for instance, to obtain one commercial pound of pituitary substance. It is used in wounds to check bleeding where hemorrhages can not otherwise be treated or reached, and it possesses a profound surgical efficiency in a certain class of cases. There are secretions taken from the alimentary tracts of animals, many thousands of which must be taken, from animals that chew the cud, the clean animal of the Hebrew days, before an appreciable merchantable quantity, which can enter the drug trade, is secured. There is known now to the skillful laboratory searcher and physician the cause of a heretofore obscure disease. Sometimes the pancreas becomes diseased. No surgeon or anatomist has ever yet discovered the precise function performed in the human economy by the pancreas, which lies back of the stomach. But if it be diseased so that it can no longer function, or if it be removed, as sometimes is the case, by surgical operation, the patient languishes and dies; after a course of a few months, or years at best, death is the inevitable result of the disability of this organ. It is an obscure but vital organ in the human anatomy. I have had some experience in diseases of this character in a practical way.

In the old time, before chemical research and medical knowledge had searched out this obscure complaint, its cause was not known, nor was its remedy even attempted. Even after the remedy was attempted it could only be made possible by taking from the alimentary tracts of thousands of animals the chemical extract which the laboratory chemists secreted and segregated from the organ, and found in such form, to supply the substance which was furnished by the pancreas in the human system. So that now the artificial drug will supplement the organ when diseased or removed, and life may be saved. During the war potassium permanganate, used in gas masks to neutralize toxic gases, was urgently needed. Armour's laboratory had a small plant, the only one, I believe, in the United States for its manufacture. The entire output was immediately turned over to the Government. All trade contracts were canceled, and the entire product delivered to the Government at one-half the contract price at which the entire output had before then been sold. The plant, because of interference by enemy agents, was run at a loss to Armour.

I only speak of these things to show, when gentlemen in public office, surrounded by this atmosphere to which this unconscious humorist, the bank, refers, when they speak of the ramifications of the packing industry, that they little know of the great ramifications, indeed, to which it has extended, and of the hidden world, known only to the skilled chemists, where nature's secrets are spied out and where the dark is opened to the knowing eye.

It is objected to that pepsin is a medicinal product. What under heaven would the gum chewers do if pepsin could not be furnished now in commercial form? It gives us an excuse to chew for the stomach's sake, as wine was advised by Paul to Timothy. Just north of the Chicago River there rises the towering flatiron form of a colossal building rivaled by nothing of the kind except in New York City. It is William Wrigley's chewing-gum building. Chewing gum never could have reached its present magnitude if it had not been for the pepsin taken from the packing plants of the country. The confirmed dyspeptic chews pepsin gum. No hurtful results follow. It is not like other bad habits. He has some excuse for it. It produces no rosy blush upon any of his features, and no chronic habit results except the working of the jaws, and that probably is a blessing, for while we are working that way we are not working them some other way to the detriment of our neighbors. So out of that seemingly humble thing, a matter of criticism here, has come a great industry. It is a safety valve for the nervous and a minor activity to us all when under strain.

I speak of this only because Wrigley happens to be my neighbor, and it is a matter of visual knowledge with me that the one industry has been built up upon the other.

Then, again, there comes the use of the intestines. Back in the days of the Greeks they knew something of stringed instruments and some of the translators refer to catgut. It was not part of the anatomy of a feline that strung the ancient lyre; it comes from sheep and other animals. In the economy of the packing process the packer wanted nothing to get away, and he salvaged this part of it. Therefore he began to manufacture catgut.

Before that time every fiddlestring in the country was of Teutonic origin; everything here came from Germany. But the packer has driven the German even out of a part of the European market. It is another cause of complaint that he is selling catgut fiddlestrings. Naturally accompanying the fiddlestrings is the violin bow. Unless you have the two together you can not get much violin music. From it has come the building up of this industry as a subsidiary concern.

An official report, to which I shall refer presently, speaks of nearly 700 different products handled by the packers. A part of it is the most distinguished instance of a vivid imagination coupled with iteration and reiteration to be found among official documents. There is not anything like it even in the Patent Office reports, where sometimes inventions overlap each other and produce interferences. For instance, in the report there are seven times that tongue is referred to as a separate product: There is canned tongue, pickled tongue, dry tongue, salted tongue, just tongue, and so on.

The repetition in many other articles I will not stop to enumerate. I will insert them in the RECORD as part of my remarks later on when I shall conclude.

Altogether there are probably 100 different articles that are mere duplicates, so that out of a total of 639 the list is reduced to the neighborhood of 500. Then of the remainder there are the very many legitimate, it must be admitted, by-products of the packing industry. The different articles known as by-products can not be marketed or manufactured successfully except by the packers.

How could the raw material for strings for musical instruments be transported—salted, canned, preserved, or in any way—from the packers to some distant manufacturer of strings? They must be made upon the spot. It would be an uneconomical and an unnatural way of producing them if any other process were to be followed.

Therefore, I regard these by-products as strictly legitimate, including the tanning part, because the leather is as much a part of the meat-producing animal as the edible portion of the animal.

Since the discovery by a Frenchman of oleomargarine, they have been led naturally to the development of butterine. The French chemist took natural butter and analyzed it. He found the constituent elements that nature put into butter when it was churned in the natural way. Having by this analytical process discovered its constituent elements, he took the natural animal fats, and, by the use of synthetic chemistry, combining them in the proper proportions with other elements he did not produce real butter but he did produce oleomargarine or butterine, a palatable, healthful substitute. With the large quantity of fats coming from slaughtered animals the amount available for butterine purpose would be very great. It was but natural, therefore, that the packers should develop a butterine department of their business. It was as natural as that they should develop the manufacture of fertilizer from certain parts of the refuse of the animal and salvage that heretofore lost product. So both of these developed in due course.

Then again, among civilized men soaps are essential. The packers have all or nearly all of the essential elements that cost money for the manufacture of soap. This led, therefore, to the manufacture of soap by the packers, and they have their well-known brands upon the market, and they are as good as any other.

With the refrigerator cars loaded as they are, and the way the racks are built in the cars, it naturally follows that the average dressed-beef half, or whatever animal it is, whether it be mutton or pork, hanging up on the rack, leaves a space between the carcass and the bottom of the car. That is dead space in transportation. It is a maxim of railway life to haul no dead space if it can be helped. Naturally the packers would put into this empty space any article that could be transported without injury to the meat. They could not load it with bagged onions, because they would taint the meat. Nothing that would spoil the meat could be admitted, but anything that was canned or packed in such form that it would not taint the fresh meat could be shipped in that way.

Bear in mind that the refrigerator car is used for fresh dressed meat. Dressed meat of that character is a highly perishable product. It can not be sold like smoked and cured meats. It can not be sold like other merchantable products. At the utmost, even with the best refrigeration and cold storage, the average dressed beef carcass must be consumed within about two weeks. That is the safety limit.

Therefore, a fleet of 6,000 refrigerator cars, which supply one packer, and possibly more supply another packer, taking the five larger ones, would be sent out loaded with fresh meat. Here is the empty space. Here is the by-product of gelatine, of glue, or of half a dozen other things directly connected with the packing industry. They place in the empty space from the bottom of the carcass to the floor the other products and ship them with their cars in that way. It was an economical process. No one complained about it for a time. They began to fill in with certain canned goods. It was as easy to distribute canned corn, pineapples, figs, and other articles, wherever a fleet of packer refrigerator cars reached, as it was anything else. So they fell into the practice of handling those products.

About that time the Wholesale Grocers' Association began to agitate. Whether they began of their own motion or whether upon the suggestion of the market committee of the National Live Stock Association, I can not say, but the agitation began. Before that time a National Live Stock Association had been formed. The active end of the association is the market committee. The market committee, as most of those things do in large organizations, fell into the hands of a few persons, Mr. Burke, Mr. Lasater, and two or three others whose names I need not mention.

I might, parenthetically, add that one very active spirit, whether or not he appears in person on the market committee, is or was president of the National Live Stock Association, and has been for some time a Member of the Senate. I do not say it in a critical mood. He has a perfect right to act so. He has the right, in his private activities outside of the Chamber, to be a member of the live-stock association from his State. A lawyer has a right to look after his business outside of the Chamber and to be a member of the bar association. But if there were legislation here fixing the fees which a lawyer would be allowed to charge or the market in which he might sell his services, I would begin to think that the lawyer, if he actively promoted the price of his service, probably was getting over the line of professional ethics a little. If I know that some Senator is himself a large producer of live stock, some of it sold in the Chicago markets, I can properly say that it would be as well, for the sake of senatorial ethics, that he abate his activities somewhat. I see no more reason why it is a crime for a packer to come to Washington than it is for a Senator inside the Chamber to promote his private business outside by legislation of this character, as he thinks it will. A former Senator, recently appointed a member of the Federal Trade Commission, has been promoting the passage of this bill in the Senate cloakroom and wherever he could solicit a Senator. An ex-Member of the House has been equally and persistently active. They are public blessings, because they are for the bill. Those who oppose the bill are nefarious lobbyists.

Let me say in this connection that if there be now no law or no amendment pending here prohibiting any Member of Congress from being appointed on this or any similar commission affected by legislation and congressional appropriations, for at least five years after his term shall have expired the legistion, even if it should pass, would be grossly imperfect. I trust such an amendment will be offered.

We ought to live so that even the smell of fire will not be upon our garments; so that we may come out of the furnace of public inquisition unscathed and above any unkind remarks that might be made. Too many "lame ducks" have gone from Congress to positions much more lucrative than membership in this body.

No Member of Congress can live on his salary; nobody expects it nowadays. For myself, I say that I gladly and voluntarily retire from the Senate. My party in my State has been in the ascendancy since 1914; factional troubles inside of the party are well in hand, and, after years of more or less successful struggle, no trouble can be apprehended; still I can not afford to serve in this body. I shall return to my home for the purpose of making a competency before I am disabled by advancing years. I deery the tendency in this body for its ex-Members and for other political "lame ducks" to be placed upon commissions of the character contemplated in this bill, at ten, twelve, or more thousand dollars per annum, furnishing a direct incentive and a moral bribe upon the consciences of Members of Congress to vote for the creation of such commissions in order that they may fill the lucrative places.

Let us put ourselves beyond suspicion in more ways than one. I think before I shall leave this body forever I shall introduce a bill increasing the salary of Members of Congress to $12,000

per annum. It can not possibly benefit me, but I earnestly hope that it may draw public fire, and I am willing to take it. I have been blessed and burned by public criticism for so long that nothing of the kind can affect my sensibilities further.

I hope such a bill may in years to come result in some good. At least a thousand dollars a month should be paid to Members of this body, who sacrifice in private life far more than they can ever obtain here and who render a distinct public service in coming to this body. I know cartoonists in Washington and the humorous paragrapher in the editorial rooms are wont to speak of Senator Somebody, from the back country, and of the Member of the House who is a rank ruralist. They are the objects of the witty men in every place. Let it be so. It does not change the fact that Congress is one of the coordinate branches of the Government; that it contains men of ability; that it contains men who make great sacrifices in order that they may sit in the respective bodies, and that especially in this body, the years ranking higher than they do even in the other, they make sacrifices to come here and to remain any length of time. Therefore, such an amendment ought to be enacted into law; and, therefore, I say, concerning the Senator whose activities are of the character I have mentioned, while he is justified, I believe it would be more in accordance with senatorial ethics for him to refrain somewhat from such prominent part in this agitation, and especially in the live-stock association of which he is president and now serving his third term.

The wholesale grocer, in my opinion, acting, in part at least, under the instigation of the market committee of the National Live Stock Association, procured the introduction of these bills. They resulted in a nation-wide agitation. They further resulted, together with the report to which I shall presently refer, in a bill against the packers being filed by the Attorney General in the Federal court in the District of Columbia. The result was a consent decree. It restrains them from marketing any product not related to the packing business. They were permitted to close out such unrelated merchandise as they had on hand, and certain of the subsidiary products were permitted to be retained as a part of their business; but the decree divorced them entirely from the lines which the wholesale grocers claimed were their particular merchandise.

It may be said that the packers sold direct from themselves, as the manufacturer or producer of the article, to the retailer, and thus eliminated the wholesale grocer. It was by a natural economic process that the wholesaler or jobber was eliminated. If the situation had not been changed by the consent decree or by legislation, that elimination would have occurred on all such merchandise so handled by these packers. In this instance, however, we find a decree based on the application of the United States that puts back into business an extra middleman who, by an economic process, had been eliminated.

It was said that the packers' profits were growing too large. I have only briefly referred to that. Does anybody know what the packers' losses have been since the shrinkage began; since the peak of high prices were reached; since $23 hogs, and cattle selling for the highest prices ever known in the live-stock markets? The decline has begun. Does anybody know what the packers have lost?

The losses they have taken have been such that unless the packers had behind them immense resources, great surpluses, and the soundest manufacturing and commercial organization, the losses would have bankrupted any concern in this country. The inventory losses of the packers have been something to stagger the human imagination. Twenty-five million dollars, at least, within 12 months would be a too conservative estimate of the losses.

There is no great steam railway in the country which does not lay aside a portion of its net earnings as a surplus to meet some emergency, either some great convulsion of nature, such as flood or fire, or some other unforeseen action of the elements, which the utmost of human intelligence can not look forward to guard against, or business depression and reduced earnings until outgo equals income. It is a well-known fact that every well-managed railroad maintains such a surplus account.

There is no great fire insurance company in New York City, in Philadelphia, or in Connecticut—which is the home of some very good fire insurance companies—that does not lay aside a surplus to cover great fires which may occur, as at San Francisco, at Baltimore a few years ago, and at Chicago, when that city was almost burned to the ground. They keep such surpluses in actual cash or in liquid assets which can be taken out and readily turned into cash in the market places or exchanges of any of the principal cities.

The liquidating process which has come upon the country, as is well known, was bound to occur. There is no prudent man who did not anticipate it nor good business man who has not prepared for it. So the packers have taken the losses which accrued to them; the individual farmer has taken his loss in instances where he has bought and carried over cattle. The producers in North Dakota have taken their loss. I know of one instance in North Dakota where more than 5,000 head of cattle covered by a chattel mortgage could not be sold for enough to pay the mortgage. I know of instances in Illinois where people bought cattle in order to save the bank from loss. There has been enough trouble in other places besides the North Dakota banks, and everyone has been trying to help within the limits of his ability, for nobody wishes disaster to come. So I repeat the farmer has taken his loss, the stockman has taken his loss, the commission man has taken his loss, the packer has taken his loss, and, in the aggregate, because of the fact that the packer had more collected capital and because his instrumentalities were greater, he has taken the greatest losses of any other one connected with the meat industry.

From this morning's press report I desire to read a dispatch dated Chicago, January 19, 1921:

CHICAGO, *January 19.*

Only by drawing on reserves accumulated by their foreign connections were Armour & Co. enabled to show a net profit as a result of their 1920 operations, according to the annual report of J. Ogden Armour, president of the company, which he presented to-day to the stockholders. For the first time in the history of the company stockholders other than members of the Armour family attended.

The statement disclosed that while the company's total sales approximated $900,000,000 for the year, that portion of it which represented sales in and exports from this country resulted in losses aggregating many millions of dollars. In view of these losses, Armour & Co. found it necessary to draw upon the reserves of their foreign connections to show a net profit of $5,319,975.44, which represented but 2.4 per cent on the average net capital investment of $231,000,000. Regarding the prospects for 1921, Mr. Armour said:

"There is abundant reason to look forward to a better year. We have maintained tonnage and outlets. The coming months should show a brisk business."

The consent decree, to which I referred a few moments ago—and I will return to it in order that I may complete the remarks I desire to make upon that branch of the subject—totally divorced the five packers from engaging in the distribution of anything other than strictly packing-house products and incidental by-products. I do not regard that decree as in the interest of the consumer. As I have said, it thrusts back into the distributing processes the middleman whom the economic laws of trade had eliminated. The wholesale grocer thought he ought to be protected by legislation or by court decree. The total business of the five large packers as represented by the distribution of "unrelated products," as they are often called, was so small that the packers decided it was better to consent to the decree and to retire from the distribution of such products than to have further trouble with the Government authorities. It was only about 3 per cent of the total wholesale grocery trade. Therefore that branch of it is disposed of, and the consumer must thank the United States Government for keeping in the process of distribution one more middleman to take a profit to be loaded on the retail price that he finally pays in his kitchen.

Mr. SHEPPARD. Mr. President——

The PRESIDING OFFICER (Mr. KELLOGG in the chair). Does the Senator from Illinois yield to the Senator from Texas?

Mr. SHERMAN. Yes, sir.

Mr. SHEPPARD. Has the Senator a list of those unrelated products?

Mr. SHERMAN. I have. In the consent decree all of them are fully set out. I do not think the consent decree has been incorporated in the CONGRESSIONAL RECORD, and I think at the close of my remarks I shall incorporate it, so that the unrelated products may be found.

While this was in progress I took the trouble to look up what some wholesale grocers deal in.

Mr. STANLEY. Mr. President——

The PRESIDING OFFICER. Does the Senator from Illinois yield to the Senator from Kentucky?

Mr. SHERMAN. Yes; I yield.

Mr. STANLEY. Has the Senator from Illinois incorporated in his remarks, or will he do so, the decree or finding of the Attorney General with reference to the stockyards?

Mr. SHERMAN. Yes; I shall refer to that in a moment.

The wholesale grocers themselves deal not merely in food products, not merely in groceries or what is commonly understood by the term "groceries," but deal in a great variety of unrelated products. I can buy a coal hod from some wholesale grocers if I am in the grocery business. I can buy a log chain from one firm of wholesale grocers. I can buy a gang plow from another one. They do not manufacture them. They buy them, or get them in trade from somebody, and distribute them. In the hearings one witness says that he bought from wholesale grocers a bill of 40 separate items that he counted, and

there was not one item that could be consumed by any living creature but an ostrich. The grocers do not follow the same law that they ask the packers to follow.

I am not complaining about the grocers distributing anything they wish to. What I criticize them for is the extreme bias with which they pursue somebody else whom they think they can not compete with, and begin a crusade, or sometimes it is called a propaganda—a word that I think has been so greatly overworked that I seldom use it myself. I took occasion to look up my friends, the wholesale grocers, and in fact to keep some of the documents they sent me. None of them appear in the hearings, and so I think it is well enough to show what they have been doing.

Here, for instance, dated July 18, 1919, is one from the Southern Wholesale Grocers' Association, from Jacksonville, Fla., and other associations in like manner, northern and western, have the same documents. I take this as a sample. It is headed:

KENYON BILL VERSUS FOOD TRUST.

To all wholesale grocers:

* * * * * * *

The Kenyon bill means death to the packers' monopoly. It will end their hopes to establish a food trust. * * *

Every grocer, both wholesaler and retailer, must rally to defend the business of distributing the food products of the Nation against the inroads of the big Chicago meat packers.

Act now!

Write or telegraph your Senators and Representatives saying that you want the Kenyon bill in order to prevent the packers from building up a food trust—

That is practically the same as the Gronna bill. It amounts to about the same thing—

Next: Get every retail grocer who is a thinking American citizen to do the same.

Then: Report to the bureau of research and publicity all the evidence you can get showing how the meat packers are bringing pressure on grocers to induce them to oppose the Kenyon bill. Who pays for the telegrams retailers are sending? Do the packers' agents make true statements about the Kenyon bill?

LEWIS H. HANEY.
Director Bureau of Research and Publicity.

Another inclosure gives a synopsis of the Kenyon bill and provides for licensing; and, among other things, the licensing provision in the Kenyon bill says:

Dealers in dairy products and poultry, whose business exceeds $500,000 a year, and who are doing an interstate business—

Must be licensed.

In order to remove any possible fear here is a postscript to this illuminating circular:

P. S.—It will be easy to get provision (d) of section 4 amended if it seems likely to injure the grocery jobber.

And provision (d) of section 4 is what I have read:

Dealers in dairy products and poultry—

And so forth. They suggest that it will be very easy to strike that out; to let it go through now, and if it hurts the wholesale grocer they will get it stricken out later on.

This went out in an avalanche, a great flood of it. Not much was said about it at the hearings. Our wholesale grocery friends were quite quiet about it.

Then I have, in addition to that, from the Western Grocery Co., which pays nearly 20 per cent dividends, doing business at Dubuque, Iowa, a number of statements, signed, typed, or printed in imitation of type, by various persons up and down the Mississippi River against the bill. It shows that there has been just as much effort to promote the bill as there has been against it. Certainly there is nothing wrong in this. I do not offer it with that view. It is perfectly legitimate. So is it legitimate for those opposed to this bill to give their reasons and to concentrate their opposition. The packers have been condemned because they have done no more than the wholesale grocers.

I have here a number of resolutions in opposition to the bill, the Gronna bill or the Kenyon bill, as it is commonly called—the Gronna bill now S. 3944. First, I will offer the resolution of the Illinois Manufacturers' Association, which in unqualified terms opposes this bill, and gives the reasons why in the resolution. Of course, the Illinois manufacturers will be accused of being interested. They are engaged in a great variety of business, capitalized some of them for large amounts of money, and manufacture everything from the frogs at railway crossings on through to knitting needles and the like. Then, again, these men might be more or less connected with manufacturing lines that would bring them into communication with packers, it is said. That is the criticism. Very well. I insert the foregoing resolutions here at length:

ILLINOIS MANUFACTURERS' ASSOCIATION,
Chicago, January 14, 1921.

DEAR SENATOR: We are informed that a vote is to be taken on January 24 on the Gronna bill (S. 3944). This bill is the successor of the Kenyon and Kendrick bills, seeking to control not only the packers but the stockyards and live-stock commission men and many others connected with the live-stock industry. You know how much our association has had at heart the building up of our industries and how our organization has stood like a Gibraltar against the attacks made on the manufacturing industry.

Our board of directors has considered this legislation and adopted some time ago resolutions as follows:

"Whereas it is proposed by such legislation to delegate to some Government official the power to grant a license to do business in the United States, subject to such regulations, terms, and conditions as may be prescribed from time to time; and

"Whereas, among other things, there is vested in some Government official the power to limit the kind or character of business to be transacted by any licensee; and

"Whereas Government control or operation of private business enterprises will greatly increase the expense of operation and seriously impair the efficiency of such enterprises; and

"Whereas the Illinois Manufacturers' Association is unalterably opposed to such legislation, because—

"1. It establishes a system of paternalism in Government which is un-American.

"2. It subjects private business to bureaucratic control.

"3. It is a step toward the complete socialization of all private business and property:

"Now, therefore, be it

"*Resolved*, That the Illinois Manufacturers' Association, desiring to make record of the fact that it is without reservation opposed to the enactment of the Kenyon, the Kendrick, or the Anderson bill or other similar legislation by the Congress of the United States, does hereby protest against the same, and respectfully requests and urges the Senators and Representatives in Congress from Illinois to oppose these bills and to do everything possible to prevent their adoption, either in their original or amended form; be it further

"*Resolved*, That copies of this resolution be mailed forthwith to the chairmen and members of the Senate and House Committees on Agriculture and to all Senators and Representatives in Congress."

We know you are doing all in your power on this proposition and feel that your course meets the general approval of all sane thinking people and the business interests of this State. We want to send you these resolutions, however, so that you may know how we feel, and that you will have our backing in your efforts to defeat this pernicious legislation.

Yours, very truly,

JOHN M. GLENN.

Hon. LAWRENCE Y. SHERMAN,
United States Senate, Washington, D. C.

Here is the Illinois Live Stock Association, holding its meeting at Springfield, Ill. The live-stock association is made up of a great number of actual farmers. It is not made up of men who have an office in Washington, who have a paid bureau, a secretary and an assistant secretary, with a force of shorthanders and of skilled advertisers, who ordinarily represent but little of actual farming but do represent a skilled force of agitation. These men, on the contrary, are actual farmers, and are distributed throughout the entire State of Illinois. They run from the small towns out to the rural free delivery. They are men who own farms. I know one at least who is a farm tenant, and who would rather rent than buy land, because he says he would rather rent it from the landlord, from a money-making viewpoint, at present prices than to own it. He remains a tenant by choice, and he is quite a large farmer and stock raiser. Then it ranges up to the large live-stock producer, who does practically nothing but raise or collect stock cattle, feed them on roughage until the proper time, put them on grain when he thinks the market is favorable, and after the proper time of corn feeding send them to whatever market he pleases. They ship from that country to Indianapolis, to St. Louis, and to Chicago. From the original producer the animals necessarily go on the hoof. But little is ever shipped beyond the packing house on the hoof now.

These resolutions of the live-stock associations condemn in unqualified terms the passage of such legislation as Senate bill 3944:

Our association—

Quoting—

represents the live-stock interests of our State, and we sincerely believe that the above resolution expresses the judgment of the large majority of the live-stock interests in our State.

I shall insert here the resolutions at length:

ILLINOIS LIVE STOCK ASSOCIATION,
Chicago, Ill., March 6, 1920.

"*Resolved*, That the Illinois Live Stock Association is opposed to the governmental regulation of the live-stock and meat industry as proposed by the Kenyon-Kendrick and Anderson bills now before the Congress of the United States. We believe such regulation is detrimental to the best interests of both producer and consumer, and will do more harm than good. If evils exist we believe the proper method of correcting them is by specific laws forbidding defined practices, and that so great an industry should not be placed at the mercy of any commission such as proposed, which would, in effect, have the power to enact its own laws and to punish infractions thereof: And be it further

"*Resolved*, That we urge upon the Congress of the United States, before any legislation affecting our industry is enacted, that a joint committee of both Houses of Congress call a conference of delegates representing the producers, shippers, railroads, stockyards, commission men, traders, and packers in an effort to agree upon any legislation found to be absolutely necessary and essential. Such agreed legislation should not contemplate the establishment of more bureaucratic control, but merely the enactment of a minimum of specific law."

The above resolutions were unanimously passed at the annual meeting of the Illinois Live Stock Association held in Springfield February 26 and 27, 1920.

Our association represents the live-stock interests of our State, and we sincerely believe that the above resolutions express the judgment of the large majority of the live-stock interests in our State.

Trusting you will give this matter your earnest consideration, and hoping some beneficial legislation will be the outcome of a conference such as proposed, we beg to remain,

Yours, very truly,

ILLINOIS LIVE STOCK ASSOCIATION,
EDW. F. KEEFER, *Acting Secretary.*

So both from manufacturers and from live-stock producers and farmers comes the opposition to this bill. What is true of my own State in regard to opposition is equally true of the opposition in other States. Some very large live-stock associations, one national in character, composed of two members from every State in the Union, having 35 States represented, met and undertook to indorse this legislation. With 70 members present, it was only able to secure from three members an affirmative vote on the indorsement.

In the consent decree it was said that it was necessary to divorce the packers from the stockyards. It was assumed that an undue advantage was given the packer by an ownership in stockyards. At certain points—live-stock markets in the United States—some of the packers did have an ownership or a part ownership in the yards. My recollection is, quoting from memory, that at Fort Worth, Tex., Armour, or Armour and Swift together, took over the stockyards, when they did not amount to much, for the purpose of developing their own trade.

They buy in that market and slaughter. There was a stockyard near that place on the Missouri, Kansas & Texas road. It was not a successful yard; it was not making money; it was not attracting to Fort Worth any considerable number of live stock.

In the hearings great criticism is based on the fact that when the Missouri, Kansas & Texas traffic manager approached the packers to obtain some of their freight business for the Missouri, Kansas & Texas road he was told that so long as the Missouri, Kansas & Texas maintained yards of their own in competition with those established by the packers they saw no reason for diverting any of their traffic. For my part, I see no objection to that. If I am a competitor in business of another concern and the other concern asks me to give part of my business to it, that is a perfectly legitimate reply. The Missouri, Kansas & Texas afterwards discontinued the Missouri, Kansas & Texas yards, and the Missouri, Kansas & Texas afterwards received some of the packers' freight. I regard that as legitimate argument and process. It is an economic process that belongs not only to the packing business but to the railroad business.

I allude to this as I go along, because no one can read all of the hearings. At any rate, great criticism resulted from an interest or ownership in the yards, on the part of the packers, in some parts of the United States. The largest stockyards were in Chicago. There the Union Stock Yards and the Junction Railway Co. formed the terminals through which the live stock finally reached the packing houses. The terminals are incident to every great stockyard. Kansas City has extensive terminals. There is no large manufacturing concern which does not have its own terminals, and I happen to know from actual experience that most manufacturing concerns build and pay for their own terminals. As a rule the steam railways do not build sidings and switches which connect with a factory.

The process is about as follows: You apply to the proper manager, and the traffic department sends somebody down to look over the ground. They tell you that they will furnish the ties, the grading, the iron, the switches, and other appurtenances at actual cost to you. They want no profit on it, but they must have the kind of a track over which their engines and cars can safely be hauled. You pay for it, and you pay for the actual time of the gang of men they send out to lay the track. That is all there is to it. You enter into an agreement with the railroad by which it is to be operated at a merely nominal cost, and through that agency you get cars on the sidings to your factory for loading purposes.

The packing-house plants, being somewhat separated, although, in the main, in the same area, took a very large terminal. The yards for the accommodation of the daily arrivals of live stock require a great deal of room, and consequently these yards grew to very large proportions. They are an incident, but a very necessary instrumentality, of the live-stock business in every packing-house center. They have been developed by the packers primarily for the purpose of furnishing well-equipped yards that would attract live-stock shipments to their packing plants. I need not go further into this than to say that by the consent decree the packers consented to release and forego forever their ownership or interest in all stockyards.

Mr. STANLEY. Mr. President, in a great many instances other industries, where their terminal facilities are large and complex, have separately incorporated them and have been allowed terminal allowances, or divisions of rate, or some other consideration for initiating freight. Have the packers ever engaged in that practice?

Mr. SHERMAN. I do not think so. There have been switching or connecting concerns in manufacturing plants of various kinds, and it is perfectly legitimate. I do not criticize it, because it takes money to make large terminals.

Mr. STANLEY. I was not aware of the separate incorporation of any of these facilities as common carriers or that they have not always preserved their status as stockyards.

Mr. SHERMAN. I believe that in some cases there are connecting lines of railroad—connecting the different railroads with the stockyards, which the packers have had to build, and they have been separately incorporated. I know of one instance where certain of the large steel mills in the Chicago area have done this. There is a railway incorporated whose entire business is simply the transfer of freight from one plant to another, a distribution of cars to the various plants. It does not do a general freight business, and receives no outside business, carries no passengers, and no freight for the general public; but it is incorporated to bring those separated plants into a more contiguous relation with each other, and it does it very efficiently.

Mr. STANLEY. The Elgin, Joliet & Eastern is practically such a one.

Mr. SHERMAN. Yes; and what is called the Outer Belt Line in Chicago is very similar. So at the present time, under the consent decree, the problem remains for the packers to dispose of the yards. Here are the rather singular provisions of the decree. It compels the owner of property acquired under the provisions of law, as they supposed at the time, and with no objection at the time they acquired that ownership, to sell it. I am aware that in regard to alien ownership of land, as in California and my own State, there is a similar provision. If an alien continues to own land in Illinois for a certain time without becoming naturalized, the State's attorney of the county in which the land is situated, or if in more than one county the State's attorneys of the several counties, is required by a mandatory provision of the statute, by proper court proceedings, to obtain a decree to divest the alien of ownership, and to expose the land for sale at the door of the courthouse, at the county seat of the county, and to sell it, taking out the costs and remitting the balance of the proceeds to the alien.

California is not the only State in the Union where the people are agitating against alien ownership. It is going on in a great number of States. It has been in force in my own State since 1889, more than 30 years ago. It was to cover the case of a landlord in the corn belt. He was an Irishman, as I remember, and an absentee landlord, rather a contradiction in terms, but nevertheless that was the fact. He had large ownerships and rented out, under very exacting leases, as much rack-rent as there is in the potato fields of his native Ireland, some thousands of acres. Primarily, he was the provoking cause of this legislation. He had himself naturalized, and died. I think he died an American citizen in order to save having a forfeiture of his estate. I refer to this to show that in no single instance has a tract of land been exposed to sale under the alien ownership law that it ever lacked a purchaser. Farmers crowd in and buy every acre of what is exposed for sale under such statutes.

But when the Government, by decree, orders stockyards sold, and the market is open for anybody to buy a stockyard, for some reason they do not flock up to the doors of any Government building, or seek the marshal's office, saying: "Can I not buy a stockyard this morning?" I have not found a man yet who wants to buy a stockyard as an independent proposition, to own it and operate it as a stockyard.

Mr. STANLEY. Mr. President, I do not wish to interrupt, and the question is not hostile, but my understanding is that the packers have heartily concurred in this program outlined by the Attorney General, by which they are to be divested of any interest, direct or indirect, in the operation of the stockyards.

Mr. SHERMAN. The Senator is right. They consented and are trying in good faith to carry it out.

Mr. GRONNA. It was a voluntary agreement.

Mr. STANLEY. Yes; a voluntary agreement. I will say to the Senator in this connection that I am not predisposed to the control of private business by a Government commission. Public utilities must be controlled to a greater or less extent by a commission, as, for instance, the Interstate Commerce Commission. Does not the Senator think it would be better for the stockyards to rid themselves of any semblance of this dual

activity, and by getting rid of the stockyards to preserve their autonomy and their activities as a strictly private business? The preparation of beef or its by-products for sale is a strictly private business.

Mr. SHERMAN. Yes.

Mr. STANLEY. I doubt if the operation of a stockyard is, and for that reason I think it is better for the stockyards and for the packing business that they should, if they can, divorce themselves from the business of carriage, directly or indirectly.

Mr. SHERMAN. I quite agree with what I assume are the Senator's views on the subject. If I were able to give advice, if I had a client who was a packer and an owner as well of a stockyard company and a terminal or junction railway, I would advise him to adhere strictly to the packing business and its incidental products and to let the other go as a separate enterprise, not connected with his plant. I quite agree with what I believe the Senator's view is on that subject, and, acting on that view, I presume the counsel for the packers consented that in this decree there might be incorporated that provision. The peculiar hardship to which I was directing my remarks was the court order to sell this property and divest themselves of some $30,000,000 worth of property, without at the same time the Government's furnishing them a purchaser. All of the interests in yards in dispute and which led to this decree would be the packers or their families.

All of the packers are not merely Mr. Armour, and Mr. Morris, and Mr. Swift, and others; there are thousands of men interested in the packing business, all of their shareholders outside of them. But the hardship of it is to dispose of these yards throughout the country—at Kansas City, at Fort Worth, at Denver, at St. Louis, at Chicago, at Omaha, at St. Paul, at Milwaukee, and various points. They must be disposed of to somebody or they must be given away, and it is not proposed by the Government to confiscate this property. A proposal has been under consideration, no doubt many have noted in the press reports, to organize a company for the purpose of taking over these companies. But that has been subjected to some criticism, at least some scrutiny, by the Department of Justice, and with possibly some doubt about whether it would be satisfactory to the Attorney General.

So that plan remains in waiting. But at least the property should be taken care of in that way, unless it is to return to a state of nature, like property before the laws of civilization, first holder gets it, and that is not to be thought of.

The actual value of the terminals and the yards over the United States aggregate many millions of dollars. They have grown up since the Civil War closed, in 50 years or more of economic development of the country, and especially the last 25 years, the great period of industrial development in the United States. I take it by the consent decree that for further purposes of discussion the yards, terminals, and the unrelated products are divorced from any further debates on the bill. They are cared for by the decree, which I shall later incorporate in my remarks.

These matters I shall now discuss are of a very elementary character. They lie at the basis of successful business. I do not know of a single undertaking, nor have I ever had a client, some of whom have lived in Chicago while I lived down State, that ever violated the rules that underlie these business relations that did not come to grief. Every business in the large population centers must be run at a fair margin of profit or it can not endure. In smaller places men do not watch percentages as they do in the large cities. A percentage of one-half of 1 per cent means at the end of the year, with the volume of the large enterprises, either success or failure. Therefore they watch closely the per cent, and they must keep those per cents in view, as the prudent sailor on the high seas watches the barometer as it rises or falls, as a presage of coming weather.

The market in which the packer buys is the most singular market in the world. He has no control over the market. In the very nature of things he can not control, by the slightest degree, the arrival of animals at the packing-house centers. He can by no means or in any way control the raw material constantly arriving which he must use in his packing house. The flow of meat animals to the market comes from many individual sources, some large, some small. What leads the live-stock producer to ship is his own opinion based somewhat upon his own condition. Animals reach the age when they can be taken off grass to be grain fed, to be put upon corn for a given period, and then at the end of that time, the growth having reached the point where they put on no more pounds profitably, they must go to the market. The live-stock producer keeps that in mind; he is skilled in that, and whenever the end of the profitable feeding period has been reached that carload of cattle goes to the market. They do not consult the packer. They often do not consult even their favorite commission man. They ship to a market whose purchaser is unknown, whose price is unknown except for the quotation of the preceding day obtained by telephone, and they ship to an open market for an open purchaser, taking their chances.

This applies both to the large producer and the small. They must ship based upon the laws of nature, upon climatic conditions. Where there are grass animals brought from the range, they must ship by the growth of the animal. It is so old after its birth. Its period of productive growth ceases after a certain time. Grain fed into the animal after that time is a loss and, therefore, arbitrarily the stock must be shipped at that time.

Over these processes of the birth of meat-producing animals the packer has no more control than he does over the birthday of any Senator. Nature controls the process. It can be accelerated and increased in time of need, as during the war period, but it can not, and is not controlled save by the inexorable law of supply and demand in peace times and can not be controlled under the ordinary normal conditions that prevail in all the live-stock producing area.

Therefore the flow of animals coming into the live-stock market is something over which the packer has no control. His raw material is beyond his control in any way. The supply must be taken up, the purchasers must absorb the live stock, or it will cease to come to that market and go elsewhere. So the packer, both large and small, finds himself under the necessity of taking up the flow of animals which come to that market. If they come in larger quantities than are needed, there will be a lower price. If they are slack, they will bid higher just as the market always does. It is a condition as old as the world rule of supply and demand that controls ultimately the price of the steer, the sheep, or the swine.

Mr. GRONNA. Mr. President——

The PRESIDING OFFICER (Mr. WADSWORTH in the chair). Does the Senator from Illinois yield to the Senator from North Dakota?

Mr. SHERMAN. With pleasure.

Mr. GRONNA. I quite agree with the Senator from Illinois that the packers can have no control over the primary shipment of stock, but I can not agree with the Senator that the so-called Big Five packers may not have something to do with the price when that stock is disposed of.

If it is true, as has been stated (and I do not believe it has been successfully denied), that the five large concerns buy or handle, with their subsidiaries included, 80 per cent, or a little more, of the cattle, more than 60 per cent of the swine, more than 70 per cent of the calves, and more than, I think, 80 per cent of the sheep and lambs, what would happen, may I ask the Senator from Illinois, if those five operators stayed out of the market? I am not saying this for the purpose of attributing any sinister motives to those people at all. I believe that the men who own and operate these big plants are just as honest and just as patriotic as the average citizens of the country; but I ask what would happen to the market with that condition, if all five of those packers, or even most of them, stayed out of the market?

Mr. SHERMAN. For one or two days or until all live stock en route on the day they stayed out and those in transit had reached there or been diverted to other points, there might be a surplus, but after that there would be no more stock coming to that market. Any surplus would simply go elsewhere a few days. The live-stock market and its dependent industries would not stop at any or all such points. The independent and smaller packers would seize the abandoned business of the large packers. Some days in Chicago and other points they now buy more head than the five packers together. The large packers would perish and the others would take up their business. It makes no difference whether the large packers handle 50 per cent, 80 per cent, or 100 per cent as long as they are in competition with each other, there is and can be no control of price. And there is no evidence in the Trade Commission report, or elsewhere, that the price has ever been manipulated.

Mr. GRONNA. But the Senator knows that the five packers are the big operators at the common stockyards which the Senator has enumerated.

Mr. SHERMAN. They are at some of them. I will name the ones: Chicago, Kansas City, Omaha, St. Louis, Fort Worth. Those are the principal ones.

Mr. GRONNA. And St. Paul.

Mr. SHERMAN. Yes, and St. Paul, Minn. That is correct. There is nothing in that, even. Suppose they quit, suppose they conspire with each other with willful and malicious intent at all these points to quit buying. It is perfectly evident that after about the third day, or probably the second day, because the telegraph and telephone can be used, there would be no

more arrivals at those points for those packers to get at, even if they tried to resume. There are other points than the ones I have enumerated as the principal markets, and at every one of the large markets, according to the Senator's figures, which I think are just a little bit too high, there is 20 per cent or 30 per cent bought by some one else. Taking out all the subsidary companies, the Hammond Packing Co. as a subsidiary of Swift, and so on through the list, eliminating any ownership that involves control of the plant, there remains a vast army of the so-called independent packers.

Now, the independent packers are no pigmies in business, many of them. Some of them have a business that runs to $70,000,000 every 12 months. They are constantly present at both the large and the small markets. What would happen in Chicago, which is the largest live-stock market in the world, if the five great packers quit buying? Immediately the small packer would begin to enlarge his plant and to take up the slack in the business. It would only turn the business, by the voluntary action of the packers that are complained of, from their slaughter houses to those of the independent packers.

Let me say to the Senator from North Dakota [Mr. GRONNA] that for my own satisfaction I cut at random from the market columns of the Chicago Tribune for 55 days the market reports on hogs arriving in Chicago. There are more swine arrive there and slaughtered there than any other place in the world. In the 55 days there were 17 days when the independent or small packers bought more hogs on the market in Chicago than the five great packers did. I took the dates at random, with no desire to accumulate and collect for the purpose of showing this result. Some days the small packers in the aggregate bought from 5,000 to 6,000 head more hogs in Chicago than the five great packers all put together.

What would be the result of the hypothetical condition the Senator assumes might happen by some fell conspiracy? If Swift & Co., Armour & Co., Morris & Co., Wilson & Co., and Cudahy & Co. all got together some evening and said "Let us buy nothing to-morrow; let us freeze out the market," to-morrow there would be a great run of meat animals in Chicago and there would be no large five buyers. The small buyers would come out and, up to the capacity of their packing plants, they would buy everything on the market.

They might not be able to absorb all of it, but immediately, before unloading, all of the others would be diverted to some other market, and there the small packer would take the remainder of the fruits of this hypothetical conspiracy. It is true it would cost some freight, but after one experiment of that kind the five great packers would be out of business in the United States, and nobody knows it better than the Senator and myself. It must be assumed that no legitimate business man in this country will commit manufacturing or commercial suicide, nor will the packers do so any more than anybody else.

Returning now to the peculiar market in which the packer must buy his raw material—for to him a live animal is raw material—he must take it all; there can be no amount allowed to go over, to any appreciable degree, because that would destroy the market. So the packers absorb the market. They are not like the manufacturer of steel, who can order pig iron from some producer or smelter when he may want it, and in such quantities as he may want it. He can put it out in the yard if he wants to do so, and keep it indefinitely. A live-stock animal sent to market can not be kept beyond a certain period, even on the hoof.

Let me incidentally remark here that the complaint is made about the high price of grain and hay which is sold at the yards to the owners of stock to keep them for the 24 hours or so before they are sold to the packing house. I pay more for a shredded wheat biscuit or a boiled egg in Chicago than I do down in the country towns, to begin with. But lay that aside. I know as much about the stock raiser and the farmer as does the average Senator in this Chamber. I was raised among them; I was one of them until I was 24 years of age. All of my people are farmers and stock raisers to this day. I am reflecting upon none of them, but I do say that I do not know one of them, relative or stranger, who in buying stock to ship into the market does not stipulate in the contract that the cattle are not to be fed, watered, and salted so many hours before they are weighed.

But the packers do not wish to buy hay at $14 a hundred, and they do not want a little rock salt licked up to increase the appetite for water just before the cattle are being weighed, nor do they want grain fed in the same way more than other people. All of the food in the process of digestion inside of a live animal to be slaughtered is one of the unsalvaged things of the packing-house business. It can not be salvaged, and yet it is weighed in to the packer. If there is an unscrupulous dealer who does not comply with the contract and who fills the animal up before it is weighed, in that case the purchaser buys water, hay, and corn at live-stock prices. It is impossible to make a feed yard out of a stock yard, and it is uncommercial to furnish cheap food to feed into the animals and keep them there. It is not the purpose of the market point. The feed yard is a thousand miles from Chicago in many instances, and the feeding must be done before the animal comes to Chicago.

So the packer goes out on the market and buys what he needs. He can not control the number of head that come in there; he must buy them. In the main the packers must absorb the supply of the market in order to keep the market alive and going.

I wish now to turn to the other end of the business. The packing house is merely an agency, so far as the immediate public are connected with this subject, for the conversion of the live animal into edible food products and the distribution of those products in the best possible condition for a reasonable profit. Without some form of packing house the present supply of meat to American consumers would be an impossibility. There can be no such thing as a famine in the United States under the modern system of transit, collection, preparation, and distribution of foods. The market in which the packer sells is different from other markets of commercial products. First, he sells a highly perishable product. Generally the packer disposes of his product within a week from the time the refrigerator car arrives at its destination. The fresh meat chilled in the cold storage rooms in the packing house and transferred directly into the refrigerator car will not keep beyond two weeks; it must then be sold and consumed.

The packer ships into a market of the most peculiar character. He goes there without a purchaser or a price. He does not know who will buy his product or at what price he can sell it. He knows only the cost price. He must be governed by the supply and demand of the market; he must be governed by what the retail dealer is willing to pay, who is the one who sells to the consumer. The retailer takes from 40 to 100 per cent profit in passing it on to the kitchen of the consumer. Everybody here lets the retailer alone. Some of the worst profiteering in Washington was the innocent-looking retailer, who is willing to let the packer take the blame. The retail dealer shops around. Here in Washington, for instance, the retail dealer will go to Swift, to Armour, to Cudahy, to Morris, to Brennan, to Dold, to Kingan, and a host of small packers. He will market around much as a good housewife with a basket to see where he can do the best. The packer, after taking up the supply of meat animals on the market and converting them into fresh meat, ships his product in his refrigerator cars to different parts of the country, and there he does not know how or to whom he can sell it. He must do business on an intimate, accurate knowledge of what the market wants.

That leads me to remark upon the percentages which are complained of in the Federal Trade Commission report, to which I now allude. The Federal Trade Commission in their report base their conclusion that the five packers named are a monopoly upon the fact that there is very little variation in the percentages of live stock bought in the principal live-stock markets of the country and of fresh meats sold in the various consuming centers. These percentages, they say, indicate a conspiracy or a common understanding by which the packers parcel out the share that each packer is to have. First, let me consider the percentages in connection with the amount of business done by way of purchases at various live-stock markets. The percentages do run rather uniformly. The purchases show that as between the five great packers the percentages do not vary a great deal. It must be remembered that a very small percentage applied to such large aggregate principals results in a large number of head of live stock. Sometimes there is a difference of 2 per cent one way or another; sometimes one packer forges ahead at Denver and loses at some other place. For instance, in Denver it was shown that Swift & Co. has been increasing its purchases of cattle substantially, as compared with Armour & Co., the only other large packer in that market; but there is nothing said about that in the report of the Federal Trade Commission, which refers to Denver as a "50-50 market" and insinuates that there is an even division.

At St. Paul, Minn., Armour & Co. has been rapidly increasing its percentage, as compared with Swift, during recent years by a very material amount, but there is nothing said about that in the report of the Federal Trade Commission, except an insinuation that here again there is an even division. The percentages vary from week to week, and in different markets; but if all the figures be reduced to percentages there will be shown in the

aggregate hardly a difference of one full per cent; sometimes the difference will appear to be only a small fraction of 1 per cent, although I find that even the Federal Trade Commission's figures show that Swift & Co. increased its percentage in all markets during the five years, 1913–1917, so that that company handled over 100,000 more cattle in the last year than it would have handled if it had not increased its percentage.

That illustrates what I said awhile ago to the effect that one of the basic underlying principles of modern business in large centers of population is to watch closely the percentages. It depends upon the small margin in the entire volume of business done at the end of the year whether a concern has gained or lost according to the percentages. A percentage may be very small, but upon the aggregate total it may amount to a great deal. So with many million head of live stock coming into the various markets of the United States 1 per cent will figure out nearly 100,000 head of cattle. The question of percentages, therefore, is not the same in the packing industry as it is in the ordinary business, where the percentages may vary from 5 to 10 per cent and apply to a relatively small aggregate total. If the same rule were applied to the packing-house industry that is applied to the ordinary business, the total upon which the percentage is based would be a prodigious amount. Therefore when it is said that the percentages do not vary from year to year, as in what is called the "tattered-leaf" memorandum, which was found, I think, in the desk of Mr. Swift by one of the investigators, the statement is not significant. A similar memorandum can likely be found in the desk of every manager or officer connected with the packing-house industry in Chicago, big or little. The fact is that each packer follows these percentages carefully from week to week to see that he is keeping up in the competitive race. Not one is willing to fall behind by a fraction of 1 per cent if he can help it.

Do you not suppose, Mr. President, that the traffic manager of a railroad knows the per cent of freight and passenger business in the district tributary to his mileage at the end of the year? He certainly does. He computes the per cent for that year and lays it side by side with the percentages for the preceding year in order to find out if anyone has entered upon what is his natural transportation territory. If he finds his percentage has fallen 1 per cent, to him it may mean an aggregate large sum, and he immediately sets about to ascertain how the shrinkage has occurred. He may find that some new competitor has come in and secured the business; that some energetic freight solicitor has secured away part of the freight that belongs to his line. So the packer naturally has similar percentages computed; he has them furnished him every day; they are computed by statisticians or accountants and laid on his desk. There never was any secret about it. If a variation of 1 per cent in one day is continued it will mean at the end of 30 days or at the end of a 6 months' period a prodigious total of live stock bought and slaughtered by a great packing plant. Every one of the packers knows every day the percentages of all the other packers, including Brennan, Dold, Kingan, Swift, Morris, Cudahy, and the others.

There is nothing beyond that. The whole conclusion of the Federal Trade Commission that the packing industry is a monopoly and conspiracy is based upon the fact that certain percentages remain practically constant throughout the year.

Let me call attention to something else. In a town of 5,000 population it will be found that with two or three dry-goods men running year after year for a 20-year period, the percentage of each of the total volume of business done in that town will remain nearly an invariable constant.

One will forge ahead a little one year and then fall back the next year on account of some more aggressive action on the part of his competitor. That is competition in business; but the very fact that in a local business it remains the same way might be taken as evidence of a conspiracy by the dry goods men.

Let me take an actual condition. This is verified by chartered accountants. I spoke not long ago of Montgomery, Ward & Co. and of Sears, Roebuck & Co., both large mail-order houses in Chicago. The business of both of those mercantile concerns has increased by percentages very greatly in recent years. Both of them show a very large growth, indeed, in the aggregate of their transactions. If, however, the aggregate of the business of both be taken and the percentage of Montgomery, Ward & Co. be figured on the total aggregate of both, it will be a certain percentage, and if Sears, Roebuck & Co.'s percentage of the total aggregate of both be computed it will be a certain percentage, and it will be found that the percentage of each will run along an even line; that although they have increased their business 5, 10, 15, or 16 per cent over the preceding year the percentage that each has transacted of the total volume of both has remained an invariable, constant percentage of the whole; and still there is no understanding between those two houses. They are rivals of each other. They are controlled only by the price of merchandise on the market, and they sell only at the margin of profit that will permit them to continue doing business and paying dividends upon the net worth—the capital and surplus invested in the business. This proves absolutely that the fairly constant percentages in the packing industry can not be accepted as proof of an agreement to divide receipts.

[At this point Mr. SHERMAN yielded to Mr. KING, who raised the point of no quorum, and the roll was called.]

Mr. SHERMAN. Mr. President, I regard these constant percentages shown in the purchases by the five large packers in the Chicago markets and elsewhere as being only the same phenomena that attend other large commercial transactions in the same cities. If there were more in it than a coincidence there certainly would be accessible in the hearings more evidence of a conspiracy. The authors of this are only another instance of persons misled by circumstantial evidence who have a preconceived judgment to sustain.

I have taken all the matters that might bear most unfavorably upon the five defendants in this Trade Commission report. There is what is known as a letter on substitutes for lard which has been quoted by the Federal Trade Commission as conclusive proof of a conspiracy in regard to prices. This relates to the selling and not the purchasing market. It is a letter by Armour & Co. to the manager of their branch house at Pittsburgh, dated January 24, 1918.

It's always been our understanding that if our organization had the same price as the other fellow, that's all they need. This is certainly a fact on substitute—

I might remark here that the substitute is a compound the base of which is cottonseed oil, and during the war it became very necessary to supplement animal fat by some vegetable compound. It was done very largely by the combinations developed by the large packers, and so lard substitute went upon the market as a very excellent preparation. It is healthful and answers all purposes about the kitchen for cooking.

This is certainly a fact on substitute since January 14, and we will be very much surprised if your territory does not triple its business each month. We do not recall having such an opportunity in the history of the firm, and if this practice is maintained it's a pretty safe bet we will get our share.

This was followed on January 28, 1918, by a circular from Mr. Sharpnack, the manager of the branch house in Pittsburgh, addressed to all managers, giving the following instructions:

Please give this compound—

Referring to the substitute—

all attention possible. Everybody's price must be the same as yours. If you find any deviation make doubly sure that you are right by seeing the bill, noting the date of same, quantity sold and the price, and let me have it.

The Federal Trade Commission continues:

This so pleased Armour & Co. that on January 30, 1918, L. L. Whelen, of Armour's lard department, wrote the superintendent of the branch office at Pittsburgh:

"Very glad to note your cooperation on White Cloud"—

That is the brand of lard substitute—

"as per your circular to houses dated the 28th. In this connection, however, it occurs to us that we should not make any noise about competitors' prices being identical, etc. Under present conditions this is not advisable, as you are undoubtedly aware. Also you might destroy this letter on the subject."

Then the Federal Trade Commission continues, in regard to these two letters, saying that this is conclusive evidence of a pool for entire packing products of every kind in selling on the market.

Bear in mind this was dated January, 1918, and the commission, or its active agents, the men on the commission who seemed to be the responsible force, act a good deal like Alice in Wonderland, whenever they see anything they think it is another thing; and it is a good deal like the Einstein theory of where a thing is. The problem about a star is not what you are, but where you are; the question of relativity including a thorough understanding of the fourth dimensions and a great many other abstruse mathematical problems. But the Einstein theory is no more difficult to understand than the theory of the Federal Trade Commission, that when they see one thing they think they see all of something nonexistent. They are a good deal like Baron Cuvier, the naturalist, who said that when he got the bone of an animal he could construct a whole animal out of it. That is what the Trade Commission is doing. They think they have a bone here, and they have been gnawing it with great unction.

Bear in mind that this was January 28, 1918. We were still at war. We were in the midst then of our troubles. The Food Administration of the United States had, through various departments, summoned food producers, as well as other producers

of various war necessities, to Washington and elsewhere, and by consent had entered into arrangements highly beneficial to the Government, and necessary for the support of the Army in the rear, so that those who were upon the actual fighting line should be properly sustained, furnished both food and the necessities of modern warfare. Among other things, animal foods and animal fats became of primary consideration. We all remember now how Germany broke down on her supply of animal fats. It was only because of the great resources of the United States, poured generously and in immense volume into the hands of the allied nations, that we finally defeated not only by actual war but by economic needs our enemies in the Old World.

In pursuance of this general plan of marshaling our resources and of conserving them in the most efficient way, the Government fixed a price upon animal fat. All the packers, large and small, entered into that agreement. I might remark here, as it is kindred, that the profits of the packers on the edible-food products from a live animal were fixed at not exceeding 9 per cent, and they did not exceed it, and, in fact, did not equal it during the entire period this arrangement was in force.

This, therefore, was an arrangement of the Government. The price was fixed on lard substitutes, which includes the article referred to in these two letters; the price being fixed by the Government, nobody could sell at any other price.

The Government did not even look with favor upon cutting that price. Cutting prices for war essentials was not generally regarded by the Government with favor. I state that generally with regard to all of these products. It was thought that it would discourage production, and all of us in this Chamber are familiar wth the inducements we offered to the producer, whose activities must be voluntary, and who had to be enlisted upon his own free will, if we would go to 100 per cent capacity. Acting upon that suggestion, we encouraged the producer of live stock—hogs, cattle, sheep—and every form of human food, including the great breadstuff grains of the country, and the farmer and the stock raiser responded, as did the packer and the manufacturer of iron and steel products and of explosives and men engaged in the production of every line of the essentials of warfare.

So the lard substitute compound had its price fixed, and it is to that fixed price these letters refer. The Federal Trade Commission never mentioned the fact that the price had been fixed by the Government itself through the Food Administration.

That they were watching their competitors, big packers and little, is evident upon the reading of the letter, and when they refer to others selling at the same price, and say that "Your price must be the same as all others," it does not refer, as the Federal Trade Commission improperly would have us believe, to a price fixed by a conspiracy of the packers but it refers to a price fixed by the Government authorities.

Mr. KING. Mr. President——

The PRESIDING OFFICER (Mr. KELLOGG in the chair). Does the Senator from Illinois yield to the Senator from Utah?

Mr. SHERMAN. I yield.

Mr. KING. I am not quite sure that I correctly understood the statement made by the Senator a moment ago respecting the profits which were fixed by the Government, and which were not exceeded by the packers in the sale of their meat products. The Senator stated that the maximum was 9 per cent. Is it not a fact that the profits of the packers on their entire turnover for a number of years last past has not been much more than 1 per cent?

Mr. SHERMAN. That is correct.

Mr. KING. Or approximately 1 per cent on the turnover?

Mr. SHERMAN. It has been about 1.8 per cent on the volume of business. It can be estimated that way. It has been much less than 9 per cent on capital and surplus, and this year it will represent practically nothing on domestic business—business in the United States. The packers have taken tremendous losses in their inventory value on the business done in the United States for the last 12 months. They have suffered in common with every other vendor of meat products, whether on the hoof or dressed, and the profit on many of their meat products would run much less than the 9 per cent of the net worth—that is, the capital investment and surplus.

Mr. McCUMBER. Mr. President, when the Senator speaks of 9 per cent, does he refer to 9 per cent upon the capital invested?

Mr. SHERMAN. Yes; the capital employed in the business.

Mr. McCUMBER. That is, it would be 9 per cent on the stock or 9 per cent upon the capital invested?

Mr. SHERMAN. The capital invested, including borrowed money.

Mr. McCUMBER. That is what the Government fixed?

Mr. SHERMAN. Yes.

Mr. McCUMBER. Was there not a showing made here by the Federal Trade Commission—or perhaps it was a finding—that they made several hundred per cent upon the capital invested?

Mr. SHERMAN. Yes; but that was due to their imagination. That was the profit of one concern on capital stock alone. Some companies are capitalized for small amounts, with no reference to total investment. Profits on capital stock in such cases mean nothing.

Mr. McCUMBER. That is all imaginative?

Mr. SHERMAN. It is; and I will say to the Senator that any such figures do not state the situation accurately. I know the Senator follows me and appreciates the difference when I say that the 9 per cent profit was on edible meat products. It did not extend to by-products. They were not included in the restriction. During some of these war years, taking the total volume of the domestic business of the packers, by which I mean the business done in the United States, they showed profit on the total business that in some instances ran beyond 9 per cent. But that would include fertilizer, glue, bones, phosphate, hides, and everything that comes out of a live-stock animal. But upon the edible meat products their profits ran less than 2 per cent on sales, 1.6 and 1.8, varying with the different packing-house plants, some a little more and some a little less. I am referring now to the 1.6 and 1.8, all under 2 per cent; that is, for each dollar's worth of business done they made less than 2 per cent. Of course, where they do an immense volume of business, that enables them to earn dividends as hereafter given on their capital stock. I think all authorities agree, the Federal Trade Commission and the packers' statisticians themselves, that net worth now means capital stock and surplus; and when I speak of dividends on that basis of profit I mean net worth. A profit of 2 per cent on sales means a profit of 11 or 12 per cent on investment. The packers "turn over" their investment about six times a year.

Mr. KING. Mr. President, I have been compelled to be absent during part of the remarks of the Senator, and I am not sure whether he has discussed the question to which I wish to direct his attention. He has just referred to the fact that the packers this year upon their domestic business would be compelled to sustain a loss, and the inference was that upon their foreign business there might be some profit. If the Senator has not discussed it, I am sure I would be glad to have him discuss, and I think other Senators would, before he concludes, this feature of the subject: To what extent the stock grower of the United States is dependent for profit upon a foreign market, to what extent the sheepman and the cattleman are dependent upon our exports of meats for profit, what the situation would be if the only market they had was the domestic market, what work has been done by these packers to extend the foreign market of the live-stock industry, what efforts have been made by the enemies of the packers to destroy their foreign market, which is the American foreign market, and what the destruction of that market would mean to the live-stock interests here in the United States.

Mr. SHERMAN. I expect to go into that, and the subject is as large, or is becoming so, as the domestic markets of the United States. The Chicago meat packers are international now in their activities. They have gone beyond the limits of the United States by force of actual conditions, and in order to keep up their export trade from the United States they have been compelled at times to take losses on export business from the United States and balance it by business done in South America and other foreign countries. By foreign trade I do not mean exports from the United States but exports from foreign countries where they have packing plants of their own.

Mr. McCUMBER. Mr. President, before the Senator leaves the subject of profits by these companies, I would like to understand thoroughly what he means by the percentage of profits. He speaks of 1 and 2 per cent upon the volume of business. One or two per cent upon the volume of business might mean 100 per cent upon the capital actually employed. The turnover might be made three times and it might be made three hundred times in a year. I presume in determining what is a legitimate or a fair profit we should take not necessarily the capital stock but the actual amount of money invested from the beginning of the year to the end of it in conducting the business and the profit upon the amount of capital invested. Can the Senator give us any idea what that was?

Mr. SHERMAN. The Senator is right about that. Let me premise the statement I shall make by the following: A great controversy arose with the Federal Trade Commission on the methods of accounting by the five large packers. It was said that their methods of computing their gains and losses were

defective. There are only two ways of estimating the gains and losses. The one is to take the entire volume of business done in a year. That would include the turnovers, if once or twice or a half dozen times. That would be the sales for the entire year, say, to simplify it, and on that their gains would be, on each dollar's worth of business done, taking the total volume, so many cents. When I speak of 1.8 per cent or 1.6 per cent on each dollar's worth of business in this connection I mean upon the total volume of business done. When I speak of dividends paid I mean the returns on the net worth of the business. The net worth—and I think the Federal Trade Commission accepted this as a standard basis—includes the capital and surplus employed in the business, not including any temporary loans on short-time paper that are made for putting into the business and carrying for a time until returns come in and then paying them off; but the interest paid on such loans is charged up as a part of operating expense. If there are no long-time loans represented by bonds of a long period that could be added to capital stock none of such short-time loans are ever included as a part of capital stock. I have already explained that a profit of 2 per cent on sales means a profit of about 12 per cent on net worth. The turnover is about six times. The profit on sales shows its effect on prices; the profit on net worth shows what return the investors in the business are getting.

I do not speak for Chicago alone. I have a right to speak in this Chamber for that community and all of its various manufacturing, fiscal, and commercial organizations. They are my constituents, the immediate constituency that I represent here. I have seen the packing-house business grow from a time when there was no market to its present magnitude. I have seen the time when there was no market except at fixed intervals during the year and when it was impossible to tell, when one was feeding a carload of hogs, whether they could be sold or not, and the stock grower took his chances.

Following the close of the Civil War two or three houses began to develop. There were Morris, Swift, and Armour, and soon came Cudahy, who was an employee of one of the preceding I have named. He began business on his own account as an independent packer. He is now only classified as one of the Big Five, because he has been successful.

Michael Cudahy was a success from the beginning, because he knew the packing business. He went into the packing business and got his share of the business—I am using that phrase properly—not a conspired share, but his share of the business in the United States because he knew how.

There was an old firm of Schwarzchild & Sulzberger, commonly known to the trade as S. & S. They were in the market for a long time. Finally Schwarzchild died, and Ferdinand Sulzberger ran the business as Sulzberger & Sons. The elder Sulzberger eventually retired and then died. The packing house was left to his two sons. The two sons did not develop into packers. They did not seem to care much for the packing business. They had a fortune, and they thought more of spending the income of the fortune in New York City and at places where social entertainment more accorded with their views than in Chicago in the packing-house office. The natural result followed. Social laws can not set aside economic laws. A business house and a counting house will have its way in the end. The securities issued in the lifetime of the elder Sulzberger matured. They were held by various persons. They were represented in this country by certain banks and certain brokerage houses, Kuhn, Loeb & Co. being one. They did not propose that the packing business of Sulzberger & Sons should be run by the two sons unless they paid attention to it. They were not packers, they are not packers yet, and they never will be. The banks declined to renew the loans, not because they wished to drive Sulzberger & Sons out of business but purely because they could not recommend to their investors that the loans be renewed upon a business conducted as it then was.

All that is gone into in the hearings before the Sims committee in the House, all of it is in the report of the Federal Trade Commission, and it is referred to in the press reports of the London newspapers with considerable vigor as one of the processes by which one of the smaller packing houses was "frozen out." That is the expression used universally. Here is the truth about it: The two boys would not attend to the packing business. The securities would only be renewed when the boys sold out and put their business in the hands of somebody who knew the business. Many a railroad has had the same experience. It takes a packing-house man to run the packing-house business. It takes a lawyer to run the law business.

That is what was the matter in this so-called freezing-out process. I know that it was for a time regarded as one of the relentless, merciless procedures of the other four big packers, but when they found the packer who knew the business and who was willing to take it, then the banks extended the securities because they had faith that he would run the business on a business basis and pay his debts. That is when Thomas E. Wilson took Wilson & Co., successors to Sulzberger & Sons, and became the other one of the Big Five, as they are called in the Federal Trade Commission report. That is what led to this evolution. One family ran out in the packing business.

Let it be said for the others, that the Armour & Co. business was founded by Philip D. Armour. He first began business in Milwaukee, Wis., with John Plankinton. They afterwards opened a small packing house in Chicago, about 1868. In a little while, by the natural growth of Chicago, the railroads began to build up and population came, and in 1870 Chicago had about 300,000 population. It exceeded then considerably the population and the facilities furnished at Milwaukee. Eventually the firm moved down to Chicago and became Armour & Co. there. Simeon B. Armour, brother of Philip D. Armour and uncle of Ogden Armour, went to Kansas City and opened a packing house there upon his own account. That was the beginning of the Armour business of Kansas City. He continued in business until his death. After his death and the death of Kirkland Armour, the Armour interests in Kansas City were merged with the brother's interest in Chicago, and both are now identical. It is the Armour family packing plant.

I think the Armour concern was incorporated about 1900; I am speaking from memory now. Before that time it had been a partnership. It was incorporated finally for $20,000,000 capital. It had been in business since 1868 in Chicago. I think in 1916 there was a stock dividend of $80,000,000 declared, making the total capitalization of Armour & Co. $100,000,000. That has been alluded to in the Federal Trade Commission report with great severity. It has been made the basis of an argument that no new money has been put into the packing business, but that the profits of the business have been so gross that they have accumulated to present figures.

Let me state this, which is the record. I care not what the Federal Trade Commission may find or what inferences they may draw, this is the record, and it can be ascertained by anyone who cares to investigate:

Philip Armour made it his practice not to take his profits out as dividends but to reinvest them in the business, thus accumulating a surplus on his books. At the time of his death he only owned one packing-house plant in the world. He confined himself to that packing house and developed that business and was satisfied with it. He is reputed to have said that if any of his boys developed any business ability as packers, they could take that plant and go on and do whatever the situation required; if not, the one plant was enough. But the Armour family have steadfastly followed the father's financial policy. For more than 50 years in Chicago they have uniformly, from their net earnings at the end of the year, held out nearly 88 per cent of it, 88 cents on every dollar's worth of those net earnings, and distributed the other 12 per cent in dividends. That is the record of a half century. This accumulated surplus during that time continued up to 1900, when they were incorporated for $20,000,000 and it continued after that time because the surplus was there and it made the book value of the stock that much more.

In 1916, in order to bring the actual capitalization up to the real book value of the stock, they took $80,000,000 that had accumulated between 1868 and 1916, nearly 50 years of accumulation, and gave to each stockholder what it represented in shares of stock paid up. That is all there was to that.

The same thing is done by the national banks every day; it is done by every State bank in New York, Pennsylvania, Ohio, and Illinois every day. The dear public outside says, "Well, there is another steal; there is another melon cut." As a matter of fact, it represents the savings of stockholders for many years, or for a series of years at least, who have refrained from taking dividends and allowed a surplus to accumulate until at last it is taken in paid-up stock. That surplus is used in the management of the business. Wherever money is needed, instead of going to the banks and borrowing it on short-time notes at 7 per cent interest, they have the accumulated surplus to draw on. There is not a railroad in the country, as I have stated, that does not do the same thing. The Chicago, Burlington & Quincy Railroad has $110,000,000 capital, while the net invested value of its tangible property, its assets, is $240,000,000; its book value is much more than the par value of its stock. It never has capitalized its surplus earnings, but they have been allowed to accumulate. Every railroad does not do it in so large a degree, but all prudent railroads keep an emergency fund with which to meet great emergencies that can

not be anticipated. That is the story of the Armour stock dividend, which is referred to in the Federal Trade Commission's report.

Let me give another illustration. It is said that no new money has gone into the business. As a matter of fact, the savings of nearly 50 years of self-sacrifice, of self-control, and of refraining from declaring earnings went into the Armour business when they issued the paid-up stock in 1916. It was there and was used continually.

Swift & Co. have put into their business $65,000,000 new money since 1904. They invited the shareholders to subscribe for additional stock, and they have done so. There are now, I think, more than 40,000 shareholders.

Mr. WADSWORTH. There are over 40,000.

Mr. SHERMAN. I thank the Senator. That represents $65,000,000 of new capital, cash which has been brought in from the outside by the investing public. The business is no longer a family packing undertaking. The elder Swift built it up, as did the elder Armour build up the Armour Packing Co., and as Nelson Morris built up the Nelson Morris Packing Co. in the earlier times, but these three families have been fortunate enough to have somebody, some son or sons in the family who have taken the responsibility and who have developed the business ability to run a packing house. That is the reason they are in it to-day. They did not start it; they are not there by voluntary choice, but by the traditions of their fathers they are running the business which they inherited as a family asset. They have wealth enough to quit; if they had not been active and had not had the western push in them, they would have retired on their incomes when their fathers died. They could have lived in affluence for the remainder of their lives, but they have gone on and have developed the business founded in Chicago until it is continental in scope. Armour has a fleet of 6,000 refrigerator cars in the United States and Swift probably has slightly more in constant use. Because these sons declined to be idlers they have become the targets of mediocrity and such men as dominate the Trade Commission.

Libby, McNeil & Libby, formerly a subsidiary of Swift & Co., not long ago declared a dividend of paid-up stock. It was said at the time that that was another horrible example of the packers' profits. Let it be known that of $12,800,000 of the stock of Libby, McNeil & Libby for this new undertaking, $6,400,000 was sold to the investing public; that $1,400,000 was sold to employees at its actual value, so that they might have an interest in the business. So $7,800,000 was brought into Libby, McNeil & Libby's business last year. The remaining $6,400,000 represented the accumulated net earnings of some years past. I do not recall from memory now, but I think for some eight or nine years past they had declared modest dividends and had reinvested a part of their earnings to develop the business and to provide leeway for the purpose of meeting emergencies that might arise. Finally it was disposed of by issuing the amount of paid-up stock I have indicated for the extent of the surplus, enough to cover it; in addition, $1,400,000 of stock was sold to employees and $6,400,000 to the general subscribing public outside. So nearly $8,000,000 additional new money was put in that business; and, in the aggregate, more than $72,000,000 of additional money has been brought into the packing business from the outside, although a representative of the Federal Trade Commission told the Senate Committee on Agriculture that no new money had been invested in these companies since 1904.

I think I know both sides of the packing controversy. I have been in packing troubles for more than 25 years of my life. It has been a constant bone of contention in the Illinois Legislature; and I did penal servitude there for many years. [Laughter.] We had the packers with us always, like the poor, not willingly but dragged in by ambitious statesmen. They have always been an asset for anybody in Illinois who wanted public office.

I come, now, to the refrigerator-car lines and the cold-storage space used by the packers. Some of the five large packers go out and hire space in public cold-storage warehouses. During the war they did not have adequate cold-storage space of their own in which to chill their meat, and occasionally, even during the normal course of business, they do not have adequate cold-storage space.

I think it would mitigate the fervor to some extent of the criticism, even of those who are opposed to the packers, if they could realize for a moment the tremendous drafts which were made upon the five large packers during the war. They were called upon to deliver within a fixed time, say, within 90 days, 120,000,000 pounds of bacon. Very few, indeed, can have any idea of what a tremendous amount 120,000,000 pounds of bacon is. Then, they were called upon to furnish fresh meat to the Army in tremendous quantities. They were required to ship fresh meats by refrigerator cars, put them into refrigerating space in ocean vessels to be carried to any French or British port—a French port preferably, as it involved less transportation to reach the American Army—and deliver them in good edible condition to the commissary department of the Army, or to the naval forces. That was done throughout the entire period of the war, and during that time a very large draft, of course, was made upon all the packers, both large and small. As a result, there was sometimes a very great dislocation of the business. It resulted also in the packers taking great chances. A portion of the vast inventory losses incurred during 1919 was due to the fact that the business of the five large packers was keyed up to the point necessary to handle the tremendous business of the Government during the war; but when the armistice came suddenly in November, 1918, without a great deal of preliminary warning even to the best informed, it found them with a gigantic productive instrumentality on their hands and with vast stocks of cured meat, as well as edible fresh meat, waiting to be disposed of.

In addition, there was the stimulated product of the cattle producers all over the country and the farmers who were pouring their live stock into the market. Europe had to be fed, it is true, and for a time our exports continued; but when they fell off, then our markets began to suffer the natural result, and the inventory value of the packers' products sank prodigiously in a short time. So they have taken, as I have already said, tremendous losses within the last year, losses so great that none but the very best founded houses and concerns of the greatest financial strength and responsibility could have carried the load without involving the entire business in bankruptcy.

Now, with regard to refrigerator car lines and cold-storage warehouses, so far as the packers have cold-storage space of their own, it is incidental to the packing-house business; it is as much a part of their business as is the slaughterhouse itself or as the cold-storage room in which the meats are chilled. Under modern conditions the packing industry can not be conducted without such facilities.

I have already gone at some length into the reasons for the packers owning their refrigerator cars, which possession, according to the Federal Trade Commission, is a crime—the great transportation crime of the country. The packers, large and small, have said in the hearings before the House, before the Attorney General, before the Interstate Commerce Commission, and before every authority having any power in the matter, that they will be very glad to dispose of their refrigerator cars at cost to anybody, provided they can be guaranteed an adequate service in refrigerator cars in return. That is all they want. The necessity is what led them to construct the cars in the beginning, and they are willing at any time to let the cars go in the event it will not impair their facilities in the distribution of their product. That, it seems to me, ought to dispose of the question. But let me ask, at the present time, with railroad freight rates as high as they are and with passenger fares greatly enhanced, how is it possible for the steam railroads of the country to build or buy some 20,000 or 21,000 refrigerator cars? This would involve an expenditure of many million dollars, which the railroad companies could hardly obtain. If they could obtain it, there would have to be another raise in rates, and the dear public is now paying about all it can. So I think the better way is to let the five big packers keep their refrigerator cars, which they constructed or bought and paid for, and let them operate them themselves, although they say that they have been operated at a loss during some years. Let them keep them and operate them. The public is suffering very little injury out of their operation by the packers, even according to the report of the Federal Trade Commission.

It costs every family in the United States about 5 cents a week, counting the average-size family, under the census returns. They pay about 5 cents a week, or about $2.60 a year, to the packers for slaughtering meat and distributing it all over the United States in refrigerator cars.

Mr. WADSWORTH. That is for all the packers, not simply the big packers.

Mr. SHERMAN. That is for all of them—not the five alone, but the whole 235 packers that are doing an interstate business, and that are coming under the jurisdiction of the Federal Trade Commission in their investigations. Of the 235 there are only five that are complained of, and they are complained of because they are big.

Good heavens, big! We have some big banks in New York—the Guaranty Trust Co. and the National City. We have another big one in Chicago—the Continental-Commercial National—and a host of other large banks. We have a big oil company with offices in New York—26 Broadway, is it not?—

and we have another or two big ones at various other places, one in Chicago, one in Kansas City, and scattered around, and they are all making money. If anything is to be indicted and destroyed and slain by the Government because it is big, then let us all quit and crawl back into our pigmy shells, where we would belong, and stay there. We are unfit to be a race of men with red blood and with commercial genius and enterprise.

There are 235 packers that are doing, in a large or small way, an interstate business. There are about 1,200 packers in the United States that are found in the census returns. Now, it is said that the big packers do 70 per cent—the Senator from North Dakota spoke of 70 or 80 per cent—of the interstate commerce business. I think the figure is substantially correct. That is the interstate business. Now, the interstate business is very largely a fresh-meat business. It is a business reached by refrigerator cars, where they distribute from the convenient stock markets and packing-house plants to consuming centers. I wonder if the Federal Trade Commission knows, or whether its active, vociferous mouthpiece would understand if he did know, that two-thirds of the consumers of meat in the United States live east of the Mississippi River; that two-thirds of the cattle produced in the United States are west of the Mississippi River?

It involves the collection of live stock on the hoof at convenient and economically correct marketing points where packing-house facilities are to be had, their conversion into fresh dressed meat, into cured and pickled meat, and their economical distribution to the markets and consumers of the United States. That is the problem; and of the 235 packers doing an interstate business in a larger or smaller way, five are singled out to furnish the example and the basis for the legislation proposed in this bill.

Why not put all the flouring mills of Minneapolis under a commission? They are the greatest flouring mills in the world. Nowhere has anybody had the enterprise and the business ability and the backing of accumulated money to go in the market and spread the product of breadstuffs as the Minneapolis mills have done. Why not put them under a commission? Here are five concerns—I think now they are all incorporated—doing a business that is under investigation by the Federal Trade Commission. These gentlemen, when they refer to the marketing processes, seem to forget that no small packer with a few hundred thousand dollars or even a few million dollars can transact a successful interstate business under the requirements of American market conditions.

When two-thirds of the consumers live east of the Mississippi River, and the great producing center, the range, the grain, the roughage, the forage necessary to maintain cattle and hogs, is west of the Mississippi River, this great area must be bridged by some agency. No small agency can do so. The cattle and the hogs that feed the Atlantic seaboard towns must be transported from 1,500 to 1,800 miles, stopping in transit to be converted at the Chicago packing house, or elsewhere, at Kansas City, into edible products, and continued on. Very little live stock goes east on the hoof any longer. The fact that the railroads had a heavy traffic in live animals to eastern cities was one reason why they did not look with favor upon refrigerator cars—that they interfered with the traffic east of live stock—but there is comparatively little of that done now.

I think New York City has about 750,000 Hebrews, and all of them in their meat consumption adhere to the ancient ritual. They eat kosher meat. It is a part of their belief. The rabbi must be present when the animal is slaughtered.

For a time the slaughtering was conducted in New York City by a marketing or slaughtering concern, and afterwards it was taken over by one of the five great packers. One or two other large packers have houses there. They ship east the beef cattle on the hoof to New York City, because the animal can not be slaughtered in the packing house in Chicago in the absence of the requirements of the Hebrew faith and be shipped to New York City and find a market among the 750,000 Hebrews of that city. It therefore led to another development of the business that is referred to in the report of the Federal Trade Commission as another crime of the packers, reaching out their tentacles and seizing another plant. If the beef cattle from the West were to feed the persons of this ancient religious faith in New York City, it was indispensable that they take this agency and develop it; so they did. They buy a good many cattle locally in the Eastern States, wherever they can be found fit for the purpose. What can not be found, the balance for that supply, must be shipped from the western cattle fields; and so the live-stock car is used by some of the packers to that extent. But in the transportation of dressed fresh meat no small packer can engage in the business. He may be small now, but if he goes into the business he eventually must invest in it a vast sum of money. First, there is the long haulage, the cattle coming from the range or from the stock raisers' fields, where they are raised under such conditions that they can be fed grain in adequate season and marketed in Kansas City, Omaha, Forth Worth, Chicago, St. Louis, or St. Paul. They are then converted into meats.

These edible fresh meats, of which the duration is two weeks to be sold and consumed on the market, must be transported from one thousand to twelve hundred miles, or from Chicago, 970-odd miles by the shortest rail route known, and they must go into this indeterminate, indefinite market to which I adverted a while ago, buying upon a market they can not control and selling in a market the price of which they do not know; and still they act between the producer and the consumer as the great manufacturing and distributing agencies for all the meat-eating population of all the Eastern States, except what is related to local traffic. All the fresh meat, outside of that furnished by local traffic, comes from some of these interstate packers, the 235.

Jacob Dold does a large business. He is at Buffalo and he does a very extensive business. Several Baltimore packers do a large business. Kingan & Co. do a large business—over $60,000,000 a year. He is located in Indianapolis. Patrick Brennan does a large business. Many packing houses in Iowa do considerable businesses, and have been in business a long time, and they have testified that they make money. Here are these tremendous agencies in the interstate business, covering this long chasm between the producer and the consumer, employing hundreds of millions of dollars, and involving a risk that no small enterprise can take; and they have successfully met the duty imposed upon that business. I see no cause for criticism, no cause for legislation, no reason for the reports of the Federal Trade Commission describing them as a menace to the consuming public. Here are some minor matters—the cattle loan associations. I merely wish to refer to them in order to cover such incidental details as seem to be necessary in the business.

The cattle loan associations are a necessary outgrowth of the business. They are not for the purpose of adding to the profits of the packers. They are for the purpose of promoting the production of live stock, for the purpose of loaning money to live-stock raisers who otherwise would not be able to borrow it except at exorbitant rates. I have been in the investment business part of my life, and I never yet saw a time when I would loan a dollar of my client's money on a cattleman's paper, not because it is not good to those who know the business, but because I do not know anything about it. Nobody loans on cattlemen's paper except those who know the business, unless the man has other assets outside. What is commonly called cattlemen's paper is not money loaned by a cattlemen's association, or bank, or whatever it is. It is not a pawnshop into which the cattleman goes and puts up a chattel mortgage on his cattle and gets some money back from the Cattle Loan Association. That is not what it is at all. There seems to be a misunderstanding even in the minds of some of the witnesses and in the report of the Federal Trade Commission. The Cattle Loan Association is a concern that takes the cattleman's paper, whatever he needs, and pays him cash for it, with whatever discount is agreed upon. They indorse it and sell it at a bank on their indorsement. They virtually run a guaranty company on a cattleman's note. It is just like a brokerage house which goes out on the curb on La Salle Street in Chicago, or down on Wall Street, in New York, and sells commercial paper.

In so far as the packers are interested in cattle loan companies, it never has been proved that they have called loans in order to force cattle onto the market. They have been a boon to the cattle raiser.

Then there are trade papers which are objected to. The greater part of those trade papers are run by somebody who has no connection with the packers whatever. The packers in some instances were concerned in them, but merely for the purpose of furnishing accurate market information in an attractive form from day to day.

The cattlemen's bank has been often criticized in the same way. These and kindred matters are minor affairs, and I apprehend that in no way would any of the five packers for a moment make any question if any Government authority requested them to divorce themselves of whatever relation they have with any of these lines of incidental business. It is not a matter of dispute at all. I believe that it would be better for them to confine themselves exclusively to the packing-house business and to packing-house by-products.

The manner in which these markets are made at these various points seems to be alluded to by the Federal Trade Commission as somewhat offensive. I want to take an example in the State

of Texas. At Fort Worth, before Armour & Co. and Swift & Co. went there, the total receipts of the stockyards for the previous year were less than 227,000 of all the varieties of meat-producing animals. Armour & Co. and Swift & Co. bought yards there on the occasion I referred to, some time ago, and installed packing plants, and the market has now reached the point where the total annual receipts are 3,540,000 head of stock, nearly 1,600 per cent increase. There are probably men from Texas who would tell you, if they were consulted, that they are asking for enterprises of this kind to come to southern States; and they are coming, too.

Armour & Co. went to Jacksonville, Fla. They found an opportunity there to market some of their products and to build a packing house, which they did. They opened up a market there, and now Jacksonville, Fla., since they have been there, has become one of the leading live-stock markets in that section of the United States. Before this trade was developed it was a negligible quantity, and was just merely for local slaughter. These developments have continued for many years, and it seems to me, instead of being an object of criticism, it ought to be a matter of congratulation.

There was a question about how many packers were involved in this legislation, or were the provoking cause of it. The five great packers seem to be the ones aimed at. I have here a statement sent out by a list of companies, stating:

The undersigned companies constitute practically a complete roster of the important so-called "small packer" in the United States. We wish to protest to Congress, and directly to the American people, against the baseless charges of profiteering which are being made against the packing industry in general. We declare to the public and offer to prove that—

(1) The average profit received in the packing industry on a dollar's worth of product sold to the retailer is less than 2 cents.

(2) The rate of profit at this time is considerably less than the figure just mentioned.

Then they give a list of the entire number of packers. I think the aggregate here of the large and small packers is 91, and they, with the 5, make 96, and, with the balance of the 235 that do a packing business in a small way, constitute all who are engaged in the interstate commerce of the country.

It is said by the Federal Trade Commission that, first, there is a monopoly in the purchase of cattle, and, next, in the sale of the product. I think I have covered that sufficiently without any more elaboration of the point. There is a total lack of evidence. There is a great wealth of inference and of opinion, of charge and of insinuation, but the evidence which would prove anybody guilty is totally lacking on the issues they make up. With the Federal Trade Commission a coincidence is a criminal conspiracy, an economy a public menace, and a business success a crime.

The packers themselves were heard, some of them in person, some through their responsible managers; but the inferences that were drawn in the Federal Trade Commission's report are of a most violent character. In the absence of evidence, it seems that conjecture took the place of what would ordinarily be regarded as evidence in this Chamber, and it would be much more subject to the criticism if it were a court of justice. No rules in an ordinary hearing before a congressional committee are followed such as govern testimony before a court.

These violent reports that were made by the Federal Trade Commission are summed up in a letter to the President. The letter to the President I will in due time insert in the RECORD, as I wish to make it the basis of some observations.

Further, they sent a letter to the Department of State, requesting that two copies of the Federal Trade Commission report should be sent to a great list of foreign countries, embracing in the letter the list. They also sent with it a form letter, in which it was made to appear that the President of the United States is sending the Federal Trade Commission's report; and they also wrote a letter to the consular agents of the United States in these various countries. These countries, it may be remarked, are the ones where the live-stock market is found, where our export trade either now exists or could be developed, and in every instance it is a place where the greatest of mischief could be done if the report of the commission should be taken as accurate.

When the Federal Trade Commission was faced with the charge that they were intentionally breaking down the export trade of the United States, they strenuously denied it. They deny it yet. The former chairman denied it in his addresses. He denied it in one at the Sherman House in Chicago, in which he went at some length into the charge, and said that anybody who would destroy the export trade of the United States is a traitor.

He has furnished his own condemnation, because before I get through with the unquestioned proofs in this instance I will demonstrate that he knew it, and intended it, and exults in the fact that he has injured the export trade of the five great packers.

The small packer does comparatively a small quantity of export business. It was intended this injury should be done. These Federal Trade Commission reports were sent abroad with the express purpose of agitating in foreign countries against the only exporters who can extend our markets over the world.

Bear in mind that there are some Englishmen who are in the packing business themselves. Of course, the parliamentary reports of various subcommittees do not find that there is any monopoly in England among their packers. They are all the shriven saints of the commercial world. They are given absolution to go into every market on earth into whose harbor the British flag can enter. I will read that report before I get through. Under the panoplied shield of the United Kingdom we meet that competition with the beef and pork from our own fields and our own packing houses, and we find our competitors abroad, from New Zealand and Australia to Smithfield Market, London, clubbing us and aiming at our export trade with the Federal Trade Commission report.

I have followed this not one day or one month, but I have followed this business for more than 25 years, so that I think I know as much as any lawyer can know what I am talking about on this subject, and I know what the Federal Trade Commission designed to do.

It is well, no doubt, that the active end of this commission has ended his public service. He has accomplished all the mischief one man can accomplish. His name will probably be preserved in public documents, and possibly in the CONGRESSIONAL RECORD. He is like the unknown, obscure character who fired the Ephesian dome. The historian would not preserve his name, because he sought that preeminence, bad though it might be; but the dome was destroyed. The magnificent edifice built up in the export trade of American meat has been threatened by the Federal Trade Commission report. There is a rule of civil responsibility in torts, and a criminal responsibility, that a person intends, and will be conclusively presumed to intend, the natural and probable consequences of his own acts deliberately done. Those are the principles which govern the Federal Trade Commission report.

[At this point Mr. SHERMAN yielded the floor for the day.]

Friday, January 21, 1921.

Mr. SHERMAN. Mr. President, the Senator from North Dakota [Mr. MCCUMBER] made some very material inquiries yesterday, during the progress of the consideration of the bill, about the profits that had been paid upon investments in the packing business. Taking the investment to mean the net worth as a basis for such computation, I now present, in order to more fully answer that material inquiry made by the Senator, figures set forth at page 15, part 5, of the Federal Trade Commission report on the meat-packing industry, from which it appears that the five great packers, from 1914 to 1918, made certain percentages. They are computed on the net worth, and, of course, represent profits on investment and not merely so many cents on the dollar of the volume of business done for the year. The percentages run, for the five great packers: In 1914, $8\frac{3}{10}$ per cent; in 1915, $12\frac{8}{10}$ per cent; in 1916, $18\frac{1}{2}$ per cent; and in 1918, 15 per cent. The 1920 earnings are covered, first, by Mr. Armour's report as president of the company, which was referred to in the newspaper dispatches yesterday and quoted by me then, from which it appears $2\frac{4}{10}$ per cent was earned upon the investment, the net worth, of his company. To do that he had to draw entirely on the surplus derived from foreign business. He defined that to mean not export business from the United States or any part of the domestic business of the United States, but solely the trade in South America, the export or other business done by his packing plant in that portion of the Western Hemisphere. So far as the United States business, either foreign or domestic, is material, no profits were earned. That business was transacted in 1920 at a loss. This ought to satisfy our exacting friends who profess to be frightened at the law and the profits.

I am confident from what I know in a general way of the course of business affairs that the packers and other large enterprises which have been necessarily required to carry large inventories will none of them on their United States business, either domestic or foreign, make any substantial profit. If profits are made at all, they will be very small, and most of the packers, if not all, will incur heavy losses upon their American business. If any dividends are paid they will be paid from reserves drawn from other sources not connected with the markets of the United States or from surpluses which have been built up out of past earnings.

In this connection I also desire to call attention to the percentages of profit, as given on the same page of the commission's report, made by the independent packers, the so-called small packers, although some, as I suggested yesterday, are very far from being small. Some do a business of $75,000,000 annually and on down to two or three million dollars annually, but all of them do a considerable business. Their percentages for the year 1914 were 12.6 per cent, as against 8.3 per cent by the five large packers; in 1915, 13 per cent, as against 12.8 per cent by the large packers; in 1916, 22 per cent and a fraction, as against 18.5 per cent by the large packers; and in 1918, 18 per cent, as against 15 per cent by the large packers.

The commission proceeds to say:

In every year the independent packers tabulated average a higher rate of return than the great packers.

Without admitting that there is any probative value in such evidence, however, they continue:

No conclusion can be drawn from these figures until certain qualifications are presented. Initially the independent packers shown are a selected group, comprising only those companies whose accounts were so clearly kept that reliable tabulations could be made from them. Practically all of the larger independents are included, but scores of small companies have been excluded.

At the hearings before the Senate Committee on Agriculture and Forestry in 1919, the smaller packers appearing, I think, 21 altogether being represented, testified uniformly that during the preceding year they had made profits in their business and were entirely satisfied with the course of affairs. There was not a small packer who appeared before the committee who testified to losses. Those facts are to be found in the Senate committee hearings, which are accessible to Senators.

In closing my discussion yesterday evening as to the markets in which the finished products are sold, especially fresh dressed meat, I called attention to the fact that that market is a peculiar one; that it differs from any other market in which large enterprises find an outlet for their merchandise. It is impossible to create a monopoly of the fresh dressed-meat market. There is the ever-present independent packer; there is ever the local butcher, who can draw in larger or smaller quantities, as the supply requires, or who can on very short notice collect and slaughter animals for local distribution to the consumer. There is no market in the world that is so incapable of being converted into a monopoly as the meat market in the United States for the retail trade. That dressed meats are a highly perishable merchandise is recognized in the fact that only such quantities are sold as can be absorbed by the local market.

It would be the height of commercial imprudence to send more fresh meat into any market than can be consumed. It is, therefore, the part of good business on the part of the packer to ascertain about how much he can sell in any given market. When he has done so his refrigerator cars are loaded in such number as may be necessary and transported to that market so as to supply what he thinks the reasonable demand will be for his merchandise. To go beyond that would be to invite loss, because if fresh meats can not be consumed in a comparatively short period, not exceeding two weeks, as I said yesterday, they become unmerchantable and inedible and for food purposes they are entirely lost. No monopoly is possible therefore; but the fixed, constant percentage of the dressed meat sold in the various markets is taken as evidence that an alleged conspiracy exists among the five large packers; that they have a common understanding to send only so much; that they have apportioned or divided the market amongst themselves. If the market for any perishable product of the volume and of the kind indicated should not maintain something near a uniform percentage, it would show the lack of good business sense on the part of the managers of the industry. If they send more so as to show a dumping and loss on that market, necessarily their balance sheets at the end of the year will show a loss, because the product would be unconsumed or would be sold at a loss. They so nearly gauge their own ability to sell in the market that their knowledge appears to a layman outside to be possessed of an almost uncanny value. Hence to gentlemen who start out resolved to find a conspiracy whether it exists or not this result of good sense is a conspiracy.

As a matter of fact, however, it is only the application of ascertained market knowledge to a highly complex and hazardous business. It is not evidence of a conspiracy that the percentages, therefore, remain nearly constant. They vary somewhat from year to year, as much as could be expected in view of the character and size of the trade, but the fixed percentage is no greater than in business of other kinds. I referred to that briefly on yesterday.

The very fact that they should ascertain what the market will absorb is recognized in the decree in the case of United States against Swift, decided in 1902. You may search the hearings conducted by the Federal Trade Commission in vain and read their voluminous reports upon the subject, but nowhere is that part of the decree quoted, although the prosecution is referred to in connection with the civil suit. The decree, however, after providing that they shall not do a variety of enumerated acts contains this language:

Nothing herein shall be construed to prohibit the said defendants * * * from curtailing the quantity of meats shipped to a given market where the purpose of such arrangement in good faith is to prevent the overaccumulation of meats as perishable articles in such market.

That recognizes the right to limit the shipments of this perishable merchandise so that no waste shall occur, and if such action be taken in good faith, based upon the common laws of prudence in commercial undertakings, it is not a violation of the antitrust law for those engaged in the business to keep track of each other's percentages and act upon the supposition that their competitors, large and small, will ship about a constant percentage for the next day or the next week and that they themselves will ship about a given percentage such as they have been accustomed to having absorbed in that particular market. The case referred to is Swift *v.* United States (196 U. S.).

In the Senate committee hearings 195 witnesses appeared. Of that number 82 were producers, farmers, and live-stock men. Of the remainder there were only 12 who had any criticism to make of the large packers, and some of the 12 were opposed to licensing the industry. Twenty-one small packers appeared before the committee and more than a score of retailers and a goodly number of wholesalers, as well as the representatives of civic and trade organizations, in addition to manufacturers, commission men, canners, editors, and so forth. Those who appeared against the pending measure were practical men of business affairs, of good standing in their community, and possessing knowledge in their respective lines of effort; yet of the entire 195 who appeared there were but 12 who were in favor of the enactment of the legislation proposed in the pending and in kindred bills. If such a large preponderance of testimony on the part of witnesses having an adequate knowledge of what they testified to should develop in a court of justice, there would be very little question as to what the verdict would be.

I stated yesterday that there ought to be an amendment to this bill, if it shall ever pass, by which a Member of Congress would be prohibited for a term of at least five years after the expiration of his service in Congress from serving on such bureaus, boards, or commissions as may have been created during his term of service, when he himself had a vote in creating them and in providing the appropriation to pay their expenses.

A Senator who is quite active in the Live Stock Association and somewhat intimately connected with the market committee of that association, which is the active instrumentality of the organization, made a public announcement at the meeting of that association held at El Paso, Tex., that he would be willing to resign from the United States Senate in order to serve as a member of the live-stock commission. First, it pays $10,000 a year, which is $2,500 more from a pecuniary viewpoint than is paid to a Member of Congress in either House. This announcement, of course, would appeal to the sensibilities of some and the vanities of others attendant on that convention or on the meeting of the association. I think that furnishes an additional reason for the passage of such a law as I have outlined; and I should be glad to have the Senator, if he recognizes himself by such a meager description as I have given, explain matters, because I think it is due to this body that he do so. He can not explain his activity in promoting his own welfare more definitely than he has.

No doubt there will be a number of amendments offered—some are pending now—to what is known as the Gronna bill. These amendments can not impair the substance of the bill so long as section 10 remains in it. Section 10 endows the commission with the delegated power of legislation. It enables it to make rules which shall have all the authority of an act of Congress. The rules are of a comprehensive character that will govern every part and ramification of the packing industry in the United States. These are rules made by men in their individual capacity. They are not legislation by Congress. They are rules; and in the last analysis this section transmutes a government of law into a government of individual men, irresponsible in character, liable for nothing, to no suits for damages, for nothing that they may do in traducing the industry or destroying it, and leaves them free at will to ravage the legitimate enterprise over which they are given authority.

There is some feeling against what is called the Gronna bill, as evidenced by the action of the El Paso meeting of the National Live Stock Association, because, with all the premedi-

tated preparation, a resolution indorsing the Gronna bill was offered, and before it was thought prudent to put it to a vote they cut out all reference to the Gronna bill and simply passed a resolution declaring that they were in favor of constructive legislation for such reasonable regulation of the packing industry, and so forth, as might be required. That is done by the very association the market committee of which is the prime instigator, outside of the Federal Trade Commission, of the agitation responsible for these bills.

I now turn, Mr. President, to the conditions attending the foreign market of the American meat packers, whether they be large or small, any of them doing an export trade.

The first document to which I refer is found in public document No. 1297 of the House of Representatives of the Sixty-fifth Congress, second session. Under date of July 3, 1918, the Federal Trade Commission transmitted to the President a summary of the report on the meat-packing industry. They inclose with it a letter to the President of the date indicated. This is the first public knowledge given to the American packing business, to the live-stock producers or farmers, or to the consumers of the country, or anybody interested, of the contents of the report so that it can be taken as a basis either for legislation, for criticism, or for legitimate discussion.

Let me say further—and I will anticipate that much in the foreign situation—that the British Board of Trade, while essentially private in its activities, is yet recognized by many acts of Parliament, some special and temporary and some more permanent in character, as one of the instrumentalities for the regulation of new business, both foreign and domestic, in the United Kingdom.

It appears from evidence contained in the CONGRESSIONAL RECORD, so far as I am able to discover, that the British Board of Trade had at least one volume of the reports, containing very hurtful charges against the meat-packing industry of the United States, in September, 1918, promptly upon its promulgation in this country. For a year previous it had the invidious newspaper publicity promulgated by the Federal Trade Commission during its investigation. The British Board of Trade, beginning their investigation with a committee appointed February 3, 1918, had before them for their guidance and for their findings a large part of the hurtful portion of the Federal Trade Commission's report, as well as the invidious newspaper propaganda before any of those named in the report had an opportunity to explain or justify their actions or to otherwise defend themselves. This at least calls for an explanation. It appears from evidence that unexplained would indicate that they sent the report to foreign authorities in order to start a crusade against a legitimate American industry before the persons assailed were able to have a copy of their charges in order that they might answer them.

The letter to the President, answering some inquiries, finds that there is a monopoly both in the buying market of live stock and in the selling of the finished product. It refers at some length to the manipulations of the market, as they call them, and refers to the hearings they have had at great length, and these summaries contain their conclusions. Few people will read the great mass of testimony in the hearings held by the Federal Trade Commission and now published and accessible. It is with them as it is with the hearings before the committee. They are voluminous. Their perusal requires great time and labor; and it is almost impossible for the average Member of Congress, to say nothing of the private citizen, to acquire a detailed knowledge of them. The conclusions contained in the summary, therefore, ordinarily are taken as true.

In connection with the foreign or export business, on page 5 of the summary is the statement that—

> Out of the mass of information in our hands, one fact stands out with all possible emphasis. The small dominant group of American meat packers are now international in their activities, while remaining American in identity.

With anybody that was ordinarily a red-blooded American, that had traveled outside of the borders of the United States, that statement, instead of being a criticism, would be a matter of congratulation and of honest civic pride; but to these alarmists it seems to be a ground of criticism and a cause for destruction.

While "international in their activities," they are "American in identity"! There is not a large export concern in the United States in any line, whether it be in canned goods, in clothing, in cotton or woolens, or any of the great essential staples of human life, concerning which it is not a matter of pride that their international activities from the home offices in the United States retain abroad, wherever they go, the American identity. Unfortunately, we have not been able to carry much of their farm products under the American flag. That is our fault; but it will be doubly our fault if we destroy the ability of those large concerns to go to the markets of the world, and to remain international in their activities.

Do we want to be classified as "little Americans," as the "little Englanders" have been classified in years past, from the days of Gladstone down to the present, who believe in cooping themselves up on their island home and remaining like a hermit crab, living on their own substance, and never drawing anything from abroad? The British Empire is builded upon her world-wide activities; and her financial strength and her world-wide extension of her merchant shipping and the increase of her Navy consequent upon that was the great determining element in the World War that enabled her soldiers to join with their French allies and hold the enemy in check. If we are to remain petty Americans, selling among ourselves, and there shall be no international activities without arousing the antagonisms of the "little Americans," then we might as well quit, and blot the word "enterprise" out of the dictionary of our commercial activities.

> Blame which now attaches to them for their practices abroad as well as at home inevitably will attach to our country if the practices continue.

So solicitous, these appointed custodians of the reputation of this Republic abroad! I shall come to that in a specific way before I conclude.

> The purely domestic problems in their increasing magnitude, their monopolization of markets, and their manipulations and controls, grave as those problems are, are not more serious than those presented by the added aspect of international activity. This urgently argues for a solution which will increase and not diminish the high regard in which this people is held in international comity.

The man who wrote that does not know what international comity is. He is speaking a foreign tongue. There is one kind of internationalist that I can stand, and that is the man that will take the name of America abroad in manufactures, in commerce, and in diplomacy; and I hope some time we will train a family or breed of diplomats that can meet on equal terms the diplomats of the Old World. We are lamentably short in that respect. We neither speak their languages, understand their laws nor the traditions and the genius of their Governments or their races, mixed so that Europe has been for a hundred years—and never was it more so than it is to-day—the most dangerous place into which an American can venture if he represents this Government. Our Chief Executive recently found it out. Daniel in the lion's den was a minor scene compared to our Chief Executive when he fell into the den of the European diplomats.

I refer again to page 10 of the summary; and this is carried far and wide, as I will show in a moment. They refer to the Sulzburger Sons' group of packing houses and the reorganization of that business, and draw some very damaging conclusions. I gave in the RECORD the truth about it yesterday, but here they represent it as a conspiracy to destroy an influential packing house through one or more bankers of New York City—the Guaranty Trust Co., the Chase National, the banking house of Kuhn, Loeb & Co., William Saloman & Co., and Hallgarten & Co. Then they continue:

> The combination among the Big Five is not a casual agreement brought about by indirect and obscure methods, but a definite and positive conspiracy for the purpose of regulating purchases of live stock and controlling the price of meat, the terms of the conspiracy being found in certain documents which are in our possession.

I respectfully invite any Member of Congress to read the documents which they give in their report. There is not a respectable lawyer or layman inside of this body who would take their documents and on them find anybody guilty of any offense, civil or criminal.

The elements represented by this agitation have tried at various times to prosecute the packers criminally. They have been indicted in Chicago at least twice by grand juries. They have been tried by the petit jurors drawn from that Federal judicial district, and in both instances they have been acquitted. As I remember, they were tried in 1906 and acquitted. They were tried in 1911 and 1912, the trial beginning in 1911 and lasting about three months, and the jury returned the verdict some time in the winter of 1912. That was the case in which one of the principal sponsors of this bill, the junior Senator from Iowa [Mr. KENYON], was then assistant attorney of the United States, and engaged in the prosecution.

The jurors in that case, as I read the list, drawn mostly from northern Illinois and Cook County, which, of course, comprises Chicago, are jurors about three-fourths of whom are farmers living outside of metropolitan influences. It is characteristic that among the great mass of steady-going farmers and live-stock men you do not find hostility to the packer. They sell in the stockyards, they sell to the commission men, and still I find no hostility the nearer you get home.

The principal hostility is by a set of professional agitators. If the agitation stops, like Othello, their occupation is gone.

There is contained in this not only the criticism of the domestic business of the packers, but they enter into a criticism of their foreign business, the business originating in foreign countries. They say:

The Armour, Swift, Morris, and Wilson interests have entered into a combination with certain foreign corporations by which export shipments of beef, mutton, and other meats from the principal South American meat-producing countries are apportioned among the several companies on the basis of agreed percentages. In conjunction with this conspiracy, meetings are held for the purpose of securing the maintenance of the agreement and making such readjustments as from time to time may be desirable. The agreements restrict South American shipments to European countries and to the United States.

Be it remembered that the British Board of Trade is a party to that agreement. The British Board of Trade controls the allocation of refrigerating space in meat boats from Argentina. They control it because they are British boats; all of them are under the British flag. In one instance, at least, during the war, they gave about one-half the refrigerating space to American companies that they were entitled to under former contracts. The packing-house business by American packers in the Argentine country exists because the packers from Chicago understand the business, and they are enabled to meet the British packer on his own ground, either in England or in any foreign country where live stock is produced and to do business with him upon a profitable basis. But this criticism is contained in the summary of the report, and goes on as other portions of it.

On pages 12 and 13, following, as a sort of an auxiliary, the former statement, they continue:

The investigation of foreign interests of the American packer is not yet complete. The following list of those companies which thus far have been identified as subsidiary to or affiliated with the Big Five is indicative of the extent of their activities.

Then follows a list of foreign companies, in Australasia, which, as most people know, embraces the territory of Australia and New Zealand; in Uruguay, in Brazil, in Argentina, in Canada, in Great Britain, in Germany, certain portions of France, Italy, Denmark, and Paraguay. Some of them are duplicated. They say that they have not completed their investigation, but that a subsequent installment would be furnished the public in due time. It has not yet arrived. But there has been enough to keep the public occupied in digesting that already given.

Again, I find referred to a letter which is of some significance, sent to the State Department, of which I have a copy. They innocently abstained from placing this in the CONGRESSIONAL RECORD or in their hearings. This was a letter transmitting the summary of the report of the Federal Trade Commission, from which I have been reading, the document named, dated September 27, 1918, and signed by the chairman. He quotes a great deal of the Federal Trade Commission report and summary. It is addressed to the Chief of the Diplomatic Bureau of the State Department, Washington, D. C., and is as follows:

It is requested that one copy of the Federal Trade Commission's summary of the report of the meat-packing industry be sent through the proper channels to the head of each of the countries listed below:

Great Britain	Italy	Argentina	Colombia
France	Spain	Venezuela	Portugal
Brazil	Chili	Uruguay	Honduras
Paraguay	Mexico	Haiti	
Panama	Cuba	Sweden	
Guatemala	Switzerland	Norway	

There is inclosed a form letter, containing ideas the commission desires to convey to the recipients of this report, which material is to be used as your judgment may direct.

The commission appreciates your courtesy in taking care of this matter.

Very truly, yours, FEDERAL TRADE COMMISSION.

Here is the form letter referred to which I have been able to procure, filled out and addressed to the President of Switzerland. It is dated September 26, 1918, and reads:

MEAT-PACKING REPORT.

The PRESIDENT,
Switzerland.

SIR: There is inclosed herewith a copy of the summary of the report of the Federal Trade Commission on the meat industry, which was recently released for publication by President Wilson, and which may be of interest to your Government. Two copies have also been sent direct to the legation of your country in Washington.

By direction of the commission and with expressions of its highest esteem.

Yours, very truly, FEDERAL TRADE COMMISSION.

The way the letter reads, Mr. President, it would be inferred that the President of the United States sent this summary of the Federal Trade Commission report to the heads of the various Governments named in the form letter.

Again, there is a criticism of the South American pool, and that is directly connected with the division of traffic from South America to European points. Of course recently, as was the case even during the war, comparatively small amounts of the South American meats come to the United States market. Almost the entire business, and I think now and for some time past the entire business, has been an export trade by the American packers from their plants there to European markets.

The pool about which the Federal Trade Commission complains is one entered into during the war. I doubt whether the Federal Trade Commission knew the ultimate facts. If they did know them, I further doubt whether they would have published any part of the truth in their reports or hearings. They were not searching for the ultimate truths upon which a business transaction is founded. They are engaged, like a grand jury, in merely getting evidence enough to indict somebody, and letting it go at that; and the only place we can try the case is in the Senate Chamber, the House, or before the great jury of the American people. That is a part of my justification for the unreasonable length of time I take upon this gigantic commercial enterprise.

The South American pool was entered into by the British packers in South America under the direction, supervision, and with the consent of the British Board of Trade. The American meat packers were each of them allotted, by the British Board of Trade itself, their space in the refrigeration. We had no option in the matter. It was during the war. We were willing to help. We were acting with the allied nations, and we acted as the European authorities requested us. We had every reason to believe they were our friends, and they were.

For instance, I believe Morris & Co. were allotted 3 per cent of the space. They had a contract with the steamship lines for double that space before this arrangement was made. That contract was annulled and they were restricted to one-half the space. They cheerfully acquiesced in it and went on furnishing their portion of the meat to be transported from their packing plant in South America to fill European needs.

At first certain of the packers declined to go into the pool, but ultimately they did. They either had to, under the arrangement, or no refrigeration space could be obtained and they would be debarred entirely from South American trade. So at last from necessity they went into the pool and made the agreement.

The terms under which arrangements were made, the quantities to be shipped, the various ports where they were to be debarked, and the prices, were agreed upon by the pool, and not by the individual packer. This is looked upon as a crime, and one of the grounds of the denunciation heaped upon the American packer is that he went into this arrangement. It was not his at all, but was a part of the arrangement made by those representing the allied nations.

Mr. President, now I want to refer, in such a way that I can afterwards insert it in the RECORD to preserve a full history of the transactions for the last three or four years and up to the present, to the British ministry of reconstruction report of their committee on trusts. On pages 8 and 9 of this committee report I find the following:

The American Meat Trust. As an illustration of the extent and effect of a trade combination in one industry affecting both this country and America, we desire—

Say the members of the committee making this investigation—

to refer to the summary of the report of the Federal Trade Commissioner on the meat-packing industry issued by the Federal Trade Commissioner at Washington on the 3d of July, 1918—

This is the report from which I have been quoting and which I hold in my hand, known as Public Document No. 1297—

in which much interesting information is given as to the activities of the five principal meat-packing corporations in the United States, which are commonly known as the Meat Trust or the "Big Five." The summary shows—

And then follows more than a thousand or twelve hundred words quoting literally from the summary of the Federal Trade Commission's report on the packing industry of this country. This is contained in the report of the committee on trusts, signed by Charles A. McCurdy, chairman, and a number of other committeemen. I shall refer to this hereafter as the McCurdy report. McCurdy has been very active in reconstruction processes and in rationing food and obtaining food from foreign sources during the war. He is a man who acts upon such information as he can obtain. Obtaining the summary of the Federal Trade Commission's report from what he considers official authority, he takes it as the truth and entitled to credence and quotes it in his report and sends it out over the United Kingdom. I shall in due time incorporate the necessary parts in the RECORD at length without reading them. It is not my desire to take any more time than I am compelled to take to present matters.

I next read from what is called an interim report on meat profits by a subcommittee appointed by the standing committee on trusts. It is presented, as the other report is, to Parliament by command of His Majesty; price, twopence. It is accessible to all of us. Even with the high prices in our own country, the foreign prices are not such as to preclude us from useful information.

Under the profiteering acts of the United Kingdom of 1919 and 1920 this report on meat contains a number of suggestions which are very worthy of attention by the Senate. Some are threatening, some are useful to us, some indicate the Englishman's love of fair play even when things are against him, and when the balance of trade is very unfavorable, and when the pound sterling has reached the point where every true Englishman must view it with profound regard, to say the least.

On page 4 of the report I find something that I commend to the Federal Trade Commission, either as now constituted or as hereafter it may be found. It says:

The only way—

Speaking of Australasian imports—

of holding up supplies of home-raised meat is to keep the cattle alive and not send them to market, as was done to some extent by farmers just before the abolition of control, in hopes of higher subsequent prices; but once cattle are ripe for slaughter it is not economical to withhold them from the market.

I referred to that on yesterday. It seems that it is just the same in England as it is here. When a beef steer is fit, especially if he has been put on grain, he must be shipped at the opportune time. If he is held beyond that point he is a losing animal. He loses for the grower and he loses for the consumer, because his meat value begins to depreciate after a certain time.

Speaking of the power of the Australasian importer to hold back imports, it is said:

It is plain that such power can only be exercised within narrow limits since new supplies are always coming forward, and it is obvious that it does not exist at all with regard to fresh meat, which must be sold soon after it is killed.

Again, and this is merely a preliminary matter, in paragraph 4 they consider under this head:

THE AMERICAN MEAT COMPANIES.

We devoted a considerable amount of time to the investigation of the operation of the American meat companies, popularly known as the "meat trust." Of these there are five: Armour & Co., Morris & Co., Swift & Co., Wilson & Co.—in London, Archer & Co.—and the LaBlanca Co.—owned by Armour and Morris—which import meat from their own works in South America. There are also two British offices, the British & Argentine Meat Co. (Ltd.), and the Smithfield & Argentine Meat Co. (Ltd.), and one Argentine Co.—the Sansinena Co.—which have, since the spring of 1914, up till a few months ago, when Morris & Co. seceded, been acting in cooperation with the American companies through the River Plate meat conference.

Another company registered in the United Kingdom is the Vestey Bros.

Speaking of the American companies, and I do not wish to take the time to read it all, it says:

The companies themselves admitted that in the past they have worked together in "pools" and other forms of combination. They now claim that they are quite independent of each other, but, as is pointed out in paragraph 16 of the report of the meat supplies committee, formal independence is quite consistent with a simple tacit understanding to respect each other's position. That by itself would secure them all the economic advantages of an active combination, and, while a certain amount of freedom may be conceded to branch houses for efficiency purposes, we are satisfied that all questions affecting the strategy of the trade as a whole are settled in conference between the heads of the businesses in Chicago.

If by that they mean the head of each business settles the policy to be pursued in furnishing meats to the British market, it is true; but if by that they mean they act in concert with each other to a common end, it is not true. Each head of the business, the responsible managing mind, will determine how much is to be sent to the British market, like any market in the United States. If they send to the Smithfield market more fresh meat than can be consumed, if it can not be used there, losses are suffered on the British market, just as in Baltimore or Philadelphia. There is no difference because the ocean intervenes. That is a mere physical obstruction that is overcome by modern steamship travel and by the processes of artificial refrigeration. For centuries British merchants and shippers sitting in London have framed plans by which their merchandise has sought the world's market. Why should men in Chicago not do so?

This finding of the committee is based on the Federal Trade Commission report. Later on, in various places, the language and references are of a character that make it certain that the subcommittee in this interim report have had access to the same poisonous sources of information.

Here is one thing that it would be well for us to remember, because it is their finding upon an independent investigation:

The representatives of the trade whom we questioned were unanimously of opinion that it was impossible even for the strongest combination to control prices in Smithfield for more than a few days, partly because climatic reasons and a deterioration of chilled beef in cold storage forced quick sales, partly because a rise in prices speedily evoked an increased supply of home raised meat.

I might remark here that the Smithfield market is the great market for the city of London. It is an ancient market just outside of the city, which furnishes a market place for all the consumers of the metropolis of the world. So when they speak of the Smithfield market we know that it is the principal British market that is referred to.

Again in paragraph 9 they say:

Although the American companies are extending their purchases of British cattle in various centers, we can not find, so far, any signs of a serious intention on their part to capture the home-killed trade of the United Kingdom or to reduce the British butchers to a state of dependence.

That is almost humorous, that a man sitting in his office in Chicago, drawing his beef supply from Texas or from Wyoming, has the business ability to reduce a British butcher at the Smithfield market to a state of servile dependence. British pride can stand this line of the report and their sense of fair play will do the rest.

Continuing, the report says:

It is true that Morris & Co. are large buyers of British and Irish cattle, and that, at least before the war, that branch of their business was increasing, but there was no evidence that they had any disturbing effect upon our cattle markets. We understand that the American companies have been making inquiries into the possibilities of developing a packing-house business in the Irish meat trade.

If the English can not feed the Irish on anything but potatoes, it is about time Americans went over there to furnish them a little good meat. I think the Irish will be duly thankful under the present agitated condition of the Emerald Isle.

They continue:

If these projects are successful, their progress will have to be carefully watched. The American companies have now 34 stalls in Smithfield market as against 20 in 1908, and their shops are in the best position; but there are now, in all, 364 stalls as against 344. About half their trade, nevertheless, according to the information given to us, is still done through jobbers, who consider their position fairly secure on account of their intimate knowledge of the requirements of the retail trade of the different parts of London, which enables them to "cut up" the meat satisfactorily and prevent waste in distribution.

Fears are sometimes expressed that the American companies have been surreptitiously acquiring possession of British businesses, but these fears are greatly exaggerated. Armour, Swift, and Morris are represented in the United Kingdom by companies of American origin, but registered in the United Kingdom, and the Sociedad La Blanca Co. has a branch house in London. Wilson & Co. (formerly Sulzberger & Co., and earlier Schwarzschild & Sulzberger) are represented by Archer & Co. (Ltd.).

Then it goes on with the description of all the British branches of the American packers. There are certain parts which I will not take the time to read, but will insert in the RECORD at the conclusion of my remarks, because I think they are important as a part of this presentation. Then the report takes up the question of taxes, and without reading that part, which I will insert as stated, it says that the British companies are taxed not only on the profits they make in the United Kingdom, but upon all the profits in foreign trade because they are home British companies. They suggest that this is a serious handicap to the British companies that must engage in competition in the world market with the American packer, because the American packer does not pay taxes upon the profits he makes in the United Kingdom or in any of the colonial dependencies. They suggest, and there is a threat in this connection, that they propose to ask Parliament in due time to legislate so as to tax in England the American packer upon all the business he does in the world just because he has a branch business there. It will be time enough for Congress, when they do this, to consider whether it would not be fair to retaliate and tax every English house in a like manner in the United States upon its profits whether made in England or Australasia or any part of the Old World. It will be just as fair.

In view of the letter to the Department of State, sent with the request that the summary of the report be transmitted to the heads of the various Governments named below in the letter, in view of the form letter that was inclosed, in view of the numerous quotations made in the two reports that go directly to the British Parliament, it is evident that the Federal Trade Commission has had some very material influence upon those committees and upon the authorities in the United Kingdom.

Let me now refer to the press. As England is about as free a Government as is our own, and in some particulars a little freer, it is well enough to pay attention to the press. I have

a number of clippings from various newspapers. These newspaper clippings are from the London Standard, from the London Star, from the London Chronicle, and from the London Times, a very old and influential newspaper of Lord Northcliffe. There is one in particular in the London Star to which I shall refer. I shall insert the quotation at length hereafter. The paper starts out by saying, "Our reporter has interviewed," giving the name, "the chairman of the Federal Trade Commission and," so-and-so "following a report on the American meat trust." The article goes at great length into the freezing out of the Sulzberger Sons packing house, and also into the report of the Federal Trade Commission, stating that the meat-packing industry is a monopoly, both for the purchase and for the sale of packing-house products, and that great agitation has resulted in the United States against the packers. It sets it all out, and from the nature of the information given the reporter could have obtained it only from the chairman of the Federal Trade Commission. Reading it for the first time, when it was sent to my office over a year ago, I came to the conclusion that it, in substance, was an interview by the chairman of the commission. He has denied, however, that he gave any interview.

The article says, "our reporter interviewed the chairman," giving his name, and then follow statements of an extremely prejudicial character against the five great packers. The chairman of the Federal Trade Commission was in England at the time and was in London on the date referred to. I corrected the statement that he was there at public expense. He later said, in an address, I believe, at the Sherman House, in Chicago, that he paid his own expenses to England. Let that be granted; I gladly make the correction. He is one of the few who have done so. However, he drew his salary while he was absent on his trip abroad, maligning, as I say with due deliberation, this legitimate American industry. There was no deduction made from his salary. He was there as a public officer, at public expense, barring only the expense of his steamship ticket and hotel bills and such other incidental expenses as attach to that line of travel.

In addition to that there is one other matter that I must not omit, that is a part directly of the agitation begun by the Federal Trade Commission. It did not occur while the chairman of that commission was abroad, but I find, under date of February 24, 1919, an extremely interesting letter. Armour & Co. have a plant in New Zealand. New Zealand, as many of us know, is a country of about 100,000 square miles, with a population that is English in its origin, enterprising, and active. A large part of the country is range, well adapted to stock raising, and particularly to the raising of sheep, which, as is the case in Australia, constitute a staple food as well as a wool producing animal. Armour & Co. bought or built a packing plant in New Zealand. They employed one of the best live-stock men in that country as a manager.

Some time after the Federal Trade Commission report was sent out, some time after it was known in Europe and in the antipodes, Armour & Co. made application to the proper authorities under the laws of New Zealand for a license to engage in the export trade from New Zealand. They made the application to the minister of agriculture of New Zealand on December 19, 1918, and on February 24, 1919, Armour & Co. received the following answer:

OFFICE OF MINISTER OF AGRICULTURE,
Wellington, February 24, 1919.

Messrs. ARMOUR & CO. OF AUSTRALASIA (LTD.),
Christchurch.

DEAR SIRS: The director general of the department has submitted to me your letter of the 17th, in which you formally apply for the issue to you of a meat-export license under the slaughtering and inspection amendment act of 1918. I regret to inform you that I can not grant this license. This decision has been arrived at after the perusal of the official summary of the report of the Federal Trade Commission on the meat-packing industry appointed by the United States Government. With reference to the canned meat referred to in your letter of the 8th instant as having already been purchased, this meat may be shipped by you, and no action will be taken against you in respect of its shipment.

Yours, faithfully, W. D. S. MACDONALD.

A license, it must be observed, was withheld, not for any misconduct on the part of Armour & Co. in New Zealand, but was withheld because of the report of the Federal Trade Commission. That is the same commission whose form letter was scattered broadcast, sent to the Department of State, and furnished to the consular offices of the various countries represented in this country. It may be fair to conjecture that the consular officers, of the two copies furnished them, would at least send one to their home Governments for use by the heads of the proper departments. So in New Zealand a license was refused, and no exports can be sent from that country by the Armour plant which has been erected there, but all that plant can do is to engage in the local trade in that country. Is this an injury to the American packer? Is this proof of the charge made? To an unbiased mind it is.

Some of the newspaper clippings to which I have referred are of the most violent character. They are all based upon the summary of the report of the Federal Trade Commission. They show that the newspapers of Great Britain were particularly violent at the time of Mr. Colver's visit to England. There seemed to be a rash, so to speak, of agitation at that time, an epidemic of epithets, a round of abuse of the American packers such as would almost raise a mob under ordinary conditions if the packers were present in person in the British Isles. Here is specific evidence—and it continues to the present day—of the harmful effect upon an American industry, having a plant located halfway round the world, of the activities of the Federal Trade Commission. It is true that the Chicago packing enterprises are international in their character, but they remain American in their identity.

In view of all the facts, I think I am fully justified in saying this of the chairman of the Federal Trade Commission, whose name I shall refrain from mentioning for the same reason that the historian did not mention the name of the wretch who "fired the Ephesian dome." If his name appears, it will be in documents submitted at the close of my remarks or in reading from judicial records the indubitable evidence of his trustworthiness, his business ability, his character, and his veracity. I chance to know something about these distinguished reformers.

At the Sherman House, in Chicago, on Wednesday afternoon, October 1, 1919, the chairman of the commission indulged in some remarks. He said:

This is the first time I have been in Chicago since the charge emanating from Chicago was made against myself and colleagues. A resident of this city, Mr. Edward Morris, of Morris & Co., in a statement given to the public press on or about July 15, 1919, said, in effect, that the Federal Trade Commission has been in secret correspondence with foreign Governments, and especially with the Government of England, conspiring against the American export trade, and that especially I, during a visit to England and by means of newspaper articles, interviews, and by meetings and conferences with certain officers of the British Government, conspired against the American export trade.

A man who would do that is a traitor. The chairman of the trade commission habitually sees red, and the very fact that every sensational newspaper in London, in Manchester, and in Liverpool, in Newcastle on the Tyne, and in Sheffield were seeing red at the same time the chairman of the Federal Trade Commission arrived on the island is a remarkable coincidence. It is a sympathetic rash. If he were investigating himself he would find himself guilty of enormous crimes upon less evidence than that.

I submit the letters I have read, the clippings from various newspapers, the letter from Mr. MacDonald, the minister of New Zealand, forbidding Armour from engaging in the export business on account of prejudiced quotations from a prejudiced Federal Trade Commission report and the action of the British committees that reported upon that subject directly to the British Parliament. From what source did the agitation in the newspapers arise? Was there any coincidence or does it beseem that there is any truth in the statement that they broke out when the chairman of the Federal Trade Commission arrived on British shores? Before that time they had been comparatively quiescent, but upon his arrival they not only saw red but they frothed in most un-British fashion. The habitual stoicism of the Englishman seems to have been broken down, and he raved like a populist 40 years ago in Kansas, when he saw everything as a conspiracy against the farmer. These clippings from a British newspaper would put to shame the wildest statements ever made in a populistic newspaper of 40 years ago, when I first began to notice certain phenomena of the human mind in political matters.

Does that signify anything? Not to him, but to the average mind it looks very much like the Federal Trade Commission and the chairman himself are directly responsible for this injury that has been wrought upon the packing industry of this country abroad.

I now read from the proceedings in the United States District Court in Chicago:

Ten years in a Federal penitentiary for using the mails to defraud is the sentence imposed by Judge Kenesaw Mountain Landis, of the Federal court of Chicago, on S. C. Pandolfo, promoter of the Pan Motor Co., of St. Cloud, Minn. Thus ingloriously terminates the immediate career of one of the pirates of promotion, whose "get-rich-quick" methods at the expense of gullible investors were disclosed by the World's Work in January, 1919. The former emperor of St. Cloud was an ambitious man and his exalted game was perhaps the greatest promotion swindle in recent years. By flattery, coercion, appeals to patriotism, and to fear of criticism, Pandolfo succeeded in having the

Commercial Club of St. Cloud as his strongest ally, leading bankers and business men of the town to serve on his board of directors, and letters of recommendation from the officers of reputable banks, with which to sell his stock. Such a combination of "dependable" indorsements was fortified in a plant which cost—at rush work and high prices—nearly a million and a half dollars. There the heavy hammers were kept going on outside orders for drop forgings and the noise thus created was the tune to which the stock was sold. Pan Motor stock of a par value of $4,750,000 was sold at twice its par value. Pandolfo got the first half of every subscription paid in.

At the time of the trial the company had only $5,000 cash in bank and owed about $250,000.

The Associated Advertising Clubs first called attention to the reality in the operations. Pandolfo raised the cry of "conspiracy" against himself. The verdict is a credit to the Associated Advertising Clubs and a victory for every legitimate advertiser. Suits against the Associated Advertising Clubs of the World; Doubleday, Page & Co.; the Daily Sentinel, of Grand Junction, Colo.; the Financial World; the Arizona Bankers' Association, and others would have added $5,000,000 to Pandolfo's fortune if he had won them.

Federal Judge Kenesaw M. Landis in rendering the verdict bitterly scored those papers which sell their news columns for advertising purposes, as well as the State laws of ——— that permit incorporation of stock-jobbing enterprises. Following are quotations from Judge Landis's statement:

I now quote literally:

Now, if this court had jurisdiction over a sovereign State I would call a special grand jury to consider the indictment of—

I will omit the name of the State—

for its offenses as disclosed from time to time in the criminal proceedings in this court. The State of ——— plays the game, because by playing it it gets money in its treasury to help run its State, thereby relieving its own citizens to that extent from the burden of taxation. ——— is willing to get it that way, and is still getting it. The Pan Motor Co. was incorporated under its laws.

Certain laws, naming them. I will cut out all parts referring to the State. It is improper to mention it under the rules of the Senate.

The COURT. Now, the Minneapolis Daily News, in October, 1917, under date of October 2, carried an article about the Pan Motor Co., of St. Cloud. This is a news article of the Minneapolis Daily News. Whose paper is that, Mr. Cummins?

Mr. CUMMINS. It is one of the Clover Leaf dailies. There is one published in Omaha, one in St. Paul, and one in Minneapolis.

The COURT. Who owns them?

Mr. CUMMINS. The chairman of the Federal Trade Commission is president of the corporation.

The COURT. What is his name?

Mr. CUMMINS. Colver.

The COURT. If he is the owner of this Minneapolis Daily News, he had better quit being chairman of the Federal Trade Commission and reform his crooked paper.

Mr. CUMMINS. That was in reward of supporting the administration.

The COURT. Judge Rush, who is the owner of this paper? Is that man the owner of this paper?

Mr. RUSH. This is all news to me.

The COURT. Well, Mr. Cummins lives in St. Paul, and he ought to know.

Mr. CUMMINS. I did not say that he owned it; he is connected with it.

The COURT. You said he was chairman?

Mr. CUMMINS. Chairman of the Federal Trade Commission. He is one of the officers of the corporation that publishes the Clover Leaf dailies.

The COURT. Now, in the Minneapolis News, on the 2d of October, 1917, I find this: "In the experimental building, just across from the main unit, cars are now being turned out at the rate of from 3 to 10 a day." Now, there was no more justification for that statement than there is for saying that from 3 to 10 cars a day are being turned out in this room now. That was in the Minneapolis News of October 2, 1917.

Judge Landis said, further:

On the witness stand Forsyth (who was the automobile editor of the Minneapolis News, on October 2, 1917, but a few weeks later was hired by Pandolfo as his advertising manager) testified that it was the policy of the Minneapolis News to open its news columns to advertisers whose patronage it was soliciting, to open its news columns to such concerns and there give hospitality to such stuff of those concerns whose advertising they were soliciting as would induce favorable action by their intended advertisers. This is what that man said was the policy of the Minneapolis Daily News.

So I deal with the Minneapolis News in the same category as I deal with the Merchant and Manufacturer, and the Banker, and other eminent Chicago publications (fake write-up sheets) whose activities as shown by the evidence in this case make the old Chicago Dispatch of Joseph Dunlap look like the last word in conserving morality.

In a court of justice, Mr. President, when a witness testifies you are at liberty to go into his life record. I confine myself to what was said by the judge from his bench. A promoter of a newspaper, an officer of a publishing company that sold its news columns to an advertiser of a fraudulent concern, that bled the public for millions, and led its responsible agent to a 10-year sentence in the penitentiary under the postal laws, while the promoter of this yellow sheet that obtained advertising and income from the deluded victims of this fraudulent promoter goes scot-free and attempts to reform the United States and the world—he it is who has lately given a definition, before he left the commission, of commercial morality.

Well might Rabelais put on the sacerdotal vestments and stand in the sacred places where the worshipper's sins are forgiven and claim infallibility and holiness. This degraded adventurer is the source of the report that has damaged every farmer and stock raiser from Texas to Canada, and every packer, large and small, in the United States. So it is, though, that many men, after they are no longer able to exercise their vices of booming criminal promoters for their own pelf, become holy and devout men, showing others the way to repentance. This seems to be the status of the chairman of the Federal Trade Commission; and I leave him in the merited obscurity to which the court consigns him, free himself from punishment but his deluded victims in the penitentiary.

Then, again, I read from this matter about those who are forging the evidence to destroy legitimate American industry abroad, from the attorney that conducted the investigation on behalf of this odoriferous chairman of the commission. I refer to him by name, happily, because he is ninety-nine parts notoriety and one part lawyer, anyhow, and it can not displease him.

The investigation upon which the Federal Trade Commission report is based was strictly ex parte in character. An examination of the act creating the commission does not contemplate such reports. As I suggested at the outset of my remarks yesterday, it was intended that it should be an assistance to the legitimate business of the country—that it should help them over their difficulties. The very fact that the Webb law promotes cooperation and pools for export purposes shows the tendency of modern times, even in our country. The packers are condemned abroad and at home for doing what the Webb law authorizes. A $100,000,000 corporation was formed day before yesterday for the purpose of promoting American trade. Here are five large packers that proposed to open the business of the world to the American, and they are indicted by the Federal Trade Commission, traduced abroad, and their business sought to be destroyed!

At the hearing before Commissioner Murdock, held at Boston December 28, 1917, the following conversation, reported at pages 546 and 547 of the official transcript, occurred between Mr. Heney, special counsel for the commission, and Commissioner Murdock. You will not find this in the published reports that are accessible to the average Member here. You have to go back and get the transcript.

Mr. HENEY. Mr. Commissioner, I should like to ask for an order at this time excluding all witnesses from the room with the exception of the witness who is being examined, following the same policy we followed in Washington at the commencement of the hearings.

Commissioner MURDOCK. That order will be made.

Mr. HENEY. I think it might be well for me to state for the benefit of the members of the press that this investigation is not a trial in which any parties are defendants and thereby entitled to appear by attorney. It is an investigation into the economic conditions as well as practices that may be prevailing, and it is ex parte, and while the commission will be glad to hear any witness that presents himself here, no one comes here with the right to be represented by attorneys, with the right to put on witnesses, because there is no investigation of that sort being conducted. * * *

Mr. Heney stated later that the commission would be glad to hear any witnesses who presented themselves, but such witnesses would be denied the right to produce evidence to corroborate their own statements or to cross-examine witnesses produced by the commission.

You could not present a balance sheet; you could not bring with you the knowledge you had of the department or of the business, you could not bring with you last year's report, you could not cross-examine a witness who appeared, even if you were allowed to remain in the room. All of the ordinary safeguards which surround a witness who is telling the truth, and all of the tests that are applied to a witness in cross-examination who does not tell the whole truth, were removed. Everything that belongs to the eliciting of testimony known to courts of justice through the development of the English-speaking race for more than a thousand years were absent from this ex parte investigation.

I present but a single instance of a court record relating to Mr. Heney. I will stick to the record with those gentlemen. In the land-fraud cases in Oregon he prosecuted Willard N. Jones, who was convicted in that series of prosecutions. Some others were convicted, and Jones among them. The matter of his conviction was brought to the attention of the Department of Justice. The methods pursued became a matter of investigation. It appeared that in selecting the jurors, Mr. McArthur, who later was speaker of the Oregon House of Representatives, was in the employ of the authorities representing the United States, and that he was given certain directions about how to make up a list of jurors to try Mr. Jones. He came in after a while and resigned, because his self-respect would not permit him to perform what was required.

Attorney General Wickersham, sending a letter to President Taft, said that the methods pursued in selecting the jury were

utterly indefensible. It seems that Mr. Heney, who had charge of the prosecution, sent out and packed a jury. Each juror was interviewed by an officer from the United States attorney's office, and was reported on somewhat as follows:

Strong for conviction.

One was reported:

He will find anybody guilty who is indicted, because what would he be indicted for unless he is guilty?

Another:

Always favors conviction.

With that kind of a jury, Mr. Jones was put on trial, and was convicted. He was convicted just as the packers were convicted in this Federal Trade Commission report. The summary of the Federal Trade Commission could have been written before any ex parte investigation was held by the commission. They knew what they would find. This jury knew before they had any testimony that they would convict Jones. They were brought there for that purpose.

President Taft gave an unconditional pardon to Jones. He said that of all the law's indefensible procedure to which his attention had ever been called in a court of justice that this malversation of the law exceeded anything in his knowledge. That is the record of Mr. Heney's prosecution on the Pacific coast, and I commend that record to the record made by him in the Federal Trade Commission. He had full swing; nobody could control him; no court even, no rule of evidence, no rule of law, statutory or common, restrained him in the wide range of his ex parte activities. The Federal Trade Commission report resulted with all the attendant train of evils I have portrayed.

Therefore, Mr. President, I say that when the chairman of the Federal Trade Commission in Chicago said that if he had been guilty of willfully damaging the export trade of the United States he was a traitor, he has furnished the evidence, which I have furnished here, that he himself is guilty as stated, and this is the basis of the legislation.

The junior Senator from Iowa [Mr. KENYON], presenting this bill, said that if the Federal Trade Commission could not stand, his bill had no foundation; that it was based upon the Federal Trade Commission. The bill has two essential elements, and I shall analyze it no further than to refer to them. One is section 10, already alluded to, which gives the commission created the power to make rules for the conduct of this business. They can tell a packer how he must conduct his packing business, how many animals he may purchase, how he shall slaughter them, where he shall sell them, how the by-products shall be worked up, how much money he may put in the business, how the rate of interest on the investment shall be paid for in dividends, how a packing-house plant shall be conducted. It puts in them the power to interfere with the management of the business. It does everything but guarantee that they will make anything on the investment. That is carefully avoided in the bill, as in all bills of that character.

The other is the licensing feature for all registrants. This is an open and avowed attempt to establish Government aid and protection to public markets, cooperative concerns, and so forth. I have no objection to the development of such marketing organizations, but to enter on a program of paternal fostering of such companies, as a part of a bill which at the same time aims to regulate and restrict and break down private enterprises, seems to me a most drastic socialistic step.

Incidental to this is the fact that all the knowledge gained by the Live Stock Commission may be given out to anybody, all the research, and the activities. All the laboratory work, all the mechanical improvements, all the methods which make a successful packing industry, gathered by anybody through his activity and energy, and the work of a lifetime, shall be taken away from him and spread broadcast among his competitors. What business in the world can stand such governmental interference? What other business is supposed to be handled in that way? What reason is there for it? This legislation is not regulatory; it is punitive in character.

There is one exception, that secret processes and formulæ shall not be divulged. They shall be kept private. How much is that worth, when every Government clerk, when everybody connected with the commission, can have the secret process and formula and can copy it and give it to anybody he pleases?

How much is the Government secrecy worth? Nothing. It means the death of private incentive. It is the end of initiative, of development, and is intended, as the commissioners say, to pull down the great packers and to distribute their business over a large area in small units.

I will tell you why the packers in Chicago have grown great. They have kept pace with the growth of Chicago, and no more. They have grown with the growth of Chicago. Like the packers of Kansas City, they have grown with their city. Like the packing industry in Fort Worth, they have grown with their city, with the possibilities of the cattle market. Men of my generation can remember when the grass animals from the range in Texas were driven north on the northern trail into the North, going there to be put upon northern grass and given grain before they went into the market. That is all changed. Texas has her own packing houses, her own yards, her own industry, and, with the proper degree of pride, the residents of Fort Worth send me letters and telegrams expressing their satisfaction with present conditions.

So it is with every place. The same applies in Jacksonville, Fla. The packing industry grows up where there are facilities for it, and they grow with the live-stock industry, supplying the wants of the producer, and grow with the market in the city, as it advances in its population and commercial and banking resources. That is why the packers of Chicago have grown big, and this report to which I have referred says that the principal danger of the American packers in British territory is because of their wealth and great business ability. If that be an indictment, then have the packers hanged, drawn, and quartered, because they possess that ability. If that be an offense, then let us quit endeavoring to carry American enterprise around the world. I do not belong to that type. I believe we ought to extend our markets.

Here on a falling market, with the glut of live stock in our own country, with our exports dwindled to nothing, with South American trade the only source from which at least one of the great packers can draw anything to pay on his investment, with the farmer and live-stock producer discouraged with low prices, with conditions to prevail next year unknown, with colossal losses taken by every farmer and live-stock producer, with the losses taken by the packers the greatest ever known in any industry in this country, it is not time for experiments of this character.

Mr. President, I stated yesterday that the losses of the five great packers in the shrinkage of inventory values were $25,000,000. That is so conservative that upon communication with statisticians who know markets they tell me that I was far below the truth. One concern alone has suffered as much as that. But a $25,000,000 shrinkage shows the extent of the losses, and on top of that comes the agitation for this bill. It is intended to embarrass, to weaken, to decentralize, to scatter, and to make impossible the business as it is carried on now in both the foreign and domestic trade.

Mr. President, I have concluded my remarks, and I wish to offer a great variety of documents to which I have referred, beginning with those referred to yesterday, and to insert them at length, without reading, in their appropriate places, together with all documents, without going through them and enumerating them, to which I have referred to-day, to have them inserted at length without reading, including the British reports made by committees to the British Parliament.

With this I conclude my observations on the bill for the present.

The PRESIDING OFFICER (Mr. WILLIS in the chair). Is there objection to the request of the Senator from Illinois? The Chair hears none, and the documents referred to will be printed as requested by the Senator.

The matter referred to is as follows:

The PRESIDENT OF THE SENATE and
the SPEAKER, HOUSE OF REPRESENTATIVES,
The Capitol, Washington, D. C.

SIR: The undersigned companies constitute practically a complete roster of the important so-called "small packers" in the United States. We wish to protest to Congress and directly to the American people against the baseless charges of profiteering which are being made against the packing industry in general. We declare to the public and offer to prove that:

(1) The average profit received in the packing industry on a dollar's worth of product sold to the retailer is less than 2 cents.

(2) The rate of profit at this time is considerably less than the figure just mentioned.

(3) The packer's profit adds less than a nickel a week to the meat bill of the average American family.

If these facts are not admitted, we ask that they be denied; if denied, that we have a chance to prove them.

The only fair method of earnings is the profit received on each dollar's worth of product sold. That is what the consumer and the producer wish to know. The slander and baseless denunciation which have been heaped on the packers have seriously injured the meat industry, the farmer, and the live-stock producer and have been severely damaging to the interest of the consumer.

All that we ask of the public is a fair, impartial attitude and judgment based on facts instead of prejudice and misrepresentation toward an essential industry which is serving the people cheaply and well.

A. D. Davis Packing Co., Mobile, Ala.; Birmingham Packing Co., Birmingham, Ala.; Arizona Packing Co., Phoenix, Ariz.; Little Rock Packing Co., Little Rock, Ark.; Charles S. Hardy, San Diego, Calif.; Newmarket Co., Los Angeles, Calif.; Hauser Packing Co., Los Angeles, Calif.; the Nuckolls Packing Co., Pueblo, Colo.; J. A. Whitfield Co., Washington, D. C.; Brennan Packing Co., Chicago, Ill.; Western Packing & Provision Co., Chicago, Ill.; Miller & Hart, Chicago, Ill.; Hately Bros. Co., Chicago, Ill.; Acme Packing Co., Chicago, Ill.; Independent Packing Co., Chicago, Ill.; Oscar Mayer & Co., Chicago, Ill.; J. S. Hoffman Co., Chicago, Ill.; L. Pfaelzer & Sons, Chicago, Ill.; Roberts & Oake, Chicago, Ill.; Guggenheim Bros., Chicago, Ill.; East Side Packing Co., East St. Louis, Ill.; Powers Begg & Co., Jacksonville, Ill.; Wilson Provision Co., Peoria, Ill.; Albert R. Worm, Indianapolis, Ind.; Major Bros. Packing Co., Mishawaka, Ind.; Anton Stolle & Sons, Richmond, Ind.; Dryfus Packing & Provision Co., La Fayette, Ind.; Jacob E. Decker & Sons, Mason City, Iowa; Rath Packing Co., Waterloo, Iowa; Corn Belt Packing Co., Dubuque, Iowa; Iowa Packing Co., Des Moines, Iowa; Kohrs Packing Co., Davenport, Iowa; C. F. Vissman & Co., Louisville, Ky.; Louisville Provision Co., Louisville, Ky.; Corkran Hill & Co., Baltimore, Md.; Jacob C. Shafer Co., Baltimore, Md.; Jones & Lamb Co., Baltimore, Md.; Greenwald Packing Co., Baltimore, Md.; Hammond Standish & Co., Detroit, Mich.; Sullivan Packing Co., Detroit, Mich.; Newton Packing Co., Detroit, Mich.; Elliott & Co., Duluth, Minn.; Interstate Packing Co., Winona, Minn.; K. I. McMillan Co., St. Paul, Minn.; George A. Hormel & Co., Austin, Minn.; Fergus Packing Co., Fergus Falls, Minn.; Heil Packing Co., St. Louis, Mo.; Waldeck Packing Co., St. Louis, Mo.; Cox & Gordon Packing Co., St. Louis, Mo.; American Packing Co., St. Louis, Mo.; Henry Muhs Co., Paterson, N. J.; International Provision Co., Brooklyn, N. Y.; Danahy Packing Co., Buffalo, N. Y.; Figge & Hutwelker Co., New York City, N. Y.; Otto Stahl, New York City, N. Y.; Jacob Dold Packing Co., Buffalo, N. Y.; Thomas Halligan, New York City, N. Y.; Blumenstock & Reid Co., Cleveland, Ohio; Wm. Fockes Sons Co., Dayton, Ohio; Henry Burkhardt Co., Dayton, Ohio; Lohrey Packing Co., Cincinnati, Ohio; Maescher & Co., Cincinnati, Ohio; C. W. Miller Co., Newark, Ohio; Columbus Packing Co., Columbus, Ohio; Theurer Norton Provision Co., Cleveland, Ohio; Federal Packing Co., Cleveland, Ohio; Cleveland Provision Co., Cleveland, Ohio; Urbana Packing Co., Urbana, Ohio; Fostoria Provision Co., Fostoria, Ohio; Lake Erie Provision Co., Cleveland, Ohio; John Hoffman's Sons Co., Cincinnati, Ohio; E. Kahns Sons Co., Cincinnati, Ohio; Cincinnati Abattoir Co., Cincinnati, Ohio; Marion Packing Co., Marion, Ohio; Schaffner Bros. Co., Erie, Pa.; John J. Felin & Co., Philadelphia, Pa.; Arbogast & Bastian Co., Allentown, Pa.; Fried & Reineman, Pittsburgh, Pa.; Shenandoah Abattoir Co., Shenandoah, Pa.; J. M. Denholm Bros. Co., Pittsburgh, Pa.; Welland Manufacturing Co., Phoenixville, Pa.; F. G. Vogt & Son, Philadelphia, Pa.; Dunlevy Packing Co., Pittsburgh, Pa.; Louis Burk, Philadelphia, Pa.; William Zoller Co., Pittsburgh, Pa.; Kimball & Colwell Co., Providence, R. I.; Farmers' Cooperative Packing Co., Huron, S. Dak.; Ogden Packing & Provision Co., Ogden, Utah; Drummond Packing Co., Eau Claire, Wis.; Frank & Co., Milwaukee, Wis.; Hammond Packing Co., Cheyenne, Wyo.

—

SOUTHERN WHOLESALE GROCERS' ASSOCIATION (INC.),
BUREAU OF RESEARCH AND PUBLICITY,
Jacksonville, Fla., July 18, 1919.

KENYON BILL *v.* FOOD TRUST.

To all wholesale grocers:

Throughout the entire Southland the big meat packers, especially Armour and Wilson, are actively trying to arouse opposition to the Kenyon bill. The reason for the meat packers' activity is plain:

1. The Kenyon bill means death to the packers' monopoly. It will end their hopes to establish a food trust.
2. The Kenyon bill would free the wholesale grocers from the unfair advantages in competition which the meat packers get by using their private meat cars for grocery shipments.
3. The Kenyon bill would insure to the retail grocer the continued advantage of being able to buy from competing jobbers, rather than from the big meat packers, whose monopoly power can be used against the retailer at any time.

Every grocer, both wholesaler and retailer, must rally to defend the business of distributing the food products of the Nation against the inroads of the big Chicago meat packers.

Do this by actively supporting the Kenyon bill in the Senate. The Kenyon bill is the one which is most likely to pass. And remember, the Anderson bill in the House is the same as the Kenyon bill.

ACT NOW.

First: Write or telegraph your Senators and Representatives, saying that you want the Kenyon bill in order to prevent the packers from building up a food trust.

Next: Get every retail grocer who is a thinking American citizen to do the same.

Then: Report to the Bureau of Research and Publicity all the evidence you can get showing how the meat packers are bringing pressure on grocers to induce them to oppose the Kenyon bill. Who pays for the telegrams retailers are sending? Do the packers' agents make true statements about the Kenyon bill?

LEWIS H. HANEY,
Director, Bureau of Research and Publicity.

SOUTHERN WHOLESALE GROCERS' ASSOCIATION (INC.),
BUREAU OF RESEARCH AND PUBLICITY,
Jacksonville, Fla., July 18, 1919.

BUREAU OF RESEARCH AND PUBLICITY BULLETIN NO. 5.

To all wholesale grocers:

The following is a full and accurate statement of the contents of the Kenyon bill (S. 2202). Post yourself and act immediately to get the truth before the public with which you are in touch (see suggestions on p. 2).

THE KENYON BILL (S. 2202).

"SEC. 2. 'There shall be appointed by the President, by and with the consent of the Senate, a commissioner of foodstuffs. The commissioner shall, under the supervision and direction of the Secretary of Agriculture, administer and enforce the provisions of this act,' except section 17.

"SEC. 3. Every 'person engaged in the business of slaughtering live stock, or preparing live-stock products for sale, or of marketing live-stock products, as a subsidiary of, or an adjunct to,' the slaughtering of live stock, 'shall secure and hold a license which shall be issued by the Secretary of Agriculture upon application.'

"SEC. 4. The following persons shall also secure licenses: (a) Stockyard operators, (b) commission men handling live stock, (c) publishers of live-stock market quotations, (d) dealers in dairy products and poultry, whose business exceeds $500,000 a year, and who are doing an interstate business.

"SEC. 6. Meat packers, stockyard operators, etc., shall be subject to rules and regulations issued by the Secretary of Agriculture.

"SEC. 7. 'It shall be unlawful for any licensee to engage in any unfair, unjustly discriminatory, or deceptive practice,' or do anything tending to establish monopoly.

"SEC. 7½. 'After two years from the date when this act becomes effective, no licensee under section 3 shall own or control or have any interest in any stockyards.'

"SEC. 8. No meat packers, stockyard operators, etc., shall charge an unreasonable price or rate in commerce in connection with the business licensed.

"SEC. 9. All meat packers, stockyard operators, etc., shall keep proper accounts and records and make reports or returns as required.

"SEC. 13. 'If after hearing Secretary of Agricture finds that the licensee has violated the provisions of this act, he may suspend the license or may revoke it. * * * An order suspending or revoking a license shall be final and conclusive unless within 30 days the licensee appeals to the circuit court of appeals. * * * If the circuit court of appeals affirms or modifies the action of the Secretary of Agriculture revoking a license, its decree shall enjoin the licensee from further carrying on without a new license the business covered by the revoked license.' When the accused meat packer or stockyard operator, etc., makes no appeal, or is convicted, the court shall appoint a receiver 'to take possession of the property and to continue the licensed business.'

"SEC. 16. The term 'transportation' as used in the interstate commerce act shall be deemed to include refrigerator cars." * * * "It shall be the duty of every common carrier by railroad, subject to the provisions of that act, to provide such cars in number sufficient from time to time, to accommodate the reasonable need therefor."

"No carrier subject to the provisions of such act shall, after the expiration of six months from date of this act, employ in commerce, any refrigerator cars * * * which are not owned or controlled by such carrier, except on the condition that they will be furnished by the carrier to any person making reasonable request for such cars."

Other sections of the act merely provide fines, define terms, judicial proceedings, etc.

THE BILL DOES THREE THINGS.

1. It subjects the meat packers and live-stock dealers to regulation, looking toward reasonable prices.
2. It divorces the packers from ownership of stockyards.
3. It puts the private refrigerator cars of the meat packers on a common carrier business.

WHAT YOU SHOULD DO.

1. Send a strong letter to every customer, urging support of the Kenyon bill (S. 2202) in the interest of all food dealers and consumers.
2. Explain to your salesmen the importance of this bill for the public interest.
3. Write yourself to Senators and Representatives, giving reasons why you want the Kenyon bill passed.
4. Resolutions by local associations, and petitions signed by retailers and others in favor of the bill, will help.

Remember that the reports of the Federal Trade Commission show that the meat-packing industry is an increasing and expanding monopoly. If it is not subjected to strong regulation, the wholesalers will undoubtedly be driven out and the retailers would be forced to deal with a great monopoly. Chairman Colver, of the Federal Trade Commission, recently testified before Congress as follows: "If the present tendency were continued, the wholesale grocery would disappear as an independently operated business in this country in five or six years, and that the retail groceries, as such, that is as independently operated concerns, would just about be due to disappear in 10 or 12 years."

LEWIS H. HANEY,
Director, Bureau of Research and Publicity.

P. S.—It will be easy to get provision (d) of section 4 amended if it seems likely to injure the grocery jobber.

—

[From the Washington Post, Jan. 21, 1921.]

WHOLESALE SELLING PRICE OF BEEF IN WASHINGTON.

Prices realized on Swift & Co.'s sales of carcass beef on shipments sold out for periods shown below, as published in the newspapers, averaged as follows, showing the tendency of the market:

Week ending:	Average price per hundredweight.
November 27	$16.53
December 4	13.49
December 11	13.50
December 18	15.53
December 24	16.22
January 1	16.63
January 8	17.01
January 15	16.73
Range per hundredweight:	
Low	14.00
High	19.00

SWIFT & CO.,
United States of America.

Production in 1918.

	Total United States slaughter.		Total slaughter, 5 large packers.		Percentage, 5 packers.
	Head.	Weight, meat and lard (pound).	Head.	Total dressed weight (pounds).	
Page 15. Hogs	70,179,007	10,621,894,000	20,482,036	3,277,125,760	29.2
Page 45. Cattle	17,052,751	8,051,214,000	8,465,294	4,147,974,060	49.6
Page 65. Sheep and lambs	13,462,542	514,707,000	7,976,847	319,073,880	59.2
Page 15. Calves	10,319,259	1,095,437,000	2,411,300	385,808,000	23.4
Total	111,013,562	20,283,252,000	39,335,477	8,129,981,700	[1] 40.1

[1] Weighted.

Taken from above pages in "Production of meat in the United States," by Stephen Chase, in charge of meat and live-stock section, Statistical Division, United States Food Administration.

[From Bureau of Markets.]

Receipts of 60 live-stock markets.

[Sup. 110, Drovers' Journal Yearbook 1920.]

	Cattle and calves.	Hogs.	Sheep and lambs.
1917	22,449,942	36,227,813	19,421,442
1918	25,227,112	44,997,862	22,277,932
1919	24,581,243	44,601,429	26,925,760

Receipts of 60 live-stock markets, 1918.

	Receipts 60 markets (head).	Purchases 5 large packers (head).	Percentage, 5 packers.
Cattle and calves	25,227,112	10,876,594	43.1
Hogs	44,997,862	20,482,036	45.5
Sheep and lambs	22,277,936	7,976,847	35.8
			41.4

Chicago hogs bought.

Date.	Total head.	Armour.	Swift.	Morris.	Cudahy.	Wilson.	Total head, Big Five.	Small packers, head.
Sept. 10, 1918	13,400	1,700	1,800	700	.....	1,000	5,200	8,200
Sept. 25, 1918	14,700	4,600	2,100	900	.....	900	8,500	6,200
Sept. 28, 1918	8,800	3,900	600	500	.....	100	5,100	3,700
Week ending Sept. 28, 1918	92,400	24,000	11,000	6,700	.....	6,600	48,300	44,100
Year ending Sept. 28, 1917	5,102,800	1,004,200	641,800	431,600	.....	545,600	2,623,200	2,479,600
Oct. 9, 1918	20,500	6,200	2,700	600	.....	1,200	10,700	9,800
Oct. 21, 1918	24,000	3,600	4,400	800	.....	3,100	11,900	12,100
Oct. 25, 1918	40,300	7,700	7,000	3,200	.....	3,500	21,400	18,900
Oct. 28, 1918	25,600	4,500	2,600	2,000	.....	4,200	13,300	12,300
Nov. 12, 1918	46,900	6,800	8,000	3,500	.....	4,000	22,300	24,600
Nov. 13, 1918	24,700	4,500	2,000	1,800	.....	2,800	9,300	15,400
Nov. 15, 1918	42,600	6,400	10,500	3,700	.....	3,600	24,200	18,400
Nov. 19, 1918	50,300	8,000	10,000	5,600	.....	3,500	27,100	23,200
Nov. 21, 1918	29,400	3,500	3,600	3,500	.....	4,500	15,100	14,300
Nov. 20, 1918	40,100	5,500	6,000	4,000	.....	4,000	19,500	20,600
Nov. 23, 1918	32,400	5,500	6,900	2,300	.....	2,500	17,200	15,200
Nov. 27, 1918	36,400	4,700	9,100	4,000	.....	2,200	20,000	16,400
Nov. 29, 1918	69,000	16,500	10,500	5,200	.....	8,500	40,700	28,300
Dec. 2, 1918	45,700	7,500	6,400	4,500	.....	4,900	23,300	22,400
Dec. 3, 1918	47,300	7,000	7,000	2,800	.....	4,000	20,800	26,500
Dec. 6, 1918	47,100	10,300	6,400	4,500	.....	4,500	25,700	21,400
Dec. 9, 1918	51,300	7,900	7,400	4,500	.....	3,500	24,300	27,000
Dec. 10, 1918	38,100	3,600	6,000	3,500	.....	5,000	18,100	20,000
Dec. 13, 1918	52,700	9,500	12,200	3,000	.....	3,500	28,200	24,500
Dec. 16, 1918	50,400	7,100	7,300	4,300	.....	4,000	22,700	27,700
Dec. 17, 1918	41,500	4,500	6,300	5,100	.....	3,000	18,900	22,600
Dec. 18, 1918	37,400	6,400	6,300	3,000	.....	2,500	18,200	19,200
Dec. 19, 1918	43,300	7,700	6,000	4,200	.....	3,500	21,400	22,900
Dec. 20, 1918	37,200	5,600	6,500	3,800	.....	2,500	18,400	18,800
Dec. 22, 1918	47,100	9,500	8,000	4,000	.....	5,000	26,500	20,600
Dec. 23, 1918	26,200	2,500	3,000	2,800	.....	2,600	10,900	15,300
Dec. 24, 1918	28,500	5,000	3,900	3,000	.....	2,800	14,700	13,800
Dec. 26, 1918	34,100	5,500	4,500	2,000	.....	4,000	16,000	18,100
Dec. 27, 1918	33,000	5,500	3,600	4,100	.....	2,000	15,200	17,800
Dec. 28, 1918	22,000	3,500	1,500	2,000	.....	3,000	10,000	12,000
Week ending Dec. 21, 1919	264,900	46,000	43,800	23,600	.....	21,000	134,400	130,500
Year ending Dec. 21, 1919	7,458,700	1,459,600	1,018,200	627,500	.....	783,500	3,888,800	3,569,900
Jan. 3, 1919	30,000	5,000	3,000	2,500	.....	2,400	12,900	17,100
Jan. 4, 1919	26,000	4,200	6,000	2,800	.....	2,600	15,600	10,400
Jan. 6, 1919	44,100	10,000	5,100	4,100	.....	4,000	23,200	20,900
Jan. 7, 1919	42,300	10,000	2,000	3,000	.....	4,500	19,500	22,800
Jan. 8, 1919	47,400	7,500	5,000	4,300	.....	3,000	19,800	27,600
Jan. 10, 1919	45,300	10,700	6,000	4,000	.....	4,000	24,700	20,600
Jan. 14, 1919	44,600	8,500	7,500	4,000	.....	4,000	24,000	20,600
Jan. 16, 1919	48,800	9,000	7,000	3,800	.....	4,000	23,800	25,000
Jan. 19, 1919	39,800	8,000	4,500	3,000	.....	3,000	18,500	21,300
Jan. 20, 1919	37,700	7,600	4,000	3,500	.....	4,000	19,100	18,600
Jan. 25, 1919	40,600	4,500	7,500	3,500	.....	3,500	18,000	22,600
Jan. 27, 1919	38,400	4,200	5,000	3,500	.....	4,000	16,700	21,700
Jan. 29, 1919	34,500	4,000	5,000	3,500	.....	4,000	16,500	18,000
Jan. 30, 1919	34,900	5,000	4,500	3,500	.....	3,500	16,500	18,400
Jan. 31, 1919	33,900	4,200	1,000	4,000	.....	4,000	12,300	21,600
Week ending Jan. 4, 1919	216,100	38,400	36,100	17,700	.....	20,500	112,700	103,400
Year ending Jan. 4, 1918	162,500	32,000	21,400	16,900	.....	17,700	88,000	74,500
Feb. 6, 1919	34,100	3,500	3,000	3,000	.....	3,000	12,500	11,600
Feb. 8, 1919	38,900	4,500	3,500	3,000	.....	3,000	14,000	24,900
Feb. 21, 1919	38,500	6,300	5,000	3,000	.....	3,500	17,800	20,700
Feb. 22, 1919	26,500	5,000	4,000	2,500	.....	3,500	15,000	10,500
Week ending Feb. 22, 1919	216,000	38,500	31,700	18,200	.....	22,700	110,100	105,900
Year ending Feb. 22, 1919	1,632,300	294,400	242,600	154,700	.....	164,700	856,400	775,900
Apr. 3, 1919	21,700	1,900	1,600	1,300	.....	1,000	5,800	15,900
Apr. 10, 1919	30,400	4,900	1,500	2,000	.....	2,500	10,900	19,500
May 16, 1919	30,200	5,500	3,000	2,000	.....	2,080	12,500	17,700

[From the Observer, Sunday, September 7, 1919.]

OVERSEAS TRUSTS AND BRITISH PRICES—THE REAL SOURCE OF PROFITEERING—"BIG BUSINESS" IN AMERICA.

(By Ignatius Phayre.)

It was shrewdly pointed out in the House of Commons to Sir Auckland Geddes that "you can not control prices unless you control supplies." And, speaking for the Labor Party, Mr. J. M. Thomas made the same point. He brushed aside the petty grabbing of small traders here at home, and laid stress upon the fact that "trusts and combines are the real cause of profiteering."

A moment's reflection shows that this is true, and that all the world is concerned with what Adam Smith called "higgling the markets" for Britain's supplies. Of these, two-thirds came to us from abroad before the war. Four-fifths of our wheat was sea-borne from the ends of the earth, nearly half our meat, and so on with butter, margarine, and other fats.

Lord Ernle reminded the British housewife that she could only feed her family with native produce from Friday night till Monday morning. For the rest of the week she had to look to foreign freights, which other days dropped like manna on our island shores, with the sea lanes safeguarded by our traditional naval power.

Into this perilous dependency we slipped insensibly, eating the cheapest food we had ever eaten—or will eat again. Farming declined as industrialism grew. In 1895, wheat touched the lowest figure it had reached for 150 years, and landlords and tenants were rueing the loss of £800,000 000 on the capital value of land.

As Mr. Prothero put it in the House of Commons: "The furnace and the factory flourished by the ruin of English agriculture." Now, consider the raw materials of that new industry. We import all our copper; between 90 and 95 per cent of lead, zinc, and tin; the whole of our cotton; 80 per cent of our wool; and 80 per cent of our timber. Although we smelt iron in this country, half the iron we use is derived from foreign ores that we import. Therefore it stands to reason that the prime source of profiteering must be looked for overseas, in the lands which produce and send us these commodities.

GOD AND MAMMON.

In all ages Governments have striven for the ideal of St. Thomas Aquinas, to whom lawful commerce meant "a moderate gain" and "the public good." But, as the Roman cynic reminds us, "Quid faciant leges, ubi sola pecunia regnat?" The chariots of gold have always found ways of driving through the laws.

In 1552 we find the Diet of Nuremburg investigating pools and mergers and trusts with all the zeal of President Wilson and his Senate committee to-day. "The thing that has been," says the Seeker of Wisdom, "it is that which shall be." All over the world at this hour, from London to Tokio and from Stockholm to Buenos Aires governmental bodies are probing the tricks of trade and the culprits appear to be very frank.

"Our mill," Mr. Paton, the grain magnate of Sherbrooke, told a cost of living committee in Toronto, "was not built for the glory of God, but to make money for the shareholders." And in Washington Mr. Ogden Armour explained how he had invaded the live-stock industry of Argentina and Uruguay so as to prevent British enterprise from depressing Chicago meat prices.

One Senator pointed out to the packer a profit item of £2,000,000 in the new South American venture and hinted that this was left outside the United States in order that it might escape taxation. Mr. Armour admitted that this was so. Now, America is emphatically the home of big business. For generations her ablest men have avoided politics and public service, devoting all their genius to commerce on a vast scale. And once again the cattle barons are to be prosecuted for secret agreements and restriction of trade.

Their ramifications are already world wide. Five of the Chicago packers had a turnover last year of £643,200,000, and of late they have launched out in hides, vegetable fats, eggs, rice, canned fish, cheese, and dairy produce. Clearly, it is undesirable that massed capital of this kind should have autocratic sway from Sydney to London and from Christiania to the Gran Chaco of Paraguay. Jointly or separately, the Big Five of Chicago hold great interests in 762 other companies, producing or dealing in 775 commodities, from poultry food to banjo strings.

THE FIGHT AGAINST THE TRUSTS.

For 50 years the American Legislature has fought these trusts, alleging "conspiracy," "unlawful monopoly," and "combinations to restrain trade," at the same time "praying for annulment of contracts and dissolution. The Sugar and Steel Trusts have been prosecuted. So have the big lumber concerns, the United States Shoe Machinery Co., and many railroads and shipping lines. The case of the Standard Oil is a classic one. The International Harvester Co., of Chicago, appealed to the Supreme Court against the alleged "acquisition and maintenance of a monopoly in agricultural implements and twine."

There are trusts in all branches, from fresh fish to plumbing supplies. All of them maintain watchful "lobbies" in the Halls of Congress so as to give warning of approaching trouble and to coach (and coax) legislators in the innocence and excellence of their enterprise. Very few people in this country realize the far-flung power of these trans-Atlantic trusts over the food they eat and the clothes they wear. One of them absolutely "owned" the huge State of California (three times as large as England), including even its parliament and judges.

For several years the "law honesty" of American trust magnates was the fluent theme of a "muck-raking" press. All his life Theodore Roosevelt waged implacable war upon such figures as the late Edward Harriman; that misanthropic little man of millions was publicly branded by the President as a "malefactor."

Nearly 30 years ago the Sherman antitrust bill became law; and in 1898 the Supreme Court extended its operations to the railways in their interstate commerce. But America is so vast, and evasion is so easy—thanks to the 48 frontiers and parliaments of as many jealous sovereignties—that trade monopolies continue to flourish, changing like chameleons, and eluding both State and Federal prosecution.

When dissolved as illegal, big business bobbed up elsewhere as a "holding company," a "consolidation"—or even as a "gentlemen's agreement," with nothing in writing at all. Colossal deals are favored, such as the taking over of Cuba's entire sugar crop, which is about 3,000,000 tons. In this way complete control of prices is assured, supplies restricted, and independent buyers frozen out.

THE MEAT TRUST.

The recent report to the President of the Federal Trade Commission plainly shows what a grip the Big Five of the Meat Trust (Swift, Armour, Morris, Cudahy, and Wilson) have upon our chief article of food. They are now international in their activities and are rapidly extending their power to cover fish and every kind of foodstuff. They are great, if silent, factors in cattle-loan companies, banks, and railways, in live-stock journals, in ice, salt, soap, glue, and machinery companies. Besides immense interests in the United States, these cattle lords own or control more than half the meat exports of Argentina, Brazil, and Uruguay. Moreover, they have large holdings in Australia and New Zealand.

The Federal commission allege "a definite and positive conspiracy to control world prices, to manipulate the live-stock markets, restrict international supplies, manipulate dressed meats and other staples, crush competition, secure special privileges at sea and on the rail, as well as from civic authorities everywhere." The Meat Trust now turns its tentacles to groceries, fertilizers, leather, and wool. And the packers' profits are now four times greater than before the war.

It is an American trust which also controls 85 per cent of the machinery used in British boot and shoe factories. These are compelled to sign an agreement which prevents them from benefiting by any new invention, even though it increase production and reduce the costs.

JAMAICA IN THE GRIP.

But the preposterous dominion of American trusts over our food is nowhere more glaringly seen than in the case of Jamaica, whose present poverty is largely due to the grip which the United Fruit Co. of New York has upon it. Our West Indian Isles saw a great chance of prosperity when the banana became popular with us, and cold-storage steamers brought the fruit over on a great scale. But along came the American trust, blanketing the island planters and fixing prices, even for the coster of the London streets. The late Sir Alfred Jones tried to relieve Jamaica by running a line of steamers from Bristol. But the American octopus won the fight, and threw other tentacles over the Caribbean. Fruit growers were so bled that they could only pay low wages. For a bunch of 100 bananas 2s.–2s. 6d. is paid; if there are less than 100 on the bunch, the figure falls to one-half. Hence the malaise in these lovely isles, and the protest of economic slaves, while the United Fruit Co. of New York more than doubles its profits.

Jamaica pays excessive freights for imports to her foreign "owner"; and if she in turn had only received 3s. more a bunch for her bananas in the last decade, the island would be £10,000,000 to the good. Tyrannous trade upon this scale is bound to be bad, despite its plausible pleading. "There can be no question," says the New York Commercial, "that a single group of men should not be permitted to accumulate so much power." The United States Steel Corporation has a capital of £300,000,000 and employs 260,000 men. One member of the Chicago Big Five—J. Ogden Armour—sits in a La Salle Street skyscraper controlling an army 65,000 strong, with an individual turnover of £105,000,000.

This man and his father have many a time taken a hand in the frenzied gambles of the Chicago wheat pit, where the breadstuffs of the world are recklessly juggled with by the million bushels, and that by operators who in many cases do not know a harvester from a plow.

IN OTHER LANDS.

It would seem that greed of gain—like drunkenness—is not to be cured by act of Parliament. Canada has her combines investigation statute, under which criminal proceedings can be taken. Yet last year the Alberta Grain Co., of Calgary, made over 100 per cent profit, and its manager drew £12,000 in salary. One elevator of the United Grain Growers showed 187 per cent. It is impossible to fix the elusive machinery of world trade. Has not a big north of England manufacturer assured Sir Auckland Geddes that "he was perfectly ashamed of the profits he was making"? The poor man had done his best to reduce these to a decent level, but even on the new scale—the president of the board of trade reports—he still "got a profit of £200,000 a year"! Australia's interstate commission, New Zealand's monopoly prevention, and South Africa's meat trades act of 1907 are other well-meaning measures which have had but little practical effect. Whether universal measures are possible through the economic council of the League of Nations remains to be seen.

There is much "secret diplomacy" in these concerns, whether they handle thread or traction. As for those abroad, their tricks are altogether beyond us. How are we to regulate live-stock prices in the meat-food States of the Central West? What control have we over the coffee fazendas of Brazil, the currant vineyards of Greece, which are deliberately destroyed to maintain a good price; the rice fields of Japan, the cotton of Texas, Arizona copper, or our own pit props that were hewn in Siberian forests?

—

[From the Daily Chronical Nov. 8, 1919.]

TRUSTS AND TRADE COMBINES—HOW THE AMERICAN "BIG FIVE" CONTROL OUR MEAT SUPPLY.

[In the second of his short series of articles on the system of trusts and combinations which control in a very large manner the trade of the world, Mr. C. A. McCurdy deals with the Big Five of the American meat trade, against whom proceedings are said to have been initiated by the United States Government for violation of the antitrust laws. As Mr. G. H. Roberts, M. P., the food controller, told the select committee on profiteering the other day that he was practically confined to America for his meat supplies, the operations of the Big Five affect nearly every home in this country.]

(By C. A. McCurdy, K. C., M. P., parliamentary secretary to the ministry of food; chairman of the committee on trusts.)

One of the most interesting examples of a modern trade combination is afforded by the Meat Trust of America, upon whose activities the Federal Trade Commission has recently reported to the President of the United States. From that report it appears that five great packing concerns in North America—Swift, Armour, Morris, Cudahy, and Wilson—have attained such a dominant position that they control at will the market in which they buy their supplies, the market in which they sell their products, and hold the fortunes of their competitors in their hands.

One fact, say the commissioners, stands out with all possible emphasis: "The small dominant group of American meat packers are now international in their activities."

These five corporations, commonly known as the Big Five, not only have a monopolistic control over the American meat industry, but have secured control, similar in purpose if not yet in extent, over the principal substitutes for meat, such as eggs, cheese, and vegetable-oil products, and are rapidly extending their power to cover fish

and nearly every kind of foodstuff. In addition to these immense properties in the United States, the Armour, Swift, Morris, and Wilson interests, either separately or jointly, own or control more than half of the export-meat production of the Argentine, Brazil, and Uruguay, and have large investments in other surplus meat-producing countries, including Australia. Under present shipping conditions the big American packers control more than half of the meat upon which the Allies are dependent.

ALLEGATIONS AGAINST THE TRUST.

The combination among the Big Five is, in the opinion of the Federal Trade Commission, a definite and positive conspiracy for the purpose of regulating purchases of live stock and controlling the price of meat, the terms of the conspiracy being found in certain documents which are in our possession.

The report alleges that—

The power of the Big Five in the United States has been and is being unfairly and illegally used to:

Manipulate live-stock markets;

Restrict interstate and international supplies of foods;

Control the prices of dressed meats and other foods;

Defraud both the producers of food and consumers;

Crush effective competition;

Secure special privileges from railroads, stockyard companies, the municipalities; and

Profiteer.

From meat the American Meat Trust is now extending its activities to all staple groceries, to the grain trade, to fertilizers, and hides, leather, and wool.

England is one of the countries specially favored by their attentions. According to the report of the Federal Trade Commission, it was at meetings held at London in the spring of 1914 that an international meat pool was formed by the Armour, Swift, Morris, and Sulzberger interests, in conspiracy with certain British and South American concerns, to regulate and divide the shipments of beef, mutton, and other meats from South America to the United States and certain foreign countries, particularly England.

It is interesting to learn from the commissioners that the packers' profits in 1917 were more than four times as great as the average year before the European war, although their sales in dollars and cents at even the inflated prices of last year had barely doubled. In the war years 1915–1917 four of the five packers made net profits of $178,000,000.

The British public contributed heavily toward those profits.

TRUSTS IN GREAT BRITAIN.

The report of the committee on trusts recently published by the ministry of construction shows the enormous extent to which the creation of trusts and trade combines has already proceeded in Great Britain. It is probably quite safe to say that 80 per cent of our most important industries are now controlled and directed by trade organizations, which effectively, if not always ostensibly, regulate prices either directly or indirectly by the control of output.

Competition as a factor determining prices for the protection of the consumer has to this extent at any rate ceased to exist.

The consumer has to pay a controlled price and not a competitive price, and there is no possible prospect of any return to the days of free competition.

Control of prices is now in operation over a very large part of the commodities in daily use, and it has come to stay. The question is no longer between control on the one hand and freedom of trade on the other.

The only questions are, by whom is control to be exercised, in whose interest, under what safeguards and supervision?

The consumer seems to me to have an unanswerable case when he demands that he shall have some say in the matter.

GOVERNMENT OR TRUST CONTROL?

Government control of prices may be an evil, but it may be a lesser evil than control of prices by one class of the community, by the producer, or the merchant, or the distributer, as the case may be.

And the consumer may feel a little nervous if he reads the report of the committee on trusts when he learns that it is the declared policy of some of the great British trusts to sell dear at home in order to sell cheap abroad. To quote from the report itself:

"There was a general agreement among representatives of associations before us that one of the beneficial results of the formation of associations sufficiently powerful to control and maintain prices in the home market was that it enabled British manufacturers to extend their output by selling their products at a lower price, or even at a loss in foreign markets."

This may or may not be a good policy, but surely the consumer at home ought to have some voice in the matter.

—

[From the Daily Express, Monday, February 17, 1919.]

AMERICAN MEAT SCANDAL—PROCEEDINGS AGAINST THE PACKERS.

(By J. W. T. Mason, Daily Express correspondent.)

NEW YORK, *Sunday, February 16.*

Mr. Victor Murdock, the member of the Federal Trade Commission who has been investigating the activities of the meat packers on behalf of the Government, has informed the Interstate Commerce Committee of the House of Representatives that the evidence secured by the commission has been turned over to the Department of Justice. He added: "There is no doubt in my mind that the Department of Justice will proceed against them. We ourselves are proceeding, and will proceed with every case we have against the packers."

Mr. Murdock then took up the subject of the international meat pool, and alleged that when the packers answered questions concerning it they answered erroneously. He produced documents showing that the packers agreed to divide the South American business among themselves, and added: "The packers have admitted the main indictment made against them by the Federal Trade Commission—that there is a proportionate division of live stock."

He urged adequate congressional legislation to regulate the packers, and declared that the situation could not be met by compromise and delay. He charged the packers with watching the formation of congressional committees of inquiry, and asserted that when committee vacancies occur the packers make sure that friendly Congressmen are appointed.

The Senate and House Committees which have been investigating the packers' case have now finished their inquiries, and will immediately proceed to draw up bills for submission to Congress.

[From the Times, Monday, January 27, 1919.]

UNITED STATES PACKERS UNDER EXAMINATION—CHICAGO AND SOUTH AMERICAN TRADE.

(From our correspondent.)

WASHINGTON, *January 26.*

The country is watching with deep interest the progress of the duel between the heads of the great packing industries and the congressional committees who are investigating them. Mr. J. Ogden Armour was again examined yesterday—this time by the Senate Committee on Agriculture—while Mr. Louis F. Swift appeared before the Interstate and Foreign Commerce Committee of the House of Representatives. Both men favored some kind of "reasonable regulation" of the packing industry.

Mr. Swift thought that the Government might apply to the industry a system similar to that by which the national banks were supervised. The law of supply and demand, he thought, did not result in fixing satisfactory prices; it involved too many fluctuations. His idea, expressed in vague terms, was that prices should be stabilized. The striking of an average price to extend over a given time would, he said, be better for everybody concerned, consumer as well as producer.

Mr. Armour was questioned concerning the abortive effort made some years ago to merge the Big Five packing houses. He intimated that a monopoly under Government supervision would be the ideal condition. Theoretically, if live-stock men could be taken into the arrangement of such a monopoly it would result in greater efficiency, a vast saving of money, and cheaper prices to the consumer. He admitted that under the present conditions branch managers of packing houses exchanged notes concerning their purchases of stocks.

Senator GORE questioned Mr. Armour closely in regard to the South American establishments, and inquired why, since he had included in his statement capital invested in South America, he had failed to include the $10,000,000 [£2,000,000] profit from that continent in the earnings of his firm. Mr. Armour explained that since 1917 South American profits had not been brought to this country, but reinvested in South America. "If you had declared dividends and brought money to this country it would have been taxed," suggested Senator GORE. Mr. Armour admitted that the suggestion was correct.

An attempt was made to show that Armour went into the South American business to prevent the products of that continent from flooding the United States and forcing prices down. Asked whether, if the South American business had been developed by British packers, they would have been able to compete with Chicago packers in the United States, Mr. Armour said that ultimately the effect of imports from South America would have been to break Chicago prices. He promised the committee to have another statement prepared showing profits in South America.

—

[From the Pall Mall Gazette, London, England, May 28, 1919.]

FOOD PRICES—SUGGESTION FOR A VIGILANCE COMMISSION.

(By C. A. McCurdy, K. C., M. P., parliamentary secretary to the ministry of food.)

Since last November the cost of food to the average working-class householder in Great Britain has been reduced something like 4s. 9d. per week. The Prime Minister's promise of a reduction by the summer of 4s. has been more than performed, but I am afraid that the British public are unlikely to see any further substantial reduction in the price of food during the present year.

With the conclusion of peace and the consequent raising of the blockade, which for the last five years has shut off the peoples of central Europe from the markets of the world, there is every probability of a temporary shortage of supply and enhancement of world prices in many essential commodities. If peace is to be concluded in anything but name, the inhabitants of enemy countries must, of course, be given some of the privileges of peace, and their competition will undoubtedly tend to our disadvantage in the quest for raw materials and foodstuffs.

POSITION OF THE CONSUMER.

At the same time the elaborate system of control built up by the ministry of food for the purposes of the war is being gradually demobilized. The international pools created among the Allies for the purchase and distribution of foodstuffs are ceasing to operate, the British Government is gradually going out of business as a provision merchant, and the feeding of Great Britain is once more being intrusted to the great business firms and the hosts of smaller traders who kept us fed in the days before the Great War.

The clogs and fetters of control are being removed in accordance with the wishes of the business community, but it would, however, be a mistake to suppose that by any removal of war-time restrictions we can get back to the level of prices which prevailed before the war. For one thing, the changed value of money and the marked tendency to increased industrial wages to cover the increased cost of living make it very unlikely that we shall find ourselves at the old level of prices for many years to come, and we have yet to discover the practical effect upon the British trader and the British consumer of the great increase in trade combinations and trusts having for their purpose the maintenance of prices—or the actual raising of prices to the consumer—which has come about during the war.

Those who desire information upon the growth of trusts in this country and abroad in the last few years should procure the report of the committee on trusts, over which I had the honor to preside. It was published by order of the minister of reconstruction a few days ago. (Report of Committee on Trusts, Cd. 9236.) It contains some interesting references to the operations of the American Meat Trust, which has secured monopolistic control not only over the American meat industry but over all the principal substitutes for meat, such as eggs, cheese, and vegetable-oil products, and is rapidly extending its activities to cover fish and nearly every kind of foodstuff.

"THE BIG FIVE."

During the period of the war the British Government and the Government of the United States of America have stood as a buffer between the operations of the Meat Trust and the British consumer and producer. One of the problems of the immediate future will be to find some method by which the consumer may be safeguarded in times of peace against the operations of trade combinations of this kind. The Federal Commission of the United States of America, in their recent report upon the activities of the Meat Trust, allege that the power of the Big Five—the five great corporations of packers which dominate the trust—is used "to control the prices of meats and other foods, to re-

strict international supplies of foods, to defraud both the producers of food and the consumers, to crush effective competition, and to profiteer." This is a very formidable indictment, not calculated to inspire confidence in the minds of British consumers as to the cost of food prices when peace is finally restored, and the free play of economic factors, including the existence of Meat Trust and profiteers, is once more allowed to settle the prices of all the necessaries of life.

The committee on trusts has recommended that a permanent commission shall be created in this country to act as a watchdog for the public, to investigate grievances, to report on abuses, and to suggest remedies. The consumers' council in this country have suggested that one of those remedies should be the permanent retention of the ministry of food, charged with securing all necessary supplies for the British public at the lowest possible price. It is very unlikely that a ministry created purely for the purposes of war will be so retained, but there can be no doubt that in the task of safeguarding the public from profiteering in times of war the ministry of food have gained experience and discovered methods of control which may be of permanent value in times of peace.

—

[From the Mail, London, May 21, 1919.]

BRITISH TRUSTS—£33,000,000 ELECTRIC WORKS COMBINE.

The report of the committee on trusts and combines, appointed last year, was published yesterday by the ministry of reconstruction. Its main conclusions and recommendations were published in the Daily Mail a fortnight ago.

The committee, as already reported, recommends the establishment of a "tribunal of investigation" for promptly dealing with abuses which come to light.

When it is proved that acts injurious to public interest have been committed the board of trade shall make recommendations as to State action for the remedying of grievances.

Referring to the vast increase of trusts and combines, the committee state that the combinations range from periodical meetings of coal merchants for fixing prices to associations with capital in millions. In the electric industries there is an association with a capital of £33,000,000. They also quote Messrs. Coats (Ltd.) with £10,000,000, and the United States Steel Corporation, with £369,000,000 capital.

£35,600,000 MEAT PROFITS.

As an illustration of the effect of a trade combination in one industry affecting both this country and America, the committee refer to the report of the Federal Trade Commissioner on the meat-packing industry, issued at Washington in 1918, in which information is given of the activity of the Meat Trust, or the "Big Five," practically the only source from which the Allies could obtain supplies.

"The power of the Big Five in the United States," stated the report, "has been and is being unfairly and illegally used to—

"Manipulate live-stock markets;

"Restrict interstate and international supplies of food;

"Control the prices of dressed meats and other foods;

"Defraud both the producers of food and consumers;

"Crush effective competition;

"Secure special privileges from railroads, stockyard companies, and municipalities; and

"Profiteer.

"The packers' profits in 1917 were more than four times as great as in the average year before the European war."

—

[From the Mail, London, England, May 7, 1919.]

BRITISH TRUSTS—INVESTIGATION TRIBUNAL.

(From a special correspondent.)

The ministry of reconstruction committee appointed in 1918 to consider what steps may be necessary to safeguard the public against great combinations of capital, as mentioned in the Daily Mail yesterday, recommends the establishment of State machinery similar to that existing in the United States and some of the British Dominions for the rigid investigation of "monopolies, trusts, and combines."

Although they have not been found to be guilty of offenses against the public good, the committee foresees the imminent probability that British trade combines may become a public danger if not carefully watched. To this end it is proposed, in the first instance, to establish a "tribunal of investigation." Eventually legal machinery should be created for promptly and effectively dealing with such abuses as come to light.

British "trusts," the report declares, have vastly increased during the war. In the iron and steel industry alone there are 35 combinations, divided into such branches as pig iron, steel, rolled products, steel castings, iron, forgings, bar iron, and miscellaneous. The ministry of munitions found itself compelled to do business with no fewer than 94 separate combinations, including organizations like the "Tinfoil Association," the "Brass Rod Association," the "Cotton-Duck Manufacture Association," the "United Kingdom Rosin Importers' Association," and the "Sulphate of Ammonia Association." Practically every product included in the term "munitions" was controlled by a combine of dealers or manufacturers. The report explains, however, that in general the Government was not the sufferer.

MEAT "BIG FIVE."

A special section of the report deals with the "American Meat Trust," but it consists almost entirely of references to the "Big Five" (Chicago packers) in the United States Federal Trade Commission's report of July, 1918. This report alleged that the "Big Five" possessed a monopoly of practically the entire food supply of the United States. The American report affirmed that "under present shipping conditions the big American packers control more than half of the meat upon which the Allies are dependent."

The committee is of opinion that considerable mistrust prevails in the public mind concerning the activities of industrial combines in the United Kingdom. It is declared that this mistrust undoubtedly contains the seeds of possible social and political danger to the State, whether well founded or not. The committee is therefore unreservedly of the view that ways and means should be adopted for full investigation and for remedial action in cases of proved necessity.

The report is now in the hands of the ministry of reconstruction, and will presumably be submitted to Parliament in due course.

[From the Star, Thursday, February 6, 1919.]

POWER OF THE "BIG FIVE."—"FOOD MINISTRY UNDER THUMB," SAYS MR. TERRETT.

The allegations of Mr. Harry Moss, of the Islington abattoirs, as to the bad quality of the "boneless beef" which reaches London under the auspices of the food ministry, are supported by Mr. Joe Terrett, who writes:

"Will Thorne, M. P., brought up a case in Parliament last summer in which the ministry had tried to force this stuff on the butchers of Southport. An evasive answer was given to the definite charge that the glands had been removed to avoid examination for tuberculosis.

"The food ministry have repeatedly tried to force upon the public goods for which any private butcher would deservedly get a month's hard labor.

TRADE "DISGUSTED."

"No wonder the meat trade is utterly disgusted, for they are made to work not for themselves, but for the 'Big Five,' who have got the food ministry completely under their thumb.

"Could there be anything more shameful than the way in which the Government allowed Chicago to bulldoze it over feeding stuffs for the cottagers' pigs? Lord Ernle had a pig campaign. 'Don't walk a puppy—walk a pig,' he said, and the public responded, mostly workmen.

"Nothing expands like the pig stock, and we were on for a couple of million increase at a jump. Then the thunderbolt fell—no feeding stuffs.

"BIG FIVE" AT WORK.

"Why? Shipping shortage? Not a bit of it. We were actually refusing interned German tonnage offered by the Brazilian Government, and which would admirably have served to bring Argentine maize for the pigs.

"The 'Big Five' had been to work, diplomatically no doubt, but very effectively. Probably the old, old pistol, which has been cocked so often, was brought into play again—the Allied Armies' beef supply from Argentina. That has been the everlasting trump card of Chicago, and invariably the Government has capitulated.

"So the cottagers were told to kill their pigs. Yet if in 1915 they had stood up to Chicago they could have smashed it into submission. Now we are its slaves and our food ministers are willing to scrap every public health statute in its interest.

AMERICAN GOODS.

"Who, may I ask, were the owners of the 925 cases of condensed milk which recently were detained by the port medical officer of Salford Docks? They were American goods, and despite their condemnation by Dr. Dearden were sent by the ministry of food to a firm of coffee makers, who fortunately were honest men and rejected them.

"It took six weeks' strenuous fighting to stop the bureaucrats from dumping tuberculous and dropsical cow beef in London 12 months ago. Apparently they care for nothing but their salaries."

—

[From the Standard, London, England, May 23, 1919.]

WORLD FOOD CRISIS—ALLIES AND THE GREAT TRUST MENACE—CONTROL REVIVAL—MR. MCCURDY'S HINT OF SWIFT COUNTER MEASURES.

A halt has been called on the demobilization of the ministry of food both in London and in Paris. The Evening Standard is informed on good authority that the process of decontrol will be slowed down in the case of some foodstuffs, and that it is more than likely that control will be reestablished on others.

Not only in the United Kingdom but throughout the world the food position is occasioning the gravest anxiety. At the same time, we have it on the authority of Mr. H. M. Hyndman, the veteran Socialist leader, that the great American food trusts, using their immense pecuniary resources, are purchasing essential foodstuffs all over the world, even in our own colonies.

What will be the effect of these international factors on prices and supplies during the coming winter?

Mr. Charles A. McCurdy, M. P., of the ministry of food, and recently chairman of the committee on trusts—than whom none is more competent to speak on this subject—discussing the position to-day with an Evening Standard representative, said:

THE "FREED" FOOD CRY.

"When I came to the ministry of food some three months ago the cry of the public everywhere was for decontrol. It has been one of the primary duties of the ministry to decontrol as far as possible. In my view we may have gone too fast.

"Now we are faced with a very serious position. We decontrolled bacon, for instance. We were told we had big stocks, that we ought to let them loose on the markets, and that we were only keeping them to prevent loss to the exchequer.

"Well, we decontrolled bacon. To-day it is practically impossible for the working classes to get bacon, and wherever procurable it is at a very high price.

"Again, we decontrolled margarine. We were urged on all sides to disperse our stocks. In a large measure we obeyed this public mandate. What is the outlook now that we have done this? Simply that it is certain that the price of margarine is rising, and will continue to rise, and the public must be prepared to pay more.

"My point is that the Government and the public must make up their minds as to which of two policies shall be pursued. You can not have a policy of control and decontrol at the same time.

WHAT THE PEACE MEANS.

"There is just the same confusion of thought about the peace. There is a general desire, a very natural desire, that the process of peace should be hastened. What does it mean, however? Simply the opening of the markets of the world, international competition in the food markets, raising the blockade, and a general rise in prices. The public does not quite see that result with accurate vision.

"Those who have not closely followed the subject appear to see in the Paris economic resolutions some sort of protection for the Allies. Those resolutions, without any disrespect to those who did such good work in framing them, have now become very nearly obsolete in the face of the changed international position in central Europe and the practical annihilation of Austria and Hungary as nations. They have to be reconsidered in the light of a new 'series' of European nations which at the time of their framing no one could accurately foresee.

THE BIG FIVE.

"During the war the Allied Governments have been very closely associated for the buying and distribution of foodstuffs. The American Government has been one of the biggest purchasers from the 'packers.'

"Unless something is done—and it may be done—if this association of the Allies is broken with the signature of peace we have the fact at once that the comparatively helpless and unorganized wholesale and retail dealers of the world are pitted against the highly organized Food Trust of America.

"This food question is an international one. It is just the kind of question that the League of Nations, were it in being, might well tackle, but its machinery will not be ready in time. The whole world wants food and it can not starve while the league is getting into its stride.

IN THE HANDS OF TRUSTS.

"To face the position, it appears absolutely necessary that control, national and international, shall be maintained. We are in the hands largely of these American trusts. The 'Big Five' in the United States has been and is unfairly manipulating live-stock markets, restricting international supplies, controlling the prices of dressed meats, crushing effective competition, and profiteering on a great scale.

"This is an international as well as a national question. The United States is equally alive to the danger, as is evidenced by the report of the Federal Trade Commission on the meat-packing industry, which our own committee on trusts has placed on record. The 'Big Five' or 'the packers' not only have a monopolistic control over the American meat industry, but have secured control, similar in purpose if not yet in extent, over the principal substitutes for meat, such as eggs, cheese, and vegetable-oil products. They are rapidly extending their power to cover fish and every kind of foodstuff.

"That is to say, they have a grip on a large part of the essential foodstuffs of the people of the world.

"With the quotation from the Federal Commission report: 'The combination among the Big Five is not a casual agreement brought about by indirect and obscure methods, but a definite and positive conspiracy for the purpose of regulating purchases of live stock and controlling the price of meat.' I need not emphasize the danger further.

"The most stringent surveillance of such trusts and combinations which affect the most vital needs of the people ought to be established.

"Mr. Hyndman is quite accurate in his statement that these trusts are buying up essential foodstuffs in our own colonies.

"Unless the allied Governments do take a strong line on the general international food question it is difficult accurately to forecast the grave results which must ensue both in the United Kingdom and in other countries during the coming winter.

"Speaking quite generally, it may be taken that the ministry of food here, the Government, and the allied Governments are awake to it, and it will be surprising indeed if some definite policy of meeting the situation is not adopted shall we say, 'before long?'"

—

[From the Evening Standard, Wednesday, July 30, 1919.]

AMERICA'S AMAZING PROSPERITY—THE FLY IN THE OINTMENT: CAPTURING LATIN-AMERICAN TRADE.

(From Sir John Foster Fraser, our special correspondent in the United States.)

The material prosperity of America is positively amazing. Everywhere is evidence of rampant wealth. America looks with a commiserating eye on Europe and is inclined to thank the Lord it is not as other countries.

I am writing from the State of Iowa, probably the richest and most productive area in the world. Wherever I go the corn crops are flourishing and the farmer is chuckling over the high prices he gets for his hogs. There is a land boom; it is spreading into Minnesota, and will probably reach Canada. Land is now selling at $300 an acre, which is about twice as much as it fetched in prewar days.

The direct cause is the war in Europe, the defective harvests on your side of the world, the barrenness of the wheat regions of southern Russia, the difficulty to secure freightage to bring foodstuffs from Argentina, Australia, and other parts of the world.

A LAND BOOM.

Shortage in Europe has meant high prices for land in America. The speculators are busy. Farms are bought and sold and rebought, and one hears stories of speculators picking up $100,000 in 10 days. But I gather from some of the agricultural bankers that prices are top-heavy. Though the prices for foodstuffs are high, the mortgages are leaving the farmers no better off than they were before.

Cost of necessaries of life is still climbing. There used to be an agitation for a paper half dollar. "Now we've got it," says the American, meaning that for a dollar to-day you can only purchase what 50 cents would buy five years ago. The wages of the workingman have gone up, but they have not kept pace with the increased cost of living, so that, on balance, the worker is not so well off as he was formerly.

DISPOSAL OF WAR STORES.

The United States Government had accumulated enormous quantities of tinned foods to be shipped to the soldiers overseas. These foods are now being disposed of. Chicago, shouting for cheaper food, has had a city food commission to deal with the selling of Government meat and other articles.

The Government has £5,000,000 of surplus meats in storage in and near Chicago. These meats are in 6 and 12 pound tins, and consist mainly of bacon, roast beef, and corned-beef hash. When bids were invited the best bids came from the packing houses which had supplied the meats, and they offered just 25 per cent of the prices the Government had paid them.

Yet the tendency of the good-natured American is to grumble, denounce, declare the profiteers ought to be imprisoned—and yet do nothing. Behind the complaints is a kind of admiration for the man who can exploit the public and "get away with it."

And what carries the American over many a jarring inconvenience is the knowledge that circumstances provide that all the rest of the world must be largely dependent on the United States for years to come. Representatives of the great trading and manufacturing corporations are touring Europe looking for business developments. Because Europe is in industrial chaos is all the more reason why the Americans should get busy.

EYES ON SOUTH AMERICA.

Commercial men are especially directing their thoughts to South America. Before the war Germany in Brazil and Great Britain in Argentina and in the west coast Republics had it very much their own way in commerce. Then the route from New York to Buenos Aires was via Southampton. Now, the United States is determined to alter all that.

The war has given America an easier opportunity to spring in and get the South American trade. But the southern Republics have long been rather politically suspicious of the "North Americans," as they call the people of the United States. America is now making itself most agreeable to the countries south of Panama. There has been a Pan-American Commercial Conference at Washington, and the slogan was "America first."

Many business men are sure that it is in this direction rather than in Europe where the "dough" is to be found. It is thought that in view of Europe's heavy indebtedness, the unfavorable exchange market, and the necessity to find work for the unemployed in Europe there will be a limitation of American imports into Europe. Uncertain factors in trading with Europe are absent in commercial relations with South America. The United States sees its opportunity, and is going ahead with energy.

—

[From the Globe and Commercial Advertiser, Aug. 25, 1919.]

ATTACKS ON PACKERS IMPERIL OUR INDUSTRIES, SAYS MCCANN—DECLARES ENGLISH BROKERS AND MIDDLEMEN FIND BEST ANTI-AMERICAN PROPAGANDA MADE FOR THEM BY RECKLESS SENATORIAL EFFUSIONS ON "OLD STUFF."

(By Alfred W. McCann.)

ST. LOUIS, *July 25.*

The accusation of Senator KENYON, of Iowa, to the effect that the packers are fighting the Kenyon and Kendrick bills for Federal regulation of the packing industry is amusing, but not astonishing.

His assertion that "the packers are engaged in a propaganda to manufacture public opinion, the like of which has never before been seen in this country," is true. I, who have consistently and persistently fought the packers in courts and out of them, over a period of many years, can hardly be accused of undue friendship in their behalf. Certainly I will not be called a packer propagandist by Senator KENYON.

But it would be amazing, indeed, if the packers did not attempt to meet the KENYON propaganda by a brand of their own, for in these hours of Washington hysteria the packer baiters have become, without knowing it, propagandists of the worst type. Their activities are already damaging American industry beyond the power of constructive legislation to make repairs.

WORLD-WIDE RESULTS.

Every time a senatorial orator attacks the packers the cables at once carry the "news" to all the British dominions, as well as to the South American Republics.

Within 72 hours of an antipacker demonstration in Congress the newspapers of Brazil, Uruguay, Argentina, Australia, New Zealand, and England blaze with reports of the iniquity and rapacity of American business.

It is this sort of propaganda which the speeches of Senators and Representatives are so ably carrying on in the interest of a large group of English brokerage concerns, who are now seeking to destroy the American meat industry in South America and to close the European markets against Chicago, Kansas City, Omaha, and East St. Louis.

Throughout the war every American newspaper report blackening the reputation of the American packers was cabled to the London press, even though other more urgent messages were obliged to wait for days and even weeks.

AMERICAN SYSTEM ATTACKED.

When recently Commissioner Colver, of the Federal Trade Board, went to England he reopened the London newspaper attack upon the American system of direct distribution from meat producer to consumer. His visit to London merely revived the antipacker propaganda that so well serves the British and Dominion brokers in their efforts to provoke hostility against the packers.

I have hundreds of clippings from the British press showing how skillfully the antipacker propaganda has been carried on in South America and the dominions and how foolishly the American politicians have played into the hands of the British brokers.

Already so violent has become the sentiment of New Zealand against the American meat industry that the New Zealand Government, bold to an extremity not realized in America, has actually confiscated the New Zealand plants of Armour & Co. The same sort of anti-American legislation in Australia and the United Kingdom is actually expected by the packers, and if American politicans continue to give the British broker propagandists the sort of ammunition they are now providing there is little doubt that England and Australia will follow the example set by New Zealand.

REASON FOR THE PROPAGANDA.

Why should any such high-handed program be contemplated in those countries, you ask. For the simple reason that the American packers, grave as have been the charges against them, have revolutionized the system of meat production and distribution wherever they have gone. During the war, for instance, the British Government commandeered all the meat of New Zealand and Australia, paying the farmer at the rate of 9 cents a pound for the dressed product.

This 9-cent meat was then sold by the favored British brokers at 18 cents a pound. The producer did not get the money, neither did the consumer. The brokers, who render no service either in production or distribution, pocketed the coin.

In Argentina, where British control could not be enforced, American competition compelled the British brokers to pay the producer all the way up to 18 cents a pound, not for dressed meat but for live stock on the hoof. This high-priced meat had to be sold in England just as cheaply as the 9-cent meat, but it did not allow the leeching, parasitical brokers a rake-off.

BRITISH SYSTEM THREATENED.

If the American system of direct buying from the farmer and direct distribution from the slaughterhouses is permitted to continue unmolested throughout the United Kingdom, it simply means that the old British system of middlemen brokerages will be abolished.

It is to save the plums by developing enmity against the American system that the propaganda agents of these threatened British brokers are now so active in spreading any and every story discreditable to the American way of doing business.

Heretofore no man dealing in meats in the United Kingdom could buy a live animal on the hoof without paying a purchasing broker's rake off. This was followed by the payment of a slaughtering broker's

rake off. The slaughterer could ship direct. He had to employ a transportation broker and pay a transportation brokerage rake off.

These operations necessitated financing and a financial broker had to be paid. The former did not receive his money until the dressed product was actually sold in the English market and then the collection broker had to get his rake off.

KNOCKS OUT MIDDLEMEN.

All these sets of middlemen have been abolished by the American system, which pays the farmer the moment the live animal leaves his hands, and then slaughters, finances, ships, collects direct to the exclusion of scores of middlemen, whose only function is to make compulsory jobs for themselves, out of which they collect revenue they do not earn.

It is high time that foolish politicians who make wild charges, without proving them, should begin to understand that every time they open their mouths in a manner that casts odium upon any American industry their words are taken up and flashed around the world to the detriment of American trade.

These same politicians know, or ought to know, that after the signing of the armistice no mail came from South America to the United States for three months.

SET-BACK SUFFERED ALREADY.

American industry with South American connections was thus forced out of touch with South American trade, while European agents, whose mail service was uninterrupted throughout were busy making hay.

Why, then, should Messrs. KENYON and KENDRICK blow their official trumpets with such fierce energy when they must know that with every blast an effort is made to drive another nail into what is hoped may be an American coffin?

Nor are the American packers alone affected by this silly propaganda, but every other form of American industry is actually threatened by it. The impression is being created that Americans are all crooks, looters, despoilers, brigands.

It is a European characteristic to accept without challenge any statement given out by a Government department. Any such statement possesses a dignity and finality that disarms scrutiny. The people of Europe, South America, and the British dominions believe, without question, the publicly reported utterances of perspiring politicians solely because they are members of a government body such as the Federal Trade Commission, or hold important public positions as Representatives of the people at Washington.

Yet the charges against the packers have never been tried in a court, no indictments have been returned against them. Their sins have been many, but the stuff now being published in the British and foreign press at their expense has been dug up from tombs long closed. I was one of the examiners of the Federal Trade Commission, and it makes me laugh to see instances that became history 12 years ago resurrected by Messrs. KENYON and KENDRICK, and reported in Europe as if they occurred yesterday.

I would say that if the packers did not attempt to meet the Kenyon-Kendrick propaganda by propaganda of their own they would not only be un-American, but insane. These comments, it is needless to say, will not be cabled to Europe, Australia, or South America.

—

[From the Daily Telegraph, July 12, 1919.]

UNITED STATES CANNERS' MONOPOLY—574 CONTROLLED FIRMS.

WASHINGTON, *Friday.*

The Federal Trade Commission, after a thorough investigation of the meat-packing industry, has forwarded a preliminary report to President Wilson, which declares that the approaching control by the packing companies of all important foodstuffs in the United States and their international control of meat products will become a certainty unless strong action is taken to prevent it. The report alleges that five great packing companies—the Swift, Armour, Wilson, Morris, and Cudahy companies—control jointly or separately 574 companies; that they have a minority interest in 95 others and an undetermined interest in 93 more, producing or selling 775 commodities, largely foodstuffs.

Commenting on the packers' interest in leather, fertilizers, cottonseed oil, and grain foods, the report declares: "The reason why the packers are seeking to secure the control of meat substitutes is that if the prices of these substitutes are once brought under their control, the consumer will have nothing to gain by turning to them for relief from the excessive meat prices." The five packing companies, the report asserts, handle at least half of the poultry, eggs, and cheese in interstate commerce, and control or are associated with 17 meat companies in South America.—Reuter.

—

[From the London Daily Mail, Sept. 8, 1919.]

UNITED STATES TUBE FIGHTS—NEW YORK HAS TO WALK.

(From our own correspondent.)

NEW YORK, *Thursday.*

One aspect of the present labor situation in the United States is furnished by the strike of the underground and tramway car men of Brooklyn, which is now in its third day. The men demand recognition of their union, an 8-hour day, and an increase of 25 per cent in wages, all of which so far the Brooklyn Rapid Transit Co. has refused to consider.

The result is that scenes are taking place in New York and Brooklyn exactly like those seen in London during the tube strike last spring. During the rush hour yesterday morning the company was able to run a good service, but during the day the attitude of the strikers grew more and more menacing. Finally, after the protection afforded by stationing two policemen on every tramway car and several in each underground train had proved inadequate the service was entirely suspended. Tens of thousands of business people were obliged to walk long distances from home across Brooklyn Bridge, which is itself a mile and a half long, or else to sleep in Manhattan (the New York side of East River).

This morning the service had not been restored, and hundreds of people traveled to work in Army motor lorries, taxicabs, and tradesmen's carts. The strikers' mood continues to be threatening.

Yesterday they beat and more or less seriously injured several loyal drivers and policemen. Flying squadrons in motor lorries attacked the cars in the streets, partly wrecking them. To-day 40,000 police will be on duty to try to protect the loyal employees. The men have greeted this news with the threat of a sympathetic strike of tramway car men in Manhattan.

MEAT TRUST PROSECUTED—MR. WILSON'S REPLY TO DEAR FOOD PROTESTS.

President Wilson has arranged to address both Houses of Congress in joint session to-morrow on remedies for the high cost of living.

In the meantime Mr. Palmer, the Attorney General, has ordered the initiation of legal proceedings against the "Big Five" (the heads of the principal meat-packing firms) for violating the antitrust law. He has further directed his officers throughout the country to abandon all other activities and concentrate their attention upon finding and prosecuting food hoarders and profiteers.

The action against the meat packers is based on the report of the Federal Trade Commission, which, after an exhaustive inquiry, finds that they have established a practical monopoly of food products. The commission declares that the packers—

Dominate the stockyards,
Control prices by agreement,
Discriminate against independent buyers, and
Restrict the meat supply of the Nation by manipulation.

The prosecution of the packers is the most spectacular reaction on the part of the Government to the outcry against the high cost of living and the demand of workmen for vastly increased wages.

But to-day there are many revelations concerning the extent to which the necessary supplies are being hoarded. Manipulation in the leather market was exposed yesterday.

From farmer to retail shopkeeper it was shown that excessive profits had been added to the cost of leather at every stage of its manufacture and sale, until to-day boots cost three or four times the price asked before the war.

At yesterday's hearing in Washington it was pointed out that the cost of food alone had risen 16 per cent since last year and 83 per cent since 1913. Wages generally at the same time have increased 37 per cent. This is a conservative statement. It takes no account of the prices demanded by profiteers.

HOARDING AND HIGH PRICES.

Newspapers to-day all tell the railway employees no amount of wage increases will have any effect on the cost of living unless production is increased. But the effect of their remarks as regards production is somewhat diminished by a remarkable statement issued this afternoon by the Federal Trade Commission that the law of supply and demand has to-day much less to do with the rise in prices than is supposed. The statement shows that the stocks of foodstuffs on hand to-day are far higher than those a year ago, when the most inordinate demands were being made upon them by the armies and civilian populations of Europe. Yet prices are higher.

The commission roundly asserts that provisions are being held in cold storage by speculators for still higher prices. One instance will suffice to illustrate the significance of the report. It states that there is to-day in stock 179,100,000 pounds of canned tomatoes against 88,500,000 pounds last year. But since December none has been placed upon the market.

REVELATIONS PROMISED.

WASHINGTON, *Thursday.*

In support of labor's plan for Government ownership of the railways, with profit-sharing for the workers, Mr. Glenn E. Plumb, the Chicago lawyer, its formulator, announces that 14 railway trade-unions had summoned a conference at Washington to present to the United States people and Congress information showing that there has been systematized plundering on the transportation highways by certain financial interests.

Mr. Plumb promises revelations proving that the same interests had been seeking to obtain secret control of railway properties.—Reuter.

NEW YORK POLICE RESTIVE.

NEW YORK, *Thursday.*

The New York policemen have applied for membership in the American Federation of Labor. When their union is formed they intend to demand a minimum wage of £300 a year, and threaten to strike for it.—Wireless Press.

—

[From the Daily Dispatch, May 23, 1919.]

BRITAIN'S FOOD IN GRIP OF UNITED STATES TRUSTS—PRICES MAY SOAR STILL HIGHER AFTER PEACE—BACK TO CONTROL—AMERICANS BUYING EMPIRE SUPPLIES.

The food position is occasioning such grave anxiety that a halt has been called on the demobilization of the ministry of food both in London and in Paris.

The Daily Dispatch is informed on good authority that the process of decontrol will be slowed down in the case of some foodstuffs, and that it is more than likely that control will be reestablished on others.

The great peril is that when peace is signed the American Meat Trust, which has now spread its tentacles to meat substitutes, such as cheese and eggs, and is operating not only in America but in the British Empire, will use the great demand from Germany and neutral countries as a lever to force up prices.

Mr. Charles A. McCurdy, M. P., of the ministry of food and recently chairman of the committee on trusts, discussing the position yesterday with a Daily Dispatch representative, said:

"When I came to the ministry of food some three months ago the cry of the public everywhere was for decontrol. It has been one of the primary duties of the ministry to decontrol as far as possible. In my view we may have gone too fast.

"Now, we are faced with a very serious position. We decontroled bacon, for instance. We were told we had big stocks; that we ought to let them loose on the markets; and that we were only keeping them to prevent loss to the exchequer. We decontroled bacon. To-day it is practically impossible for the working classes to get bacon, and wherever procurable it is at a very high price.

"Again, we decontroled margarine. We were urged on all sides to disperse our stocks. In a large measure we obeyed this public mandate. What is the outlook now that we have done this? Simply that it is certain that the price of margarine is rising, and will continue to rise, and the public must be prepared to pay more.

"My point is that the Government and the public must make up their minds as to which of two policies shall be pursued. You can not have a policy of control and decontrol at the same time.

"WHAT PEACE WILL MEAN.

"There is just the same confusion of thought about the peace. There is a general desire—a very natural desire—that the process of peace should be hastened. What does it mean, however? Simply the

opening of the markets of the world, international competition in the food markets, raising the blockade, and a general rise in prices. The public does not quite see that result with accurate vision.

"During the war the allied Governments have been very closely associated for the buying and distribution of foodstuffs. The American Government has been one of the biggest purchasers from the packers. Unless something is done—and it may be done—when this association of the Allies is broken with the signature of peace we have the fact at once that the comparatively helpless and unorganized wholesale and retail dealers of the world are pitted against the highly organized food trusts of America.

"To face the position it appears absolutely necessary that control, national and international, shall be maintained. We are in the hands largely of these American trusts. The Big Five in the United States have been and are unfairly manipulating live-stock markets, restricting international supplies, controlling the prices of dressed meats, crushing effective competition, profiteering on a great scale.

CORNERING ALL FOODSTUFFS.

"This is an international as well as a national question. The United States is equally alive to the danger, as is evidenced by the report of the Federal Trade Commission on the meat-packing industry which our own committee on trusts has placed on record. The Big Five of the packers not only have a monopolistic control over the American meat industry but have secured control similar in purpose, if not yet in extent, over the principal substitutes for meat, such as eggs, cheese, and vegetable-oil products. They are rapidly extending their power to cover fish and every kind of foodstuff.

"That is to say, they have a grip on a large part of the essential foodstuffs of the people of the world. The most stringent surveillance of such trusts and combinations which affect the most vital needs of the people ought to be established.

"Mr. Hyndman is quite accurate in his statement that these trusts are buying up essential foodstuffs in our own colonies. Unless the allied Governments do take a strong line on the general international food question it is difficult accurately to forecast the grave results which must ensue both in the United Kingdom and in other countries during the coming winter."

The ministry of food here, the Government, and the allied Governments are awake to the position, Mr. McCurdy added, and it would be surprising, indeed, if some definite policy of meeting the situation was not adopted before long.

—

[From the Hull Daily Mail, November 8, 1919.]

FIGHTING TRUSTS—START OF THE CAMPAIGN.

(By C. A. McCurdy, K. C., M. P., parliamentary secretary to the ministry of food; chairman of the committee on trusts.)

One of the most interesting examples of a modern trade combination is afforded by the Meat Trust of America, upon whose activities the Federal Trade Commission has recently reported to the President of the United States. From that report it appears that five great packing concerns in North America—Swift, Armour, Morris, Cudahy, and Wilson—have attained such a dominant position that they control at will the market in which they buy their supplies and the market in which they sell their products, and hold the fortunes of their competitors in their hands.

One fact, says the commissioners, stands out with all possible emphasis: "The small dominant group of American meat packers are now international in their activities."

"THE BIG FIVE."

These five corporations, commonly known as "the Big Five," not only have a monopolistic control over the American meat industry but have secured control, similar in purpose if not yet in extent, over the principal substitutes for meat, such as eggs, cheese, and vegetable-oil products, and are rapidly extending their power to cover fish and nearly every kind of foodstuff. In addition to these immense properties in the United States, the Armour, Swift, Morris, and Wilson interests, either separately or jointly, own and control more than half of the export-meat production of the Argentine, Brazil, and Uruguay, and have large investments in other surplus meat-producing countries, including Australia. Under present shipping conditions the big American packers control more than half of the meat upon which the Allies are dependent.

The combination among the Big Five is, in the opinion of the Federal Trade Commission, a definite and positive conspiracy for the purpose of regulating purchases of live stock and controlling the price of meat, the terms of the conspiracy being found in certain documents which are in our possession.

THE INDICTMENT.

The report alleges that the power of the Big Five in the United States has been and is being unfairly and illegally used to manipulate live-stock markets, district, interstate, and international supplies of foods, control the prices of dressed meats and other foods, defraud both the producers of food and consumers, and crush effective competition.

Secure special privileges from railroads, stockyard companies, the municipalities, and profiteer.

From meat the American Meat Trust is now extending its activities to all staple groceries, to the grain trade, to fertilizers, and hides, leather, and wool.

England is one of the countries specially favored by their attentions. According to the report of the Federal Trade Commission it was at meetings held at London in the spring of 1914 that an international meat pool was formed by the Armour, Swift, Morris, and Sulzberger interests in conspiracy with certain British and South American concerns to regulate and divide the shipments of beef, mutton, and other meats from South America to the United States and certain foreign countries, particularly England.

It is interesting to learn from the commissioners that the packers' profits in 1917 were more than four times as great as the average year before the European war, although their sales in dollars and cents at even the inflated prices of last year had barely doubled. In the war years 1915, 1916, and 1917 four of the five packers made net profits of $178,000,000.

The British public contributed heavily toward those profits.

TRUSTS IN GREAT BRITAIN.

The report of the committee on trusts recently published by the ministry of construction shows the enormous extent to which the creation of trusts and trade combines has already proceeded in Great Britain. It is probably quite safe to say that 80 per cent of our most important industries are now controlled and directed by trade organizations, which effectively, if not always ostensibly, regulate prices either directly or indirectly by the control of output.

Competition as a factor determining prices for the protection of the consumer has, to this extent at any rate, ceased to exist.

The consumer has to pay a controlled price and not a competitive price, and there is no possible prospect of any return to the days of free competition.

Control of prices is now in operation over a very large part of the commodities in daily use, and it has come to stay. The question is no longer between control on the one hand and freedom of trade on the other.

The only questions are, By whom is control to be exercised, in whose interest, under what safeguards and supervision?

The consumer seems to me to have an unanswerable case when he demands that he shall have some say in the matter.

Government control of prices may be an evil, but it may be a lesser evil than control of prices by one class of the community—by the producer, or the merchant, or the distributer, as the case may be.

And the consumer may feel a little nervous if he reads the report of the committee on trusts when he learns that it is the declared policy of some of the great British trusts to sell dear at home in order to sell cheap abroad. To quote from the report itself:

"There was a general agreement among representatives of associations before us that one of the beneficial results of the formation of associations sufficiently powerful to control and maintain prices in the home market was that it enabled British manufacturers to extend their output by selling their products at a lower price, or even at a loss, in foreign markets."

This may or may not be a good policy, but surely the consumer at home ought to have some voice in the matter.

—

BAD MEAT SCANDAL.—"AMERICAN BEEF BATHED IN VINEGAR AND SODA."—BIG FIVE'S BLACK BOOK.

SENSATIONAL REVELATIONS, PARTICULARLY INTERESTING IN VIEW OF THE QUALITY OF BEEF AND BACON WHICH HAS BEEN REACHING THIS COUNTRY FROM AMERICA, ARE MADE BY THE UNITED STATES FEDERAL TRADE COMMISSION, WHICH HAS BEEN INQUIRING INTO THE OPERATIONS OF THE AMERICAN MEAT TRUST—REFERENCE IS MADE TO BEEF THAT WAS SO BAD THAT IT HAD TO BE BATHED IN VINEGAR AND SODA—DEMAND FOR INQUIRY IN BRITAIN.

The Star learns that the joint agricultural advisory committee of the ministry of food and the board of agriculture has decided to support the demand of the British Empire Producers' Union that a Government inquiry shall be held into the combinations in the meat trade.

It is, as the Star has pointed out, vitally important that the operations of the "Big Five" in this country shall be thoroughly investigated, and the recent report of the United States Federal Trade Commission on its operations has given us a good lead.

PACKERS' PROFITS.

The "Big Five," as the American Meat Trust is called in the commission's report, announced in 1917 that it was going to pool its resources and sell its meat at near cost in the cause of the Allies. The United States Federal Trade Commission has reported that the packers' profits were 350 per cent greater in 1917 than in the average of 1912, 1913, and 1914, and that this figure does not include the foreign profits of Armour & Co., which must be enormous.

The "Big Five" consists of Armour & Co., Swift & Co., Morris & Co., Wilson & Co. (formerly Sulzberger), and the Cudahy Packing Co. The United States commission reports that they control at will the markets at which they buy and those in which they sell.

WIDE POWER.

Their power rests on the control of the following:

Stockyards with collateral institutions, such as cattle-loan banks and trade newspapers, heavily subsidized.

Companies which own the refrigerator cars, used so extensively for the transport of perishable goods.

Cold-storage plants.

Branch-house system of distribution.

Banks and real estate, cattle ranches, etc.

Although much evidence had been willfully destroyed by the packers, the commission secured many interesting letters and the private memorandum book of Mr. G. Sulzberger (called the "Black Book"), in which he had made notes after the secret meetings of the trust as to the manner in which the supplies were to be divided up.

In view of the quality of the beef and bacon which has been reaching this country from America, the letters are full of disclosures. Mr. Guy C. Shepard, vice president of the Cudahy Co., wrote to his general manager on February 12, 1918:

"There never was a time in the history of the business when we have had as good a margin on the hogs for as long a stretch continuously, and naturally it has made every one very greedy to kill every hog they possibly could. * * * The main idea that we had in mind was that it was profitable business, and the first thing to do was to take the order and then get through with it some way or other."

On February 6, 1918, there is a letter to the assistant manager of the Cudahy plant at Omaha noting that he had sold beef cheek meat at 12½ cents and that E. A. Cudahy considered it worth 18 cents, as "we have been having discussion recently with the Food Administration about having the specification revised so that cheek meat might be included, and would like to have this extended to shank meat and bull meat."

Cheek meat, shank meat, and bull meat until recently were almost valueless, being inferior kinds of beef.

A CANDID LETTER.

On February 23, 1918, T. G. Lee, of Armour & Co.'s Philadelphia branch, wrote to the head office in Chicago:

"This has been a very unsatisfactory week, because of the great quantity of bad-condition beef we have had to sell. Morris and Wilson had just as much trouble as we had. Wilson bought beef from Arch Street that was so bad that we bathed it in vinegar and soda before we showed it to them. I think this beef also was shipped to New York for freezing.

"I certainly do not know what they are going to do with this beef. I certainly do not think beef in the condition they are buying ought to be exported or offered to our armies."

The United States commissioners' report contains many other equally sensational facts about the "Big Five" and their gigantic monopoly.

PROFITEERING ACTS, 1919–20.

CENTRAL COMMITTEE—INTERIM REPORT ON MEAT.

(Prepared by a subcommittee appointed by the standing committee on trusts and adopted by the standing committee.)

Members of the subcommittee: Mr. H. W. Macrosty, O. B. E., chairman; Mr. D. Carmichael; Mr. W. G. Curnick; Mr. W. Gallacher (Mr. Gallacher has not signed the report, as he was out of England during practically the whole of this inquiry, and was only able to attend the first meeting); Mr. A. Johnston; Mr. M. V. Leveaux; Dr. J. Spencer Low, C. B. E., M. B., C. L. B., B. Sc., D. P. H.; Mr. A. P. McDougall; Mr. R. S. Pengelly; Mr. J. J. Terrett.

Secretary to the subcommittee: Mr. N. W. Bird.

Terms of reference: To investigate the question of trusts, combines, and agreements affecting prices in connection with the meat trade (including hog products), so far as they affect the British consumer.

TERMS OF REFERENCE.

To the CHAIRMAN STANDING COMMITTEE ON TRUSTS:

SIR: 1. We were appointed by the standing committee on trusts to investigate the question of trusts, combines, and agreements affecting prices in connection with the meat trade (including hog products), so far as they affect the British consumer.

METHOD OF PROCEDURE.

It was decided that in the first instance the subcommittee should devote its attention to the meat trades dealing with beef and mutton, and that afterwards it should proceed to investigate the trade in hog products and canned meat. In connection with the first part of its work it has examined 40 witnesses, either in London or in Glasgow, and has studied the reports of previous committees, more especially those of the departmental committee on combinations in the meat trade (Cd. 4643), which sat in 1908–1909, and of the interdepartmental committee on meat supplies of 1918 (Cmd. 456). Reference should be made to the latter for additional information on certain of the subjects which have occupied us. The members of the committee were also acquainted with the various inquiries which have been conducted in the United States, Australia, and New Zealand.

BRITISH AND COLONIAL MEAT.

2. So far as the home-grown meat trade and the trade in imported meat from the Dominions are concerned, the committee has not found any evidence of the existence of either temporary or permanent combinations which did or could exert any seriously detrimental effect on traders or on consumers. Butchers who were in the habit of buying cattle stated that they had not met with any rings of sellers or dealers, and it was generally agreed that prior to the institution of the ministry of food there was no combination among wholesale butchers or commission salesmen. The universal opinion was that the Wholesale Meat Associations set up by that ministry in connection with the rationing scheme would be dissolved as soon as control ceased. So far as we have been able to ascertain, there are now no wholesale associations which exercise any control over supplies or prices. In the retail trade we are informed that 70 per cent of the retail meat traders of England and Wales are organized locally into associations which are united in a national federation, and 1,600 of the retailers in Scotland are members of 29 local associations included in the Scottish Federation of Meat Traders, which was formed about 18 months ago. No charge was made that these organizations attempted to control prices or supplies. During the past year there has been considerable vigor in the organizing movement, and plans are being discussed for cooperative action in the sale or working up of by-products, but such schemes are quite in their infancy. Retail butchers whom we examined were of opinion that their associations would in the ultimate resort be able to counteract any organization of wholesalers by undertaking cooperative purchase of cattle from the markets, but wholesalers, on the other hand, were very skeptical of the possibility of any such action. Our attention was also drawn to the new development of cooperative organizations of farmers for the purpose of running slaughterhouses, but any such movement must be of slow growth. Butchers expressed the view that they would be able to make amicable arrangements with such associations, so that by eliminating middlemen, and without increasing prices to consumers, both parties would be able to gain substantially.

3. Complaints were made of speculation which took various forms—the reselling of cattle at various markets by dealers before the animals were finally slaughtered; the reselling of meat by jobbers at Smithfield, so that it passed through several hands before reaching the retailers; and the selling of whole cargoes of Australasian meat, even before arrival at port. We believe, however, that all such speculation is unorganized, occurring only under particular conditions of supply, and is not characteristic of the meat trade as a whole. Australasian importers have a certain power of holding back their meat, since it is frozen, but no evidence was tendered to us that that power was misused. It is plain that such power can only be exercised within narrow limits, since new supplies are always coming forward, and it is obvious that it does not exist at all with regard to fresh meat, which must be sold soon after it is killed. The only way of holding up supplies of home-raised meat is to keep the cattle alive and not send them to market, as was done to some extent by farmers just before the abolition of control in hopes of higher subsequent prices, but once cattle are ripe for slaughter it is not economical to withhold them from the market.

THE AMERICAN MEAT COMPANIES.

4. We devoted a considerable amount of time to the investigation of the operation of the American meat companies, popularly known as the "Meat Trust." Of these there are five—Armour & Co., Morris & Co., Swift & Co., Wilson & Co. (in London, Archer & Co.), and the La Blanca Co. (owned by Armour and Morris), which import meat from their own works in South America. There are also two British companies, the British & Argentine Meat Co. (Ltd.) and the Smithfield & Argentine Meat Co. (Ltd.), and one Argentine Co. (the Sansinena Co.), which have, since the spring of 1914, up till a few months ago, when Morris and Wilson seceded, been acting in cooperation with the American companies through the River Plate Meat Conference (see paragraph 12). Another company registered in the United Kingdom and connected with the Union Cold Storage Co. (Ltd.) (Vestey Bros. (Ltd.)) has also had works in Argentina and in Brazil since 1917, but it acts independently.

5. The main field of operation of the American companies is in the United States. The Federal Trade Commission, in its report on the meat-packing industry, gave an "unqualified affirmative" to the question whether combinations, etc., "out of harmony with the law and the public interest" existed in that industry. The companies themselves admitted that in the past they have worked together in "pools" and other forms of combination. They now claim that they are quite independent of each other, but, as is pointed out in paragraph 16 of the report of the meat supplies committee, formal independence is quite consistent with a simple tacit understanding to respect each other's position. That by itself would secure them all the economic advantages of an active combination, and while a certain amount of freedom may be conceded to branch houses for efficiency purposes, we are satisfied that all questions affecting the strategy of the trade as a whole are settled in conference between the heads of the businesses in Chicago.

6. The committee on combinations in the meat trade reported in 1909 that the American meat companies doing business in the United Kingdom acted in cooperation. For some years they had been in the habit of meeting weekly to discuss prices and supplies, though of late these meetings had become less formal. The committee were in doubt as to how far the companies tried to control the price of beef in Smithfield, but were of opinion that they were unable to do so. They did, however, fix the prices for their own meat in the country markets each day on the basis of the ruling prices at Smithfield each morning, and their provincial salesmen had very little discretion as to varying these prices. It was also held to be clear that they did arrange to some extent the supplies which each company should place on the market daily.

7. In letters to this committee the American meat companies deny that they had been in the habit of acting in combination. But our inquiries in general corroborate the findings of the committee of 1909. We have heard evidence that these meetings continued at least until 1912, though with the use of telephonic communication they became less frequent. Evidence was also given us that representatives of the companies had the right to inspect each other's books if it was suspected that one of them was putting on the market more than its agreed quota. The belief on the market is strong that the cooperation between the companies has continued, and that, although the circumstances of the war period have made it both unnecessary and impossible to control prices, the fact that the companies were joint contractors for the allied forces has brought them into even closer relations with one another. The representatives of the trade whom we questioned were unanimously of opinion that it was impossible even for the strongest combination to control prices in Smithfield for more than a few days, partly because climatic reasons and the deterioration of chilled beef in cold storage forced quick sales, partly because a rise in prices speedily evoked an increased supply of home-raised meat. At most what the companies had tried to do was to agree not to sell below a particular price up to a particular hour, but even that limited control broke down more often than not. The trade also believed that the companies fixed the quantities of meat that were to be put on the market weekly, these quantities depending to some extent on the meat that was afloat, but the large butchers, at least, regarded such regulation as a good thing, since it tended to stabilize prices. It was also pointed out that the regulation of the market so as to force up prices would require the limitation of shipments from South America and, with the known expansibility of home supplies, would reduce trading to a gamble, in which the importers would be as likely to lose as to gain. With regard to the fixing of country prices, as Smithfield is admitted to be the ruling market, we do not see any danger in attempting to regulate country prices by Smithfield prices so long as the latter are free from control. The practice is not unknown in other commodities. We note also that Swift's agent in Glasgow declared that he had a free hand to sell at whatever price he liked, but he admitted that the agents of the other companies were not in that position. We also obtained direct evidence that the American companies agreed with one another as to the shops that should be opened in various provincial centers so that there might be an appearance of competition with a real division of territory.

8. No complaint was made to us of unfair trading on the part of the American companies except that in "developing" trade or in clearing surplus stocks they would make no limit in cutting prices. Most of the witnesses praised them for their enterprise in placing cheap meat of good quality before the public and for giving good service to their customers. As to whether they had achieved their position by ousting British traders or by developing a new class of consumers there was more difference of opinion, and probably both views are in part correct. What the British trades did complain about was that while they had been controlled and forced to put all their businesses into one common pool, the River Plate meat companies (and not the Americans only) had been allowed to retain their customers, thus maintaining their connection. This, however, was a result of the war, for these companies being contractors for the meat supplies of the allied armies (an interruption of which could not on any account be allowed) were in a strong bargaining position as against the ministry of food. Again, it was urged that the same companies, being the sole possessors of beef, which was in short supply and cheap compared with British meat, were able this summer to impose conditions on purchasers and force them to take also Australasian mutton, which they did not want. This action, however, was only possible because at that time beef supplies were extremely restricted. Further, the imposition of the conditions of sale of which complaint was made was part of a campaign to get rid of the Government stocks of mutton, and is not a matter of blame to the River Plate companies.

9. Although the American companies are extending their purchases of British cattle in various centers, we can not find, so far, any signs of a serious intention on their part to capture the home-killed trade of the United Kingdom or to reduce British butchers to a state of dependence. It is true that Morris & Co. are large buyers of British and Irish cattle, and that, at least before the war, that branch of their business was increasing, but there was no evidence that they had any disturbing effect upon our cattle markets. We understand that the American companies have been making inquiries into the possibilities of developing a packing-house business in the Irish meat trade. If these projects are successful, their progress will have to be very carefully watched. The American companies have now 34 stalls in Smithfield Market as against 20 in 1908, and their shops are in the best position, but there are now, in all, 364 stalls, as against 344. About half their trade is, nevertheless, according to the information given to us, still done through jobbers, who consider their position fairly secure on account of their intimate knowledge of the requirements of the retail trade of the different parts of London, which enables them to "cut up" the meat satisfactorily and prevent great waste in distribution. Fears are sometimes expressed that the American companies have been surreptitiously acquiring possession of British businesses, but these fears are greatly exaggerated. Armour, Swift, and Morris are represented in the United Kingdom by companies of American origin, but registered in the United Kingdom, and the Sociedad La Blanca has a branch house in London. Wilson & Co. (formerly Sulzberger & Co., and earlier Schwartzschild & Sulzberger) are represented by Archer & Co. (Ltd.), a British registered company, of which the ownership is shared by the American company and the English managing director. As an English business it is an

old concern, and the managing director claims that he "by his agreement with the present company * * * has sole control of the affairs of Archer & Co. (Ltd.) and of the conduct of its business, without referring in any way to Wilson & Co. (Inc.) or others." Apart from these agency companies, we note that out of the long list of 762 companies in which, according to the Federal Trade Commission, the "Big Five" are interested, only the following British companies connected with the meat trade are alleged to be owned by one or the other of the American companies or by persons connected with them, viz: National Oil & Hide Co., London (Morris and Swift); Haarers (Ltd.), London (Morris); Currey & Co. (Ltd.), London (Swift); London Butchers' Hide & Skin Co. (Morris and Wilson are minority shareholders); Roderick Scott (Ltd.), Glasgow (Swift owns 45 per cent and titular owner, who has long been Swift's agent, maintains that he recently admitted them into his business in order to insure the continuance of his agency). We understand that the National Oil & Hide Co. is an organization created by the Morris and Swift companies for dealing with the hides and fats from cattle imported by them, and was not originally a British business acquired by them. Negotiations, we were informed on good authority, are afoot for the acquisition of financial control over certain other provincial businesses by certain of the American companies. It is obvious that the continued prosecution of this policy might in the end lead to the American companies obtaining domination over important distributing centers.

10. The growth of the British and Irish cattle industry over the last 10 years does not suggest that it has suffered material injury from the competition of imported meat, though the latter has no doubt kept the price of home-raised meat lower than it otherwise would have been. Taking the account given in the report of the meat supplies committee, it is plain that the Empire is or shortly can be self-supporting in mutton and lamb; that there is nothing to fear from the competition of Argentine mutton; and that the American meat companies have no hold in the sheep-producing areas of Australia and New Zealand. The case is very different with regard to beef. The same report shows that in 1913–14—the last year not affected by the war and its consequences—about 60 per cent of our supplies of beef and veal were produced at home, about 7 per cent in the British Dominions, and nearly a third in "foreign countries"—i. e., South America. For a long time, even given the most rapid development of home and Dominion production, we must be dependent on South America for a great part of our beef supplies, and the United States meat companies have at present nearly 60 per cent of the beef output from Argentina and Uruguay and about 75 per cent of the capacity of the meat works built or building in Brazil.

11. A reference to paragraph 17 of the meat supplies report shows that here is the danger point to the British consumer. The American companies entered the River Plate in 1907, and in 1909 they had 35 per cent of the trade; in 1911, after a price war, they forced the British and Argentine companies to agree to a division of the trade, whereby about 43 per cent fell to the Americans; in April, 1913, another price war broke out by Morris & Co. leaving the combination and demanding an increased share; in June, 1914, peace was restored by the concession to the Americans of an increased proportion, bringing up their share of the trade to 59 per cent of the total. This last dispute was generally regarded as engineered. It was characterized by the forcing up of cattle prices in Argentina and the lowering of meat prices in England, where for a time butchers could buy good chilled meat at 2½d. per pound, a fact which accounts for the benevolence with which some of them still regard the American companies, though it is not clear that the consumer benefited to the same extent as the retailer.

12. The combination or "conference" which terminated the last price war took the form of a pooling agreement. All the insulated shipping tonnage serving the River Plate was covered by contracts with the meat companies, and these were allocated by consent on the basis of the shares of the output agreed between the meat companies. "Rivalry in the purchase of cattle ceases to be necessary, and as each of the companies in the 'conference' has full knowledge of what meat is coming forward and what the others are doing there need be no rivalry in selling." (Par. 20, Report of Meat Supplies Committee.) All the competitors have the same market knowledge, and we get all the effects of a close combination, even although the signs of it are not so evident as when the combinations committee investigated in 1908–9.

13. The operation of the income tax laws has also been a severe handicap on the British meat companies. Prior to 1915 the profits of nonresidents in the United Kingdom could only be taxed by reference to the results shown by accounts kept by branches or agents in this country, but in that year the assessing commissioners were empowered to charge the nonresident on a percentage of the turnover of the business done by him. This introduced some measure of equality, but (as was stated in par. 21 of the report of the interdepartmental committee on meat supplies) "by the finance act of 1918 nonresidents were authorized to appeal to the assessing commissioners to have the assessment in respect of profits from goods or produce manufactured or produced abroad restricted to the merchants' profits. The net result is that the American meat companies are assessed for income tax and excess-profits duty only on their merchant profits made in the United Kingdom, while companies resident in the United Kingdom and operating in the dominions or foreign countries are taxed on their profits, whether as producers or merchants, and whether brought to the United Kingdom or not." In fact, it would appear that the act of 1918 has practically restored the position existing before 1915. The immense financial strength of the American companies by itself forces the British companies into a position of inferiority, and does not need to be reinforced by this differential treatment in taxation. In 1913 and 1914 the British companies had, as a consequence of destructive competition, to pass their ordinary dividends, and to secure peace had to give up a large proportion of their trade. To-day, Morris & Co., who started the fight in 1913, are again demanding an increased share of the trade, and this time they are supported by Wilson & Co.

14. We found through all branches of the meat trade a general apprehension that the American meat companies were aiming at world dominion. It was asserted that they at present dominate, not only the United States but South America, and that they have a solid footing in Canada and Australia. Fears as to the extension of their activities are not confined to this country, but are equally strong in Australia, New Zealand, and Canada. The more they may be able to extend their operations in South America the more they may be able to divert necessary supplies from this country, and the more they are able to control distributive business in the United Kingdom, the more securely will they have the British consumer in their grip at the end. Without necessarily indorsing all the fears that have been expressed, we do concur in the opinion of the home trade, that it is not a healthy condition of affairs when in 1913 the American companies controlled over 45 per cent of the supply of all beef, home raised and imported, at Smithfield market, and the danger is not lessened by the fact that the strength of the American companies depends more on their wealth and business ability than on any conjoint action in this country. Security for sufficient supplies of beef at reasonable prices depends on the maintenance of the British companies operating in South America and on their release from their present dependence on the moderation of the American companies. For 13 years the latter have pursued a steady policy, sometimes in cooperating, at other times in apparent independence, of reducing the share of the River Plate trade held by the British companies. There is no sign that that policy has come to an end. On the contrary, it appears to be still in full activity; and while the consumer may temporarily profit during the periods of destructive competition, we are not aware of any case in which after competitors have been eliminated the victors have not more than compensated themselves for their campaign losses.

15. We are, consequently, in cordial agreement with paragraph 57 of the report of the meat supplies committee, in which the committee says:

"We believe that the stimulation of supplies from within the Empire and the protection of British interests outside the Empire form the best basis for insuring sufficient supplies for the United Kingdom, and we are strongly of opinion that this should be accepted as the permanent Government policy. The specific measures that may from time to time be required can be determined when occasion arises, but the public adoption of this policy will give confidence and encouragement to British producers at home, in the dominions, and in foreign countries."

In our view public opinion in Australia and New Zealand is sufficiently alive to the situation to deal with any special problems that may arise there.

16. It would not be expedient to discuss here in detail measures which might be applied under particular circumstances, but if the general line of policy suggested above be steadfastly pursued it will be the less difficult to decide at the appropriate time on any special course of action. In fact, if foreign interests were convinced that His Majesty's Government were resolved that the share of the beef trade which is at present in foreign hands should not be increased to the loss of producers at home and in the dominions and of British importing companies, they would not be disposed to incur the heavy losses which aggressive action on their part would entail, and the risk of aggression would disappear.

We would urge, however, that any legislation which may be contemplated for the purpose of dealing with trusts and combinations should be of such a character as to include within its scope the form of cooperation which we believe to exist among the American meat companies, should provide for the investigation of complaints against these companies, collectively or individually, and should insure that the utmost publicity be given to their methods of doing business. We also strongly support the meat supplies committee in their condemnation of the "severe handicap" to which British meat companies are subjected by the income tax laws in comparison with foreign meat companies, and we recommend that steps be taken to insure that the latter should be on the same basis of taxation in this country as the former. We further would point out that the position of British shipping companies which run services of meat ships from South America to the United Kingdom should not be overlooked in the consideration of any defense measures against the American meat companies. The transportation of meat to this country is virtually a monopoly of British shipowners, and its value has been fully proved during the late war. If insulated shipping were subjected to some form of Government control to be exercised in cases of emergencies, it would be possible to prevent the development of further control of British meat markets by foreign combinations. Such relations also should be established between the Government and British shipowners as would remove from the latter any temptation, through the offer of higher freights, to divert part of our meat supplies to other countries or to sell their insulated ships to foreign meat or shipping companies.

17. We also agree with the recommendation of the meat supplies committee (par. 60(b) of their report) that the operation of the Las Palmas works of the British and Argentine Meat Co. (Ltd.) (which since the autumn of 1915 have been operated on behalf of His Majesty's Government), should continue to be run on the same lines as during that period. Convinced as we are that the movement of prices of refrigerated meat must be carefully watched, we hold that it is necessary that the costs of producing such meat should be accurately and systematically ascertained, so that it can at any moment be determined whether any particular price movement is natural or artificial. The possession of the Las Palmas works gives the Government an "observation post" of great value in the very center of the operations of the American meat companies, and we are confident that its utility will be no less in peace time than it was during the war.

18. Two special proposals for control of foreign combinations were put before us. The first of these is discussed at length in paragraphs 36, 37, and 41 of the report of the meat supplies committee, and we agree with their conclusions that it could not be adopted owing to the demand that would be created for financial assistance to farmers at home engaged in the rearing and fattening of cattle. Briefly, it proposed to stimulate production of meat in the dominions by granting a bounty to producers for all meat consigned to British importers and to assist British companies operating in foreign countries by giving them a smaller bounty; in this way it was expected that foreign companies would be at a permanent disadvantage and would be unable to increase their trade. The second proposal contemplates the licensing of all importers and wholesale meat traders, and perhaps of retail butchers as well, and the confining of foreign firms to the importation and wholesale sale of foreign meat only. We do not see that there is any need for the licensing of retail traders or for the refusal to allow foreign firms to deal in home or colonial meat. If importers and wholesalers were licensed, no substantial limitation would be imposed on their activities, and the only utility of such a suggestion appears to us to be that as part of the machinery of a general scheme of control the withdrawal or suspension of license might be the punishment for specific trading offenses.

19. We do not think it proper to conclude this part of our inquiry without drawing attention to the growth of Vestey Bros. (Ltd.) The interest controlling this British registered company controls also the Union Cold Storage Co. (Ltd.), subordinate companies with meat works in Argentina, Brazil, Venezuela, and China; meat works operated by W. & R. Fletcher (Ltd.), in Australia and New Zealand, and Nelson Bros. (Ltd.), in New Zealand, W. Weddell & Co. (Ltd.) and the Colonial Consignment & Distribution Co. (Ltd.), which are large importers of Australasian produce, and the multiple shop retail companies of W. & R. Fletcher (Ltd.), the Argenta Meat Co. (Ltd.), and Eastmans (Ltd.). They also own the Blue Star Line (Ltd.) of meat ships and do a large business in importing provisions, poultry, and eggs from China, and before the war they had a similar trade from the Continent and Siberia. They are, consequently, an organization of very wide scope. They do

not, of course, possess anything like a monopoly, either local or general. No complaints were made to us of their methods of trading, and, although some witnesses expressed the fear that they might enter into alliance with the American companies, the relations between the two parties, at present at least, do not appear to be particularly friendly. In attempting to forecast the prospective course of the meat trade, the future of this amalgamation of interest can not be left out of account, and should they depart from their present policy of independence the consequences might be very serious.

20. Of necessity we have had to confine our investigations to the meat trade of the United Kingdom, but so far as there is a danger from large combinations, other countries, both consuming and producing countries, are likely to suffer as much as our own.

It is generally believed that the peoples of the Continent of Europe will in future consume much more meat than they have in the past, and there will, consequently, be greater demands on the world's meat supplies. Any such pressure of demand would facilitate the operations of a meat trust. It therefore appears to us that it is desirable that the Governments of the countries concerned should discuss together the possibilities of making joint investigation into the world's situation with the object of taking such common action as may be required.

HIDES AND FATS.

21. We deemed it proper to extend our inquiries into the methods by which butchers dispose of their hides, fats, and other by-products, since the prices obtained for these commodities must necessarily react on the prices which the butcher can afford to take for his meat. We found that the universal opinion among butchers was that they did not receive fair prices for any of their by-products, and that they were faced by rings and combinations of buyers for the purpose of keeping prices down at unremunerative levels. Naturally these charges were strongly denied by the buyers.

22. Butchers, as a general rule, send their hides to "hide markets," i. e., to firms which collect the hides, sort and class them, and sell them on commission by auction. In a great many cases these firms are companies whose shareholders are the local butchers. The buyers are tanners who receive the catalogues issued by the hide markets, and either attend themselves to buy, or much more generally send their buying orders with price limits to agents (in Scotland, termed factors) or professional buyers who attend the markets and buy on commission for the tanners. The advantage to a tanner in buying through an agent is that he gets only the actual hides he wants instead of having to take a whole "lot." Any one agent may have buying orders from several tanners, and while some agents confine their operations to one hide market, others attend all the hide markets in a town, and others travel about from town to town. Usually there is more than one hide market in a town; thus at Manchester, which is the chief center, there are Markendale's and the Lancashire Butchers' Hide and Skin Co., both of which are owned by butchers; the former charge a commission of so much a hide, but the more usual practice is a percentage on the selling price. The number of buyers at the weekly market is small—from 4 to 12 at Manchester; 10 or a dozen at Leeds, of whom 4 or 5 will be local tanners. The concentration of buying in the hands of a small number of buyers representing a much larger number of principals is probably the main reason for the belief that there is a ring of factors or tanners.

23. We heard representatives of the Tanners' Federation, who warmly denied that their members acted either locally or nationally as a ring, and asserted that their federation had nothing to do with prices. Each buying agent aggregates all his buying orders and divides out the lots bought according to the requirements of his principals. Agents with orders for the same class of hides naturally tend to compare their engagement and obviously can find an advantage in coming together and avoiding competition which might on occasion involve disappointment of some of their principals. They would thus appear to have a certain power to depress prices, but, on the other hand, as they are paid by commission their interest lies to a certain extent in the amount of their invoices, while, again, each buyer will not desire to let prices go so high as to induce the tanners to restrict their purchases. According to the tanners, this conflict of motives leads the agents to exercise a stabilizing influence on prices. Any butcher in England who is dissatisfied with the price he gets for his hides can, and frequently does, transfer his custom to another hide market, usually with varying results. Probably the main and unavoidable cause of suspicion is that a butcher can not trace his hides through a sale since they are classed and sorted into lots with hides received from other butchers.

24. In regard to England, there was little direct evidence of frequent combination among buying agents. Naturally the regular buyers in a market resent the entrance of a newcomer and contrive to make him pay fully for the goods he wants, particularly would this happen before the war when men who were not regular buyers appeared and wanted to buy hides for America.

This, of course, is not disadvantageous to the butchers. On the other hand, the agents have been on occasions suspected of combining to put prices down, and we are told that at Manchester the auctioneers had them withdraw their hides from sale. With regard to Scotland, evidence was led that at certain hide markets prices were arranged beforehand by the factors (or agents) that all hides of one class would be bought by one man, all those of another class by another man, and so on, a subsequent repartition taking place privately. This system is described by an auctioneer as virtually a "mock auction." "We are certain," he said, "that these men agree upon the price because they never oppose one another." As large numbers of the Scottish hides go to England, prices in Scotland follow those in England, the chief Glasgow market, for example, taking place on the Wednesday in each week, and the Manchester markets, which rule the whole trade, on the preceding Tuesday. This of itself must import a certain amount of unreality into the Scottish auctions, and the auctioneers occasionally, if they suspect that the proper price is not being bid, withdraw their hides and dispose of them privately. One market practice which prevails, in Scotland at least, appears to us to be quite indefensible, namely, that hides entered at one market and bearing that market's stamp can not be sent on to another market for sale there. The evidence as to the sale of hides, taking England and Scotland together, was not of a harmonious character, and evidently the circumstances varied widely from a free sale to a "mock auction," according to time and place. The price of British hides is always largely affected by the price of imported hides, which are usually in a much better condition for use by tanners, and the prohibition (which has now been raised) of the export of British hides, except on license, effectively deprived sellers of an alternative market. Sheepskins appear to be usually sold direct by the selling agents to the fellmongers.

25. Raw fats are sold either direct to tallow melters or to collectors, who sell to tallow melters, or through auctions usually held by the "hide markets." The English trade is largely done by direct purchase, the Scottish trade by auction. There are two main organizations among buyers—the London Oil and Tallow Trades' Association and the Raw Fat Melters' Association of Great Britain. The former deals only with contracts and questions arising therefrom, and not at all with prices. The latter was established under the ministry of food in connection with the control of the trade, and contains about 200 out of 300 firms in the business; it notifies its members of the current prices obtainable for tallow and other finished products, and advises them as to the prices which should be paid for the various grades of raw fats. The latter prices are determined periodically at meetings of six representatives of the Raw Fat Melters' Association and six representatives of the Hide Markets' Federation, and a price once fixed holds good till there is a fresh determination. Although these prices are agreed between the buyers and the sellers, they are not enforced by any disciplinary action, and any melter is free to buy in any market at any price he chooses to offer; such freedom, we are told, was not infrequently exercised. The Melters' Association do not guarantee their members supplies at the list prices, but occasionally the officials used their good offices to obtain from firms holding plentiful stocks supplies of fat for small consumers who had found themselves unable to fill their requirements. The object of arranging prices in the way described was stated to be to prevent the various "markets" from stealing each other's customers. This form of organization is somewhat closely akin to that method of combination which consists in the division of territory among the members.

26. In the north and midlands of England fat is generally bought in the way just described, largely for textile purposes, and there is no large buying interest like soap. It is obtained through the hide markets, generally by private treaty, the buyers sometimes attending themselves and sometimes send their order to the same professional buyers who buy hides for tanners, remunerating them by commission. It was strongly denied that in these areas there was any attempt by the agents to put down prices or any efforts by big firms to squeeze out small firms. Of course, the competition of foreign tallow and oils exercises a restraining influence on the prices obtainable for British fats.

27. The London trade is done usually by direct purchase from the butchers, there being running contracts the prices in which are governed by the "Market Letters." After the weekly auctions of Australian and New Zealand tallow (which form by far the great bulk of the imported supplies) the market letter is drawn up and issued by the market committee composed of persons who have been in the habit of attending these auctions for many years. It states the prices for the different grades of imported tallow at which accounts are to be settled in case of nondelivery, and also (at so much premium or discount according to quality) the prices of British fats for the purposes of the current contracts. There does not appear to be any grave objection to this procedure, but some criticism would be removed if, as was suggested to us, representatives of the butchers were associated with the other traders in the issue of the Market Letter. Contracts may, of course, be framed without any reference to the Market Letter. Fats in the London area are largely sold to the soap makers, and it was asserted that large soap makers either forced small buyers out of the market or compelled them to join a combination. Large companies must, of course, take measures to insure their supplies; we understand, however, that a subcommittee appointed by the standing committee on trusts is now inquiring into the whole question of the conditions of the soap trade. During the first seven months of 1920 over 66 per cent of our imports of crude tallow came from Australia and New Zealand, about 12.6 per cent from Argentina and Uruguay, and 6 per cent from the United States, so that plainly it was not possible for the American meat companies to manipulate the fat market to the detriment of British producers.

28. The fat trade in Scotland appears to be in a much more unsatisfactory condition than anywhere else. There are three main sales of fat each month at Glasgow, Edinburgh, and Aberdeen, Glasgow being the leading market, and there are about a dozen leading buyers. The fat is sold through the hide markets on behalf of the butchers and purchased by the representatives of the fat melters, among whom the soap works constitute the largest interest. One auctioneer described the process: "It is conducted by auction, or something like that, and our probable quantities for the coming month are catalogued. Catalogues are despatched to the melters and they attend our sales and bid for the tallow when it suits them. Sometimes they do not. If fresh opposition comes on the ground they stand out and say they will not buy. A man would come along and buy, say, 5 tons of our tallow. He would upset the price of the other people, and they would simply stand out and say, 'Very good, sell to this gentleman; but if you sell to this gentleman we are not buyers,' and the result is that a man who can move 5 tons of tallow is no use to us. We want a man who can buy big quantities, and I have seen opposition; but this opposition has never lasted very long. * * * The other people bid them up too much, so that it was a case of throwing away a lot of money." This walking-out policy he had seen adopted "half a dozen times," and his statement was confirmed by others. A small buyer could not obtain what he wanted by applying to the "ring" at their meeting before the sale, but they were described as "not overbearing—they do not crush everybody out." New large buyers were fought as described. "There is no doubt," said this same witness, "they (the melters) are working in collaboration with each other." It was asserted that prices were generally arranged before the sale, but occasionally there would be a squabble in the ring, and violent competition would rage for a few months.

29. Another auctioneer said: "The buyers came forward, and they used to discuss the whole position in the street. I have seen one lot waiting an hour and a half before they came in. When they did come into the sale the price was very often a uniform price. At times I have seen it all bought by the one buyer. If there was an outsider there, a small man—we usually had an odd little man who was not of much value from our point of view—he could not finance the whole thing, but he was good enough for our purpose to butt in and give trouble, and we always appreciated it. When that got too severe they would allocate one of their number to buy the lot, and after the sale was finished we would be told to transfer to so-and-so and so on, and they would all get their own lot. From that we understood they had come to some agreement." When prices were forced too low the auctioneer had no alternative but to withdraw his sale and dispose of the fat privately. Certain classes of fat were ordinarily sold by private

treaty, the price of these better qualities being based not on bargaining but on the prices paid by the melters for rough fats. Some firms of selling agents now do not auction their tallow, but dispose of it privately to the melters on the basis of the prices in the circulars of the Raw Fat Melters' Association, and it appears not improbable that this form of sale is increasing.

30. Two different factors producing similar results have been operative in the hide and fat trades. Tanners have centralized their buying through a special class of buying agents, and thus reduced competition in buying. As there is a well-organized market in leather, the tanners are able to base the buying limits which they give to their brokers on the selling values of their leather, and as the same kinds of hides are required by all tanners making the same classes of leather it is likely that the limits given by different tanners are very close to each other. All this produces an appearance of combination, but is nevertheless quite consistent with substantial independence among the tanners. Only in Scotland, where prices must follow those in England, were there any strong accusations that prices were made before sales. On the whole, the interest of the buying agents lies probably in the direction of keeping prices moderate so as to encourage their principals to make large purchases, and the usual talk about "the state of trade" which goes on in every market would facilitate a common action in that direction.

31. The same result is produced in the fat trade by the great concentration which has taken place in the soap industry. Margarine makers have largely passed from the use of "oleo" to that of vegetable oils, thus decreasing an important market for fats. On the other hand, butchers, at least in Scotland, seem to be retaining more fat for sausage making, but the large makers are in the market as buyers of special grades of fat. The development of industry has thus brought about a serious reduction in the number of buyers of rough fats and has correspondingly reduced the bargaining power of the sellers. This has been attended in Scotland by the existence, for 20 years or more, of "rings" of buyers at the fat auctions.

32. No practical suggestions were made to us for making any conspicuous improvements in sales by auction. Butchers, except those trading on a very large scale, can not dispose individually of their hides and fats; but it seems to us that their selling agents would find it better to develop, at least in fats, the practice of selling direct to users instead of conducting sales by auction. The methods of selling on the market letter or on the Raw Fat Melters' Association circular, where values are assessed by buyers and sellers in cooperation, appear to us to be much less open to criticism than auctions where the attending circumstances are such as to give rise to suspicion; but, as already suggested, the butchers ought to be more closely associated with the issue of the market letter.

33. We feel bound to point out, however, that the evils incidental to the present methods of disposal of hides, fats, and other by-products are really the result of the general practice of slaughtering animals on the private premises of the butcher. At the large works in the United States and Argentina, where cattle are slaughtered in great numbers, hides and fats can be sold in bulk to the advantage of their owners, and machinery can be installed for making the most economical use of blood and other by-products. In the towns and cities of Scotland, and to a less degree in those of England, public abattoirs have been set up, but none of them are so efficiently equipped as those in America. The establishment of public abattoirs also subserves the interests of national health, since only at them can proper sanitary arrangements be provided and proper supervision and inspection of meat carried out. If such abattoirs were established as near the districts where cattle are fattened as is reasonably possible from a business point of view, suitable chilling chambers could be built where the meat could be properly cooled and transported in that state to the centers of consumption. Reforms of this kind are being actively discussed in France, and it is plain that the loss that is unavoidable when cattle are transported "on the hoof" would be prevented. We commend these considerations to the notice both of butchers and farmers, who can only increase their sales by cheapening the cost of meat to the consumer. When costs of production are so high as they are to-day, it is important that full values should be obtained for all by-product if meat is to be reduced in price. If sellers will cooperate they can by bulk sales of hides and fats free themselves from subordination to large tanners or soap makers, or to "rings" of buying agents, where organizations exist. By cooperation they can also profitably utilize many minor by-products now allowed to go to waste.

SUMMARY OF FINDINGS AND RECOMMENDATIONS.

34. Our findings and recommendations may be summarized as follows:

BRITISH AND COLONIAL MEAT.

(a) There is no evidence of the existence of either temporary or permanent combinations in the home-grown meat trade or the trade in imported meat from the Dominions, which did or could exert any seriously detrimental effect on traders or on consumers.

(b) Speculation in meat is unorganized, occurring only in particular conditions of supply, and is not characteristic of the meat trade as a whole.

AMERICAN MEAT COMPANIES.

(a) There is at least a tacit understanding between the American meat companies to respect each other's position, which secures to them all the economic advantages of an active combination, and all questions affecting the strategy of the trade as a whole are settled in conference between the heads of the businesses in Chicago.

(b) While the trade is of opinion that it is impossible to control prices at Smithfield for more than a few days, the American companies have attempted to fix a minimum price for meat up to a particular hour of the day; they have regulated the quantities of meat which were to be put on the market weekly, and it has been their practice to fix the prices for their country sales on the basis of the London prices.

(c) No complaint was made of unfair trading on the part of the American companies beyond severe cutting of prices for the purpose of developing trade or clearing surplus stocks. Complaints were made that the River Plate meat companies (British, American, and Argentine) had been in preferential position under control compared with British traders in home and colonial meat, but this was only a temporary incident of war conditions.

(d) The share of British trade held by the American companies has increased, and this development requires to be carefully watched, although there are no signs at present of a serious intention on the part of the American companies to capture the home-killed trade of the United Kingdom or to reduce British butchers to a state of dependence.

(e) For a long time we must be dependent on South America for a great part of our beef supply.

(f) The American meat companies have at present nearly 60 per cent of the beef output from Argentina and Uruguay, and about 75 per cent of the capacity of the meat works built or building in Brazil, whereas in 1909 they had only about 35 per cent of the River Plate meat trade.

(g) The growth of the American companies has been largely brought about by the destructive competition which from time to time they have waged against the British meat companies, with the result that the latter were forced in June, 1914, to consent to a pooling agreement determining the share of the trade to be apportioned to each company.

(h) The policy of the American companies is to-day the same as it has been since their entry into the River Plate trade, namely, the continued reduction of the share of the trade held by British companies, and this policy involves the risk of grave dangers to the British consumer.

(i) The British registered company of Vestey Bros. is controlled by English owners resident abroad, but it has at present no connection with the American meat companies; the combination of interests represented is so large that if the company departed from its policy of independence the consequences might be very serious.

(j) The prospect is that there will be greater demands on the world's meat supplies in the future than in the past, and this development would naturally increase the power of any trust. All countries, therefore, where meat is a common article of food are now, or soon will be, equally concerned with our own in the private control of meat supplies.

We recommend, therefore:

1. That it should be the declared policy of His Majesty's Government to prevent the percentage of the beef trade which is at present in foreign hands from increasing, to the loss of producers at home and in the Dominions and of British importing companies.

2. That in any legislation which may be contemplated for the purpose of dealing with trusts and combinations there should be provisions for dealing with the form of cooperation which we believe to exist among the American meat companies and for the investigation of complaints against these companies, and that the utmost publicity be given to their methods of business.

3. That steps be taken to insure that foreign meat companies should be subject to the same basis of taxation in this country as the British meat companies.

4. That the Las Palmas meat works in Argentina should continue to be operated on behalf of His Majesty's Government so as to afford a means of watching the developments of cost and price movements.

5. That the control of insulated shipping would afford one effective means of preventing British meat supplies from falling under the domination of particular interests, and that, accordingly, the Government should be equipped with such reserve powers, and should maintain such relations with the shipowners, as would prevent the diversion of meat supplies from the United Kingdom and the wholesale transfer of British insulated shipping to foreign ownership.

6. That the Governments of the various consuming and producing countries should discuss together the possibilities of making joint investigation into the world's meat situation with the object of taking such common action as may be required.

HIDES AND FATS.

(a) In England hides are sold by auction, the sellers being "hide markets," i. e., firms which collect the hides and sell them on commissions; the buyers are tanners who usually purchase through agents or professional buyers, each of whom may act for several principals. This concentration of demand would appear to be in favor of the buyers, but so long as auctions are honest no serious evil seems to arise. Evidence was given, however, that on occasion English auctioneers suspecting combination among the buying agents withdrew their hides from the auction and sold them by private treaty. In Scotland it appeared to be quite a regular practice for the buying agents to fix the auction prices beforehand and to squeeze out independent bidders.

(b) The sale of fats is also conducted by auction in Scotland, and the evils of the "mock auction" appear to be even more rampant than in the case of hides. In the north and midlands of England fats are sold by direct treaty at prices fixed periodically at joint meetings of representatives of the Raw Fat Melters' Association and the Hide Markets Federation, but those prices are not enforced by any disciplinary action. The London trade is governed by the prices quoted in the weekly market letter drawn up and issued by the market committee after the weekly auction of Australian and New Zealand tallow.

We consider that the selling agents for the butchers would find it better to develop, at least in fats, the practice of selling direct to users instead of conducting sales by auction, but in the London trade the butchers ought to be more closely associated with the issue of the market letter. The practice, prevalent in Scotland, whereby hides entered and stamped at one market can not be forwarded to another market for sale appears to us entirely reprehensible.

We consider that the development of public abattoirs would not only be conducive to the public health but would enable butchers to set up organizations for the cooperative sale and treatment of their hides, fats, and other by-products, which would realize great economies and prevent the evils which at present attend the current methods of disposal by auction.

35. In conclusion we desire to place on record our appreciation of the admirable services rendered to us in our investigations by our secretary, Mr. N. W. Bird.

HENRY W. MACROSTY, *Chairman.*
A. P. MCDOUGALL.
J. J. TERRETT.
D. CARMICHAEL.
W. G. CURNICK.
M. V. LEVEAUX.
R. S. PENGELLY.
J. SPENCER LOW.
ALEXANDER JOHNSTON.

N. W. BIRD, *Secretary.*

NOVEMBER 9, 1920.

MINISTRY OF RECONSTRUCTION—REPORT OF THE COMMITTEE ON TRUSTS APPOINTED IN FEBRUARY, 1918.

LIST OF MEMBERS AND TERMS OF REFERENCE.

(1) The minister of reconstruction appointed in February, 1918, a committee composed as follows: Mr. Edward Shortt, K. C., M. P. (chairman), Mr. Percy Ashley, Mr. E. Bevin, Mr. J. H. Guy, Mr. J. A. Hobson, Mr. J. F. Mason, M. P., Mr. G. Scoby Smith, Mr. W. H. Watkins, Mr. Sidney Webb, Mr. Douglas Wenham, Mr. John Hilton (secretary); with the following terms of reference:

"In view of the probable extension of trade organizations and combinations, to consider and report what action, if any, may be necessary to safeguard the public interest."

(2) In June, 1918, Mr. Edward Shortt, having assumed the office of chief secretary for Ireland, was unable to continue his chairmanship, and the minister of reconstruction, having accepted Mr. Shortt's resignation, appointed Mr. Charles A. McCurdy, M. P., chairman of the committee.

(3) In June, 1918, the minister of reconstruction appointed the following additional members to the committee:

Mr. Stanley Machin, J. P., Mr. Frederick Richmond, Mr. H. L. Symonds.

REPORT.

To the Right Hon. Sir AUCKLAND GEDDES, K. C. B., M. P.

SIR: We have held 15 meetings, and have heard verbal evidence from witnesses representing the principal trade associations and combinations in the United Kingdom. We have also considered written statements submitted to us, in response to invitations issued, by representative trade associations, combines, large amalgamated concerns, chambers of commerce, and federations of manufacturers, and from individuals and firms in a position to judge the effects of combinations on outside interests. We have received communications from traders in competition with combinations, from merchants, from Government departments, from labor leaders, and from representatives of the trade and technical press. We have also made use of such reliable documentary evidence as was readily available, and have considered certain memoranda prepared for the use of the committee by Sir John Macdonell and others.

We find that there is at the present time in every important branch of industry in the United Kingdom an increasing tendency to the formation of trade associations and combinations, having for their purpose the restriction of competition and the control of prices.

Many of the organizations which have been brought to our notice have been created in the last few years, and by far the greater part of them appear to have come into existence since the end of the nineteenth century. For reasons which we shall presently discuss, there has been a great increase in the creation of trade associations during the period of the war.

The following list of associations connected with the iron and steel industry, nearly all of which are definitely known or believed to be engaged in regulating prices and output, affords some indication of the extent to which the creation of trade combinations has now proceeded. The list does not purport to be at all exhaustive, even of this one industry.

LIST OF SOME ASSOCIATIONS IN THE IRON AND STEEL INDUSTRY.

Pig iron: Cleveland Pig Iron Association (17 firms), Scottish Ironmasters' Association (12 firms), South Staffordshire Ironmasters' Association, West Coast Iron Committee (7 firms), Ferro-Manganese & Spiegel Association (5 firms).

Steel: Scottish Steel Makers' Association (7 firms), Northeast Coast Steel Makers' Association (10 firms), South Wales Siemens' Steel Association (8 firms).

Rolled products: British Joist Makers' Association (9 firms), British Rail Makers' Association (16 firms), Midland Steel Angle Makers' Association (6 firms), Small Steel Bar Association (8 firms), Sheet Makers' Conference (31 firms), Rod Rollers' Association (11 firms), Welsh Plate & Sheet Makers' Association.

Castings (steel): Steel Castings Manufacturers' Association (20 firms).

Iron: Cast Iron Hollow-ware Makers' Association, British Cast Iron Pipe Founders' Association, National Light Castings Association.

Forgings: English & Scottish Forgemasters' Association (18 firms), Federated Forgemasters (13 firms), Midland Forgemasters' Association.

Bar iron: Lancashire Bar Iron Association, Scottish Bar Iron Makers' Association (13 firms), South Yorkshire Bar Iron Association (10 firms), Northeast Coast Bar Iron Association (5 firms).

Miscellaneous: Iron & Steel Wire Manufacturers' Association (29 firms; prices are dealt with in the "secondary associations"), British Tube Makers' Association (32 firms), Steel Nail Makers' Association, Weldless Steel Tube Makers' Association (7 firms), Wire Netting Association (10 firms), Railway Tyre & Axle Makers' Association (14 firms), Railway Wheel & Axle Makers' Association (15 firms), Steel Rope Wire Makers' Association, Coil Spring Makers' Association.

This list, which, as already stated, does not purport to be complete, affords some indication of the extent to which associations pervade the whole iron and steel industry of the United Kingdom. A large proportion of them are either permanently or intermittently price associations, concerning themselves, as a rule, only indirectly with output. In the majority of cases they do not comprise more than a small number of firms, but generally a large proportion of the trade.

The products with which the above-mentioned associations deal are raw materials or intermediate products, but there exist also many associations of manufacturers of the more finished iron and steel goods. Iron and steel wire, as also such wire manufactures as nails, steel ropes, and wire netting, are the subject of separate but coordinated associations. The makers of iron castings used in domestic building are grouped in a powerful association embracing 90 per cent of the industry. There is an association comprising the whole of the galvanized sheet-iron manufacturers, and another comprising four-fifths of the makers of metal bedsteads. Besides the associations of independent firms, as described above, there are in the iron and steel industries an increasing number of great consolidations. Some horizontal, as where a number of steel, shipbuilding, bolt and screw, or other firms engaged on the same stage of manufacture have amalgamated; and some vertical, as where firms previously engaged as separate business concerns in coal, pig iron, steel, and structural or marine engineering have become fused into one financial interest. It is not definitely known that all those associations regulate output and price, but we are satisfied that, as regards many branches of the iron and steel industry, price is only partly determined by competition and is regulated by the manufacturers acting in concert.

As another prominent instance, we may take the chemical industry, which is ancillary to a wide range of other industries. The production of chemicals in this country is almost wholly in the hands of two great consolidations. In the electric industries there is an association of businesses of a different nature, with a total capital of £33,000,000. In soap, tobacco, wall papers, salt, cement, and in the textile trades there are powerful combinations or consolidations of one or other kind which are in a position effectively to control output and prices.

2. These associations and combinations are of many different grades and kinds. The simplest form of understanding may be illustrated by the periodical meetings of coal merchants or other dealers for informally discussing the prices to be charged by all. At the other end of the scale would be such consolidations as are represented by Messrs. Coats (Ltd.), in this country, with a capital of £10,000,000, or the United States Steel Corporation of America, with a capital of £369,000,000. Between those two extremes lie a multiplicity of more or less loosely organized associations, of which a well-known federation may serve as an example. This is a federation of firms engaged in the manufacture of an article of furniture. On the formation of the federation a computation was made of the total output of such furniture in the United Kingdom and of the respective share of that output contributed by each of the subscribing firms. Each firm was then assigned a percentage of the total output based on its sales prior to the formation of the federation. Each firm remained at liberty to increase its output so far as it was able and desired to do so; but upon all sales made by any firm in excess of its assigned percentage of the aggregate trade done 5 per cent in value had to be paid each month into a pool. Any firm whose output for the month was less than its proportionate share of the aggregate output was entitled to receive from the pool 5 per cent in value upon the amount of its deficiency. An arrangement of this kind was found to be common to a great many of the associations into whose working we inquired, and has as one of its effects the curious result that a member of the association may, if he desires, entirely withdraw from active manufacture and allow his share of the output to be absorbed by more active firms and as compensation draw a substantial sum month by month from the pool. It was explained to us by one of the witnesses that, in his view, the pensioning of inefficient members of the trade in this way was more economical than any attempt to drive them out of the trade by competition. One witness of great experience asserted "that it was a law of progress that the inefficient should go, but in practice progress was impeded because he would not go, so instead of trying to kill him they had decided it was better to pension him off, since that cost far less. If the inefficient man, who used to struggle to do 3 per cent of the trade, likes to content himself with doing 1½ per cent, or none at all, the difference goes to the more efficient man, who, working more economically, can well afford to pay into the pool from which the inefficient man can draw compensation."

It is a further regulation of the federation that no firm shall sell their furniture at lower prices or at higher discounts or on different terms than should be specified by the federation from time to time. Each firm must give the secretary of the federation full access to its books. The members contribute 1 per cent of the amount of their monthly sales to a reserve fund and are liable on any breach of the regulations with regard to selling, prices, terms, or discounts to pay a fine to the federation not exceeding 20 per cent on the whole amount of the transaction, with a minimum of £10 for the first offense and £20 for the second offense during any 12 months. The affairs of the federation are managed by a committee of 10 principals of firms belonging to the federation. Admission to membership is by vote of the committee, and new members have an aggregate output assigned to them by the federation for the purpose of computing their liability to contribute to or their right to receive payments from the pool, and also pay an entrance fee proportionate to the amount of their output. In this and similar associations there appears to be no desire to exclude new firms from joining, but, on the other hand, every desire to make the membership as far as possible comprehensive of the whole or a very substantial proportion of the trade.

3. In some of the other associations which came under our review the regulations as to sale prices were omitted. One of such associations, covering 99 per cent of the total British output of an important steel product, was formed upon the basis that at the outset each firm in the trade should have a percentage of the total output allocated to it. At the end of each month the secretary receives from each firm particulars of its output during the month. By adding these amounts the total output of the trade for that month is ascertained. The secretary then calculates what percentage of the total each firm has done, compares that actual percentage with the allocated percentage, and then informs each firm how much it has exceeded or fallen short of its agreed quota. For every ton by which a firm has exceeded its percentage it pays a sum of £1 pound into the pool. For every ton by which a firm falls short of its percentage it draws a sum of 10s. from the pool. We were informed that the association made no attempt to fix or regulate the total output of the industry, leaving that perfectly free to expand or contract according to the demand. All that is fixed is the percentage on the total production for each firm. The ratio of output as between the different firms is never exactly maintained. We were informed that it paid some firms to exceed and pay the penalty and it paid some firms to fall short and receive compensation, and that in this respect the arrangement made for efficiency, for the inefficient man who could not make a profit equal to the compensation preferred to let his business go to the more efficient firm and draw from the pool. One firm that joined the association had entirely ceased to manufacture from that time, but had ever since continued to draw a handsome income from the pool.

In some of these associations regulations are enforced for the purpose of eliminating outside competition by imposing restrictive conditions upon purchasers, for example, by allowing special discount rates or deferred rebates only to those customers who undertake to purchase goods manufactured by members of the association exclusively, or by refusing to purchase semifinished products from manufacturers except on the terms that such manufacturers should agree to supply exclusively the members of the association. In the case of one trade organization now possessing a monopoly of at least four-fifths of the supply of shoe machinery in Great Britain we found that the monopoly enjoyed had been largely created and maintained by the use of an ingenious and elaborate method of leasing shoe machinery under which the user of any machine made by the company became restricted not merely as to the hire or purchase of similar machines but was also debarred, for all practical purposes, from purchasing any other machinery necessary for the purpose of his business from any firm other than the organization in question.

One large association of metal manufacturers, in effect, imposes an effective restriction upon foreign competition by an agreement made between the association and a federation of distributors or wholesale merchants whereby the federation agrees not to import any foreign goods of the kind manufactured by the association and receives in exchange a guaranty of a larger distributor's profits than was previously current in the trade. A further restriction upon the possible competition of British manufacturers outside the association is secured by the action of the Merchants' Federation, who give rebates on discounts to the retail trade conditional on exclusive dealing with members of the federation, who in their turn only stock the goods manufactured by members of the association. In the case of a large amalgamation controlling a great proportion of the supply of an article in domestic use all sale contracts with retailers contain a stipulation that the retailer shall not sell any other make of the goods in question at

a lower price. This leaves it open for a competing manufacturer to sell to the retailer at a lower price than the amalgamation, but deprives him of the possibility of endeavoring to create a public demand for a new brand by undercutting the price of that handled by the amalgamation. But in a large proportion of the associations with regard to which evidence was laid before us so great a proportion of the particular trade is included in the combine (in some cases as much as 98 per cent) as to render it unnecessary to impose restrictive conditions in order effectively to maintain a practical monopoly.

Many of these associations appear to have been created as a result of a temporary depression in their trades. One witness stated as his opinion that it was "seldom that an association came into being until a trade was faced with all-around disaster if it did not combine."

4. There was considerable evidence before us that the growth and power of these associations has been greatly strengthened during the period of the war, and that this result appears to have come about primarily from the novel circumstances of war, under which the Government, acting through the ministry of munitions or other departments, found it necessary sometimes to consult the most informed opinion in a trade and sometimes to ration material through an organization representative of the trade. Unassociated firms which found themselves not consulted by the Government were thus led to join existing associations, or in some cases to form representative groups for the purpose of advising the Government on matters concerning the trade.

There appears to be no doubt that a large number of definite trade associations have been formed during the war which may certainly be expected to control and regulate prices and the conditions of industry in the same manner as the prewar associations were already doing, and it is also probable that the habit of cooperation and discussion on matters of common concern, which has been the result of the formation of purely advisory groups of manufacturers or distributors for the purpose of the war, will lead to a transformation of at least a part of such advisory groups into definite trade associations as soon as the Government control over trade or industry is withdrawn. The advisory committees will disappear, but will reappear in the form of new trade associations.

5. We found a unanimous opinion on the part of members of these associations that their effect is not only beneficial to the efficient carrying on of business but essential in many cases for the maintenance of export trade and for effectively meeting foreign competition.

Three important associations submitted to us a joint memorandum of evidence in which the advantages are thus stated:

"Apart from associations which exist for negotiating with labor, the regulation of wages, and the settlement of disputes, the simplest form of association, and the one most common in this country, is the class of association which is concerned with the regulation of prices."

"In the absence of any association, it is the experience in our various trades that, as the result of unrestricted competition of British manufacturers and of importers, prices are driven down to the lowest possible level, and profits frequently reach a vanishing point.

"In the absence of profit, manufacturers are discouraged, if not absolutely prevented, from reorganizing their plant, expending money upon improvements, and introducing new methods, and thus unrestricted competition may, and frequently does, result in an increase in cost of manufacture, and to that extent to the actual detriment of the consumer. A further evil flowing from unrestricted competition is the tendency for manufacturers, in the struggle for orders, to supply commodities of the lowest and cheapest quality which consumers can be induced to accept. Consumers are in many cases unable to judge by mere observation the relative value of commodities, and this must tend to drive superior goods off the market, to the direct disadvantage of the consumers themselves.

"Where price associations exist, all members having to quote the same price, the competition among the manufacturers, parties to the association, becomes one of quality, and one direct and important result of these price associations is undoubtedly a tendency to rise to a general higher level in production in this respect. The elimination of competition results in a higher level of price and the provision of additional profits, whereby the manufacturers are encouraged and enabled to improve their processes, and, by scrapping old plant, the installment of new machinery, and the adoption of new methods, to reduce appreciably their costs of manufacture."

There was general agreement among the witnesses representing associations that no danger of excessive prices being imposed on consumers need be feared as a result of the development of trade associations in this country.

"We understand," said a chairman of one important trust, "that fear has been entertained by some people that large combinations and associations might abuse their powers, but we do not believe that there is the slightest fear that this would happen in this country. Some combinations and associations of considerable size have been in existence for many years without any suggestions that their powers have been abused."

6. No definite evidence was brought before us that up to the present excessive charges have been made by these combinations. It was, however, made plain to us that the distributors and producers do not in all cases share the confidence so expressed.

An important distributing agency furnished us with the following opinion with regard to one of the associations which has been already referred to:

"The combination in question has not been of any advantage to the retailer or to the public. They hold a very strong position in the trade, and one of the great resulting evils is that competition in the goods referred to is greatly curtailed. As a rule, when this happens the consumer suffers."

The same distributing agency, referring to another combine of an important character, says:

"This is one of the most complete monopolies in the United Kingdom. In our opinion, such a point as this is inimical to the public interest and the initative that follows from competition; it starves its distributors, its huge profits are a heavy toll on the wages of the poor, and the public's necessity becomes their opportunity."

ASSOCIATIONS ENCOUNTERED BY MINISTRY OF MUNITIONS.

7. On inquiries made through the ministry of munitions we learnt that the ministry had experiences of many associations in the course of war, among them being the following:

The North-East Coast Steel Makers' Association, the Railmakers' Association, the Ingot Makers' Association, the Billet Makers' Association, the Brass Wire Association, the Brass Rod Association, Birmingham Cold Rolled Brass Association, Birmingham Rolling Mill Combine, Brass and Copper Tube Association, Manufactured Copper Association, United Kingdom Rosin Importers' Association, Cotton Duck Manufacturers' Association, Balata Belting Manufacturers' Association, the United Kingdom Lead Manufacturers' Association, the White Lead Convention, the Lead Oxide Convention, the National Federation of Associated Paint, Color, and Varnish Manufacturers of the United Kingdom, Tinplate Trade Association, Tinfoil Association, Tinfoil Paper Association, Capsule Trade Association, Collapsible Tube Association, Britannic Metal Association, Master SHversmiths' Association, Wrought Iron Hollow-ware Trade Association, Copper Rollers' Association, Brass Sheet Rollers' Association, Spelter Manufacturers' Association, Copper Producers' Association, Zinc Producers' Association, United Kingdom Rosin Distributors' Association, Brass Strip Association, Copper Tube Association, Copper Band Association, National Light Castings Association, Tube Makers' Association, Wagon Repairers (Ltd.), British Chemical Ware Manufacturers' Association, British Lamp-blown Scientific Glassware Association, British Flint Glass Manufacturers' Association, Association of Glass Bottle Manufacturers of Great Britain, Lancashire Glass Bottle Manufacturers' Association, Yorkshire Glass Bottle Manufacturers' Association, Scottish Glass Bottle Manufacturers' Association, London Glass Bottle Manufacturers' Association, Manchester Glass Workers Employers' Association, Northern Association of Pressed Glass Manufacturers, Tungsten Lamp Manufacturers' Association, Carbon Lamp Manufacturers' Association, British Electrical and Allied Manufacturers' Association, British Laboratory Ware Association, British Optical Instrument Manufacturers' Association, British Nautical Instrument Makers' Association, British Photographic Manufacturers' Association, the Cordite Ring, Association of British Chemical Manufacturers, Fertilizers Manufacturers' Association, Sulphate of Ammonia Association, Industrial Spirit Supply Association, Methylators' Association, Wire Weavers' Association, Wire Drawers' Association, Dry Plate Makers' Association, Tube Ring and Electrical Contractors, Tar Distillers' Association, Machine Tool and Engineering Association (Ltd.), Scottish Iron Founders' Association, Textile Machinists' Association, West Gas Co. (the Tank Hull Combine), British and Foreign Supply Association, Lancashire Clog Makers' Association, Lancashire Boiler Makers' Association, Keg and Drum Association, Calico Printers' Association, Fine Cotton Spinners' Association, British United Shoe & Machinery Co. (Leicester), Leicester District Armament Group, West Wales Engineers' and Founders' Association, London Building Trades Association, Fuse Makers' Association, London Jewellers' Association, Gauge Makers' Association, Magnet Makers' Association, Accumulator Association, Cable Makers' Association, Association of Aeroplane Engine Manufacturers, Rolled Brass Association, Hot Rolled Copper and Brass Sheet Association, Wire Weavers' Association, Power-Loom Manufacturers' Association (Ireland), Spinning Association (Ireland), Society of British Aircraft Constructors, Drop Forgings' Association.

We were furnished with detailed reports through the various departments of the ministry with regard to their experiences in dealing with these and other associations. To a very general extent these experiences appear to have been of a character satisfactory to the Government. Considerable advantages were recognized in dealing with combinations and associations for war purposes. It was found that the influence of larger-minded and more moderate men had a beneficial effect upon the attitude of the trade as a whole, that the best technical advice was more easily available, and that on the whole the trade associations, and especially trade committees created for war purposes, were of the greatest possible assistance to the ministry. On the other hand, certain officers of the department laid criticism before us with regard to the effect of such associations on prices. We were informed that trade associations, in fixing the price for an article, naturally keep in view the fact that the cost of manufacture of the article varies with the description and size of the manufacturer's works, some firms having a large and up-to-date plant, while others may have a small and more or less obsolete plant. Hence a price which would give the former a handsome profit might be just sufficient to keep the latter going, and, conversely, a price which would secure a reasonable profit for the latter would give the former an excessive return on their manufacturing outlay.

It was alleged of one association that it had endeavored to fix very exorbitant prices, and that arrangements for the control of prices had been discovered which had in fact led to a rise of prices to an excessive extent. These were, however, individual cases, and generally the officials of the ministry appeared to be of opinion that the associations had made for more economical production and for an improved quality and variety of output, and for a very beneficial interchange of technical knowledge, and that, although most associations regulated prices, the consumer in general had not suffered through such regulations.

It was, however, pointed out by another official from the ministry that in dealings with the department the knowledge that resort could be had to the defense of the realm regulations in case of need has no doubt exerted a considerable influence. Moreover, the department had acted in some cases practically as a consumers' combine.

"This will not apply after the war, and the consumer will, no doubt, be at a disadvantage in dealing with such combinations of producers. On the other hand, when it comes to foreign competition, there is no doubt that such combinations are extremely beneficial. It will probably be necessary, however, in the interests of the home consumer, for the Government to take powers of investigation and regulation within limits."

8. There was a general agreement among representatives of associations before us that one of the beneficial results of the formation of associations sufficiently powerful to control and maintain prices in the home market was that it enabled British manufacturers to extend their output by selling their products at a lower price, or even at a loss, in foreign markets. The chairman of an important metal association stated that—

"The cause of the formation of the association was the fact that this industry in Great Britain had been very unremunerative for many years, and had stood in danger of being crushed out of existence by foreign competition and by too much competition among manufacturers at home, and it was realized that if the industry was to be saved at all the manufacturers would have to come together and form an association. * * * By securing remunerative prices in the home market they could make a successful bid against foreign competition in the export trade. They had a fund—a fighting fund—for the special purpose of subsidizing members who found it necessary to sell at less than an economic price in order to cut out foreign competitors. That might be called meeting dumping by dumping, but he would not agree that British firms dumped in the aggregate much more than foreign firms. They had dumped in Belgium as a reprisal against Belgian dumping here."

The chairman of a number of important associations stated that—

"In the past it had paid Germany handsomely to export a large part of her steel products at a loss. In the future it will pay this country to do the same. He had no doubt at all that it would be a sound

policy to sell in foreign markets at a loss. It was true that 80 per cent of their output went abroad, so that it was not any matter of dumping an occasional surplus that the home market could absorb, but a large proportion of their exports went to our own colonies, and by getting some little preference there and sufficiently good prices at home the industry would be able, as organized in its conference, to undersell Germany or America in such markets as South America, even if that meant selling at a loss. About 60 per cent of their output was sold within the Empire and 40 per cent outside. A slightly increased preferential price on the 60 per cent would enable them to hold the 40 per cent against competitors."

9. As regards the effect of associations and combines, upon conditions of labor, we found a difference of opinion. In some associations conciliation boards and industrial councils have been established and excellent relations with labor have been maintained.

On the other hand, complaints were made that members of the staffs of different companies which acted in associated circles are deprived of freedom of action when they desire to change from one firm's employment into the service of another which is in the same association. It was complained that, although the change might be desired by a man in order that he might improve his position, or for some equally good reason, by reason of the understandings existing between associated firms, such an application for transfer could not be made without his employer's knowledge, and he might thereby be prevented from securing an appointment.

We recognize that, so far as an association created to maintain or raise profits is successful in that purpose, it must to that extent be in a position to deal more generously with the demands of labor if it chooses to do so. But we were informed by a representative of the ministry of munitions that—

"In the recent industrial unrest it was generally the large firms which experienced the most trouble. The tendency of these large aggregates is necessarily to become impersonal and to make the worker feel that he is dealing with a vast machine not amenable to ordinary persuasive influences, against which his only weapon is to strike."

A representative of one of the large associations stated that—

"From a social point of view, the bigger the employers the more detached they are from the men they employ. One of the difficulties with labor is the very fact that a man is no longer so closely associated with the men as he used to be in the old days, when he mixed with his hands and called them by their Christian names."

The view of the trade-union organizer was expressed to us in the following letter:

"In reply to yours of the 7th instant, may I be allowed to suggest that I am heartily sick and tired of Government committees, commissions, inquiry committees, and investigations. In my judgment, trusts and organizations exercising powers of monopoly are vicious things in themselves. I am prepared to admit, as a trade-union official, that it is easier to get fairly good conditions for workpeople employed by comprehensive and powerful trusts than it is from bodies and associations who are denied the advantages of monopoly and the consequent power of exploiting the consumer; but it is fairly evident that what we gain as producers we more than lose as consumers. Trusts, again, tend to promote a semblance of efficiency in production and distribution, but, having wiped out competition, they in their turn tend to become static and to resist any comprehensive development in their own sphere. * * *"

There can be no doubt, and it was generally admitted by the representatives of associations, that there is a great deal of public distrust with regard to the operation of trusts, combines, and associations, and we have no doubt that the novel experiences of the past four years, the disclosure of the war profits made by certain firms, and the repeated allegations of exorbitant profiteering on the part of capitalists during the war, whether true or false, has tended greatly to aggravate existing suspicion and distrust on the part of the public with regard to the operation of associations and combines. We are unable to share the optimism of those representatives of associations who were of opinion that under no circumstances was there any possibility of their operations leading to excessive prices or to the detriment of the public. While fully recognizing the honesty with which the great bulk of business in this country is conducted, it is obvious that a system which creates virtual monopolies and controls prices is always in danger of abuse. We are confirmed in this view by a survey of the operations of similar combines and associations in other countries.

THE AMERICAN MEAT TRUST.

10. As an illustration of the extent and effect of a trade combination in one industry, affecting both this country and America, we desire to refer to the summary of the report of the Federal Trade Commission on the meat-packing industry issued by the Federal Trade Commisison at Washington on the 3d of July, 1918, in which much interesting information is given as to the activities of the five principal meat-packing corporations in the United States, which are commonly known as the Meat Trust, or the "Big Five." The summary shows:

First. The magnitude of the large meat-packing companies, the extensive ramifications of their interests, and the instruments by which they have established and maintain control.

Second. The nature of their combination, with details of the various agreements and combinations.

Third. The practices of the combination and their social and economic effects.

Fourth. The remedy proposed.

The report contains a summary of findings, from which the following paragraphs are taken:

"Five corporations—Armour & Co., Swift & Co., Morris & Co., Wilson & Co. (Inc.), and the Cudahy Packing Co.—hereafter referred to as the 'Big Five' or 'the packers,' together with their subsidiaries and affiliated companies, not only have a monopolistic control over the American meat industry but have secured control, similar in purpose if not yet in extent, over the principal substitutes for meat, such as eggs, cheese, and vegetable-oil products, and are rapidly extending their power to cover fish and nearly every kind of foodstuff.

"In addition to these immense properties in the United States, the Armour, Swift, Morris, and Wilson interests, either separately or jointly, own or control more than half of the export production of the Argentine, Brazil, and Uruguay, and have large investments in other surplus meat producing countries, including Australia. Under present shipping conditions the big American packers control more than half of the meat upon which the Allies are dependent.

"The monopolistic position of the Big Five is based not only upon the large proportion of the meat business which they handle, ranging from 61 to 86 per cent in the principal lines, but primarily upon their ownership, separately or jointly, of stockyards, car lines, cold-storage plants, branch houses, and the other essential facilities for the distribution of perishable foods.

"The control of these five great corporations, furthermore, rests in the hands of a small group of individuals, namely, J. Ogden Armour, the Swift brothers, the Morris brothers, Thomas E. Wilson (acting under the veto of a small group of bankers), and the Cudahys.

"A new and important aspect was added to the situation when the control of Sulzberger & Sons Co. (now known as Wilson & Co. (Inc.)) was secured, 1916, by a group of New York banks—Chase National Bank; Guaranty Trust Co.; Kuhn, Loeb & Co.; William Salomon & Co.; and Hallgarten & Co. The report of the committee appointed by the House of Representatives to 'investigate the concentration of control of money and credit' (the Pujo Committee) states (p. 59): 'Morgan & Co. controls absolutely the Guaranty Trust Co.' The Chase National Bank, a majority of its stock being owned by George F. Baker, is closely affiliated with the First National Bank. William Salomon & Co. and Hallgarten & Co. are closely affiliated with Kuhn, Loeb & Co. Thus we have three of the most powerful banking groups in the country, which the Pujo Committee classed among the six 'most active agents in forwarding and bringing about the concentration of control of money and credit,' now participating in the rapidly maturing food monopoly above described. The entrance of the bankers into the packing business, it should be noted, was not at all displeasing to the big packers. J. Ogden Armour and Louis F. Swift were frequently consulted during the negotiations, and Paul D. Cravath is quoted by Henry Veeder as giving assurance that the final arrangements would be 'more than satisfactory' to Armour and Swift.

"The menace of this concentrated control of the Nation's food is increased by the fact that these five corporations and their five hundred and odd subsidiary, controlled, and affiliated companies are bound together by joint ownership, agreements, understandings, communities of interest, and family relationships.

"The combination among the Big Five is not a casual agreement brought about by indirect and obscure methods, but a definite and positive conspiracy for the purpose of regulating purchases of live stock and controlling the price of meat, the terms of the conspiracy being found in certain documents which are in our possession.

"There are undoubtedly rivalries in certain lines among the five corporations. Their agreements do not cover every phase of their manifold activities, nor is each of the five corporations a party to all agreements and understandings which exist. Each of the companies is free to secure advantages and profits for itself so long as it does not disturb the basic compact. Elaborate steps have been taken to disguise their real relations by maintaining a show of intense competition at the most conspicuous points of contact.

"The Armour, Swift, Morris, and Wilson interests have entered into a combination with certain foreign corporations by which export shipments of beef, mutton, and other meats from the principal South American meat-producing countries are apportioned among the several companies on the basis of agreed percentages. In conjunction with this conspiracy, meetings are held for the purpose of securing the maintenance of the agreement and making such readjustments as from time to time may be desirable. The agreements restrict South American shipments to European countries and to the United States.

"Since the meat supplies of North and South America constitute practically the only sources from which the United States and her Allies can satisfy their needs for their armies, navies, and civil populations, these two agreements constitute a conspiracy on the part of the Big Five, in conjunction with certain foreign corporations, to monopolize an essential of the food of the United States, England, France, and Italy.

"The power of the Big Five in the United States has been and is being unfairly and illegally used to manipulate live-stock markets; restrict interstate and international supplies of foods; control the prices of dressed meats and other foods; defraud both the producers of food and consumers; crush effective competition; secure special privileges from railroads, stockyard companies, and municipalities; and profiteer.

"The packers' profits in 1917 were more than four times as great as in the average year before the European War, although their sales in dollars and cents at even the inflated prices of last year had barely doubled. In the war years 1915 to 1917 four of the five packers made net profits of $178,000,000.

"Foreign interests: The investigation of the foreign interests of the American packers is not yet complete. The following list of those companies which thus far have been identified as subsidiary to or affiliated with the Big Five is indicative of the extent of their activities abroad:

"Armour: Armour & Co. of Australia (Australia and New Zealand); Armour & Co. of Uruguay (Uruguay); Compania Armour do Brazil (Brazil); Frigorifico Armour de la Plata (Argentine); Dominion Tanneries (Ltd.) (Canada); Armour Canadian Grain Co. (Canada); Allen & Crom (Ltd.) (Great Britain); Armour & Co. (Ltd.) (Great Britain); Fowler Bros. (Ltd.) (Great Britain); James Wright & Co. (Great Britain); Times Cold Storage Co. (Great Britain); Armour & Co. (Frankfurt) (Germany); Armour et Compagnie Societe Anonyme (France); Armour Societa Anonima Italiana (Italy); Armour & Co. (Ltd.) (Denmark).

"Armour and Morris: Sociedad Anonima La Blanca (Argentine).

"Cudahy: Cudahy & Co. (Ltd.) (Australia); the Cudahy Packing Co. (Ltd.) (Great Britain).

"Morris: Morris Beef Co. (Ltd.) (Great Britain); Haarers (Ltd.) (Great Britain).

"Swift: Australian Meat Export Co. (Ltd.) (Australia); Compania Swift do Brazil (Brazil); Compania Swift de la Plata (Argentina); Compania Swift de Montevideo (Uruguay); Compania Paraguaya de Frigorifico (Paraguay); Swift Canadian Co. (with its selling branches) (Canada); Libby, McNeill & Libby of Canada (Canada); Libby, McNeill & Libby of London (Great Britain); Curry & Co. (Ltd.) (Great Britain); Garner, Bennett & Co. (Ltd.) (Great Britain); H. A. Lane & Co. (Ltd.) (Great Britain); H. L. Swift Stall (Great Britain); Swift Packing Co. (Ltd.) (France); Franklin Land & Investment Co. (Great Britain); Swift Beef Co. (Ltd.) (Great Britain).

"Wilson: Frigorifico Wilson de la Argentine (Argentina); Archer & Co. (Ltd.) (Great Britain); Nuttall Provision Co. (Ltd.) (Great Britain)."

In transmitting this report to the President of the United States, the Federal commission states:

"As we have followed these five great corporations through their amazing and devious ramifications, followed them through important branches of industry, of commerce, and of finance, we have been able to trace back to its source the great power which has made possible their growth. We have found that it is not so much the means of pro-

duction and preparation, nor the sheer momentum of great wealth, but the advantage which is obtained through a monopolistic control of the market places and means of transportation and distribution.

"If these five great concerns owned no packing plants and killed no cattle, and still retained control of the instruments of transportation, of marketing, and of storage, their position would not be less strong than it is.

"The producer of live stock is at the mercy of these five companies because they control the market facilities, and, to some extent, the rolling stock which transports the product to the market.

"The competitors of these five concerns are at their mercy because of the control of the market places, storage facilities, and the refrigerator cars for distribution.

"The consumer of meat products is at the mercy of these five because both producer and competitor are helpless to bring relief."

COLONIAL AND FOREIGN LEGISLATION.

11. In the United States of America and in most of the British colonies the same growth of combines and associations which is now proceeding with increasing rapidity in this country has already led to drastic legislation, which has been considered to be necessary to safeguard the interests of the public. In the United States of America the Sherman Act has in recent years been supplemented by the Federal Trade Commission Act and the Clayton Antitrust Act.

The Federal Trade Commission Act of 1914 creates a permanent commission to investigate and report on the operations and activities of corporations engaged in commerce. The Clayton Antitrust Act of 1914 is intended to render illegal combinations, arrangements, or contracts which have the effect of substantially reducing competition or which tend to create monopolies.

In addition to these Federal antitrust laws there is an enormous mass of State legislation in America having for its object the regulation or prevention of trade associations or combinations framed to restrict competition or control prices.

The constitution of New Hampshire declares that "free and fair competition in trade and industry is an inherent and essential right of the people, and should be protected against monopolies and conspiracies which tend to hinder or destroy it."

Similar provisions are contained in the constitutions of other States. Many other States have similar laws in force.

Even New Jersey prohibits combinations or agreements between corporations, firms, or persons intended—

(1) To increase the price of any merchandise or of any commodity.

(2) To fix at any figure whereby its price to the public or consumer shall in any manner be controlled, any article or commodity of merchandise, produce, or commerce intended for sale, use, or consumption in this State or elsewhere.

In Canada the combines investigation act became law on May 14, 1910. By that statute it is provided that where six or more British subjects of full age and residents of Canada believe that a combine exists, and that prices have been enhanced or competition restricted thereby to the detriment of consumers or producers, they may make application in writing to a judge for an order directing an investigation, setting forth in the application the particulars of the case. Upon such application the judge is required to give a hearing, and if it appears to him that there are reasonable grounds for the charge and that it is in the public interest to hold an investigation, he shall order one to be made by a board. Such board consists of three persons, one nominated by the complainants, one by the parties complained of, and the third is a judge chosen by the other two. This board has the power to summon witnesses and to compel the production of books and papers.

In Australia the interstate commission act of 1912 creates a commission consisting of three members, one of whom is called the chief commissioner, appointed by the Governor General for terms of seven years each. The commission is charged with the duty of investigating from time to time matters which in the opinion of the commission or in the public interest ought to be investigated, affecting (a) the production of and trade in commodities; (b) the encouragement, improvement, and extension of Australian industries and manufactures; (c) markets outside Australia, and the opening up of external trade generally; (e) prices of commodities; (f) profits of trade and manufacture; (g) wages and social and industrial conditions; (h) labor, employment, and unemployment; (i) bounties paid by foreign countries to encourage shipping or export trade; (j) population; (k) immigration; and (l) other matters referred to the commission by either house of the Parliament, by resolution, for investigation.

In New Zealand the monopoly-prevention act of 1908 is a combination of two earlier acts—the agricultural implements, manufacture, and sale act, 1905, and the flour and other products monopoly prevention act, 1907. Under the second part of this statute powers are given to inquire into the reasonableness of prices for flour, wheat, potatoes, and other foodstuffs.

By the commercial trusts act, 1910, of New Zealand:

(a) Every person commits an offense who gives a rebate or discount, etc., in connection with the sale of goods, on the express or implied condition that the person receiving the same will deal exclusively with the vendor for such goods, or generally, or will not deal with others, or will become a member of a commercial trust or act in obedience to directions from such a trust. (Sec. 3.)

(b) Every person commits an offense who refuses to sell or to supply another person either absolutely or on relatively disadvantageous conditions because he will not deal exclusively with such vendor in that article, or generally, or will not become a member of a commercial trust or follow the directions of the same in respect to the sale, purchase, or supply of goods. (Sec. 4.)

(c) Any person who conspires to monopolize wholly or partially the demand or supply of goods in New Zealand, or any part thereof, is guilty of an offense if such monopoly is contrary to the public interest. (Sec. 5.)

(d) Every person commits an offense who sells, supplies, or offers goods at an unreasonably high price if the price is directly or indirectly controlled or influenced by a commercial trust with which he is or has been connected. It is also an offense if he commits the same act at the suggestion of a commercial trust, even though he is not connected therewith, and the price is not controlled by such trust. (Sec. 6.)

(e) If a commercial trust sells, supplies, or offers any goods at a price which is unreasonably high, every person who is a member thereof, or if it is a corporation, the corporation also commits an offense. (Sec. 7.)

(f) Every person who aids, counsels, or procures the commission of an offense under this act, or the doing of an act outside of New Zealand which if done in New Zealand would be such an offense, is to be deemed to have committed such offense. (Sec. 9.)

In the Union of South Africa, the meat trade act of 1907 provides that—

"Every act, contract, or conspiracy in unreasonable restraint of the trade of a butcher is hereby declared to be illegal, and every person who shall commit any such act, or make any such contract, or engage in such combination or conspiracy shall be guilty of a criminal offense, and subject on conviction to a penalty not exceeding £500, and in default of payment thereof to imprisonment, with or without hard labor, for a period not exceeding 12 months."

Germany and Austria have no laws comparable to those in operation in the United States and in British colonies, and German law appears to favor the operation of trade combinations. The potash industry has, indeed, been compulsorily syndicated by the law concerning the sale of potash, of May, 1910.

In France, such combinations appear to contravene a provision of the penal code.

In Russia, the criminal code of 1903 provides that—

"A merchant or manufacturer who increases the prices of victuals or other articles of prime necessity in an extraordinary degree, in accord with other merchants or manufacturers dealing in the same articles, shall be punished with imprisonment."

In Japan there is no law specifically relating to trusts or combinations, but article 48 of the commercial code is as follows:

"If a business association act contrary to the public order or good morals the court may dissolve it."

The law of China appears to regard trade combinations with disfavor. A recent work on Chinese criminal law (Alabaster: Notes and Comments on Chinese Criminal Law) informs us that—

"Arrangements to artificially influence the market are contrary to law. For a person to unduly depress or raise prices to suit his own convenience entails a penalty of 80 blows, and undue profit arising therefrom will be treated as theft."

CONCLUSIONS AND RECOMMENDATIONS.

12. In the United Kingdom, combinations operating in restraint of trade are, though not criminal, unlawful if shown to be against public policy, as public policy is understood by the English courts, where these words are construed in a somewhat narrow and technical sense.

We are unanimously of opinion that it would be desirable to institute in the United Kingdom machinery for the investigation of the operation of monopolies, trusts, and combines, similar to the commissions and other tribunals created for that purpose in the United States of America and the British colonies above referred to. The problems to be considered, before any just conclusion can be arrived at with regard to the actual existence of abuses tending to the detriment of the public, or with regard to a form of safeguard or control which it would be practical to adopt to prevent such abuses, if proved, are not matters on which it is possible for a committee such as this to form any final or considered judgment. But we are satisfied that trade associations and combines are rapidly increasing in this country, and may within no distant period exercise a paramount control over all important branches of the British trade.

We are satisfied that considerable mistrust with regard to their activities exists in the public mind, and that the effect of such mistrust may be equally hurtful to the political and social stability of the State, whether or not the public mistrust and resentment be in fact well founded. We consider that it is desirable that means should be provided whereby the fullest information as to the activities of trade associations may be made available to the public, and complaints may be promptly and thoroughly investigated, so that doubts and suspicions may be dispelled, or, on the other hand, the true facts ascertained as to evils for which a remedy is required. We believe that it will be found necessary ultimately to establish further machinery for promptly and effectively dealing with such abuses as the tribunal of investigation may discover.

We recommend that—

(a) It shall be made the duty of the board of trade, or such department as may hereafter exercise surveillance over trade and commerce, to obtain from all available sources information as to the nature, extent, and development of trusts, companies, firms, combinations, agreements, and arrangements connected with mining, manufactures, trade, commerce, finance, or transport having for their purpose or effect the regulation of the prices or output of commodities or services, produced or rendered in the United Kingdom, or imported into the United Kingdom, or the delimitation of markets in respect thereof, or the regulation of transport rates and services, in so far as they tend to the creation of monopolies or to the restraint of trade.

The board of trade shall present annually to Parliament a report upon the nature, extent, and development of such forms of organizations.

(b) It shall be made the duty of the board of trade to make preliminary inquiry into any complaints which may be made with regard to the existence or action of any organization specified in (a).

(c) In the event of the information obtainable by the board of trade being, in the opinion of that department, insufficient to enable it to discharge its duties under (a) or (b) above, or if, in the opinion of the board, as the result of investigations undertaken on its own initiative or on complaints made to it, there is prima facie evidence that the public interest is adversely affected by the operation of any monopoly, combination, or agreement, the board of trade shall be empowered to—

(1) Apply to the tribunal hereafter provided for an order to such companies, firms, or individuals as may be specified in the application, to furnish such information as may be specified thereunder; or

(2) Refer the whole matter to the said tribunal for investigation and report.

(d) There shall be established a tribunal consisting of a person of legal qualifications, as permanent chairman, and not less than two, or more than seven, other members selected by him from time to time from a panel appointed for the purpose by the president of the board of trade after considering nominations made by representative trade organizations, including the cooperative movement and trade-unions, which tribunal shall have power—

(1) On the application of the board of trade, to make orders of the kind specified under (c) (1) above; and

(2) On reference from the board of trade to investigate the operation of any organization specified in (a), and for that purpose to call for all books and papers, to take evidence upon oath, and to adopt such other measures of inquiry as it may deem necessary to elicit the facts; and when it shall be proved that acts injurious to the public interest have been committed, such facts as are relevant to the particular offense shall be published immediately on the conclusion of each inquiry.

(e) It shall be the duty of the board of trade to make recommendations as to State action for the remedying of any grievances which the tribunal may find to be established.

We wish to place on record our appreciation of the great services which have been rendered to the committee by our secretary, Mr. John Hilton, whose comprehensive study of combinations we have printed as an appendix to this report.

CHARLES A. MCCURDY, *Chairman.*
ERNEST BEVIN.
J. H. GUY.
J. A. HOBSON.
STANLEY MACHIN.
J. FRANCIS MASON.
FREDERICK RICHMOND.
G. SCOBY-SMITH.
H. L. SYMONDS.
W. H. WATKINS.
SIDNEY WEBB.
DOUGLAS WENHAM.

JOHN HILTON, *Secretary.*
April 24, 1919.

ADDENDUM.

(By Mr. Ernest Bevin, Mr. J. A. Hobson, Mr. W. H. Watkins, and Mr. Sidney Webb.)

We have signed the above report because we find nothing to disagree with in its recommendations, but we feel that it does not adequately express the gravity of the situation and that the proposals fall far short of what—in the terms of reference to the committee—will be necessary to safeguard the public interest.

The fact is that free competition no longer governs the business world. The common assumption that the rivalry of traders affords a guaranty that the price of commodities will oscillate closely about the necessary cost of production, whatever may have been its degree of truth in the past, is now in this country nowhere to be implicitly relied on. It is nowadays open to doubt whether we ever buy anything at the cost of production. We find that capitalist combination, in one or other form and at one or other stage of production, transportation, and distribution, now leads in varying degrees the price of practically everything that we purchase.

Such a conclusion has momentous implications. The consumer can not be sure that he is charged no more than is required to defray the necessary costs of production and distribution. The wage earner can not be convinced that any reduction in the expenses which may be effected by labor-saving machinery or other improvements will be reflected in a fall in price to the consumers. The Government has no assurance that any new tax will not be made a pretext for the levy on the public in enhanced prices of much more than the return to the exchequer. The primary object of combination or association between businesses in a trade is to raise the level of profits by eliminating competition among the various firms. The larger gains, which are admittedly thus obtained, are attributable mainly to three sources: (1) The saving of wasteful costs of competition, (2) the reduced expenses of production by better technical and business organization, (3) the monopolistic fixing of prices at "what the trade will bear." We may observe that this last source of gain, involving usually an actual rise in prices, almost always and of necessity involves a lower aggregate production than would have emerged had the arrangement not been made. It amounts, in fact, to restriction of output.

The importance of the first and second gains suffices to explain why combination is not always followed by an actual increase of selling prices, but sometimes even by a reduction. An effective monopoly may sometimes find it more profitable to abstain from a reduction of prices that it could well afford to make than to raise prices, which would cut down its sales and lessen the economy of large scale production. In general, however, it is found that the formation of a combination or agreement is attended by a "regulation" of output and an actual rise of prices, due to the fact that most of the organizations control articles or services so essential to the community that the elasticity of demand is slight.

These surplus gains, whether due to an actual rise of price or to a failure to reduce price in correspondence with reduced costs, are got at the expense of the whole public of consumers, whose interests the committee is enjoined to safeguard. We believe that they amount in the aggregate to a very large sum annually.

We do not suggest that any action should be taken to prevent or obstruct combination or association in capitalist enterprise. Apart from the experience that no such interference can be made effective, we have to recognize that association and combination in production and distribution are steps in the greater efficiency, the increased economy, and the better organization of industry. We regard this evolution as both inevitable and desirable. It is, however, plain that the change from competitive rivalry to combination calls for corresponding developments to secure for the community both safeguards against the evils of monopoly and at least a large share of the economic benefits of the better organization of industry which it promotes.

It has not been possible for the committee in the time and with the means at its disposal to work out a program of what will in the near future be required for these purposes. We think that this task should be the first duty of the suggested trusts and combinations department of the board of trade. We may, however, indicate the following directions, in which, as it seems to us, remedy might be sought:

I. Profiteering may in some cases be kept in check, without preventing the better organization to be obtained by combination, by the existence of a rival who can not be persuaded to enter the combination and who can be relied upon to serve only the public interest. The cooperative movement, which returns to its customers in proportion to their purchases all the surplus that it makes over cost, serves incidentally as a check on profit-making combinations, into none of which will it ever consent to enter. The national factories have been found by the Government extremely valuable in this respect during the war. If they could be continued in peace for the production of certain essential commodities, for the protection of the public of consumers, their value in serving as a check upon capitalist combinations might be considerable.

II. In considering the prevalence of capitalist combinations in British industry it is impossible to leave out of account the check upon profiteering which may be afforded by foreign imports. This operates, however, only so long as the foreign producers are not also brought within the combination. Whilst the imposition of import duties would increase the power of combinations to raise prices, "free trade" is not in itself a complete safeguard against it.

Nor is the objection to the profiteering of capitalist combinations removed by the imposition of a tax which diverts to the exchequer some or all of what is unnecessarily extracted from the consumer. Such a tax, whilst levied apparently upon profits, may be held to make the Government particeps criminis in these overcharges. Such a tax has the further evil that the Government has even an interest in the increase of his gains. It may be better to have an excess-profits duty than not to have it when there are excess profits about, but it would be far more profitable to the community, and therefore also to the exchequer, if there were no excess profits to tax.

III. The only effective safeguard against the absorption by a capitalist combination of more than the necessary return appears to be the control of prices. We regard the experience during the war of the full and precise "costing" of every part of a commodity as affording valuable suggestions for the future fixing by Government departments of a maximum price for particular articles which can be standardized. Where, as in the case of gas and electricity, such a prescribed price can be made to vary with the amount of profit taken by the capitalist producers, such a "sliding scale" of prices and dividends appears a useful expedient. It involves, it will be noted, the full application of two principles, which may be destined to ever wider application in business, but to which the business world is at present hostile, namely, publicity and measurement.

IV. Where, as is evidently the case in various highly organized capitalist enterprises, competition is being rapidly displaced by combination, largely monopolistic in its structure and powers, and tending to restrict output, with a view to raising prices or preventing their fall, we hold that it is contrary to the public interest to allow such enterprises to remain in private hands. In some cases their functions may more advantageously be assumed by the cooperative movement. In others their place may be taken by municipal enterprise. Where the enterprise is national in scope, and especially where its product enters into practically universal consumption, we see no alternative to State ownership. But State ownership does not necessarily imply State management. In some cases it may be preferable to lease the enterprise, with prescribed schedules of price and wages, and other necessary conditions, for management either by a local authority, a cooperative society, or a joint-stock company. The subject, in our view, urgently needs further study.

(Signed) E. BEVIN.
J. A. HOBSON.
W. H. WATKINS.
SIDNEY WEBB.

NOTE BY MR. PERCY ASHLEY.

Whilst I have been glad to assist the committee in their inquiry, so far as I could, it appears proper for me, in view of my official position, to refrain from expressing any opinion as to the conclusions and recommendations of my colleagues which raise questions of public policy, which will require consideration by the board of trade.

PERCY ASHLEY.

APRIL 24, 1919.

A STUDY OF TRADE ORGANIZATIONS AND COMBINATIONS IN THE UNITED KINGDOM.

(Prepared for the Committee on Trusts by John Hilton, of the Garton Foundation, based upon evidence given and documents laid before the Committee on Trusts. This memorandum was prepared at the request of the committee by the secretary, who is solely responsible for the opinions expressed.)

SECTION I.—FROM COMPETITION TO COMBINATION.

Labels endure long after they have ceased to be descriptions, and the system under which goods are produced, distributed, and bought is still referred to as the "competitive system." For the last half century and longer the economic order has been changing its constitution, but the terminology of the mid-nineteenth century remains and obscures the fact that the economic doctrines of that period are not applicable to the conditions of to-day.

The law of supply and demand: According to those doctrines evolved in the course of the industrial revolution, supplies, prices, profits, and wages could safely be left to adjust themselves. Leave the business world to its own devices, and competition would insure that all was for the best. Competition would harmonize supplies and requirements; would lead to the survival of the most efficient business concerns; and would insure that the level of wages, prices, and profits in any trade or industry would always be "just about right." The reasons given were as follows: (a) If demand exceeds supply, competition between buyers sends up the price; (b) a relatively high price spells a relatively large profit; (c) a relatively large profit attracts capital and enterprise to the business; (d) supplies increase; (e) competition between sellers brings down the price to normal; and (f) in the struggle between sellers each endeavors to improve his processes and methods, the more capable succeed, incompetents are driven out, and the general level of economy and efficiency is raised throughout the industry. This competitive theory is still for many an article of faith. It is still conventionally accepted that if any industry is yielding more than average profits, capital and enterprise, attracted by the prospects of abnormal prices, will make their way toward that industry, supplies will increase, and competition between the rival producers or traders will in the natural order of things bring down prices and profits to the normal level. On these assumptions it is still widely taken for granted that competition is an adequate safeguard against extortion and is a driving force sufficient in itself to produce a continuous movement toward the highest efficiency.

The passing of competition: The assumptions are, however, no longer valid. In the modern industrial and commercial world competition, which, indeed, never was wholly "free," is becoming less free with each passing year. In very many branches of trade and industry business concerns whose intercompetition is conventionally supposed to maintain prices at a competitive level have, in fact, working arrangements of one kind or another which prevent competition. Again, in some branches of trade amalgamations of erstwhile rival firms have taken place, with the result that in some cases so large a proportion of the whole trade is in the hands of one firm, or financially interwoven group of firms, that an effective monopoly is obtained. Where either of these conditions is reached the cycle of automatic impulses and checks can no longer be relied upon to insure that either prices or profits are "just about right." There is no longer competition between the associated manufacturers or merchants in those lines of industry or trade; prices are no longer subject to the law of supply and demand; enterprise and capital no longer flow without impediment to where profits are above the average. In these circumstances it is within the power of the group of associated firms or the single consolidated concern to control supplies and regulate prices—within limits which will be discussed later—and that being the case, a new order of problem has come into being.

The good in competition: Competition has, and always will have, its place and value in the industrial process, but its form and sphere of action are changing. As the old form passes, much that was of value in it passes also, and if the new order is to remain healthy and vigorous, equivalents will have to be found. Where there is struggle

for survival or supremacy among hosts of small concerns in the same line of business, each man knows what it is to carry the responsibility of a business and to stand or fall by its success or failure. The incentives to effort are strong. Each has a direct personal interest in improving methods, eliminating waste, reducing costs, and striking out in new directions. There is wide diversity and ample opportunity for experiment. Initiative and resource are developed in large numbers of individuals. There is, without doubt, something of an evolutionary struggle, in which those well endowed with the qualities that make for commercial success survive and the less competent, or worse equipped, or more sensitive go down and out. Again, the small man's independent business is a thing to himself, and, in a very real sense, a part of himself. The small business concern has personality. The employees of a small firm work for a person, and the relations between proprietor and workpeople, if not always cordial, are at least human relations. Business dealings with a small firm are dealings with a person, and there is little doubt that the personality of British industry in the past has been a powerful factor in its development. The type of character produced by these influences may not be wholly admirable, but it is at any rate strong, forceful, and self-reliant, and it is a commonplace that the great majority of those who are to-day organizing and directing "big business" acquired their ability and experience in "small business." As for the productivity of the competitive order, the enormous quantity and variety of goods thrown upon the markets of the world during the period in which competition was in the ascendant affords sufficient proof that, in its own time and sphere, individualism is not to be despised as a productive principle, and if the goods so produced tended to the "cheap and nasty," it will not be disputed that they were at any rate cheap, considering the costs of production and distribution.

The immorality of competition: Competition has vicious features to offset its virtues, and even its virtues are of limited range. It elevates self-interest into a gospel and makes "each for himself and the devil take the hindmost" the first rule of conduct. It applies "buying in the cheapest market and selling in the dearest" to human beings as well as to things, and makes "sweating" not shameful, but shrewd. Moreover, the creative competition which works for success through serving the consumer more acceptably than others easily degenerates into destructive competition aimed at the ruin of rivals, or into sharp practice at the expense of the consumer. The spirit and qualities and conduct evoked by competition are not wholly such as to make for either a worthy order of social life or even a serviceable order of industry.

The wastes of competition: For there is a point at which the continuance of competition along the old lines is no longer compatible with industrial efficiency and continued progress. Undercutting among rival manufacturers may lead to goods being sold at the lowest price at which they can be produced in the competing establishments, but it may well be that the price is still high in comparison with what it might be if the individual firms were in friendly communication or if the manufacture were being carried on in few instead of many establishments. Competitive production often means a wasteful duplication of activity and plant; it results in each firm working out its problems without help from the others; it allows each manufacturer to go in for many varieties and patterns and to specialize on none; it requires each firm to buy in small quantities, market in small parcels, and carry separate stocks; it leads to effort being given to fighting which might much more profitably be given to improving method and process; and it may place manufacturers at the mercy of middlemen. It may stimulate the will to improve and yet deny the means. For these reasons goods produced under a régime of free competition may be dear even though the competing producers are making less than a living profit.

The possibilities of combination: Great possibilities of industrial and commercial improvement lie beyond the confines of free competition and are only to be realized by combination in one or other of its several forms—by informal consultation and cooperation, by formal association, or by actual amalgamation. These may be tabulated as follows:

Buying (materials, plant, stores, etc.): Assured and steady supply of material, unification of buying departments and staffs, bulk instead of detail purchases, greater opportunity for comparison and selection, cheaper credit and better discounts, and standardization of materials.

Making: Standardization of product, specialization in product, improvements in plant, use of by-products, equalized distribution of work, and quality.

Selling: Transport economies, unification of selling departments and staffs, extension of export trade, collective advertising, and lower costs of distribution—fewer middlemen.

Knowledge: Interchange of data and experience, standardization and interchange of costings, collection and dissemination of trade statistics, and promotion of scientific and technical research.

The above are the possibilities of combination, not the necessary accompaniments or the invariable achievements. It should be stated at once that no association among the many hundred existing in the United Kingdom at the present time, and few of the numerous mammoth amalgamations, have come as yet anywhere near realizing them in full.

The impulse to combination: Neither should it be supposed that the movement toward association and consolidation has been primarily animated by the thought of the great economic possibilities which combination opens out. The reasons given for the formation of particular combinations almost always turn upon the desire to limit competition or, as it is more usually expressed, "to prevent cut-throat competition," with the object of securing higher prices and larger profits.

"There had been a period of very keen competition, with the result that most manufacturers were making little, if any, profit. Many were practically ruined. It was thought that if the existing works were bought up by a company the trade would be placed on a more stable basis."

"Our association was formed for the purpose of regulating the trade and avoiding unnecessary competition."

"Cooperation began among the manufacturers only after a period of severe depression and acute competition."

"Our association was formed for the purpose of agreeing on prices, and has been the means of preventing cutting, which went on very considerably before the association was formed, the result being that most of the firms were making no profits, or very small profits."

"Its immediate object was the removal of price-cutting which rendered unprofitable practically the entire industry."

"The first object of the association was to safeguard the trade against the losses that are often suffered at such times in consequence of selling prices lagging behind the rising price of materials."

"The amalgamation was due to a combination of circumstances. Owing to severe competition and cutting of prices, the manufacturers were so reduced in their margin of profit that some step had to be taken to prevent disaster."

"The amalgamation was primarily due to the keen competition which prevailed between the various works, as when trade was quiet almost any prices were taken by some of the firms. Price associations were in existence prior to the formation of the amalgamation, but these were not altogether successful, and it was finally felt that if the concerns were managed under one control it would be much better for the trade generally."

"The industry as a whole had been very unremunerative for many years and had stood in danger of being crushed out of existence by foreign competition and by too much competition among manufacturers at home, and it was realized that if the industry was to be saved at all the manufacturers would have to come together and form an association."

"Competition was so severe—both among the home manufacturers and from abroad—that no one could make anything out of the trade. Manufacturers were producing more than was really required, and were concerned only with cutting one another's throats. At first when an association was discussed some objected to losing their freedom, but things became so bad that these objections were overcome."

The statements quoted above, though made retrospectively, may be taken as substantially accurate accounts of the circumstances in which the vast majority of associations and amalgamations in this country had their origin, and the motives that prompted their formation. The picture conveyed of industries on the verge of ruin is hardly consistent, it may be said, with the income-tax returns for the years in question, but it is to be remembered that under conditions of free competition the fortunes of an industry are subject to great fluctuations. The final impetus to combination has almost always come in the slump years. "Most associations were born of dire necessity; it was seldom, indeed, that an association came into being until the trade was faced with all-round disaster if it did not combine." In these circumstances it is natural that the immediate objects of combination should mainly relate to the limitation of competition and to the increase of prices and profits. If play be made of the fact that there is in these statements a notable absence of any idea of promoting efficiency and improving organization for the general benefit, it may be answered that the average business man responds more readily to a "paying proposition" than to a vague ideal, and even where the prime movers in an association have had larger purposes in view first place has had to be given to the inducement of improved prices and profits. "It was as far as we could get the trade to go at that time." In several cases associations formed primarily for restraining competition and securing more profitable prices have become, after formation, active instruments working for better organizations and improved technique throughout the industry. This is well exemplified in the following:

"Although the control of prices was a substantial part of the arrangement, that was only a means of attaining the real object of the association, which was the creation of a complete organization whereby our section of the country's trade could be made more efficient and consequently more prosperous and strong. What we have done in this direction is on record; it could not have been done apart from the regulation of prices. We have already gone a long way beyond our original program and are planning further developments."

"The association was formed after a long period of severe depression. There was a great lack of effective organization in the industry, and what did exist was wasteful and extravagant. All the worst features of unrestricted competition were present, duplication of patterns and plant, which were only intermittently employed, duplication of selling organizations to an extent which did nothing to increase sales, but served only to render more acute the depression from which the trade was suffering. The result of these conditions was that the resources of the industry were so depleted as to hamper and restrain development in improved methods of production and to discourage the introduction of more modern machinery upon the capital cost of which there was no prospect of any adequate return."

So long as the individual will to survive is stronger than the instinct of common danger, and the hope of coming out on top in the industrial scrimmage counts for more than the sense of common interest, competition will hold the field; but when self-preservation and self-interest are seen to be in line with the general interest, competition is abandoned and cooperation begins.

SECTION II.—TYPES OF COMBINATION.

British trade organization: The last 20 years have accordingly seen a steady transition from competition to combination in all the leading industrial nations. The movement has accommodated itself to national conditions and characteristics. In Germany and the United States it has culminated in the kartell and the trust, each in its way emblematic of the national character. In this country great consolidations have hitherto been less formidable than in America, and associations of independent manufacturers have in no single case been developed to anything like the same logical outcome as in Germany. Yet it should not be too readily assumed that British industries lag far behind those of other countries in effectiveness of internal organization. Individuality has counted for more in British manufacture than in foreign, and if amalgamation has proceeded cautiously there has been reason in the caution. British combines and consolidations may not rank as prodigies, but among them are some that can vie in efficiency with any in the world. British trade associations make little parade of their existence or achievements, but there are few corners of British industry in which some kind of trade association is not to be found, and some of them can show a thoroughness of organization not easily surpassed. What is notable among British consolidations and associations is not their rarity or weakness so much as their unobtrusiveness. There is not much display in the window, but there is a good selection inside.

Combination for other than trade regulation: Trade associations in the United Kingdom vary widely in character and functions. In most of the great industries there are employers' federations, formed primarily for dealing with labor questions; and there is a wide network of associations concerned with safeguarding and promoting the general interests of traders in particular lines of business or in particular localities, of which chambers of commerce and chambers of trade are outstanding examples; but these are not combinations in the sense in which the word is here used—they do not regulate prices or output or set up any arrangement for the concerted restriction of competition. They may render many of the valuable services that have been catalogued as appertaining to combinations in their full development, but they interfere hardly at all with the individual firm's freedom to buy, manufacture, and sell as it likes.

Honorable understandings: As already indicated, combination of the kind under notice can be effected without any formal association. The simplest though not necessarily the most primitive type of combina-

tion is that which occurs where a number of manufacturers or traders, who would otherwise be competitors, meet from time to time and arrive at an "honorable understanding" or "gentlemen's agreement" in regard to prices, output, division of business, etc. Such arrangements are essentially informal and temporary. There are no documents; there is no association; there is no bond except that of good faith. Combinations of this kind, which may be termed "understandings," are a common feature of local trade, a familiar instance being the occasional informal consultation between coal dealers or other tradesmen of a locality as to the prices to be charged by all, or the districts which each shall serve, but evidence of similar understandings in respect of trade operations on a national and even international scale is not lacking. While "understandings" may serve a useful purpose in restraining cutthroat competition and avoiding the overlapping of services, they more easily lend themselves to the exploitation of the public than to the improvement of trade organization and technique.

Associations for the regulation of trade: The second kind of combination is that in which a large proportion of the manufacturers or traders in a particular line of business form an association for the purpose of regulating the trade. Associations are properly constituted bodies having rules, constitution, officers, subscriptions, entrance fee, etc. The methods of trade regulation are various. Some associations simply fix a schedule of prices to which all must conform; others have arrangements in regard to tenders for contract work; others regulate output by allotting to each member a fixed percentage of the total production, whatever that total may be, with penalties for exceeding the quota and compensation for falling short. Some partition out the home market, or the foreign trade, among the members, and some have from time to time reinforced their control of the markets by agreements with similar foreign associations as to the amount which shall be exported from each country to certain markets. The distinguishing feature of the association is that each component firm remains a financially separate business concern, with full freedom of action in all matters that are not ruled by the association. It is in the industrial sphere what a treaty alliance between sovereign States, as distinct from a federal union or an empire, is in the political sphere. If under stress of circumstances or for reasons of internal jealousy it should break up, the constituent firms revert to their original unfettered sovereignty.

Associations regulating output: A more advanced type of association is that undertaking the regulation of output, or, as it is usually expressed, the "prevention of overproduction." The problem of output regulation is one of great difficulty, and considerable ingenuity has been applied to its solution. Any project for fixing in advance what the output of a given industry shall be requires in the first place for its success that the whole of the firms in the industry shall be in the association, otherwise whenever, through miscalculation or design, the supply was short of the market demands, business would flow to the nonassociated firms. But even where the association comprises the whole industry it is not easy to forecast market requirements with sufficient nicety to make the operation safe. Again, even when the exact volume of output requisite to the needs of the case has been estimated, there remains the further problem of dictating what proportionate part of the total each firm in the association shall do and of enforcing penalties for excess. Unless this is done on a systematic and rigid basis, without any room for suspicion or quibble, the association is not likely to hold together for long.

The pool system: The plan adopted by the most highly developed of those associations which undertake the regulation of output is as follows: The principals of the different firms in the trade having been brought together and having decided to form an association, a secretary is appointed. He must be some one in whom all can have absolute confidence as regards capability, impartiality, integrity, and discretion. (There are firms of accountants in London and the Provinces who specialize in this work, and one accountant may act as secretary to a dozen or more associations.) Each firm gives the secretary full access to its books that he may ascertain what its sales have been over an agreed period. Having obtained the necessary particulars from all the members, the secretary determines what proportionate part of aggregate trade was done by each in that period. A meeting of the members is then called, and the secretary then hands to each a sealed envelope containing a slip stating his percentage. This allotment the members have pledged themselves to accept, and it constitutes the basis of all subsequent arrangements. Thenceforward, at the end of each month, the secretary receives from each firm particulars of its output or sales during the month, particulars which again he will check at the end of the trading year. By adding these amounts the total output of the members for that month is ascertained. The secretary then calculates what percentage of the total each firm has done, compares that actual percentage with the allocated percentage, and informs each member by how much he has exceeded or fallen short of his quota. If he has exceeded, he pays a sum equal to an agreed percentage of his excess into a "pool"; if he has done less than his quota, he draws a sum equal to an agreed percentage of his deficiency from the "pool." In practice the payments in respect of these "penalties" and "compensations" are not made monthly, but are entered to the debit and credit of the firm, and the balance at the end of the year is paid into or received from the association's "pool" fund. On receiving its monthly notification from the secretary each firm can see by how much it must increase or reduce its output in succeeding months if it wishes to come out square at the end of the year when the "pool" is balanced up. It will be observed that no member of the association knows any other member's quota, much less his output or profit. He knows only that his own quota is so much of the total output of all the members.

Variations on the pooling system: The features of the "pool" system as thus far described are in broad outline common to all "pooling" associations, but in two other respects there are differences of practice. Some associations, besides allotting the percentage of output, fix the price of the product, this being the practice more especially where the goods manufactured are complex and varied; but in the case of more simple and uniform products the regulation of price as well as the allotment of percentage has been found to offer no advantages. In one case a minimum price for the commodity was fixed at the outset, but the actual selling price straightway rose above the minimum, and the fact that increased sales effected by cutting price meant not only a needless loss on the price but a penalty on the excess output was found a sufficient preventive of price cutting. The other respect in which pooling practice differs is that in some associations the compensation is the same pro rata as the penalty, while in others it is only one-half. In the former case the reserve fund of the association is built up by a payment by each firm of an annual contribution equal to perhaps 1 per cent of its sales; in the latter case it is built up from the difference between penalties and compensations.

The tendency of the pooling system would seem to be to stereotype what may be called the ground plan of the industry. If it should turn out to be advantageous for the whole of the production to be concentrated in a smaller number of establishments or in one large establisment, the penalty would certainly act as a drag on any tendency to a change in that direction. Similarly, if any one firm introduced a greatly improved process or organization the penalty would react against its taking a larger share of the trade. These factors do in practice introduce an element of tension into the prolonged working of pooling associations, and the question of periodical revision of the quotas is raised from time to time. But the experience of the German cartels show that the anticipation of such revision leads to all manner of maneuverings for position, and the readjustment of quotas strains the relations of the members almost to breaking point. It may be surmised that when the original quotas under a pooling arrangement are no longer tenable, the only course is for the association to dissolve and after a lapse of time re-form. Cases are on record, however, of an association arranging in special cases for the submission of a grievance in regard to an allotted quota to some independent arbitrator.

Tendering arrangements: Where the association is that of a trade in which work is undertaken on contract (as in branches of the iron and steel, engineering, building, printing, and other trades), arrangements among members in regard to tendering are common. In some cases the members agree to submit all tenders in the first instance to the association, where the estimates are confidentially registered, and either a percentage, to be subsequently paid in and divided, added to each, or a tender price decided upon which each shall quote on the understanding that the firm receiving the contract shall pay an agreed percentage into the pool. Another and less questionable method in wide use is for the firms to send in their individual tenders and at the same time notify the secretary the price they have quoted, whereupon the secretary sends back to each tenderer a list showing, not the figure each has quoted, but the order in which the quotations run, the object being to prevent the common practice of going to the lowest tenderer and saying, "We should like to give you the contract, but we have a lower estimate; if you will take 10 per cent less you can have the job." Having received his list, the lowest tenderer knows he is lowest and can hold out for his price. Where this method is practiced it is usual for the successful tenderer to pay a sum equal to 5 per cent of the contract to the association, which retains one-quarter for association expenses, divides one-quarter forthwith among the tenderers, and puts one-half to reserve in the names of the respective tenderers. The added percentage and the flat quotation system undoubtedly raise prices against the customer, but the notification method, it is claimed, has no such effect; it merely prevents unfair bargain driving. The 5 per cent paid into the pool and divided is stated to do no more than cover the cost of making out specifications.

Legal status of associations: By section 16 of the trade-union act, 1876, any combination for imposing restrictive conditions on the conduct of any trade or business is a trade-union, and the courts will not entertain any legal proceeding instituted with the object of directly enforcing or recovering damages for the breach of any of the following agreements: (1) Any agreement between members as such concerning the conditions on which any members for the time being shall or shall not sell their goods, transact business, employ or be employed; (2) any agreement for the payment of any person of any subscription or penalty; (3) any agreement for the application of the funds; (4) any agreement made between one trade-union and another; or (5) any bond to secure the performance of any of the above-mentioned agreements. The trade associations here under discussion, being wholly or partly concerned with the regulation of prices or output by the restriction of competition, come under the above definition, and are under the disabilities mentioned. Membership in the association is not unlawful, neither is the making of the above-named agreements, but such agreements can not be enforced in a court of law. Associations are precluded from registering under the companies acts or the partnership acts, but they may, and the majority do, register as trade-unions. They thereby enjoy the immunities of trade-unions, but their position is precarious in that any member may break away and reenter into competition whenever he chooses, or flagrantly break the rules to which he has subscribed, and their activities are circumscribed by their being able to pursue only certain objects as prescribed by statute. One method of overcoming these disabilities has been found in the formation of "a properly constituted limited liability company for the investment of all moneys received from the members," having as one of its articles of association a provision that the company may by a three-fourths majority vote of its members determine that the shares of any member may be sold by the company to the other members at a nominal price. Registration under the companies acts was obtained in 1912 for a limited liability company having such a provision as one of its articles, and in 1916 the company went through the test of the courts up to the court of appeal, and was there pronounced a legal association.

Precariousness of associations: Associations are not formed without a good deal of persuasion, are not easily held together, and are not always successful in their objects. Separatism runs strong in the blood of the British business man. In the judgment given by Mr. Justice Peterson in the case mentioned above, some light is thrown upon the tendencies to disruption which are inherent in every association. At a critical juncture in the existence of the association, some three years after its formation, a general meeting was called, at which the chairman "laid great stress on the difficulties of the executive, and stated that unless it was the unanimous wish of the federation, they were not able to continue the business of the federation. This also was the position of the various committees. Passive opposition was rendering all the work done nugatory. The only alternative was open competition, which would be disastrous to all concerned. It appeared to him that the position they were drifting into in January, 1912, when this federation was formed, had been forgotten. Some members had come to the conclusion that, as the federation had not increased their profits, its was of no use to them. The committees thought that a period of 12 months' open competition might put the matter in a new light. It was pointed out that the outside competition was the least of the troubles; most of the opposition was from within. The constant breaking of the rules in the spirit of refusal to give any information promptly and freely would be the real break-up of the organization."

The combine: A more advanced type of combination is that commonly known as the "combine." In the combine a number of previously financially separate firms engaged in one line of business enter into an arrangement whereby they become financially and commercially interconnected under some form of central organization. The component firms may continue to be separate registered companies, or they may, while carrying on business as separate concerns, be in fact financially merged in one holding company. In either case the former proprietors

of the merged businesses hold shares in the combine, and may also have a bonus on the earnings of their former businesses, which remain under their direction, subject to financial and other control by the combine. In combines of the more loosely connected type the buying and selling may remain wholly or partly in the hands of the component firms, but in the more compact combines the whole of the business is done by the central organization and the separate establishments work entirely to the orders of the central office. Combinations of the combine type in the United Kingdom are found mainly in the textile industries (bleaching, dyeing, and spinning) and in the wall-paper and cement industries.

Typical combines, I: One of the most highly developed and efficiently conducted combines in the United Kingdom is composed and conducted as follows: The combine was originally one of 22 firms, all of which were limited companies. Since then other businesses have been purchased, and there are now 47 subsidiary companies in existence. Of these, 15 companies are not actually working, owing to names being changed or businesses being closed down, but the name is kept alive for the sake of the trade-marks and in case it should be desired to revive the business. These various properties are held by the combine, which stands in the position of lessor and provides all the necessary premises, plant, and other requisites constituting the capital assets of the subsidiary companies, whilst all the business is conducted by the subsidiary companies, each being a separate joint-stock company, with a nominal capital of £1,000. The managing director, who is responsible for the general management of the combine and its trading, is assisted by an executive committee of six directors, to each of whom is delegated specific duties. The trade and working of the combine is divided into sections, with an individual member of the executive committee primarily responsible for the general results from the section with which he is associated. One member of the executive is in control of the commercial and marketing arrangements. The central administration, financial, statistical, and labor sections, are under the supervision of other members of the executive committee. The subsidiary companies are conducted by branch directors acting semi-independently, but under the guidance and supervision of the member of the executive committee to whom the duty has been delegated and under the control of the managing director.

Typical combines, II: Another well-known combine, capitalized at over £8,000,000, which was formed some 20 years ago, is constituted and worked as follows: A limited liability company was formed to acquire the firms and undertakings which had agreed to enter the combine. These were taken over by the acquiring company on a profit basis—on the average profit of the preceding three years—no valuations of any sort being made, excepting as regards the stock in trade. Payments were made on this basis in shares and debentures in the central company, the share capital being divided into ordinary, preference, and debentures in equal proportions. Each component firm is run as a separate entity with a responsible director or manager, and is expected to control the quality of its product, to sell the same, and generally to look after its well-being; but the small board of executive directors is in close daily touch with the entire business and gives constant advice and criticism to assist the management on these points. The entire control of finance, the purchase of raw material, stores, etc., and the general control of the policy of the combine, both as to buying and selling, is in the hands of the executive board, assisted by the advice of committees of the mill directors it calls from time to time as occasion may demand.

Typical combines, III: An example of successive developments of a combine culminating in practically the whole of an important industry coming under concerted control is as follows: Twenty years ago the industry comprised some 70 independent firms distributed all over the country. In 1900 arrangements were made for the formation of a limited company to acquire 27 of these businesses. The issued share capital of the acquiring company was approximately £7,000,000. These 27 firms represented 40 per cent of the national output. In 1912 a second company promoted by the first to acquire 32 other firms not included in the original combine. The issued share capital of this second combine was nearly £4,000,000. The purchase of the businesses taken over was effected partly by outright sale of the works concerned, in which cases the original companies were wound up and now trade in common as units of the second combine, and partly by the purchase of controlling interests, in which cases the concerns still trade as separate businesses, usually under their original name. The first combines hold 70 per cent of the shares in the second and is represented on its directorate by 10 members of its own board, but the two trade as distinct concerns. The two together cover 80 per cent of the total capacity of the industry. As for the remaining 20 per cent, there have for many years been local alliances concerned with settling for the districts concerned all terms and conditions of trade, and recently a federation comprising the two combines and the outside alliances has been formed. With this final stage of development the whole of the combined and associated groups in the trade are brought into close cooperation.

The consolidation: The distinctive mark of the combine, as already stated, is the formation of a company to acquire a number of firms in the same line of business, the proprietors being given in exchange an interest in the acquiring company. In a somewhat different category stand the numerous cases in which two or more firms become merged in one. To these it may be convenient to apply the term "consolidation." Combinations which by origin and organization belong to the "consolidation" type are more familiar in the iron and steel, mining, chemical, soap, and sewing-cotton industries. Combines are almost invariably of the "horizontal" class, i. e., are formed of firms engaged in the same line of industry and at the same stage of production, though it is not uncommon for a flourishing combine later to acquire interests in companies producing or importing its raw material or manufacturing its plant. Consolidations, on the other hand, are often of the vertical class, being fusions of firms representing successive stages of production. This is particularly the case in the iron and steel industries.

Example of a consolidation: A good example of the consolidation is afforded by the history of a concern which is at present responsible for at least 90 per cent (probably much more) of the whole British production of the commodity on which it is engaged. About 30 years ago two of the largest manufacturers in the industry agreed to form a central organization to control the distribution and sale of their various lines in home markets. This central selling organization was managed by delegates—one from each firm—the leading idea being to conserve to each firm its proportionate share of the business which it had acquired in each market on an agreed basis and its natural increase. It employed wherever possible one set of agents and travelers, centralized depots and staffs, and the whole cost of its operations was divided in proportion to turnover. Subsequently another firm in the same line of business desired to take advantage of the organization and was included in its operations on similar conditions. After seven years of this joint selling it was decided that the three concerns should be amalgamated, and this was accomplished by the predominant firm acquiring the shares of the other firms, representatives of the latter being added to its board. A few months later another substantial concern in the same line was acquired by an exchange of shares. The subsidiary companies have been continued as separate organizations, but the local managements are guided and controlled by the central board. The financial operations of the whole are controlled and conducted from headquarters. The selling organization is still maintained, and besides distributing the products of the amalgamated firms, sells goods manufactured by two outside companies, whose products, though in the same line, are not to any large extent in direct competition with the amalgamation. These two outside companies have no voice in the management of the selling agency, but fix the prices and conditions of sale of their own goods and pay their proportionate share of the working expenses. Since its formation this consolidation has built, purchased, or acquired a controlling interest in many other concerns, both in the United Kingdom and abroad. The volume of the home trade represents a comparatively small percentage of the total, much the greater proportion being done in foreign countries. Of the establishments now comprised in this consolidation, the following three classes are distinguished:

(a) Establishments in this country which make for the home trade and for export to those foreign countries which are not directly served abroad.

(b) Establishments in foreign countries which belong entirely to the consolidation.

(c) Establishments in other foreign countries which are owned jointly by the consolidation and by other persons in these countries.

Establishments of the (b) class are wholly controlled by the consolidation, whilst those in the (c) class are managed by their own directors, who, however, are said to solicit, obtain, and generally follow the firm's recommendations in dealing with matters which do not depend upon merely local conditions or circumstances. All foreign plants of the (b) class send reports to the central office and are under its direction. The selling prices for all markets entered for by the mills of (a) and (b) classes are regulated from headquarters. The companies in the (c) class fix their own prices after studying the conditions in their respective markets and consulting headquarters as to the effect which the prices may exercise upon other markets.

Other forms of combination: The understanding, the association, the combine, and the consolidation cover by far the greater part of the whole field of that industrial combination in the United Kingdom which results in the concerted regulation of trade, but they are not quite exhaustive. There is still to be mentioned the control exercised over output and prices by the interchange of shares between nominally independent and competing companies, almost invariably accompanied by arrangements whereby directors of one concern sit upon the board of the other. Numerous examples of this are to be found in the coal-mining industry. Neither has anything here been said of local associations of retailers, of merchants' associations and alliances, of the multiple shop system, of the tied-house system in the licensed trade, of the recent great amalgamations in the financial world, of the control exercised over tobacco, meat, and other commodities by interests outside the United Kingdom, nor of the rings and conferences in the shipping industry.

SECTION III.—THE EXTENT AND SIGNIFICANCE OF COMBINATION.

Relative influence of combination: Such are the principal shapes which combination has taken in this country. As to the extent to which concerted control has ousted competition as a ruling factor in the determination of price and output, and in the evolution of trade and industry, it is impossible to speak with any exactitude. Associations concerned with the regulation of price or output, or both, are to be found in almost every branch of British industry. Their number can not be computed, for many are not registered either as companies or trade unions, and some are purposely carried on as secretly as possible. It may be taken, however, that there are considerably more than 500 associations, all exerting a substantial influence on the course of industry and price, in being at the present time in the United Kingdom. The most painstaking inquiry yet undertaken into combination in any section of British industry is that made in respect of building materials, and the conclusion there reached was that 25 per cent of the materials that go to the building of an average house are subject to full control and 33 per cent are partially controlled. If particular industries in which combination has made most headway be taken, it transpires that in innumerable lines of manufacture anything from 80 to 100 per cent of the whole national output of the articles concerned is either in the hands of one dominant consolidation or of manufacturers grouped together for purposes of concerted price and other control in a trade association. It would, however, be fallacious to take these latter as typical of the whole range of industry. There are many industries, trades, and services, great as well as small, in which combination has made hardly any headway, and competition is still the determining factor in the fixing of price. The shipbuilding industry may be quoted as a case in point. In a recent report it is stated that most of the shipbuilding and marine engineering firms in this country are independent, and there is no community of financial interest between them as an industry. Competition is always keen, and shipowners have no difficulty in getting numerous offers at all times when they issue specifications. During dull times competition by every means becomes acute, each firm of shipbuilders or marine engineers does its best to obtain orders without reference to its neighbors, firms lacking orders for their own specialties plunge into other markets, and contracts are accepted at prices below cost of production. Other industries and trades are to be found in which the rival manufacturers or traders are hardly on speaking terms, much less at that stage of mutual confidence which permits concerted regulation of the trade. These extremes of competition are to be set against the extremes of combination in forming any estimate of the relative value of the two factors over the trade and industry of the country as a whole. That relation can not be expressed in figures; it must suffice to say that competition is no longer a reliable regulator of prices over a very considerable field.

Influence of war conditions on combination: Moreover, there can be no question that the whole trend of industry and commerce is toward combination. "The movement, indeed, is inevitable, for what machinery and invention have done in the past for production this disposition of smaller bodies to consolidate in larger units is doing for administration." Within recent years the number of trade associations in this country has increased enormously, and under the influence of war conditions not only have numbers of existing listless bodies been galvanized into greater activity and enterprise and the membership of others been increased but many new associations have been formed, some at the instance of the Government departments, since it was found easier to deal with a group than with separate firms. Still

more, the necessity for fixing the prices of many articles and materials required by the State during the war and the need for rationing materials has compelled the Government to call representative conferences of manufacturers in many industries, and to impose on them duties which have entailed frequent consultations and meetings, and when people who, before the war, were competitors have been thus compelled to meet and discuss common arrangements, it is inevitable that they should discover the advantages of working in concert and establish relations which will make for concerted working for the future. Again, the war period has been marked by a remarkable increase in the number of amalgamations. One effect of the excess-profits tax has been to encourage the buying up of unprofitable businesses by highly profitable concerns, for such purchases were in effect paid for by moneys which would otherwise have gone in excess-profits duty to the revenue. Another war influence making for the extension of combination after the war is the enormous development of standardization and repetition manufacture. The lessons learned in this connection during the war will not be lost in the change back from war to peace production, but their application to peace production will necessitate collaboration among the various firms composing the particular branch of industry, and collaboration for specific purposes prepares the ground for combination for the regulating of trade.

States within the State: It is to be anticipated, therefore, that the immediate future will see a marked acceleration of the movement toward concerted organization and control which had already, before the war, become a formidable feature of the economic system. Large branches of industry, acquiring that strength which comes of unity, will no longer be subject to any "law of demand and supply" as regards the prices at which their products are sold to the consumer. A group of manufacturers in any branch of industry, having command or influence over the sources of material and the channels of distributing trade, may be in a position to constitute themselves a close corporation from which would-be intruders can be excluded. The prospect opening out is thus one of a series of industrial monarchies or republics, enjoying a sovereignty of their own as regards the amount they will allow to be produced and the prices at which they will sell within the political realm. Here is indisputably a problem which the State in this country has not as yet faced. The current demand for the removal of all "controls" usually carries the implication that, in the absence of public control, supplies and prices adjust themselves and automatically assume that condition which is "just about right." It is evident, however, that over an increasingly large field there can be no question of "free" adjustment or development in the old-fashioned sense. Freedom from public control will there mean not free competition but concerted or unified control by private interests.

Benefits and dangers of combination: It has been made sufficiently plain that combination has two important aspects which, while they may usefully be distinguished in considering the problems raised by the movement toward combination, are, in fact, closely interconnected and may be in large measure interdependent. These are:

(a) Improved organization, affording possibilities of economies in some directions and greater efficiency in others.

(b) The limitation of competition, with the resultant power to control prices, output, and development.

It will be evident that, in considering the dangers arising from (b), account must be taken of the advantages resulting from (a), and in considering public policy in regard to (b) it must be asked whether action which was desirable in itself might not adversely affect the general advantage arising from (a).

Before these factors can be weighed and a provisional conclusion reached, light is required upon two questions of fact: Firstly, how far are the theoretical gains of combination realized in practice? And, secondly, how far can a compactly organized industry exact in practice monopoly prices and profits from the consumer? Not until an opinion has been formed on these points can a conclusion be reached as to how far the public advantage resulting from improved organization outweighs or is outweighed by the disadvantage of monopoly prices, or as to whether the benefits of combination could still be obtained if power to exact monopoly prices were curbed.

It will be convenient to examine, in light of the known achievements of British combinations, how far the possibilities of economy and efficiency, in regard to materials, manufacture, and distribution, tabulated on an earlier page, have been realized in practice.

SECTION IV.—THE ACHIEVEMENTS OF COMBINATIONS.

(A) BUYING.

Control of the sources of raw material: The method of securing adequate supplies of raw materials by "vertical" consolidation has already been mentioned, as also the occasional instances in which combines have acquired substantial interests in undertakings engaged in the production of materials, plant, and stores used by the combine. An early instance of otherwise unconnected firms and interests collaborating under State auspices in the promotion of schemes for increasing the production of industrial material within British territories is that of the Imperial Cotton Growing Association; a later instance is to be seen in British Dyes (Ltd.). The most noteworthy modern case of similar developments carried on by a single consolidated interest is to be seen in the great soap and allied products consolidation which is responsible for the organized development of large areas in various parts of the world for the production of oil-bearing seeds and nuts, but activities of a similar kind are by no means uncommon among the great British consolidations.

Foreign supplies: Where an essential material of an important industry comes mainly or entirely from overseas, the question of the location and control of that source becomes a political as well as an economic consideration. The situation in the early months of the war taught all the belligerents that it is impolitic to remain dependent for essential materials on sources of supply situated in what may at any time be an enemy country, and that a temporary breakdown of supplies may occur even when the sources are in allied territory, should the undertaking have been under enemy control. If war should continue to be an ever-present possibility, the control of sources of industrial material will become more than ever before a political consideration. On economic and political grounds it has recently been recommended by the committee on industrial and commercial policy that an organization cooperative in character be formed among British iron and steel manufacturers for the purpose of securing supplies of suitable iron ore. It is suggested that this organization might ultimately become the owner of large deposits or gain absolute control of them in such a way as to secure continuous and uninterrupted supplies to the British manufacturer. It is further suggested that there should be established a powerful national organization, formed by a combination of the interests concerned, to secure supplies of nonferrous metals. The committee pronounce themselves of opinion that every encouragement should be given by the Government to the formation of combinations of manufacturers and others concerned to secure supplies of materials, and that, where it appears expedient that the control of mineral deposits in foreign countries should be obtained, all practical support should be given. Developments in this direction will hardly fail to be accompanied by a unification of interests and policy in respect of commercial matters generally.

Monopoly of material: The control of raw materials by an association promoted specially for the purpose may and doubtless would be so constituted as not to shut the door on aspirants to the industry, but where the control is exercised by a powerful consolidation and covers a large proportion of the available supplies it increases the difficulty of independent capital and enterprise entering the industry.

Associations hampered by status: Little has been done by associations in this country in the way of centralized or concerted purchasing of materials. There are instances of the executive or some other committee of an association being empowered to buy and contract for supplies on behalf of each of its members, but it is complained that any considerable extension along these lines is hampered by reason of associations being a trade-union in the eyes of the law, and consequently debarred from entering into enforceable contracts. It would seem that attention is required to the question how trade associations in the United Kingdom are to develop this unquestionably beneficial side of their potentialities.

Economies in buying by consolidations: The economies effected by the unification of buying departments and staffs is not one of the major inducements to amalgamation, but it is a minor one of some consequence. More important is the greater efficiency of the buying. Purchases are made in gross instead of in detail, on better terms and with some reduction in transport charges. Again, the larger orders can be placed direct with the producer or first agent and the toll exacted by a number of middlemen can be avoided. Centralized buying also affords greater opportunity for comparison, selection, and elimination as regards the materials bought, and by standardizing materials larger orders are placed for one line and better terms secured on that account. Yet, again, a large and substantial concern obtains easier credit terms and larger discounts than would be given to a smaller concern struggling against many competitors; and even where the concern is not so much an amalgamation as a financial inter-connection, the resources of the larger unit can be placed at the disposal of smaller associated firms by guaranteeing bank accounts and affording other facilities for the improvement and expansion of their business.

(B) MANUFACTURING.

The advantages of standardization: Of all the means by which the cost of production can be lowered, none holds greater possibilities than the standardization of types, patterns, and sizes in all such articles as are mechanically produced and lend themselves to repetition manufacture. The adoption by an industry of common standards for component parts of fittings, machines, and structures enables a maker of such parts to put through a straight run of 10,000 pieces where otherwise he might have to break the run a dozen times with a dozen resettings and a dozen sets of specifications, drawings, jigs, and gauges. Such standardization gives the machine-tool maker the opportunity of producing automatic machines specially adapted to one particular job; it is of advantage to the distributing trade in that it reduces the amount and variety of stock to be carried and it is a boon to the user in that the fittings of one maker are interchangeable with those of another.

Standardization and combination: The resistance to standardization comes in part from the customer, who will not consider the advantage to himself and the maker alike of designing his apparatus or structure so as to embody the largest number of stock parts, but must have each element slightly different from anything in common use; but it comes even more from the exclusiveness and nearsighted policy of manufacturers themselves. Combination in the sense in which the word is here used is not a necessary preliminary to agreement upon the adoption of common standards, as witness the excellent work done by the British Engineering Standards Association, which has created and secured the adoption of standards among manufacturers uncombined as well as combined, but there can be no doubt that where a strong association exists, or where the bulk of the trade is in the hands of one dominant interest, the adoption of standards is much facilitated. The regularizing of specifications and designs is declared to have been one of the principal objects which led to the formation of associations among the constructional engineering, electrical, and cable-making concerns. In another important association of manufacturers making a line of articles of endless variety and pattern, where the standardization of parts has already been promoted to some extent, "a scheme is at present going forward for the standardization of all sizes and gauges throughout the industry, so that one maker's parts will be interchangeable with those of all the other makers. This will prove a great convenience in the foreign trade, as one series of parts stocked abroad will serve for the products of all the makers, and even if the products of two different works get mixed at the other side, they can be assembled without trouble." The same association has another scheme afoot. "At the present time each works makes its own tools and dies, but we are endeavoring to set up a central tool shop which should make for the whole trade, so that the best up-to-date machinery can be installed, and the work can be done much better and cheaper than when split up among the separate establishments. Further, we shall then be able to secure that every tool, die, and gauge is of exactly the same size and pattern. This, along with the other intended standardizations of material, will be of great advantage to trade and public alike."

Specialization: If arrangements can be made among the manufacturers in a given branch of industry whereby, instead of every firm covering the whole ground, each devotes itself to one particular section, great economies and improvements in production will result, for in that case each can install specialized equipment for its particular line and for that only, each acquires specialized experience and skill, and each can have longer runs on one class of work. Free competition, while making for specialization of this kind up to a point, has in practice failed to secure its progress beyond that point even when great economic advantage was on the side of further developments.

Specialization and combines: It has been the foreknowledge of the gains to be secured from these further developments of specialization that has inspired, perhaps more than anything else, the formation of the great combines in the textile and other industries. The degree to which the prospective gains have been there realized are indicated in the following passages taken from statements furnished by four large combines:

"Soon after the formation of the combine the managing directors decided to concentrate different classes of work in separate works, and with this object in view large sums were spent in reconstructing differ-

ent works. Prior to the formation of the combine many different classes of business were carried on in the same premises, with the result that on much of the work that was done no profit was made. In those days a man who might do a bulk trade in certain classes of work sometimes had to take small quantities of work for which he was not altogether fitted, owing to the merchants insisting upon him doing so, with the result that excessive expense was incurred in changing apparatus and running through small lots. The combine has gradually sectionized work until, as a rule, only two works within the combine do the same class of trade. It would probably be more economical to have only one works for each class, but it was recognized that it would facilitate smooth working with the merchants if they had an alternative to go to should they be dissatisfied with the work or have some difficulty with the manager of any particular works, and in practice this system has been found to work very well. The result, of course, is that each works has a longer run of one class of material with the less use of wares and greater rapidity of output."

"It stands to reason that if a works can be kept continuously to one class of work the output must be far greater than if a number of different classes of work were done there, and that consequently the cost of production of the one class will be much less than what it would have been had that particular class been included along with a number of other classes at the same works."

"There is no pooling of orders in the ordinary sense of the term within the combine, as each works has its own travelers, who call upon the merchants soliciting orders. If a merchant asks a traveler to arrange for goods which the works he represents do not undertake, he informs the merchant which works could do it and is expected to advise the traveler of such works to call upon the merchant."

"The advantages of specialization are secured by the avoidance of overlapping in styles produced at our various mills, with the consequent result that longer runs were obtained of the particular patterns produced and the cost of manufacture thereof correspondingly decreased. It was also possible to concentrate the production of specialties where only a limited demand was required and thus save dispersion of effort. Being a fancy trade, the company was able to allocate the class of work according to the suitability of the works under their control and to specialize at any one mill with regard to any specific product."

Specialization by associations: Specialization is carried out much more easily where all the firms in a trade are working as one financial unit, and the records of measures taken by associations are scanty. It is, however, fairly common for members of associations whose orders in some lines are small to arrange for some other member who specializes on that line to manufacture for them or to take over that part of their trade on agreed terms, and there are some cases of small firms ceasing manufacturing altogether and becoming virtually agents, all their orders being executed with products obtained from other members. There is also at least one instance (in the machine-tool industry) of an association being founded for the specific purpose of enabling each firm to concentrate on one narrow range of specialties. But these are rare instances. Taking the whole range of trade associations in the United Kingdom, it may be said that very little has been done as yet in the way of either standardization or specialization, and a wide field offers for progress along these lines in the future.

Limiting factors: Both standardization and specialization have their dangers. If adopted prematurely or carried to excess, they may prove an obstacle to improvement and exert a narrowing influence on the minds and lives of those engaged in the industry. But in most industries there is a long way yet to go before any such stage is reached, and, provided standards are periodically thrown open to revision and specialized branches are kept in intimate association with other branches, the dangers can be permanently avoided.

Plant: In all industrial undertakings the erection and laying out of the factory or works should be planned so as to secure that the premises are constructed in the most efficient manner for obtaining the maximum of output with the greatest economy, and experience shows that the combine or consolidation can yield considerable advantages in this respect. One powerful amalgamation has a central expert department, to which all proposals for the extension of or alteration to any of their works or those of the associated companies are referred for consideration and advice. This department has special knowledge of the various processes involved in the manufacture of the various commodities sold by the different companies, and it also has the advantage of the views of the management of all the companies, so that it is able to put forward a scheme which will embody the latest and most up-to-date construction. The same considerations also apply with regard to the erection of plant and machinery, all questions relating to these matters being referred to a central engineering department. It has been found possible, by means of standardization of buildings and plant, greatly to increase the output of associated companies and thereby reduce the cost of production.

By-products: A group of manufacturing firms is also in a much better position for dealing with by-products arising during the course of manufacture, as such by-products can be collected for treatment at one or more works, whereas the small quantity of by-product of a single manufacturer, coupled with the expense of the necessary plant, may prevent the manufacturer from dealing with the article on a commercial basis.

Equal distribution of work: One frequently recurring accompaniment of competitive industry is the unequal distribution of work among the firms that compose the industry, leading to the firms in one center working overtime while those in another are on short time. In the combine or consolidation the prevention of this condition of affairs is a part of the daily routine. It is less easy for an association to provide effectually against unequal distribution of work unless there is a close community of financial interest among the members, but there is testimony to the effect that in the case of associations working on a pooling arrangement the tendency is for the majority of the members to have at all times a proportionate part of the trade with a minimum of short time and overtime.

Effect on quality: One noteworthy effect of suppressing competition in price is to bring competition in quality into relief. It is regrettable, but true, that where the public, in choosing between the goods of rival manufacturers, has to take both price and quality into account, difference of price is apt to sway the choice more than difference in quality, the reason being that price comparisons are more simple than those of quality. Once price differences are eliminated the customer is left to make his choice on the sole ground of quality, and the competition of the associated manufacturers for his custom becomes quality competition. The way in which this factor works out in one association is related as follows:

"If the standard specification and the minimum selling price be considered together, the effect on the maintenance of quality will be seen. The association publishes a standard specification for every staple type of product, a specification providing for a reliable and creditable article. There is no compulsion on any member of the association to manufacture to that specification, but if he turns out an inferior article he is not allowed to sell it at less than the standard price; consequently, since the standard specification is well known throughout the distributing trade, if he does not work up to it he can not sell his goods. Taking these arrangements all together, it can be seen that there is no inducement to turn out rubbish, but every inducement to turn out a sound article, and, in fact, quality has been so standardized in this way that at present practically all makers, whether in or out of the association, work to the standard specification."

(C) SELLING.

Transport economies: One considerable economy open to firms in combination is that of arranging that orders shall be executed by the firm nearest the customer. Cases are quoted of firms in the Midlands, prior to the organization of the industry, regularly delivering goods to Glasgow, while a firm in Glasgow was delivering precisely the same goods into the Midlands. Combines and consolidations are in a position to prevent this particular form of waste and, where the product is a staple or standardized article, have done so to a considerable extent. The influence of associations in this connection is less clear. An association that does no more than fix a schedule of uniform prices for delivery at customer's works must make it immaterial to a customer in Birmingham whether he places his order with a Birmingham firm or a Glasgow firm. The incentive to buy near home is destroyed. Many associations, however, have understandings, if not arrangements, for the demarcation of territories. In one such case the English and Scottish groups in an association have a general understanding that "each shall respect the other's home districts and deliver at equal prices into certain intermediate areas." When a number of firms form themselves into an association "poaching" comes to be considered bad form.

The central selling agency: Reference has already been made to the one important example in the United Kingdom of financially independent firms marketing their goods through the medium of a joint selling agency. In that case the arrangement developed into amalgamation of the original concerns, and though the agency still handles the sales of two independent firms, their goods are not to any large extent in competition with those of the dominant concern by which the agency is run. Thus there is at present no counterpart in Great Britain of the German kartell, with its central agency marketing the goods of the financially independent but associated members. As already described, combines and consolidations employ the principle of centralized selling more or less, according to the nature of the industry, but associations have, with few exceptions, left the members free to seek and execute their own orders independently of the rest. A good deal of discussion is, however, being given to the question of creating a central selling agency among the members of some associations, and in a few cases tentative steps are being taken in that direction. The project is principally considered in reference to foreign trade, and the issue resolves itself mainly into whether the present merchant system is the most effective agency for promoting sales abroad that could be devised. It is felt that in practice a central selling agency would supplant all merchants, and though it is recognized that there are many useless and parasitic merchants, whose establishments are a desk and a chair, and who never see the goods they handle, the bulk of the trade is done by well-established and useful merchants, carrying large stocks, whose profits are considered to be not disproportionate to the services they render. The question is one to be decided by the firms and associations themselves. Meanwhile it may be noted that the committee on the iron and steel trades have recently made proposals of a still more ambitious nature. They recommend that "a national selling organization be formed for the purpose of marketing British iron and steel products in an efficient and economical manner."

Determining factors in central selling: The factors entering into the question of centralized versus individual selling as applied to the operations of combines are well set out in the following statement by the head of one of the principal combines in the textile industry:

"If the articles produced at each works are identical, or differ only in qualities dependent upon mechanical or chemical science, then great economies can be effected in this respect. It is difficult to generalize on this point, so much depends upon the commodity sold—whether it is sold direct to a retail or wholesale customer, whether it is what can be described as a luxury, whether the material in the semimanufactured state belongs to the seller or to the buyer, whether the cost of the article sold depends on the degree of mechanical skill, or whether its value depends upon something much less tangible, namely, the changeable taste of the public. If all the works in a combine are producing the same article made from raw or partially manufactured material owned by the seller, sold direct to the retailer and advertised to the public, large saving can be effected; but a change in any one of these conditions renders the saving more difficult, and if they are not present, the saving becomes problematical, or at the best is very slow."

Agents or representatives abroad: The advantages of direct representation abroad, which is open only to a substantial concern, as compared with sale through commission merchants or general agents through whom the small manufacturer has to work, have been stated as follows:

"Careful study of the markets, their requirements and demands, is essential, and here lies one great advantage of amalgamation, as small firms can not afford to have sole representatives in each market, and therefore must depend on agents or merchants advising them as to the value and suitability of their products. An agent may be acting for firms representing many different trades, and know little about any one of them. A commission merchant is chiefly interested in securing business for the trades which give him the best return, and withholds the information he obtains as much as possible, using it often in a way which will push the products of the weakest seller. To some markets the manufacturer is also the shipper, to others the manufacturer sells through commission merchants. A combine can at once derive benefit by direct and sole representatives, as it can afford to send out men from its own staff and so gain knowledge at first hand of the requirements of the markets."

The advantages of large consolidations and combines over smaller manufacturers, whether acting individually or in concert, in the matter of export business is well exemplified in the two following extracts:

"Our trade covers markets in every part of the world, differing in climate, language, coinage, purchasing power of the population, popular taste, and so on. It follows, therefore, that the manufacturer requires to be served by highly trained, educated men, who have made a special study of their subject. We have established an extensive expert selling and advertising organization through which they have been able to obtain exact information as to the peculiarities and requirements of each market abroad. This organization has been placed at the disposal of the manufacturers associated with us, and the result has been that

British goods have been exported to outlying districts in various parts of the world at prices within the purchasing power of the various populations who are themselves better served than if each individual firm were trying to do the trade direct, with all its difficulties and expense. By means of the economies effected by association and with the advantage of the organization already built up, the associated companies have been able to increase largely their export trade. The value, therefore, from a national point of view of the extension of this organization to the associated businesses will be obvious, as by this export trade is obtained the ideal of exchange of British manufactured products for the imported raw materials used in their manufacture. There is also the advantage that the association companies can show their samples in the various branches and salerooms that have been established abroad by us, whilst their interests in regard to trade-marks and customhouse, shipping and banking requirements can be protected by the one organization.

"A central export department with specially trained staff has been set up, direct representatives are sent to overseas markets, attempts are made to study the markets of the world on a large scale and direct touch is endeavored to be obtained with all avenues of trade opened up by the chamber of commerce, the board of trade, the overseas, and other associations; selection of suitable samples for each market are made from the combined productions of the company instead of reckless general and ofttime resultless sampling of every mill's productions regardless of the needs of the particular market involved."

Collective advertising: Where competition among manufacturers has given place to combination, there is no longer excuse for competitive advertising, and publicity expenditure can be more usefully directed to the object of keeping the product itself before the notice of the prospective customer, or at least of booming the product of the particular group as against that of rival groups. This is of especial moment in the foreign trade, and some progress has been made by associations and by publicity bureaus supported by particular industries toward proclaiming the superiority of the British as against the foreign article. In many branches of industry, again, the most fruitful kind of publicity is that directed to informing the customer as to ways of using the commodity. This can be done to some extent by individual firms, but better by firms in combination.

(D) KNOWLEDGE.

Interchange of data and experience: In combines and consolidations knowledge as to the best practice in the various branches is available for all the branches. Associations have as yet gone but a little way toward securing a similar free interchange of information among the members, but regular meetings, often accompanied by a lunch or dinner, of those who would otherwise be jealous competitors, conduce to a friendly atmosphere in which exchange of views upon all matters concerning the trade take place. Naturally information as to economical methods and processes is thrown into the common stock much more readily where there is some community of financial interest such as that afforded by a pooling system. Where there is an association it appears to be much more common for manufacturers to visit each other's works.

The standardization and interchange of costings: Many of the unpleasant features of the competitive system are to be attributed not so much to inherent weaknesses as to the fact that most manufacturers have had no precise knowledge of what any particular article cost to produce. Consequently they have been dragged at the tail of something called "current price," and have stood out for more or taken less for this or that article, without knowing whether they were losing or gaining on the order. The result has been to place industry at the mercy of bluff and chance, and the industrial death rate has been high. Apart from any question of combination, the standard of practice in this respect was improving, but the improvement has been much accelerated in those branches of industry that have coalesced into combines or consolidations, for in a large concern accurate costing is a condition of existence. Moreover, in such concerns it is necessary that costings at all the branches shall be made on a uniform basis, and when that is achieved comparisons are easy and it is possible to see at a glance from the costing sheets where costs are excessive, while the lowest costs recorded give a standard to which the whole can be brought. It is open to the smallest manufacturer to institute an accurate costing system, but without combination the advantages of comparison can not be secured. The more advanced and progressive associations have already done a good deal in the way of introducing standardized costing systems among their members, and steps have been taken in some cases, if not for the general circulation of detailed costs in the various works, at any rate for the circulation of attainable costs calculated on the average of several of the more efficient firms. With this schedule at his disposal, the less efficient manufacturer can compare his own costs item by item with those given and see just where his methods are at fault. But as regards the vast majority of associations the improvement of the general level of knowledge and efficiency, either by standardization or interchange of costings, has not yet been attempted.

Scientific and technical research: More and more industry is coming to wait upon scientific research and technical experiments, requiring expenditure on a scale far beyond the means of any except the largest and wealthiest firms. To such industries combination in some form is essential if British products are to hold their own in world trade. Many of the large combines and consolidations have their extensive laboratories and experimental workshops, one British firm being known to spend £20,000 a year under this head. Research on such a scale is far beyond the range of any trade association thus far organized or conceived, but the department of scientific and industrial research, working in conjunction with the professional institutes and the university laboratories, will enable independent firms to collaborate in promoting research, the results of which can be placed at the disposal of the whole industry.

Collection and distribution of statistical information: It is essential to the efficient and stable conduct of an industry that some central bureau shall be charged with the duty of following the course and prospects of the trade generally and keeping the component firms of the industry informed of its broad features. A service of this kind can be cooperatively conducted apart from any combination for the regulation of the trade, but where there is such combination particulars of trade done and orders in hand are more readily obtainable, and the information circulated is consequently of greater value.

SECTION V.—THE DANGERS OF COMBINATION.

Pitfalls and drawbacks: Combination holds great possibilities of economical and efficient production and of improved distribution at lower cost, but it does not invariably or necessarily insure their attainment. It brings in its train dangers, weaknesses, and drawbacks which under ill leadership or misguided policy may produce injurious effects, outweighing the benefits. Even on the score of productive efficiency the passing of independent firms under unified or concerted control is not all gain. Where a working unit grows beyond the compass of one man's personal detailed direction "system" must replace that direction, and system can easily degenerate into bureaucracy and red tape. What is gained in power and knowledge at the center may be lost in freedom and strength at the circumference, and the overgrown unit is in constant danger of becoming inefficient and reactionary. That individual initiative and enterprise which went to the making of the independent businesses now amalgamated in one giant concern may no longer be stimulated or find expression when the former proprietors become salaried officials, even though they have seats on the board. Independence being destroyed, self-reliance may be weakened. Again, behind the shelter of monopoly a comfortable somnolence may descend upon the whole concern; the fear of change is a well-known characteristic of large administrations, and the large unit may become stagnant or even reactionary. There is a danger of all higher direction passing into the hands of old men and of young minds and ideas being smothered, whereupon it ensues that young men of the best type are not attracted to the business and the level of the higher personnel may gradually decline. The combine and the consolidation have as yet barely spanned a generation, and it is a commonplace that they are still trading upon the momentum of energy and business acumen developed in the formerly separate businesses under competitive conditions; whether the succession can be maintained from men brought up within the combine is a question never long absent from the minds of those upon whom the responsibility for large businesses rests.

Means of defense: Whether combination results in improved economy and efficiency or not depends upon how far the persons concerned set to work to realize the possibilities it offers; but combination implies a limitation of competition, and where competition is effectively suppressed and a virtual monopoly is established it is within the power of the combination to raise prices above the competitive level of "just about right." Where a large concern has what amounts to a virtual monopoly of a trade it can make profits that are not the outcome of efficiency and can use its financial strength against any would-be rival. There are limits to the extent to which this can be done, but a powerful monopoly must be far gone and the capital at the disposal of the newcomer must be large before an attempt at setting up a rival establishment can be made with reasonable prospect of success. A combination can fortify its position against intruders. It can come to terms with merchants or retailers that they shall not handle any but its own goods, and enforce those terms by conditional commissions and deferred rebates. It can go out to attack with "special fighting lines" anyone who tries to interfere with its trade and drive him out by undercutting or compel him to join the combination and conform to its schedule of prices.

The raising of prices: Most associations have been formed with the declared or implicit object of raising prices. In one important case it is bluntly said that "the object the association has in view is that of raising or keeping up the price to the buyer * * *," but for the most part a modified phraseology is used, such as "preventing price cutting," "avoiding cutthroat competition," "securing fair and reasonable prices," "agreeing on prices," "placing the trade on a more stable basis," "providing a fair return on capital and energy," the contention always being that prior to the formation of the association prices were lower than they ought to have been. Any desire to raise prices above what is "fair and reasonable" is invariably disavowed. "It should be clearly understood that the objects of the association have not been to obtain unduly high prices, but to secure a reasonable profit to the manufacturer." It is explained in some cases, rather by way of afterthought, that larger profits need not in the long run entail higher prices to the customer, but may be secured as a result of economies in production and distribution, but the immediate object and the incentive held out to manufacturers reluctant to come in has been higher prices. There is nothing inherently improbable in the claim that certain industries at certain times have been underremunerated, and no blame attaches to manufacturers for combining to improve their position. But the fact that combination can be used to raise prices from low to medium suggest that it can be used to raise them still further from medium to high.

Price associations: Associations which confine their activities simply to the fixing of prices are doubtless advantageous to the manufacturers or traders who comprise the association, and they may result in some advantages to the public generally, in that the fluctuations of trade and waste of effort attendant upon fierce price competition are eliminated. They make a certain appeal to the contractor and retailer, in that each has an assurance that his competitor is buying at the same price as himself, and all can depend in sending out estimates on a reasonable stability of the price of materials. Again, if the regulation of price by an association results in prosperity and security to an industry it is possible that the increased profit may be spent upon improvements, so that in the long run the public may gain the advantage of cheaper goods. But unless there is community of financial interest over and above price regulation among the members, there is still competition, for it is to the advantage of each to increase the volume of his trade at the expense of the rest. Prices being uniform, competition becomes a matter of quality, and still more of publicity and sales effort, and expenditure in these directions can be afforded most largely by those firms whose costs of production are low. It follows that a firm that knows how to produce good articles at a low cost will keep its knowledge to itself. The fixing of prices adds little to the influences making directly for efficiency and ultimate lower cost.

Price comparisons deceptive: The immediate effect of price associations has avowedly been to "improve" prices. Whether in the long run the prices so raised have remained above a "reasonable" level is a question that can not be answered. There is no standard of "reasonableness." (A definition of "reasonableness" has been given in parable form thus: A publican, who had the painters in, sent along to them some beer which had gone off a little. Inquiring later how they found it, he was told it was "just right." He said, "How do you mean, just right." They said, "Well, Guvnor, if it had been any better we shouldn't ha' got it, and if it had been any worse, we couldn't ha' drunk it, so what we say is, it was just right.") Moreover, figures afford little guidance as to how far prices were raised as a result of association, for the reason that the price of materials and labor and the condition of the markets is constantly changing. If materials are going down and improved plant is being introduced, it does not suffice for an association to say "we have not raised the price." The question is whether, as a result of combination, prices were higher than they would otherwise have been. This point will be of especial importance should there be a fall in the general level of prices during the next few years. Instances can, of course, be quoted of rings of manufacturers, carriers, or traders deliberately conspiring to extort in an emergency fantastic prices

from the public or the Government, but we are here concerned with associations presiding over, or consolidations engaged in, steady trade in normal times, and in that connection little more can be said than that the power conferred by monopoly is capable of being used to exact immoderate prices.

Price and cost of production: Where an association fixes prices, and stops at that, there is unquestionably a strong tendency for prices to rise, for they will be fixed at such a level as to enable the least efficient firm of the group to pay its way. But where an association goes further, and works for the raising of efficiency throughout the industry as near as may be to the standard of the best, the schedule price may be no higher than the average of what would have ruled under continued competition.

Profits depend upon the margin between the cost of production and the selling price. Although exceptions are not wanting, it may be said generally that the result of combination has been to increase profits. The spokesmen of combinations are at no pains to extenuate this fact—they rather point to it as evidence that combination justifies itself. The manufacturer, they explain, is an important member of the community, and it is in the national interest that his services should be adequately remunerated. They contend, further, that an ample margin of profit is indispensable to the proper conduct and development of a manufacturing business, in that it encourages and enables the manufacturer to improve his processes and methods, scrap old plant and install new machinery, undertake structural alterations and general reorganization, and thereby result in his being able to reduce appreciably his costs of manufacture. Although the assumption made here that profits are mainly expended on improvements is by no means universally true, it is doubtless often the case that works which, in the absence of a decent margin of profit, go from bad to worse would be brought up from bad to better if the profits would allow of the necessary expenditure; but the suggestion that high prices at present are justified, in view of the low prices they will permit in the future, has something in it of the "jam to-morrow" argument which Alice found so unsatisfying.

Stability and uniformity of prices: Reference may be made in passing to the good influence exerted by combinations upon the steadiness of prices and the advantages that follow from all customers knowing that they are buying on the same terms. The following extracts will serve to illustrate this:

"The builder, plumber, or joiner, etc., prefer regular prices, because, in tendering for a contract, they know that their competitor can only procure these materials at the same price as themselves, and they are in no danger of being out of the running through some rival having made a fortunate purchase of the raw material.

"Buyers have frequently told me that they prefer to have uniform and stable prices, and to be assured that they can buy their goods as favorably as their competitors.

"We have been asked whether we have got any objection or whether we have found any disadvantage from prices being fixed by the association. Our answer to that question is, generally speaking, that we do not. We feel that it is an advantage to our trade as consumers and contractors to have the price steadied. It is much better for us to know what we have got to pay for stuff ahead, and have the thing properly regulated, than it is for us to be at the mercy of all sorts of jumps in prices or drops in prices, neither of which is conductive to the best interests of our trade; and, of course, it is of advantage to us financially to know what our costs are going to be and be able to make our arrangements accordingly.

"As you know, perhaps, I am associated more or less with the steel trade, although our main interest is the engineering trade, and I have known cases where, but for the combination in the steel trade, prices would have jumped about very considerably to the disadvantage of the trade. There have been times when the prices ought to have been put up because they have been too low, but the steel trade association has felt that it would be better to steady the position rather than to put the prices up."

Effect on output: Differences of opinion as to the effect of combination on volume of output arise from failure to perceive the difference between "supplying the demands of the market in full" and "supplying what the market will take at the price." As regards the great bulk of manufactured articles, the latter phrase alone has meaning. The records of combination naturally provide no case of manufacturers in combination curtailing the output of their wares, except for the purpose of preventing the slump in prices that would result from a glut, or of raising prices by creating a comparative scarcity. Limitation of output is quite consistent with supplying the effective demands of the consumer in full, for demand is conditioned by price, and if the price is raised by limitation of output, demand is to a greater or less degree depressed. This is accepted as a matter of course when the evils of over-production, and the useful part played by combination in preventing it, is under discussion. "More was being produced than was really required, and prices were at the lowest ebb." But there is a reluctance to acknowledge that when prices are raised the effect is likely to be a reduction in the amount produced. The effect of price on demand is, of course, uncertain and variable. The sales of some commodities, for instance, are influenced not nearly so much by their own price as by the price of the finished article, of which they form part. "The consumption of cement is not determined by its selling price at the works of the manufacturer, but by the total cost of the finished work of which cement forms but a small part." Yet over the whole range of manufactures demand, and consequently output, are conditioned by price. Thus, while it may be said that the main effect of combination on output is not so much one of restriction as of regulation and that its main tendency is to keep productive capacity roughly equal to effective demand and to distribute work with rough equality throughout the industry, yet the restrictive effect of higher prices on demand can not be left out of account, and it must be recognized that in so far as combinations raise prices they occasion what amounts to a restriction of output.

Effect of the quota system on output: It is confidently asserted by the promoters of "pooling" associations that the effect of the system is not to diminish output. It is explained that under the system the total output is neither fixed nor even regulated, but is free to expand or contract in accordance with the total demand. It is difficult, however, to accept this view without some reservations. Since those who increase their output beyond the average are penalized and those who fall below the average are rewarded, it would appear that the aggregate output must tend to be less than it would have been in the absence of any "pool." Yet such statements as "there has never been a time when we have failed to supply the utmost demand of the market" are doubtless made in good faith and have a certain truth. What happens is that under the influence of the penalties and rewards prices rise, and though the whole demand at the increased price may be met, it is a demand depressed to some extent by the greater costliness of the article. This appears in every way likely to be the immediate effect of the pool system; but against it may be set the consideration that in the long run the gains of steady and equalized production in the various works composing the industry and the greater efficiency due to the removal of obstacles to the interchange of knowledge may accrue to the public in the shape of lower prices, whereupon demand may recover and output increase.

Effect of the quota system on efficiency: It is further contended that the pool system makes for more efficient production in that it provides an inducement to the less efficient manufacturers to let their business, or at least that part of their business for which they are worst equipped, go to the more efficient. Attention is particularly directed to the fact that the ratio of output between the different firms working under a pooling arrangement is by no means exactly maintained. The margin of profit that can be made by an inefficient firm may be so small that it will choose to close down and draw the compensation, while the firms that are manufacturing most economically may find it well worth while to do more than their quota and pay the penalty. This transference of work from the less to the more efficient firms does in fact take place to a considerable extent, and it can not be doubted that as a result production is carried on to greater advantage, but it is not so clear that much of the advantage accrues to the general public, since the greater part of the gains of increased efficiency go in the form of compensation to the less competent producers. Free competition, it may be suggested, equally leads to business passing from the less to the more efficient, with the advantage that the retirement of the incompetent is effected without compensation. To this the reply is made that in practice the ill-endowed and ill-circumstanced manufacturer, and particularly the ill-placed small man, clings tenaciously to life and struggles along on the brink of ruin year after year, a source of weakness and danger to the whole industry and of expense and waste to the community at large. It is asserted that, with a vexatious disregard of the laws of economic science, he refuses to be eliminated and that in practice it is quicker and cheaper to pension him off than to starve him out.

SECTION VI.—CIRCUMSTANTIAL SAFEGUARDS.

What constitutes an effective monopoly: It has been made plain that where associations, combines, or consolidations have an effective monopoly of a trade competition can no longer be relied upon to insure that the prices charged and the profits made are "just about right." It is not necessary for a combination to comprise the whole trade to exercise an effective monopoly. It is stated by those who have had to do with the formation of combinations that an association or a consolidation can not effectively dominate prices unless it has at least 80 per cent of the output within its jurisdiction. Under this percentage the competition of the "outside" producers will rule price; above this percentage outside firms will follow the price of the association or dominant firm. Practically all the associations here considered comprise this 80 per cent or more, otherwise they could not exist as price associations, and there are many combines and consolidations which embrace more than the prescribed percentage. It may now be inquired how far outside circumstances and considerations impose limits on the power of combinations to raise prices against the consumer. When the safeguard of competition is no longer operative, are there other natural safeguards which come into action to protect the public against extortion and to check any tendency to abuse?

There is unanimous testimony from those connected with combinations having an effective monopoly to the effect that "we would not if we could, and we could not if we would, raise prices above what is fair and reasonable." This claim demands careful consideration, for if it can be established there is no menace in combination and no legislative or administrative safeguards are required against abuse of what would appear to be monopolistic power. The reasons advanced in support of this position come under seven heads, as follows:

Effect on volume of trade: It has been suggested that the raising of prices above what is reasonable would defeat its own object in that the volume of trade would shrink, plant would be idle, dead oncosts would be incurred, and the yield from the higher prices would be more than offset by the reduction in the gross earnings. This is certainly a factor to be reckoned with in calculating what price will yield the largest measure of profit, but in most industries, assuming an effective monopoly, an enormously higher price could be exacted before the higher profits on the smaller output totaled less than the smaller profit on the larger output. Consideration for the effect on sales is not in itself a dependable safeguard.

Collateral competition: There may be an effective monopoly in one article, but if some other article can be used in its stead the undue raising of the price of the first will tend to drive customers to the second. Timber, steel, brick, stone, and concrete can be substituted each for the other to some extent in building, and if one becomes disproportionately dear another will be used in its place. Galvanized sheets are in competition with composition roof material and with tiles. Wood bedsteads are in competition with metal bedsteads. This "collateral competition," as it is termed, undoubtedly acts as a check on the raising of prices to a point which would encourage the use of the nearest alternative, but it does not insure that the most desirable article will be sold at a just price. It is, moreover, an easy step from the monopolistic control of one article to concerted control of two or more articles that might be in collateral competition with each other. Collateral competition is a safeguard of limited range and reliability.

Potential competition: The reason advanced most frequently and with most assurance—why a combination can not raise prices above a reasonable level—is that the result of so doing would be to bring new people into the trade; in other words, the surest safeguard against abuse of combination is competition. Many facts can be adduced in support of this contention. Cases can be quoted in which the mere formation of an association, by rousing expectations of higher prices, has brought new firms into the business; as also of small firms being started for the very purpose of compelling a large consolidation to buy them out. But the efficacy of potential competition depends upon how easily new people can start up in the industry, and a combination which is so minded can make it not at all easy. Various obstacles can be placed in the way of a would-be entrant. The channels of the distributing trade can be closed against him by exclusive-dealing contracts secured by deferred rebates. The sources of materials and plant used in the industry may be fenced off against him by similar arrangements and understandings. Again, the inducement to start in the trade may be considerably damped by the fear of a concerted underselling or boycott campaign on the part of the combination. Yet, again, the industry may be such that a small working unit has no chance against a large, and if a large consolidation is already in possession of the bulk of the trade it may be exceedingly difficult to raise capital for a rival venture in view of the fact that a battle royal with heavy

losses on both sides must ensue. In the face of these handicaps and hazards it may well be that though a profit of 10 per cent would be enough to make new capital and enterprise look longingly at an industry it would require a profit of 30 per cent to induce anyone to start up against an existing monopoly. Still further, it is a commonplace that where an outside firm does establish itself efforts are sooner or later made to take it into the combination, whereupon competition again ceases. Representatives of combinations set great store by the safeguard of competition and have explained that they take no action against independent rivals "so long as they do not interfere unfairly with our trade; if they do that, we take steps, of course, to defend it," but "unfair interference" turns out on inquiry to mean "selling at less than our prices." Distinctions of the same kind are drawn between "legitimate" competition, which should be tolerated, and "illegitimate" competition, which should be suppressed. "If our customers are satisfied with our goods and prices and some one comes and tries to take our trade by offering at lower prices, that is illegitimate competition, and we are justified in taking action against it." There can be no doubt that potential competition is always present in some degree as a restraining influence against extravagant prices and profits, but it can not be considered an effective safeguard against monopolistic exactions of a "moderate" kind.

Balance of power among combinations: Where one powerful combination (as of steel makers) supplies its products to another powerful combination (as of bridge builders) the second can bring restraining influences to bear against any tendency to extortion on the part of the first. One large user of steel has stated, for example, that from time to time the steel associations had put up the price to what he considered an unreasonable one, and when that had happened he had gone to the steel makers and told them that unless they could show good reason for the price they were asking he and other users would join together and put up a works of their own. With that resource in hand he had always, he said, got satisfaction. As the movement toward combination proceeds this "balance-of-power" factor will increase in range and moment. There appears to be some possibility, however, where effective monopoly exists of users of semimanufactured products regarding undue prices with a tolerant eye by reason of their being able to pass the charge on to the public. Some traces of this attitude are to be found in another statement on the same point: "Even if we had to pay rather higher prices people who had learned the benefits of their own association would not object to paying a little more to another."

Cooperative competition: Combinations of producers or traders can be balanced to some extent by combinations of consumers, and the spread of the cooperative movement, with the possibilities it holds of wider applications, provides one check to the undue raising of prices by the makers and distributors of certain classes of goods. Hitherto the cooperative movement in this country has been concerned mainly with the retail distribution of goods bought in the ordinary way from commercial producers, but manufacture by the societies, whether individually or in federation, of the goods they retail is a natural development and one that has made considerable headway. Any tendency to monopolistic extortion by the manufacturers of such goods must accelerate the movement, and that fact constitutes an ever-present check on abuse; but the principal is not of unlimited application, and where large-scale production is attempted the cooperative organization tends to get out of the control of the heterogeneous body of consumers and itself to partake of the nature of a combination worked in private, or at least in bureaucratic, interests.

Sense of equity and prudence: A reason frequently put forward why a combination "would never put up prices beyond what was reasonable" is that "it wouldn't be right, and what isn't right doesn't pay in the long run." There is something more in this than the fear of drawing competition. It is a feeling that the combination must keep in the good graces of merchants, retailers, and public, or there will be disgruntlement and friction, which will result in losses outweighing the ill-gotton gains. The combination must "keep a good name"; and, above all else, anything like a public agitation or a scandal must be avoided. "We have to think not only of the moment but of the future," and prudence enjoins that gross advantage shall not be taken of any momentary power to fleece the public. Sensitiveness on the score of equity is not easily squared with the commercial ethic which makes buying in the cheapest market and selling in the dearest one of the prime virtues, and self-restraint by combinations is more probably due to prudence. It would appear that prudence has, in fact, governed the conduct of most combinations in the past, but public feeling is roused not by what is but by what is known, and unless means are taken to make public the facts as to cost of production in relation to prices and profits, camouflage may prove an easy substitute for self-restraint.

Foreign competition: There is ample evidence that in industries subject to foreign competition that competition acts as a check upon any tendency on the part of combinations in the home trade to raise prices unduly. But its importance can easily be overestimated. Industrial combination has no frontiers. Before the war British and foreign manufacturers of many staple articles had their understandings, agreements, and associations embodying arrangements for the regulation of prices and the delimitation of markets. In respect of other commodities, associations of manufacturers in this country have come to terms with the whole body of British merchants handling their product whereby foreign goods, whatever their price and however free their entry, were shut off the British market; and in the case of more than one British consolidation, the ramifications of the firm are so wide throughout the world that any question of foreign competition in the home market is meaningless. Foreign competition has acted, and will again act, as a check upon any tendency to abuse of monopoly power in certain branches of manufacture, and that factor should be taken into account among others in considering fiscal policy, but its sphere of influence, never so wide as popularly supposed, will in all probability be narrowed still further in the years immediately ahead.

Circumstantial safeguards inadequate: These "circumstantial safeguards," as they may be termed, have undoubtedly some considerable measure of restraining influence over the exercise of monopoly power in particular cases, but even when the fullest consideration and weight are given to each and all, it remains evident that when competition is limited or suppressed as a result of combination there remains a variable but often wide margin of price and profit within which the combination, if it cares to use its powers, can enrich itself at the expense of the public. But over and above the menace of extortion there is the menace inherent in all great aggregations of wealth and centralizations of power. Large areas are being carved out of the industrial domain and formed into autonomous industrial states ruled by industrial magnates, whose word is economic law and whose warrant runs as far as the industry reaches. By the exercise of monopoly power they may not only levy tribute on the people but by their influence and wealth they may bring undesirable pressure to bear upon the administration. It is not necessary to say that combinations have, in fact, thus used their powers. Allegations are made of particular combinations maintaining large secret-service funds for the purpose of "obtaining subsidies, strengthening their monopoly, and acquiring a hold over the press by methods of bribery and corruption," and of combinations in general "exercising great influence where their interests are at stake * * * resulting in the maintenance of prices to the consumer and the direct or indirect influencing of concessions by political and semipolitical means," while inability to get information in regard to combinations is explained on the ground that "there is great reluctance on the part of individual traders to appear formally in opposition to powerful interests." Without entering into the question of the truth of these allegations, it suffices to say that the power to do these things is inherent in monopolistic combinations, and that power constitutes a social and political problem of the first magnitude.

Combinations of workpeople: The fact that great, powerful organizations of workpeople—the trade-unions—exist alongside the combinations of manufacturers and traders does not affect the general truth of the above account of the position toward which the economic system is tending; it merely introduces into the problem of monopoly a supplementary issue as to the proportions in which any gains derived from the exercise of monopolistic power will be divided as between employers and workpeople. Testimony to this is to be found in the fact that on the employers' side separate and distinct organizations exist in many industries for the regulation of trade and for dealing with labor questions. The counterpart of the trade-union on the employers' side is the employers' federation; those two being paired off, the trade association stands as an organization that can justly be considered separately. Yet, where trade combination amounting to monopoly exists, the trade-unionist, by exacting higher and higher wages, can increase his earnings beyond any "just-about-right" level at the expense not of the employers but of the general body of consumers. Only the traditional belief in the opposed interests of employers and employed has prevented in the past employers and workpeople in industries enjoying a monopoly from conspiring to exploit the rest of the community for their joint advantage, but occasional instances are on record of trade-unions agreeing with the employers that in consideration of higher wages being paid they would safeguard the employers' monopoly by forbidding their members to work for any new firm that might attempt to cut into the trade. Such cases of direct collusion are rare, but much the same result accrues indirectly where wages are paid on a sliding scale so as to vary with the price of the product, for where that obtains labor can satisfy its demands much more easily by forcing a higher price to the consumer than by fighting the employer for a larger slice of the existing earnings of the industry. As the control of industry by joint councils of employers and workpeople on the lines of the Whitley committee recommendations becomes a reality—i. e., is extended to matters of price, output, limitation of competition, and the regulation of the trade generally—the problem of monopoly will assume yet more formidable proportions. It may be suggested that if and when that happens the problem will provide its own solution, for once industry is fully organized in democratically controlled groups, the equitable apportionment of the gains of industry within each group will be provided for, and there will be a balance of power as among the groups which will prevent any one getting more than its fair share of the national dividend. We appear to be moving toward such a condition, but balance of power among the industrial groups is not likely to prove more satisfactory than has been balance of power among national groups. The duty of adjudicating upon the contending claims of the groups must fall, therefore, upon the State.

SECTION VII.—SPECIAL CASES AND ASPECTS.

Before proceeding to inquire into the various ways in which the community can safeguard itself against the abuse of monopolistic power one or two special cases and aspects of combination call for notice.

Deferred rebates: Mention has been made in earlier pages of the use by combinations of the deferred rebate as a means of maintaining monopoly and keeping out would-be competitors from the trade. The system is in extensive use in all branches of industry. It consists in returning to the customer (merchant, retailer, or actual user, as the case may be) at the end of each 6 or 12 months a rebate equal to 10, 12, or 15 per cent on his purchases, the condition attached to the refund being that he shall not, during the period, have bought any of the goods produced by the combination from anyone except the combination.

The effect of the arrangement is that if at any time during that period the customer is offered an article of better value by an outside maker or by a new firm starting in the industry, the buying of that article will cost him anything from 1 to 12 months' accumulated rebates. The result in practice is that he can not by occasional trial and gradual change transfer his custom from the combination to the outsider. It must be one or the other. If he desires to change over he must do so at a stroke, and in making the decision he has to consider that he will be no longer able to get anything from the combination except at a premium of 10 or more per cent. The reasons advanced by combinations for the use of the deferred rebate are not altogether reasons of monopoly. They contend that steadiness and continuity of custom are essential to economical manufacture; that by maintaining an even level of prices (which as the market fluctuates may be temporarily underprofitable as sometimes overprofitable) they are serving the best interests of the customer; and that these mutual advantages can not be secured if the customer is left free to "jump about all over the place," trading with the combination when its prices are below average and going elsewhere when they are above. The most notable example of the use of deferred rebate is to be found in the case of the shipping companies operating liner services, where the fluctuating competition of the "tramp" and the great importance of securing a steady volume of freights if a regular service is to be maintained lends particular weight to the arguments quoted above. In the manufacturing industries there is less agreement among members of combinations as to the advantage of the deferred rebate, and there are some recent instances of the system being voluntarily abandoned.

The tying-clause system of leasing machinery: A remarkable and ingenious method of binding customers to one source of supply is to be found in the case of the boot and shoe machinery industry. The system was invented and first developed in the United States, and was introduced into this country some 20 years ago, since when it has made great headway, the company employing it being to-day responsible for at least 80 per cent of the British output of boot and shoe manufacturing plant. Under the system a machine is not sold, but leased for a term of years, and the conditions attached to the lease are embodied

in a legal document running to something like 10,000 words. In substance, the conditions are that a fixed rent (say, 10 shillings per month) shall be paid for the use of the machine during the continuance of the lease, and a further variable rent, based upon output (perhaps 1 halfpenny per pair of boots handled by the machine). It is further stipulated, and these are the critical conditions, that where there are machines of other makes in the factory the leased machines shall always have preference over the others when work is short; that no other machines of the kind shall henceforward be obtained from anyone but the lessors; that the preceding and subsequent operations on any shoes placed on the leased machines shall be done on machines obtained from the lessors; and that if, on the expiry of the lease, the lessee is not willing to take out a new one for a further period on the same terms he shall pay a lump sum (say, £140) to the lessors. These conditions would give pause to most free business men, for it will be evident that the hiring of one machine must lead, in a progressive business, to the subsequent hiring of others, and the signing of one lease must result in a succession of leases, each tying the manufacturer to the lessors until he is bound to them hand and foot. But the manufacturer can not well help himself. The leasing firm holds patents for certain machines and devices (some acquired from the foster-parent American firm, some of British origin) without which a manufacturer is to some degree handicapped, and the bait of the patented specialties covers the barb of the tying clauses. Again, the efficiency of the firm's organization and the quality of its machinery are beyond question, and an excellent service of operator-tutors, machine tuners, and itinerant operators is maintained, so that the advantages of connection with it are not to be foregone lightly on the score of regard for personal freedom. But once inside the network of the tying clauses escape is difficult. There is indeed a legislative provision that any lessee wishing to terminate his lease and be relieved of his liabilities under it may apply for an arbitrator to be appointed by the board of trade to fix the amount of the compensation he must pay; but in practice the company fixes the amount and the lessee pays it, for in the one case in which a lessee insisted on arbitration his costs alone amounted to five times the compensation demanded. The difficulty of terminating a connection once established is increased not only by the lump sum to be paid whenever a lease ends and a new one is not taken up, but even more by the fact that as lease after lease is taken out on one machine and another the periods overlap, and there will never in the future be a date on which all the leases come to an end and the shoe manufacturer can pay his deferred rents and be clear of his connection. Neither can he escape by dying, for each lease is made binding upon "his heirs, executors, administrators, and assigns." An attempt to mitigate any coercive element there might be in this system was made in the patents act of 1907, wherein it was stipulated that a lessee before signing any lease containing restrictive clauses must be given the option of taking the machine without such restrictive clauses on terms and conditions which he admits to be reasonable, and must declare in signing the tying-clause lease that he has elected to take that "in the exercise of a free and uncontrolled option"; but as the payments under the free lease are always higher, sometimes very much higher, than those under the tying-clause lease, and since the shoe manufacturer making the higher payments has to compete with rivals making the lower payment, advantage is not often taken of the option.

The position at present, therefore, is that 80 per cent of the shoe factories of this country are tied houses, as regards their machinery, to one machinery firm, and for all practical purposes they are tied in perpetuity. It is difficult to say that any section of the community has up to the present suffered pecuniarily in consequence. Contradictory evidence is offered as to the effect of the system on the cost of production of boots and shoes and the price at which they can be sold to the public. At the most, the difference one way or the other is not more than a few pence. It is held on the one hand that the dominant firm has improved shoe machinery and revolutionized organization to such purpose that this country can now compete effectively with America, and has largely increased boot and shoe production by enabling new men to start up in the business who could not otherwise have done so for lack of capital to equip a factory. On the other hand, it is held that improvement and invention would have gone forward in any case, and that what the dominant firm has done has been merely to use its position and power to buy up inventions, develop what seemed likely to suit its own interests, and sit on any that might render its existing machines prematurely obsolete. There is no evidence that the company in question has up to now made inordinate profits, though there is some obscurity in regard to its earnings; but the point is of little significance as compared with the position it is building up for the future, in which connection it may be noted that the corresponding shoe machinery company in America has now a monopoly of 98 per cent of the total output of that country. None of these issues need, however, be decided here; the importance of the tying-clause lease system lies in the fact that it could be applied to other things than shoe machinery. Given the means of getting an initial grip on manufacturers by the possession of some indispensable device or material or component, a sufficiently energetic group of machine makers could, by means of tying-clause leases, bring the whole industry under their domination and hold it and the general public in fee. It may be desirable that the whole of the manufacturers in certain industries should be served by one machine maker. There are possibilities of great economy and advantage. But the method of attaining it by reproductive legal instruments is one that neither the manufacturers nor the public can regard with complacency.

Imports controlled by combinations abroad: In the case of many commodities which are wholly or mainly imported into this country from abroad the price and supply is controlled by combinations in the country of origin. Imported meat is an outstanding example. In the year before the war nearly 60 per cent of the imported beef supply of the United Kingdom was controlled at its places of origin by the American Meat Trust, which further had a considerable hold on the meat-distributing trade in this country, having 144 wholesale branches in 64 towns and about 1,000 retail shops. True, the beef controlled by this foreign combination was not more than one-fifth of the total amount marketed in this country, and the competition of home-produced beef and of beef imported from sources not controlled by the American group was an effective safeguard in normal times against gross manipulations of the general level of prices; but the intervention of a group so powerful between the British consumer and the foreign producer of meat made it unlikely that the British consumer would get the benefit of cheap meat production abroad. The American trust, having acquired a virtual monopoly in the Argentine, was in a position to underpay the Argentine farmer, overcharge the British consumer, and pocket the difference, and the experiences of the war period have shown how far that power can be exercised in a time of scarcity. No legislative measures taken here can curb the power of combinations operating in this way in foreign countries. Import duties might serve to relieve the combination of some of its gains, but discriminatory import duties are difficult to work and precarious in effect. Diplomatic representations can be made, but the method is not likely in normal times to be either desirable or efficacious. The question of the control of international trade by private interests is eminently one for international action.

SECTION VIII.—SAFEGUARDS.

The facts and tendencies, with their implications, reviewed in the preceding pages lead irresistibly to the conclusion that while the growth of combinations is in many ways desirable, some kind of safeguard or check is required to prevent the monopolistic power which combination gives being used detrimentally to the public interest. It remains to ask what form such safeguards or checks should take.

Incentives and rewards: It is to be remembered that the one dominant incentive to industrial enterprise has been the incentive of private gain. It has been with the object of making an increased profit (or of avoiding financial loss) that these combinations, with their attendant advantages, have been formed. Any proposal which denies an adequate portion of the gains of combination to those who have the wit to see its advantages and the energy and ability to achieve them would defeat its own object. A distinction must be made, therefore, between the economic gains of combination, in which those who combine can rightly claim a share by way of reward, and the tribute levied upon the community over and above that reward by the exercise of monopolistic power. If the first is interfered with, the tendency toward beneficial combination may be checked; but steps may be taken to prevent the second without fear of untoward reactions. This does not mean that a combination or consolidation may properly take to itself the whole of the advantages resulting from the saving it affects. Under the competitive system a producer or trader had to offer the consumer some share in the benefits of his superior organization or process. It is not enough for the combination to say that "it has not raised the price." If it has reduced waste, increased efficiency, and is producing at less cost, some part of that benefit is due to the rest of the community.

Repressive action undesirable: Legislative action in respect of monopolistic combinations can take one of two directions. It can be aimed at preventing combination with the idea of preserving competition as the natural and proper order of industry, or it can take the tendency to combination for granted and concern itself with preventing and penalizing any use of the power derived from combination which may prove to be inimical to the public interest. The first may be called "repressive" legislation; the second "policing" action. Monumental examples of the first kind are the American antitrust laws, notably the Sherman Antitrust Act of 1890, which "prohibited, under severe penalties, every contract or combination in restraint of interstate and foreign commerce and every monopolization or attempt to monopolize such commerce," and the Clayton Antitrust Act of 1914, prohibiting certain practices, which were regarded as lessening competition or tending to lessen competition, such as price discrimination tending to monopoly, tying contracts, the holding by one company of stock in another company, and interlocking directorates. Sweeping judgments as to the results produced in practice by this kind of legislative action are not to be lightly made; but the conclusion to which competent critics are forced is that anticombination laws have proved thus far worse than futile. They have produced interminable litigation which has for the most led nowhere; by making combinations of independent manufacturers criminal conspiracies they have encouraged the fusion of firms into great amalgamations; and they have driven combination underground, where its worst qualities have thriven and its best qualities declined. It has failed to break up the huge combination which it has itself indirectly promoted, for, as has been said, "You can not unscramble eggs"; and it has prevented the realization of the beneficial possibilities which aboveboard combination holds.

Associations or trusts: That ill-advised action in this country against associations formed for the regulation of trade would encourage the amalgamation of the now separate firms into great financially consolidated interests is a matter to which the spokesmen of associations call particular attention. They point to the importance rightly attached in this country to the preservation of the "small" man; and insist that his continued existence can be assured only by association—without that aid he must inevitably go down before the "big" concern. Combination, it is argued, in one or other of its forms is inevitable, and the choice before the country is not between free competition and competition restrained by associations, but between associations and consolidations; and the association, if welcomed and encouraged, would have all the advantages of consolidation without its dangers. Association, it is admitted, has in many cases led directly to consolidation, but the reason given is that the public has hitherto looked askance at associations, the law has allowed them no proper status, and amalgamation has been thereby encouraged.

Possible courses of action: The experience of repressive legislation in other countries, and the consideration set forth in the preceding paragraph, lead to the conclusion that any action in this country directed toward preventing combination or limiting the size of corporate business would produce evils worse than any it might cure. The ground is thus cleared for a consideration of the various ways in which combinations might be controlled or supervised to prevent abuse of monopolistic power and to safeguard the public interest, while being otherwise left free to achieve all those economies and improvements which combination alone can furnish.

Nationalization of monopolies: Where industries are by nature monopolistic, e. g., railways, or where in any industry combination has proceeded so far that the whole of the industry is under the control of one corporate interest, nationalization suggests itself as a practicable recourse. Whether it is deemed desirable in any particular instance must depend upon a multitude of considerations, of which the possible abuse of monopoly is but one. Without entering into the general question of nationalization, it is sufficient in the present connection to say that nationalization is not the only alternative to untempered control of monopolistic consolidations by private interests and is hardly applicable to industries in which combination takes the form of associations, agreements, or understandings.

State control of monopoly prices: Much experience of the control of prices by the State has been gained during the war period. The results have not been such as to leave any widespread desire for its general continuance after the balance of supply and demand has been restored. But since the abuse of monopoly power mainly finds expression in prices being raised or kept above the level at which they would otherwise have stood, it is arguable that the State should retain per-

manently the control of prices in all cases where, as a result of association or amalgamation, there is effective monopoly. But the difficulties of applying any such partial control of prices are great. Monopoly gains are so mixed up with ability rewards and other factors that without painstaking analysis it is impossible to distinguish them except in glaring instances, but unless a fairly definite line can be drawn, the partial application of price control is hardly practicable. Again, monopoly may be local as well as national. The village shopkeeper who has "no opposition" can, and often does, take advantage of his monopoly. Would his prices be subject to departmental regulation? The difficulties inherent in partial price control may not be insuperable, but they do not offer a patently simple way of dealing with monopoly.

Public competition: Where it appears that a combination is so entrenched in a position of monopoly or so favored by circumstance that private enterprise can not well enter the field in competition, it is possible for the State or a public authority to do so. The war period has furnished many examples of the application of this check, and attention has been called to the fact that the chief lever by which the Government obtained the most substantial reductions in the price of war material was the experience gained of the actual costs of production in national factories. It has to be borne in mind that in these cases the State was producing for its own use and not for sale, and the extension of the principle to marketable goods in normal times would in most cases necessitate the setting up of machinery of distribution as well as of production, but it will offer itself as an alternative to nationalization should that policy be under discussion in respect of any undertakings which are not natural monopolies.

Profit limitation: Since the real object in monopoly prices is to increase the profits of the persons wielding the monopoly, the fixing of a maximum rate of profit suggests itself as a possible safeguard against abuse of power. If the proposal be to apply such maximum rate only to industries in which monopoly exists, the difficulties of demarcation already referred to are again encountered. But a more perplexing question, one arising immediately whether the profit limitation be partial or general, is "profit on what"? If 10 per cent be fixed as the permissible maximum, is it to be 10 per cent on share capital—which may be merely nominal or heavily watered—or on share and loan capital; or on the assessed value of the business, with or without good will; or on turnover; or on ascertained costs of production; or on prescribed costs of production? Of these various bases for any all-around scheme of profit limitation to be applied to individual businesses, cost of production is the only one that seems likely to bear examination, but among the items that make up cost of production are wages, salaries, commissions, and fees, and unless these were regulated not only could they be increased at discretion but the higher they rose the larger would the allowed "profit" be. The anomalies that have resulted during the war from the application of the cost-of-production-plus-10-per-cent principle, even as applied to the repetition manufacture of standardized articles, such as shells and standard ships, are well known; it is not seriously believed that the principle could be applied in peace time to the endless kinds and varieties of articles produced for civil use. The amount of accountancy and inspectorship required would probably discount many times over any advantage accruing from the prevention of undue prices.

Sliding-scale profit limitation: The application to industry generally of the "gas-works clause," which provides that any increase in dividends paid shall be accompanied by a pro rata reduction in price, has been suggested. But a gas works, like a railway, is in its nature monopolistic, and in virtue thereof such enterprises require parliamentary sanction and must accept legislative control. Even in such cases the effects of control on the quality and price of the services rendered is a subject of contention; but the fact that the enterprise will have a virtual monopoly is not in dispute, and it is agreed that control, whether for good or ill, is necessary. But to apply the principle to all firms in all industries is a proposition of another order. To apply it to firms or associations which are believed to be in a position of monopoly is again to encounter the difficulties of demarcation, while the question of the difference between share capital and the actual value of the business remains.

Profit limitation by averages: A formidable objection to most schemes for profit limitation is that they tend to disallow any rewards for superior ability of management and even to penalize efficiency. But a scheme of considerable ingenuity which, it is contended, would not have this effect has been put forward. It is suggested that, assuming the majority of the firms in any industry to be in an association, the average rate of profit of these firms should be limited to a certain percentage; rate of profit being understood to mean the percentage added to the gross cost of production (including material, labor, salaries, rent, rates, taxes, etc.) in fixing selling prices. Thus, suppose the maximum average rate of profit were fixed for a given industry at 10 per cent. If at the end of a financial year it were found that the average rate actually made worked out at 12 per cent the State should require each firm to pay the treasury a sum equal to 2 per cent of the cost-of-production value of its output. To facilitate this arrangement the State should require the association to introduce a uniform costing system for the industry. The advantages claimed for this scheme are, first, that it would avoid all the pitfalls of taxing or limiting the rate of profit on capital employed; and, second, that it would not place all the firms in an industry on one flat rate of profit, but would leave the efficient individual firm free to make a much higher rate of profit than the inefficient individual firm. It is further suggested that the scheme would result in the maintenance of reasonable prices, and, consequently, increased output, for if the association found that the rate of profit was running too high it would order prices to be lowered, since it would be more advantageous to get a larger turnover at the lower price and pay no tax than to have a larger profit on a small turnover and pay tax. The scheme further provides that the limit should be imposed individually on all firms not in the association. This would compel all efficient firms in the industry to join the association—otherwise they would be individually limited to 10 per cent profit on turnover. It would induce inefficient firms to join the association because if they remained outside they would not get the benefits of association and would still have to pay any tax levied, because the industry as a whole was exceeding the limit. It would prevent the association being endangered by "black-leg" firms undercutting in quality or price. The principle would apply equally to monopolistic combines and consolidations. These would suffer no hardship if they were compelled to increase their income by increasing output instead of by increasing the profit margin. It is recognized that the maximum profit allowed would have to vary from trade to trade, according to risk and nature of business. The scheme has much to commend it, but it has many weaknesses and drawbacks. It would force, even more than at present, the industries to which it was applied into groups of ironclad combinations. It would require cohorts of inspectors and accountants, men of high business faculty, who might otherwise be employed in constructive work, to spend their energies in testing accounts and in opening out the burrows in which businesses might conceal some part of their gains. The fixing of the average rate would in practice be a matter not of calculation but of political pressure, and thereafter the whole of the industry would be interested in throwing dust in the eyes of the official investigators. Moreover, cost of production is no more absolute than capitalization as a basis of profit estimation, and the rate of wages and salaries would still have to be prescribed. No scheme of profit limitation as yet put forward appears to afford a practicable safeguard against the abuse of monopoly power.

Profit taxation: The appropriation by the State of four-fifths of the "excess profits" of business concerns, as practiced during the war, suggests itself as a possible permanent method of relieving combinations of a substantial part of the gains of monopoly. But if it were proposed to retain the excess-profits tax permanently, a different basis would have to be found. The datum from which excess profits were to start was fixed for the period of the war at "the average profit of any two of the three prewar years." Only in an industrially petrified world could that basis serve for more than a short term; but immediately the replacing of the fortuitous war datum by a prescribed "reasonable" datum is attempted, all the difficulties already enumerated arise. But even were the permanent taxation of excess profits feasible, it is a wholly objectionable method of raising revenue, for it works out in practice as nothing other than an indirect tax on the consumer. No solution of the problem of safeguarding the public interest against the abuse of monopoly lies along the way of excess-profits taxation.

Publicity: Public ownership, control, competition, profit limitation, and profit taxation are limited in scope, difficult of application, or hazardous in reaction, but if fuller publicity in regard to the conduct and earnings of business concerns generally, and of the working and effects of combinations in particular, could be secured, the desired object would be in great measure achieved. Greater publicity would serve three useful purposes. By making known the profits of business concerns, it would stimulate the flow of enterprise and capital into industries in which the demand was greater than the supply; by bringing the operations and effects of combination into the light, it would relieve many unfounded or exaggerated suspicions on the part of the public; and by insuring that extortion should be publicly pilloried, it would do much to prevent its being practiced. In quite respectable business conduct, as in other human affairs, many things are done which would not be done if there were a greater probability of their being made known. "Light is the sovereign antiseptic, and the best of all policemen."

Obviously it is not practicable to require that every business concern shall publish the details of its finances, costs, etc., to the world. The suggestion has been made that all business concerns (one-man businesses and private companies included) should be required to publish balance sheets after the manner of public companies. The provision in the latter case was originally made for the protection of the shareholder, and it is agreed that now the interests of the public are seen to be no less involved, the distinction should be swept away. Some gain would doubtless follow, though at considerable cost, from such a measure; but the great majority of the firms constituting combinations are already public companies, and, further, more intimate information than any balance sheet affords is required for the investigation of suspected cases of monopolistic extortion.

Public supervision: The conclusion therefore reached is that there should be established a department of State charged with the duty of informing itself as to the nature, extent, and development of combination of all kinds in so far as they tend to the restraint of trade and the creation of monopolies, and of making preliminary inquiry into complaints made in regard to them; and that a tribunal should be set up to which the department could apply for powers to obtain particular information, and would refer for full investigation cases in which combinations appeared to act injuriously to the public interest. The requisite publicity would thereby be secured in two ways—the relevant facts as to offenses proved before the tribunal would be made public and the department would present annually to Parliament a report upon the nature, extent, and development of combinations. Publicity thus secured would not only be in itself a considerable safeguard against the abuse of monopolistic power, but it would serve to reveal actions and developments for which publicity alone was not a sufficient safeguard and against which further action should be taken, whether in the form of nationalization, public competition, or the control of prices or profits.

—

Notes as to the law relating to combinations.

(Prepared for the committee on trust by Sir John Macdonell.)

I. STAGES IN THE HISTORY OF THE LAW.

Before making suggestions as to the changes desirable, in view of existing economic conditions, in the English law relative to combinations, I may very briefly describe the stages through which it has passed.

I exclude the subject of labor combinations, which are, I understand, held to be outside of the committee's field of inquiry, and which involve many special considerations.

These stages are not entirely distinct; they overlap. As to all of them one observation, on the whole, holds good. In developing the law as to combinations, the courts have been mainly, though not avowedly, guided by the economic theories prevalent from time to time—perhaps, to be more accurate, by the political economy of a past age, for it will be found that the courts are rarely abreast of the latest economic teaching.

(1) The first stage was one in which was hostility to monopolies, especially those created by royal grants; a period in which was passed the Statute of Monopolies (21 Jac. I. c. 3); and in which was decided the case of Monopolies (VI. Reports 159), containing the classical exposition of English law on that subject.

In this period there was a tendency, not very strong or logically carried out, to recognize certain services as of the nature of public services in the sense that they were essential to the community, and that they tended to be of the nature of monopolies. Such services, for example, as those of common carriers, owners of wharves, harbors, and ferries were regarded as subject to control in the interest of the public. (See Hale "de Jure Maris," "de Portubus," and "Concerning the Customs" (Cargrave MS.).

There was also a tendency to legislate with respect to certain commodities as necessaries, and to be, therefore, protected against "rings" or "corners," the outcome of which were statutes as to forestalling,

regrating, badgering, etc., the fears as to which Adam Smith compared to the popular terrors and suspicions of witchcraft (2 Book IV. C. V.).

There was a second period, which may be described as one of limited individualism, in which the efforts of the courts were to maintain competition. In this period the public interest, if at all considered, was supposed to be equivalent to that of the private. The courts acted in the spirit of Adam Smith's remarks:

"Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest in his own way, and to bring forth his industry and capital into competition with those of any other men or body of men," a system productive, Adam Smith contended, of the maximum benefit to the individual and to society.

The tendency of the courts toward individualism was tempered by the fact that the guild system still subsisted, and was viewed as legal. See remarks of Parker, C. J., in Mitchel *v.* Reynolds (I. P. Williams, 181), where it is stated:

"Restraints by custom are of three sorts—

"(1) Such as are for the benefit of some particular persons, who are alleged to use a trade for the advantage of a community, which are good.

"(2) For the benefit of a community of persons, who are not alleged, but supposed to use the trade, in order to exclude foreigners, held good.

"(3) A custom may be good to restrain a trade in a particular place, though none are either supposed or alleged to use it.

"Restraints of trade by by-laws are these several ways:

"First. To exclude foreigners; and this is good, if only to enforce a precedent custom by a penalty. But where there is no precedent custom of the trade such by-law is void.

"Second. All by-laws made to cramp trade in general are void.

"Third. By-laws made to restrain trade, in order to the better government and regulation of it, are good in some cases, viz. if they are for the benefit of the place, and to avoid public inconveniences, nuisances, etc. * * * One end of all markets is that the commodity may be viewed; but then they must not make people pay unreasonably for the liberty of trading there.

"Voluntary restraints by agreements of the parties are general or particular. General restraints are all void. Particular restraints are either without consideration, all which are void, or with consideration, where a contract for restraint of trade appears to be made upon a good or adequate consideration so as to make it a proper and useful contract, it is good."

The judges of the eighteenth and nineteenth centuries, who quoted the dicta of the judges of the seventeenth century as to restraint of trade, often forgot that there then existed the guild system, under which labor was organized, and restraint of trade in certain forms and circumstances was legalized.

There was a third period—one of intense individualism—and it included the greater part of the nineteenth century, in which the efforts of the court were to maintain competition, it being assumed that profits and wages would in the long run under such a system be not unreasonably high or low, that the quality of the articles produced would be probably improved, and that the most efficient businesses would survive in the struggle between competitors.

Later the decisions of the courts show a perception that the interests of the parties to contracts and those of the public may not always coincide, and that competition may be accompanied or followed by serious disadvantages. The inapplicability of the common-law doctrine as to restraint of trade to labor was more or less recognized by the qualified legalizing of trades-unions. (Trade-union acts, 1871–1913.) Even as to combination in trade the law as to restraint of trade begins to be stated with modifications. The interests of the public are recognized. (See, e. g., Morris *v.* Saxelby, 1916, A. C., 688, and p. 708.) The necessity of the existence of certain monopolies become apparent. This may be designated the fourth period. It is one of transition; it is the present stage. (For other divisions of the development of the law, see Matthews and Adler "On Restraint of Trade" (2d ed., p. 6); Jolly "On Contracts in Restraint of Trade" (3d ed., p. 3).)

II. MODERN ECONOMIC CONDITIONS.

In proposing remedial or amending measures I assume that the law should be based on the existing economic order, and that it should take note of certain prominent facts, among them these—

That competition is often wasteful; that it leads to needless mutiplication of plants and staffs and standing charges; that it increases cost of distribution in many ways; that it is often short-lived and precarious; that it is generally followed by combinations; that competition is not an end in itself; and that the motives for encouraging it often cease.

That monopoly does not necessarily mean "artificial dearness" (Mill, 5th ed., II, 534), that monopoly in production and distribution may be attended by substantial advantages; e. g., economy and stability of prices, reduction of standing charges, facilities for standardizing; that there is a tendency toward larger units of production and distribution; that almost everywhere the tendency is toward production on a large scale and the suppression of small businesses.

That combination may facilitate interchange of experience and useful technical research work; that it permits of specializing in production and of reduction in the cost of advertising and marketing; that it is favorable to collective agreements and negotiation with labor representatives.

That after the war and for a long time there will be great need of economy and efficiency in production.

That the area of operations for the production and distribution of many commodities is no longer any one country; that "trusts" and other combinations control prices beyond national boundaries; and that it will be impossible without cooperation on the part of more than one State to deal with them effectively.

That vertical, as distinguished from horizontal, combinations exist on a large scale, and are favored by the existence of joint-stock companies which create subcompanies or dependent companies.

That besides combinations, open or secret, formal or informal, permanent of terminable, there exist understandings which have all the effect of agreements as to prices, output, etc.

That there is at present an increasing number of "public services" in the sense that they relate to matters of necessity as to which permanent competition is impossible.

That in the nineteenth century combinations on a large scale took, for the first time, the form of operations by joint-stock companies; that with all their obvious advantages joint-stock enterprises have drawbacks or disadvantages; that they often destroy the personal element; that they make capital impersonal and, so to speak, nonmoral; that they enable things to be done as a matter of business which an individual, subject to the control of public opinion, would not care to do; that they create, to use a common expression, irresponsible wealth.

That the formation of joint-stock companies has greatly affected the problem of combinations and has facilitated the formation of monopolies not so easily detected or controlled as when they were formed or worked by individuals.

That by control of shares, by common directors, or by the formation of subcompanies, there may be all the effects of combination without any agreements, open or secret.

III. PROPOSED AMENDMENTS OF THE LAW.

It is suggested that the law as to combinations should take note of all the above-mentioned facts. In the long run courts have followed, though slowly, the teaching of economists. It is suggested that they should come abreast of that teaching.

The remedies here proposed fall under four heads:

(A) Preventive.
(B) Disabling or disqualifying.
(C) Punitive or penal.
(D) Changes as to procedure and as to courts administering the law.

The remedies belonging to the first category, to which I attach more importance than to the others, are numerous. I do not profess to give a complete list. But they should, I think, include the following:

(a) Accurate and, as regards the chief articles of commerce, fairly complete statistics of prices, which would enable consumers to judge whether a particular combination is abusing its power and raising prices unduly.

It is at present often extremely difficult for private individuals to ascertain the effects of combinations upon prices over a long period.

As regards articles which these statistics did not cover, there should be machinery for ascertaining prices in some obviously fair manner. Whether a certificate as to such points from a public department (say, the board of trade) should be accepted in judicial inquiries as prima facie correct is a matter for consideration There is, of course, the question, often difficult to solve, whether a monopoly is productive of deterioration in quality. Perhaps this difficulty might be met by the establishment of a bureau of corporations, such as was established in 1903 in the United States.

(b) The introduction in the case of joint-stock companies or public bodies engaged in production or distribution—compulsory introduction—of better systems of bookkeeping or "costing," which would disclose the true state of a company's affairs and render difficult the adoption of devices—e. g., by increasing capital—to conceal the existence of large profits. It is obvious that if companies may, when their shares reach a premium by reason of their making large profits, issue fresh capital, they may continue to exercise a monopoly while concealing the fact.

Manifestly there are very grave objections to extending this obligation to all producers or distributors. Probably the chief advantages would be gained if there was accessible information as to the large producers and distributors, for the most part joint-stock companies.

(c) As a supplement to this might be requisite a right to institute inquiries by commissions; permanent or appointed ad hoc; in other words, some such powers as are given by the Canadian act. In order to prevent harassing applications, it would be necessary to make the exercise of this right conditional on giving security for costs or establishing a prima facie case.

(d) Publicity in the sense that all agreements between firms or companies providing for limitation of output or undercutting, etc., be registered. Information should also be given as to interests in other companies or firms engaged in the same business or businesses supplying materials. It has been objected that this condition might be inconvenient in the case of agreements with foreign firms or companies. This objection would lose much of its weight if the information given to a public department were not generally disclosed.

It is obvious that to be at once of practical value and not highly embarrassing and oppressive, the terms and limits of such a provision would require careful consideration. Probably this provision by itself would have in many cases a very limited application. The agreements under which combinations actually work may be only honorable or general understandings; there may be no written agreement; the existence of a common directorate may have all the effect of a strictly legal agreement. The requirement as to filling of agreements might often be futile unless some tribunal had power to find on evidence as a fact that an agreement existed.

B. Public services: It is clear that certain services must be somewhat of the nature of monopolies. They include not merely railways and canals but, under modern conditions, transport services generally or what American lawyers term, "public utility services." Here may be noted an anomaly. While land transport is subject to control under the common law as to carriers or the railway and canal traffic regulation act, the state of the law as to transport by sea is different. No doubt, if the owner of a ship lays himself out as a common carrier, he renders himself subject to the common law relating to carriers. But he rarely does so. By the terms of the bills of lading he can generally impose any conditions which he thinks fit on his customers, and by the system of deferred rebates he can insure the continuance as customers even of those who object to this system. (See findings of Deferred Rebate Commission.) I may here note that the Congress in the United States has limited the right of the shipowner to contract himself out of liability (the Harter Act, 1893). The Supreme Court has interpreted the common law differently, and it is suggested with good reason, from the English decisions. (See Liverpool and Great Western Steamship Co. *v.* Phoenix Insurance Co. (129 U. S., 397).)

It is also suggested as a principle applicable generally that whenever it is proved that a monopoly does in fact exist courts shall be empowered to control charges or prices—that is, to insure that they are fair and reasonable; in other words, that the common law as to carriers' charges should apply; and also to insure equality of treatment; in other words, that there should be provisions corresponding in effect to those of the railway traffic and canal act as to undue preference.

(g) Joint-stock companies are, and must be for many purposes, treated as separate units. But it is a function not to be abused or blindly followed; the law should recognize that when the controlling interests of two or more companies are the same they should be treated as one.

(h) In view of the familiar facts above referred to as to the frequency of powerful international agreements, legislation confined to this country might often be futile unless it was accompanied by similar legislation elsewhere. International cooperation seems essential to prevent forms of monopoly. To quote the remarks of Mr. Waldorf Astor, M. P. (Cooperative Basis for a League of Nations), with reference to the Meat Trust:

"It is clear that the proper supervision of an international corporation, which is said to control half to three-quarters of the exportable world supplies of meat, and so is able to distribute enormous quantities of foodstuffs, becomes an international question. The trusts may have results inimical to the interests not only of consumers but of agricultural producers of meat in the United Kingdom and other European consuming countries. The question of how these interests are to be safeguarded by the importing countries presents great difficulties. So far no satisfactory solution appears to have been found. What is clear, however, is that in dealing with an organization with so many ramifications and such vast financial strength, isolated individual action by particular countries is not likely to have any large measure of success. The solution will probably have to be found in general international action. 'Peoples may have to choose between the domination of private international trusts and some supervision by an official body representative of their respective Governments.'"

C. Disqualifying or disabling measures: I may describe as such laws or binding judicial decisions which declare certain contracts to be illegal in the sense that courts refuse to give aid in carrying them out, or decline to intervene by injunction or otherwise to protect rights alleged to be acquired under such contracts. This is the main part of the English law affecting monopolies. Upon this matter the policy of the court has fluctuated much. The inclination for a time was to uphold such contracts if the restraint upon carrying on a trade was not larger than the protection of the party with whom the contract was made reasonably required. The interest of the parties to the contract was mainly, often exclusively, considered. In later cases there has been recognition of the interests of the public, and the law in its present form may be stated in the words of Lord Macnaghten's judgment in Nordenfelt *v.* Maxim Nordenfelt Co. (1894), A. C., page 565 (quoted in Mr. Wetton's statement, pp. 3, 4, and 19).

This forms a part of the larger subject of "public policy" generally, upon which these brief observations are submitted. As understood by our courts, "public policy" is not necessarily identical with the interests of the community. It is confined to certain heads or kinds of "public policy" which from time to time the courts have recognized. As Burrough, J., said in Richardson *v.* Mellish (2 Bing., 229, 252), "it is a very unruly horse, and when once you get astride of it you never know where it will carry you"; in fear of which the courts have narrowed the meaning of the phrase. (See Egerton *v.* Brownlow, 4 H. L. I.) So far as economical policy is concerned, the courts understand "public policy" as tantamount to freedom of trade, or disapproval of measures in restraint of trade. This limitation seems unreasonable. It is suggested that a wider significance should be given to the doctrine of "public policy," and that the economic effect of contracts and combinations should be examined by courts as they would be by trained economists. There is a recognition of this in the Australian industries preservation act, 1906–1910. Penalties are imposed upon any person who, either as principal or as agent, makes or enters into any contract, or is or continues to be a member of, or engages in, any combination in relation to trade or commerce with other countries or any State (a) in restraint of or with intention to restrain trade or commerce, or (b) to the destruction or injury, or with any intent to injure or destroy by means of unfair competition any Australian industry the preservation of which is advantageous to the Commonwealth, having regard to the interest of producers and consumers.

The present doctrine, which is that contracts in restraint of trade are against the interests of the community, is unsatisfactory in several respects. In applying that doctrine the courts do not and, as far as I can judge, may not inquire into the nature of the trade to which the contract relates. Yet obviously there are trades, parasitic or mischievous, which, though not illegal, should, as much as possible, be discouraged. (In recent cases there is a disposition to enlarge the conception of public policy. See in particular the decision of Sankey, J., in Trustee of Denny *v.* Denny and Ward (Weekly Notes, Feb. 15, 1919), and the remarks of Lord Haldane in Rodriguez *v.* Speyer Bros. (1919), A. C., p. 81.) One of the reasons for the present law, as stated in the leading case of Mitchel *v.* Reynolds, was that the public would be injured by "depriving it of a useful member"; a reason obviously not applicable to trades overstocked or of no or questionable advantage to the community, e. g., the trade of a money lender or bookmaker. Further, the argument generally used in support of the common-law doctrine, viz, that no one ought to be deprived of his skill, had much more force in days when the prevalent system of apprenticeship prevented persons freely moving from one trade to another.

The question whether a particular agreement is contrary to public policy often is, and must be, very complex and difficult. Yet for no apparent good reason it is treated as a question of law to be determined by the judge, not necessarily or probably conversant with economics, and generally without data necessary in the particular case upon which to form a sound opinion. See remarks of Bowen, L. J., in Davies *v.* Davies, in which he said, "We have got no material upon which we can, without leaping in the dark, assume that the present covenant is a benefit to the public." (36 Ch. d., p. 391.) (In Maxim *v.* Nordenfelt, etc. (1893, 1 Ch., p. 640), Bowen, L. J., remarks that judges have always treated the question as one of law.)

Assuming the question to be for the judge to determine, it is remarkable that the court can not hear evidence as to this matter.

NOTE.—It is right to mention that this has been doubted by some judges. But probably Bowen, L. J.'s, opinion is that most commonly entertained.

D. Punitive measures: Such measures were much relied upon in past times. The statutes against forestalling and regrating or badgering imposed severe punishments upon transgressors. Legislation in the United States (e. g., Sherman Act) punishes breaches by heavy penalties. So, too, does the corresponding Australian legislation. No doubt if the law such as is here suggested were broken, if exorbitant charges are exacted, or if there is unfair preference, fines proportionate to the gains acquired by such conduct ought to be imposed. But I am inclined to think that such punitive measures are of less consequence than the other remedies above suggested.

E. Unfair competition: One part of the subject not to be lost sight of relates to unfair competition. In every country has arisen the question: Is there any legal limit to competition? May it be carried on without infringing the law, however evil morally be the motive, so long as there is no injury or "tort" in the legal sense? May A, for example, by systematic undercutting of rates unremunerative to himself, destroy the business of B without legal remedy on the part of the latter? Upon this point there have been in England great differences in judicial opinion. But since the decision of the House of Lords in Allen *v.* Flood (1898, A. C., 1) and Quinn *v.* Leathem (1901, A. C., 495) the law appears to be that, whatever may be the motive of the person carrying on "unfair competition," no action will lie in the absence of injury in the legal sense. To quote Lord Lindley in Quinn *v.* Leathem, "an action will lie only if there is an unlawful act." (What is the real basis of the decision in Quinn *v.* Leathem—whether the existence of a conspiracy or the moral pressure exercised by mere numbers—is uncertain. (See Clerk and Lindsell, "On Torts," 6th ser., p. 25.)

Further, in deciding as our courts have done in regard to "unfair competition," they seem to be pursuing a course in conflict with the general policy of the law. By their decisions as to restraint of trade they have sought to maintain competition with a view to prevent creation of monopolies. On the other hand, by the principle laid down in the Mogul case and in Allen *v.* Flood, they have legalized what is in practice the most effective mode of destroying competition and creating a monopoly—i. e., undercutting and other devices for destroying rivals in trade.

This conclusion of the English courts seems contrary to decision arrived at in the United States and the Sherman Act, and to the German law, which allows the court great discretion as to "unfair competition." (See Dr. Ernest Shuster's evidence before the commission on deferred rebates.) It is also contrary to some modern legislation in the dominions. Thus the Australian industries preservation act, 1906–1910, makes destruction or injury to, or intention to destroy or injure, an Australian industry by "unfair competition" an offense. (See report on trust laws (1915, p. 529) on unfair competition.)

F. Tribunals and procedure: I attach greater importance to this class of suggestions than to proposals as to fines or other penalties. So long as the business of the courts is merely or chiefly to determine whether this or that contract, as tested by a long string of previous binding decisions, is in restraint of trade, the present procedure, the present form of judgment and the present courts, may suffice. But they would be inapt, it is submitted, if the questions to be investigated were, as they often must be, should the above suggestions be carried out, complicated economic problems. A judge with the usual experience obtained at the bar or on the bench would not presumably be qualified to conduct the necessary inquiry, still less a jury. It is suggested that, except for the simpler classes of cases, a tribunal framed somewhat on the lines of the Railway Commission would be most suitable. Perhaps in some cases a commission ad hoc would be requisite. The procedure of our courts is in many respects unsuited to the investigation of these questions. It should be simpler. Interlocutory applicants, always entailing expense and often delay, etc., should be discouraged.

The proceedings, it is suggested, should be in public, and reasons should be given for decisions of the tribunal; a useful safeguard against arbitrary action. It is essential, it seems to me, that there should be a frequent renewal of the composition of the tribunal. In view of the rapid changes in industry, it would be unfortunate if the character of the tribunal were stereotyped. Periodical infusion of new members would keep it in touch with trade or business as it is.

The above suggestions are mere outlines of proposed changes. They do not provide for many details of necessity to be carefully considered, among others, such matters as these: The precise alterations needed in the general law as to restraint of trade; how far the jurisdiction of the suggested tribunal should be exclusive or coordinate; what precautions should be taken in changing the law not to discourage or obstruct private enterprise.

REPORT PRESENTED TO THE COMMITTEE ON TRUSTS AND COMBINATIONS IN BUILDING MATERIALS TRADES.

(This report was prepared in the latter part of 1917, since when conditions in the building industry have materially altered.)

INTRODUCTORY.

The memorandum on housing in England and Wales (R. C. 89) issued by the reconstruction committee under date May, 1917, contains the following reference to the subject of trade combinations: "From information confidentially given it appears real difficulties may arise owing to the tight control of certain building materials by combinations of manufacturers."

The purpose of the inquiry here reported upon was to determine:

1. The extent to which building materials are subject to control by combinations among manufacturers and merchants.

2. The effect such control is having and may have upon the cost of building.

It should be stated that the investigation has been prosecuted without any preconceived bias against trade combinations, rather, possibly, with a suspicion that the information originally given tended to exaggerate their influence on building costs. A trade combination is not a feature of industrial development necessarily to be deprecated; indeed, for many reasons, it is to be encouraged and commended. But however legitimate the purpose for which it is originally formed, there is always a danger that if it becomes powerful it may be used against the interest of the consumer. In reviewing the whole question therefore, we must not only consider the present effect of trade combinations on prices and output, but their possible or probable future effect.

In conducting the inquiry, the first step we took was to interview the writers of certain articles which dealt with the serious effect of combinations among manufacturers and merchants upon building costs. A good deal of confidential information was obtained which had not appeared in the articles, along with the names of builders, manufacturers, and merchants who were in a position to furnish further information. A list of trade associations was also given us, with some information regarding their methods of working.

We consulted various individuals to whom we had been referred, and these mentioned others who they thought would be able to supply us with the information. Thus we have interviewed private builders, officers of building companies, architects, merchants, and manufacturers. Among the last two classes we have conferred, not only with those who are associated with others in combinations of one kind or another, but with those who, for one reason or another, have refused to enter into combinations. The latter naturally have spoken to us of the undesirable features of association, while the former have dwelt on its advantages. As we anticipated we have found the investigation by no means an easy task. Many of those whom we consulted have been unwilling to speak frankly, lest the fact of their having supplied information to us should in any way injure their trade interests. This has rendered it difficult to obtain exhaustive data, but we believe that our information fully justifies us in saying that there are, in the building trade, combinations which already affect the cost of building, and which are likely to affect it much more in the future if the conditions of the industry are such as to favor their development and to increase their power.

RESULTS OF INQUIRY.

Our investigation has shown, as was to be expected, that more materials are uncontrolled, some are partially controlled, and others fully controlled.

By "partially controlled" we mean that there are local or partial combinations amongst manufacturers or merchants, but that these are not sufficiently widespread or strong completely to govern output or prices in the country as a whole.

By "controlled" we mean not necessarily that every manufacturer or merchant is a member of a combination or association, but that the proportion acting in combination is sufficiently great virtually to determine prices, directly or indirectly, as well as to control the output of the whole industry.

The following is the list of materials, classified according to whether they are uncontrolled, partially controlled, or fully controlled:

Uncontrolled: Timber, including joinery and carpentry; breeze partition blocks; sundry materials, such as glue, oil, putty, etc.; minerals, such as ashes, hard bricks, sand, gravel, granite chippings, etc.

Partially controlled: Bricks, common building, etc.: Lime, plasters, and mortars; gas pipes and fittings (or electric light); metal goods, such as locks, latches, furnishing ironmongery, nails, screws, etc.; wrought-iron or steel cisterns and water tanks; slates; paint, varnish, etc., for painting and decorating.

Controlled: Tiles, roofing, ridging, etc., and chimney pots; glazed and floor tiles; earthenware pipes; sanitary earthenware; lead pipes, sheet lead, etc.; Portland cement; iron castings; wall paper; glass; wrought-iron tubes; boilers.

But it is not to be supposed that the foregoing classification is unquestionable or final, as there are difficulties in determining whether in marginal cases certain materials should be classified as controlled or partially controlled.

With the above information in our possession the next step was to ascertain what proportion of the materials used in the construction of cottages are subject to control. For this purpose we have analyzed the building costs of a number of groups of typical cottages, and found that on the average 42.07 per cent of the materials used were uncontrolled, 33.25 per cent partially controlled, and 24.68 per cent controlled. These proportions are shown in Table I, below. If, however, instead of taking merely the materials used in the construction of the cottages, we analyzed the total cost of the cottages, including labor and overhead expenses, but excluding the cost of the developed site, then the proportions of the total cost of the cottages affected by the trade associations were as follows: Uncontrolled, 24.94 per cent; partially controlled, 19.68 per cent; controlled, 14.64 per cent. These proportions, together with the proportion due to labor and overhead expenses, are shown in Table II, below.

TABLE I.—*Showing the extent to which building materials are subject to control.*

Uncontrolled	42.07
Partially controlled	33.25
Controlled	24.68

TABLE II.—*Showing the proportions when we include the cost of labor and overhead expenses, but exclude the cost of the site.*

Uncontrolled	24.94
Partially controlled	19.68
Controlled	14.64
Labor and overhead expenses	40.74

EFFECTS OF COMBINATION ON PRICES AND OUTPUT.

We must now try to analyze the effects of combination upon the trade as a whole. Roughly speaking, the purposes for which manufacturers and merchants usually combine may be classed under two heads:

1. To regulate selling prices by a severe restriction of competition and the monopolization of raw materials or means of production by limitation of output and maintenance or inflation of prices, restraint in regard to the channels of trade, by restrictions designed to prevent manufacturers or merchants from buying from or selling to nonassociated firms, by the pooling of margins, by means of which all firms tendering for contracts secure a proportion of profit, by prearranged plans to secure the award of contracts to a given member, by the offering of rebates or rewards on condition that the purchaser will deal or has dealt exclusively with members of a combination, by the system of boycotting, undercutting, or otherwise intimidating, in order to compass the suppression of a nonassociated competitor, etc.

2. To increase business efficiency by the regulation of the conditions of labor, traffic, and insurance, the promotion of uniformity in the customs of the trade, and the prevention of dishonest practices, the standardizing of materials, processes, or products, and of cost accounting, the publication of statistical data, technical information, cooperative advertising, purchase of raw materials, collective action for the purpose of developing foreign trade, etc.

In the course of our investigation we have come across no combination whose primary object is to increase the efficiency of business, but since our inquiry has not covered the whole ground, it is possible such may exist. In every case examined the primary object has been to regulate prices.

It should be here stated that the regulation of selling prices need not necessarily be opposed to the interests of the consumer. Without a doubt, within reasonable limits, manufacturers may combine to regulate prices with advantage not only to themselves but, incidentally, to that of the community. To maintain a fair minimum price, or to stipulate that a merchant or retailer shall sell again at a price which will insure a fair profit, can not be regarded as illegitimate unless the control exercised depends upon the use of questionable methods and involves disaster to competing firms.

The evidence we have received points, however, to the existence, in the case of certain combines, of practices which are now, or in the future may become, increasingly prejudicial to the interests of the consumer. The following illustrations of methods employed by combinations in the building trades are cited in this connection.

One of the most powerful associations, whose membership manufactures goods needed in the construction of workmen's cottages, had until recently, at the head of its rules:

"(1) The object the association has in view is that of raising and keeping up the price to the buyer of goods and articles made and (or) supplied by its members.

"(2) This shall be done by means of pooling arrangements so controlling production that prices will rise naturally and inevitably as they always must do when supply is brought into equilibrium with or is ever so little below demand."

This association has within its membership over 90 per cent of the manufacturers of the class of goods thus controlled in output and in price. It affords a concrete example of the operation of the first purposes of combination, viz, the limitation of competition, the control of output, and the increasing of prices.

A common practice on the part of the several associations is to offer substantial rebates to merchants provided that they sign agreements to the effect that during the term of the agreement they have not purchased from nonassociated manufacturers, nor sold goods at less than schedule prices.

In view of the secrecy which almost invariably characterizes these trade combinations, and the natural reluctance of persons bound by them to impart information for fear of injurious consequences, we can not say definitely how widely the above methods are practiced, or whether similar practices are in vogue of which we have not been informed. Yet the very fact that it is difficult to obtain reliable information is significant, and we are sometimes able to read between the lines. Speaking generally, there is no doubt that combinations have achieved the two ends for which they primarily existed. They have limited competition and raised the price of building materials against the consumer. Especially has this been the case where the modifying influence of foreign and colonial competition on the price of home products has diminished or has ceased.

The builders' merchant without doubt plays an important part in many associations, for while in some cases he may hold the position of a man tied by the policy of regulations of a manufacturers' association, through the membership of which alone he can get his supplies of materials, in others he is a willing cooperator in the policy of keeping up the price of materials to the builder and the public.

When we pass, however, from the policies of particular combines and consider the total effect of combination upon selling prices, it is impossible to speak with any degree of exactitude without making such a detailed examination of the books of manufacturers and merchants as would only be possible by means of a formal official inquiry. The difficulty of forming even the roughest estimate is enormously increased at present by the great and rapid changes in selling price due to altered prices of raw materials. Yet that high prices are partially due to combinations among sellers there can be no doubt whatever.

It is, moreover, important to recognize that the combinations of manufacturers or merchants are steadily gaining power, and when the demand for materials becomes acute they will occupy a very strong position. Having regard to the natural tendency of all traders, and the admitted first purpose of many of the combinations in the building trade, it is reasonable to assume that the powerful instrument which they possess will be used to attain the object for which it was primarily created. Depressed conditions in the building trade during the last 10 years or so have militated against strong action by combinations which, indeed, have sometimes broken up as the result of keen competition and a declining demand. Attempts to regulate prices, notably in the brick industry, have been made, but to a considerable extent have failed, owing to stagnation of trade, the scattered location of makers, and excessive competition.

But the brick industry, in common with the cement industry, is rightly anticipating a period of revival which will tend to make good the comparatively bad trade period of 1900 to 1914, and with an increasing demand and a buoyant market, endeavors to cooperate in the fixing of prices are much more likely to be effective. Doubtless, therefore, we may look for an extension of combinations. The same is true of other branches of the building trade. The vigorous demand for materials to carry through the Government housing program alone will suffice to arrest the forces of disintegration and stimulate combination.

Moreover, foreign competition in the past prevented the formation of any absolutely close ring, and has had a steadying influence upon prices; but the importation of supplies is likely to be checked during the early post-war period by the shortage of tonnage and the inability or unwillingness of foreign countries to export, owing to urgent home demands, and possibly by the imposition of tariffs upon imports. Thus, a valuable check on the artificial inflation of prices will tend to disappear.

Some idea of the possible effect of the various combinations on the cost of a cottage may be gained from the following table, which assumes that prices have been increased in varying proportions through the action of trade associations. In this table it is postulated that the total cost per cottage is £250, exclusive of the undeveloped site, and that prices have only been affected in the case of "controlled" materials; that is, we have disregarded any possible inflation in the case of prices which are "partially" controlled.

We take the proportion of 14.64 shown in Diagram II, as controlled and calculated the cost per cottage at £36 10s.

Assumed increase—

Of 5 per cent the cost per cottage is £1 16s. 6d. and per 300,000 cottages is £547,500.

Of 10 per cent the cost per cottage is £3 13s. and per 300,000 cottages is £1,095,000.

Of 15 per cent the cost per cottage is £5 9s. 6d. and per 300,000 cottages is £1,642,000.

Of 20 per cent the cost per cottage is £7 6s. and per 300,000 cottages is £2,190,000.

These figures indicate that even if the proportion of materials at present subject to full control is not increased, the effect of combinations in the building trade on the cost of cottage construction is probably substantial even now. It is hardly likely that associations whose primary object is the control of prices would continue to exist unless they could raise prices by at least 10 per cent.

PROPOSED ACTION.

Although we can not gauge the precise extent of the influence exerted upon free competition and prices, we are satisfied that it is already considerable and may easily increase in the future. In view of the importance of economy in the erection of working-class houses, any great inflation of the cost of building due to this cause should, if possible, be avoided. We have not regarded it as part of our duty to recommend how this should be done, but we are of opinion that the foregoing evidence points to the existence of conditions which would render it desirable to appoint a commission furnished with adequate powers of investigation, including the power to examine manufacturers' and merchants' books, with a view to gauging the present activities of various combinations in the building trade.

The subterranean methods employed by price-maintenance combinations can only be properly appreciated by full disclosures and a thorough examination of the regulations governing the associations and the books of the trades concerned. Many associations are promoted, organized, and controlled by accountants who have specialized in this class of business, and it would be necessary to examine them also. It is probable that disinclination to furnish information would arise even in the case of a commission of inquiry, and it might be necessary to give a com-

mission power to issue subpœnas to enforce the attendance of witnesses as well as to examine books and papers and, so far as possible, to protect witnesses against injurious consequences.

Such a commission should make recommendations as to any steps which might be taken to safeguard the interests of builders and of the public generally. Our case for recommending such a commission rests in the main on the following considerations:

1. The extent to which materials are already subject to control or partial control and the serious effect even a moderate application of a price-maintenance policy would have upon the cost of building.

2. The increasing tendency of manufacturers to combine primarily for the purposes of limitation of competition and maintenance of price.

3. The probable development of economic conditions favorable to the growth of combinations and to an increase in their power to control prices.

But although our inquiry has been confined to the building trade, it is well known that there has been an increasing tendency to amalgamation among manufacturers and merchants in many other industries, and probably if a commission were appointed it should not limit its investigations to one industry, but deal with the whole problem of combines, amalgamations, and trusts.

During the war period the unifying process has developed considerably among manufacturers and merchants both in anticipation of the future and through the force of existing circumstances. Employers, it is well known, have been urged to cooperate by the pooling of resources and in other ways, and it will only be the natural effect of the war upon trade if there is a continuous increase in combinations and a progressive tendency toward monopoly. The policy of cooperation will be strengthened by many factors, and there are many reasons, especially in connection with foreign trade, why it should be encouraged. It seems, then, an appropriate time for considering the whole question of the regulation of amalgamations and associations in the interests of the general community, both in respect of raw materials and manufactured articles.

While we strongly recommend the appointment of a commission of inquiry furnished with adequate powers, it would be a long time before it could complete its investigations, and still more time must elapse before any consequent legislation could become operative. We think, therefore, that it may be necessary to take other steps to prevent artificial inflation in the cost of building materials as soon as the trade becomes active at the close of the war. Doubtless it would be easy to arrange for some of the principal combinations to furnish goods at reasonable prices to the Government, but we think that any temporary arrangements should, if possible, be such as to safeguard the interests of the private builder and of public utility societies. By whatever agencies workmen's dwellings are likely to be erected in future, it must not be forgotten that almost the whole of the present supply of houses has been provided by private enterprise.

—

MEMORANDUM ON INDUSTRIAL COMBINATIONS.

(Presented to the committee on trusts by Mr. Percy Ashley.)

INTRODUCTION.

Industrial combinations in the United Kingdom are of many kinds and have very diverse objects, but it is possible to reduce them to a comparatively limited number of types. The most elementary form is that of the employers' federations, which exist in most of the great industries for combined action in respect of wages and other labor questions. A more advanced type is that of the associations, of which there are a considerable number, formed for the purpose of watching over the general interests of particular branches of trade, in regard to such matters as proposals for legislation likely to affect the trade, railway rates and shipping freights, forms of contract and bills of lading, credit terms, the compilation of special statistics and trade information, and in some cases the discussion of technical questions. Examples of this class, of varying degrees of importance, are the Iron, Steel, and Allied Trades Federation, the High-Speed Steel Association, the British Electrical and Allied Manufacturers' Association, the various associations in the motor industry, the Master Silversmiths' Association (Sheffield), the Birmingham Silversmiths' and Jewelers' Association, the Flax Association, the Silk Association, the Agricultural Engineers' Association, the Paper Makers' Association, the Fertilizers' Association, the United Tanners' Federation, the Federation of Light Leather Trades, the Oil, Paint, and Varnish Trades Federation, and the recently formed British Flint Glass Association, and Chemical Manufacturers' Association. Thirdly, there are the combinations which are formed with the primary object of regulating trade, and it is with this class of combination that it is proposed to deal in the present memorandum.

I. THE PRINCIPAL TYPES OF COMBINATION FOR THE REGULATION OF TRADE.

Combinations of producers or distributors of goods formed for the purpose of regulating the course of trade may be classified as either (A) "Terminable" or (B) "Permanent."

"Terminable" combinations are combinations either formed for a definite period and continued only by positive agreement or formed without time limit but subject to withdrawal on due notice; they are based on agreements ranging from mere "understandings" to the most formal and detailed contracts, are usually restricted to certain clearly prescribed purposes in connection with a limited class of products, and do not necessarily or even frequently involve any direct financial interdependence of the parties to any particular combination. The "permanent" combinations, on the other hand, commonly take the form of a complete fusion of a number of firms or companies for all purposes, or, short of that, of the establishment of some measure of close financial interdependence—e. g., by interchange of shares—and coordination of management—e. g., by interlocking directorates.

(A) The terminable combinations, which it will be convenient to call "combines," though the term is sometimes used for actual fusions, are of varying degrees of economic significance: (i) They may aim primarily only at the fixation of prices, or (ii) they may concern themselves with the regulation of output, leaving the movement of prices to take its course; or (iii) they may both determine the output, regulating the production of their individual members, and also fix prices; (iv) or, in addition to controlling output and prices, they may undertake the selling of their members' products. When this last stage of development is reached individual members of the combine are left with little more than the technical and financial management of their respective enterprises; but it is important to observe that the constituent members still retain their independent existence; they have a voice in the management of the combine, and its terms are open to revision from time to time. It is consequently possible for a particular firm or company to take steps, whilst an agreement is in force, so to strengthen its position over against the other parties as to be able, when the time of revision comes, to insist on an improved status for itself or even to stand out entirely. The importance of this is particularly noticeable in German industry, which in some branches is so dominated by associations of the most advanced of the types indicated above that the "cartel" has come to be the characteristic form of German industrial organization, but in which the renewals of the combines give rise to great difficulties owing to the conflict of claims based on the development of the constituent firms or companies during the intervening periods.

Trade associations in the United Kingdom have seldom, if ever, taken the "cartel" form, and, as a broad general statement, it may be said that they have tended to limit their action to the fixation of prices, and that even in this respect their activity has been intermittent—it has naturally been most marked in periods of trade depression. In this connection it may be observed that the associations which exist primarily only for watching over the general trade interests of their members can frequently, when occasion arises, be utilized for securing some measure of common action in respect of prices or of output, and when the emergency has passed revert to their original limited purposes. It is thus difficult to draw any absolute line of division between associations for watching over the general interests of a trade and associations for regulating trade; admittedly associations whose constitutions are free from any suggestion that they can be utilized for any such purpose are sometimes effective instruments for the regulation of trade. More highly developed associations, definitely formed for the control of prices and output, are, however, numerous in British industry, and some indication of their range will be given in the next section of this memorandum. It need only be added in this place that such associations may enter, and in some cases have entered, into close relations with similar combinations of foreign manufacturers.

(B) The "permanent" combinations, which may conveniently be termed "consolidations," may be described as either "horizontal"—that is, consolidations of concerns engaged in the same stage of industrial production, or in approximately corresponding stages in respect of a number of allied products; or "vertical"—that is, consolidations of concerns engaged in successive stages of production (as, for example, coal and iron mining, pig iron, steel, shipbuilding). These consolidations may be formed by the establishment of a single company to acquire a number of existing companies; or by the acquisition by one company of controlling interests in a number of other companies; or by interchange of shares—with the consequential formation of interlocking directorates in the two latter cases. "Vertical" combinations, due largely to the desire to safeguard supplies of materials and obtain them at the lowest possible prices, have made some progress in British industry, where they are confined almost entirely to the iron, steel, and allied industries; "horizontal" consolidations, on the other hand, are very common and of great importance, and are to be found in almost every branch of production. The consolidation of "vertical" and "horizontal" combinations is a further development which is most conspicuously exemplified out of the United Kingdom by the United States Steel Corporation.

II. TERMINABLE COMBINATIONS IN THE UNITED KINGDOM.

In the United Kingdom terminable combinations are characteristic particularly of the iron and steel industry, where they are very numerous, aiming at covering the whole of a particular branch of production, either throughout the United Kingdom or in defined areas.

A list of some of these associations is given in the report. In the more advanced and specialized branches of the iron and steel industry, and in the engineering trades, combinations of the kind now under consideration do not appear to be numerous. An association which is believed to regulate trade exists in the galvanized sheet industry, a branch of production of which a very large proportion is in the hands of a very small number of firms. Propeller shaftings were controlled before the war by a "ring," as were also armor plates. There is a combination of locomotive makers, of which little is known, but which is understood to control export prices (the home market for locomotives is very limited, owing to the practice adopted by the great railway companies of building their own engines). There are also the Edged Tool Manufacturers' Association (comprising some 50 firms), and the recently formed British Machine Tool Manufacturers' Association, which aims at the organization of the trade for both production and marketing; and such associations as the British Engineers' Association (a combination for the exploitation of foreign markets), the Agricultural Engineers' Association, and the various combinations in the motor industry. Most of these associations are, however, understood to be concerned more with general trade questions than with any attempt at the fixation of prices or regulation of output.

An example of elaborate organization is furnished by the Bedstead Makers' Federation, formed in 1912 (an association of different lines existed from 1893 to 1900) to put an end to price cutting, and stated to include four-fifths of the entire United Kingdom trade. Each member on entrance became entitled to a share in a "pool" according to his turnover for the year 1911 or his annual average for the five years 1907–1911; the accountants of the Federation ascertain monthly the turnover of each member, who then receives out of, or pays into, the pool, according as his output is below or above his proportion of the whole output of the Federation. The Federation regulates conditions and terms of delivery, and all selling prices; it occasionally undertakes combined selling, but this is infrequent; it sometimes also engages in the combined buying of supplies for its members. It collects information as to foreign markets, and particularly as to the credit standing of foreign buyers. The Federation has a joint trade-mark. A percentage contribution is levied upon the monthly sales by members, for the formation of a reserve fund, and the proceeds are invested in a special company, in which the members of the federation hold shares according to their contributions to the fund. These shares may be forfeited should a member voluntarily withdraw from the federation, and the reserve fund thus becomes in fact a monetary guarantee.

A less elaborate but nevertheless highly developed organization is the National Light Castings Association (which covers baths, taps, gas and steam pipes, heating and cooking stoves, gutters and rainpipes, gates, railings, and a wide range of similar commodities); it now includes about 100 firms, manufacturing in all parts of the country, and represents an advanced type of organization. The association has been especially successful in enforcing the system (which has been adopted by a number of combinations in recent years) of selling its goods to dealers on condition that they will not sell them again below a fixed price, the penalty for nonfulfilment of the agreement being the withholding of the "deferred rebates" to which otherwise the dealers would be entitled. The association has not hitherto served its members as a selling organization.

Of the nonferrous metal industries of the United Kingdom those concerned with brass and copper would appear to be the most highly associated. There are, e. g., the Manufactured Copper Association (6 firms), the Brass and Copper Tube Association (19 members), the Brass Wire Association (20 members), the Cold Rolled Brass and Copper Association (37 members), and the Brazed Brass Tube Association, and all of these work together as the Associated Brass and Copper Manufacturers of Great Britain. There are also the High Conductivity Copper Association, the Brass Fuse Rods Association, and the Scottish Brass Founders' and Brass Finishers' Association. It is understood that they are all in the nature of price associations.

There are associations in the white lead, sheet lead, and lead oxide industries.

The spelter industry was regulated by international arrangements imposed and controlled by a group of German interests.

In the electrical industries there are the British Electrical and Allied Manufacturers' Association, a very strong body which covers the whole trade (it has subsidiary sections for the various branches), and though not avowedly concerned with price regulation is believed to exercise considerable influence in this respect; the British Cable Makers' Association; the Tungsten Wire Lamp Association, whose control depends largely on the possession of certain patent rights; the Carbon Lamp Association; the British Ignition Apparatus Association; and the Electrical Instrument Makers' Association. The Cable Makers' and Tungsten Lamp Associations are avowedly organized for, inter alia, the control of prices, and the other three sectional associations named are believed to have the same purpose.

Terminable associations are comparatively infrequent in the textile industries, where, partly because of the immense range and variety of production and partly because of the peculiar economic structure of the textile trades of the United Kingdom, the principle of combination in any form has made relatively little progress except in certain special branches. As exceptions may be mentioned the Lancashire Cotton Piece Dyers' Price Association, a combination of firms not comprised in the powerful consolidations which dominate the piece-dyeing industry in this country; the Fine Cloth Manufacturers' Association (Huddersfield); the Midland Counties Lace Manufacturers' Association; and the six combinations which control the carpet and tapestry industry, namely, the Royal Axminster Association, the Victorian Association, the Brussels and Wilton Association, the Chenille Axminster Association, the Carpet Manufacturers' Association (composed of firms not in the first four associations, which are of much older standing and have practically identical membership), and the Tapestry Carpet Association. These carpet associations are understood to be practically comprehensive, since the few outside firms are engaged on specialities and are, therefore, hardly competitive. A combination in a connected branch of industry is the Linoleum and Floorcloth Manufacturers' Association. All of these are understood to be definitely price associations. The Flax Association of Great Britain and Ireland, on the other hand, is understood to be primarily a combination only for joint action in regard to more general trade questions.

It may be noted in connection with the textile trades that there is a Bobbin Manufacturers' Association and also a Shuttle Manufacturers' Association, both of which were formed for the restriction of competition and the control of prices.

In the chemical and connected industries there were in existence prior to the war a considerable number of arrangements of various kinds, some of which were of international scope. The comparatively small number of important concerns engaged in these branches of manufacture in this country both facilitated agreements of a more or less formal character and makes definite information difficult to obtain; but it is known that there were arrangements of one kind or another (in some cases only of a local character) in respect of a number of commodities. A convention of manufacturers of explosives has been in existence since 1907 for the regulation of prices, and its place has now been taken by a consolidation. The market for nitrates is controlled by an association of the Chilean mine owners, who also control iodine.

As regards building materials, associations exist in respect of bricks and tiles (local associations usually for local purposes only); stoneware pipes (an informal price "ring"); white lead; lead piping; sheet glass (there is understood to be a price agreement between the only two makers in the United Kingdom); and stoves, grates, iron gutters, pipes, baths, etc. (these are controlled by the National Light Castings Association, which has already been mentioned in connection with combinations in the iron and steel industries). It may not be out of place to mention here that among other commodities required for the erection of houses cement and wall papers are controlled by powerful consolidations (to be noted later) which are, in fact, quasi monopolistic.

The lighting oil and petrol supplies of the United Kingdom are at present almost entirely in the hands of certain powerful consolidations in which the controlling interests are entirely or mainly foreign. Prices were consequently the subject alternatively of fierce competition or of arrangement, the tendency being in the latter direction; and the price of petrol was regulated by agreement between combinations of the wholesale importers on the one hand and of the retailers on the other. The wholesalers had fixed prices to which the retailers were allowed to make a fixed addition—no less and no more than a prescribed amount per gallon—any departure being followed by blacklisting.

Finally, as a special example of combination, attention may be drawn to the fact that in the glass bottle industry of the United Kingdom there existed a powerful combination, itself part of an international combination whose position in the industry depends upon its right to use certain United States patents for bottle-making machinery.

III. PERMANENT COMBINATIONS IN THE UNITED KINGDOM.

Permanent consolidations of both the "horizontal" and "vertical" types are common in the coal, iron and steel, and shipbuilding industries in the United Kingdom, though none of these have attained to anything approaching a predominant position. An example of the consolidation of interests in the coal industry is furnished by the Consolidated Cambrian Co., which controls practically all the stock of four colliery companies and has other widespread connections. The development of vertical combinations is exemplified by the companies grouped round Dorman, Long & Co. (Ltd.), and other examples of the same kind are furnished by the consolidation of a group of companies of which Steel, Peech & Tozer (Ltd.) and Samuel Fox & Co. (Ltd.) are the most important, comprising steel and pig-iron works and coal and iron mines, and the process thus outlined has gone very far in the case of some of the great shipbuilding and "armament" firms. Palmer's Shipbuilding & Iron Co., Armstrong, Whitworth & Co., Vickers Sons, and Maxim, John Brown & Co. are all examples of wide-reaching vertical and horizontal combinations on a large scale.

Permanent consolidations of the "horizontal" type are of great importance in certain branches (other than weaving) of the textile industries. Thus in the spinning branches there are the Fine Cotton Spinners' & Doublers' Association (Ltd.) (an amalgamation originally of more than 40 concerns), with an issued capital of £5,700,000 and a debenture issue amounting to £2,750,000, and owning or controlling mills abroad and cotton plantations; the Linen Thread Co. (Ltd.) (issued capital, £2,750,000; debentures issued, £1,000,000); Messrs. J. & P. Coats (Ltd.) (issued capital, £10,000,000); and the English Sewing Cotton Co. (Ltd.) (issued capital, £2,000,000; debentures issued, £958,000). The two last-named companies, which are separately the outcome of very extensive amalgamations, are closely associated and are believed to control together the whole sewing-thread industry of the United Kingdom, with the exception of a certain amount of specialized trade, and are also in a powerful position abroad.

The dyeing and printing branches of the cotton and woolen industries are dominated by a small number of powerful consolidations, of which the chief are the Bradford Dyers' Association (a combination originally of 22 firms), with an issued capital of £3,856,000 and debentures to the amount of £1,455,000; the British Cotton & Wool Dyers' Association (Ltd.) (46 firms), with an issued capital of £387,083 and debentures to the amount of £620,000 (it may be noted that this association holds shares in the Bradford Dyers' Association); and the Calico Printers' Association (formed originally of 59 firms), with an issued capital of £5,027,000 and outstanding debentures amounting to £3,200,000. The Bradford Dyers and the British Cotton & Wool Dyers are essentially "commission dyers," dyeing to order; the Calico Printers' Association, on the other hand, is an ordinary manufacturing company.

Of a similar character to the Calico Printers' Association is the United Turkey Red Co. (Ltd.), with an issued capital of £1,264,870; and it may be added that these two companies are jointly interested in and control the British Alizarine Co. (Ltd.), the only maker in the United Kingdom of the very important class of alizarine dyes. Three other consolidations of commission dyers, smaller but nevertheless of substantial importance, are the English Velvet & Cord Dyers' Association (23 firms), issued capital £502,000 and debentures £209,000; the Yorkshire Indigo, Scarlet & Colour Dyers (Ltd.) (11 firms), issued capital £77,600 and debentures £114,000; and the Leeds & District Worsted Dyers & Finishers' Association (Ltd.) (10 firms), issued capital £163,000 and debentures £28,000.

Important consolidations in other branches of the textile industries are the Bleachers' Association (Ltd.) (57 firms), with an issued capital of £4,823,000 and debentures to the amount of £2,250,000; Woolcombers (Ltd.) (41 firms), with an issued capital of £260,000 and debentures £325,000; and the United Velvet Cutters' Association (6 firms).

Turning to other branches of industry, the following are examples of consolidations of a horizontal or semihorizontal type:

The Associated Portland Cement Manufacturers (Ltd.) (27 concerns), with an issued capital of £4,207,000 and debentures to the amount of £4,527,000, controls the output of the Thames and Medway district, the chief area of production; and the British Portland Cement (Ltd.) (authorized capital, £2,800,000) controls the remainder of the United Kingdom output. These two combinations practically control the industry, though there are substantial concerns outside; and they work in close cooperation.

The Salt Union (Ltd.), with an issued capital of £1,400,000 and debentures £1,200,000; it is closely connected with the North Eastern Salt Co. (Ltd.), a sales association regulating output and distribution, in which practically all the British producers are included.

Borax Consolidated (Ltd.), a combination originally of 12 firms; the issued capital is £2,300,000 and the outstanding debentures £1,952,000.

Wall Paper Manufacturers (Ltd.), a combination of makers of wall papers, beginning with eight firms and an authorized capital of £4,000,000, which has gradually secured complete dominance of the trade in the United Kingdom. The output of wall papers not controlled by the combination is insignificant.

The Imperial Tobacco Co. (of Great Britain and Ireland) (Ltd.), a consolidation formed in 1901 to resist the attack on the United Kingdom markets by the United States tobacco interests. The issued capital is £15,647,000. The combination was successful in its purpose, and has established a very substantial mastery of the home market, but the tobacco industry is essentially one of specialties (the sales of goods are largely dependent upon names), and this fact has operated to prevent the establishment of an absolute monopoly by the Imperial Tobacco Co., as it has enabled a small number of firms possessing popular brands to maintain their independence.

In the chemical industries there are three powerful consolidations which should be noted:

The United Alkali Co. (Ltd.), a consolidation of 48 concerns engaged in various parts of the country in the manufacture of heavy chemicals. Its issued capital is £3,425,000, and debentures outstanding amount to £2,750,000.

Brunner Mond & Co. (Ltd.), issued capital £4,598,000. The company has acquired the soap-making concerns of Joseph Crosfield & Sons (Ltd.), and William Gossage & Sons (Ltd.) is directly or indirectly largely concerned in the Mond Gas Co. (Ltd.), and the Mond Nickel Co. (Ltd.), and has recently effected an exchange of shares, with consequent consolidation of interests, with the Castner-Kellner Alkali Co. (Ltd.), the next most important chemical concern in the United Kingdom, with the possible exception of the United Alkali Co.

Lever Bros. (Ltd.), with an issued capital of £15,143,000, which holds inter alia practically all the ordinary capital of the Vinolia Co. (Ltd.), R. S. Hudson & Co. (Ltd.), has a large holding in A. & F. Pears (Ltd.), and has secured in West Africa important concessions securing sources of supply of the oils requisite for soap manufacture.

Finally, reference may be made to the British Oil and Cake Mills (Ltd.), a combination of 17 firms, formed in 1899, with an issued capital (debentures, preference, and ordinary shares) of £2,336,428. It acquired from the companies which it absorbed refineries and crushing mills capable of dealing with over one-half of the oil seeds imported into the United Kingdom in the preceding year.

IV.—BRITISH PARTICIPATION IN INTERNAL COMBINES.

It has already been stated that in a number of instances combinations of British manufacturers were parties to international agreements; and this was the case also with individual firms. The following are some typical examples:

(A) THE INTERNATIONAL RAIL MAKERS' ASSOCIATION.

A Steel Rail Makers' Association of Great Britain was formed in 1884, and as a result of negotiations with the rail makers of Germany and Belgium, the only two important exporting countries at the time, an international association was formed, with the object of dividing all export orders for steel rails, each national group undertaking not to quote for work for use in the countries of the other groups. This

agreement continued until about the middle of 1886, and then lapsed with the termination of the British combination. In January, 1896, the present British Rail Makers' Association was formed, and in 1904 it entered into negotiations with the German and Belgian steel-rail makers, who had just established central selling organizations, and an agreement was reached, to which the French makers were also parties, in the latter part of that year. Under this agreement each group retained the exclusive right to its own home markets, and the export trade was allocated in certain definite proportions between the four national groups, the French being guaranteed a minimum tonnage.

Meanwhile the American steel-rail makers had combined, and in the same year, 1904, they entered the International Rail Makers' Association, one of the conditions being that the British makers gave up the exclusive right which they had obtained under the original agreement to supply the requirements of Canada and Newfoundland. The British makers agreed that the Americans should participate in the orders from those two Dominions, and it is stated that as a result they took practically all the orders therefrom. Subsequently arrangements were made between the International Association and groups of makers in Spain (who were given the exclusive right to the Spanish market) and in Italy (the association agreeing not to sell steel rails for the Italian home market and the Italian rail makers agreeing not to export; this arrangement, which was subsequently slightly modified, terminated in 1909).

The German group, acting on behalf of the international association, also entered into arrangements at various times with Austro-Hungarian makers for the mutual protection of the home market of each group and the division of orders for the Balkan States. Subsequently arrangements were made between the international association and certain Russian makers whereby the latter were allotted a fixed quantity of steel rail export business on certain conditions. The international association was renewed for five years in 1907, and in 1912 for three years to the end of June, 1915. At the last renewal, in 1912, the British group were allocated 33.63 per cent of the export trade, the Americans 23.13 per cent, the Germans 23.13 per cent, the Belgians 11.11 per cent, and the French 9 per cent. It is stated that the International Rail Makers' Association worked on the whole smoothly, having regard to the divergent interests of the national groups, but there was no machinery for the enforcement of the observance of its rules, and there were from time to time instances in which the spirit of the agreement was not observed by the German group. The general effect of the agreement was gradually to restrict the activity of the British makers to British colonial markets. Their annual average orders for elsewhere than the United Kingdom and British possessions fell from 257,000 tons for the period of 1901 to 1905 to 56,000 tons for the period 1911 to 1914, their average annual orders for all markets having fallen from 917,000 tons in the first period to 646,000 tons in the last period.

(B) THE INTERNATIONAL ANILINE CONVENTION (TO WHICH GERMAN AND ENGLISH MAKERS WERE PARTIES).

This was based upon the world's consumption of aniline oil delivered by the parties to the convention, each member in each country being given a quota based on the average total deliveries for a three-year period. Sale prices were fixed for each country, and sales to dealers were barred, members of the convention being allowed to sell only to consumers, and only for the quantity actually used. In the event of any of the members being overdeliveries, they had to take from the underdeliveries at the latter's works the quantity of aniline oil which they had overdelivered at a price equivalent to that which they had received. No member could enter into a sale contract for a period of more than 12 months; there was a committee to watch the progress of new companies and to take steps to prevent them coming into competion; and instances occurred where the members of the convention had to share in the loss incurred in delivering aniline oil to meet the competition of such companies.

(C) THE INTERNATIONAL GLASS BOTTLE ASSOCIATION.

The formation of this association was the result of the introduction by an American company of an automatic bottle-making machine known as the "Owens machine," which greatly reduced the cost of manufacture. It became evident to the European makers that they would not be able to compete unless they could obtain the right to use this machine, a right for which the American company asked a very large price. National associations were formed of the manufacturers in the United Kingdom, Germany, Austria, Holland, Norway, Sweden, and Denmark—that in the United Kingdom being known as the British Association of Glass Bottle Manufacturers (Ltd.)—and these national groups then formed an international union, the European Association of Glass Bottle Manufacturers (Ltd.), with an office in Berlin, and subscribed in certain proportions the necessary capital to enable this central association to acquire the right to work the American patent, the consideration being the sum of £600,000. An arrangement was subsequently made whereby the continental manufacturers were prohibited from selling bottles in the United Kingdom at a lower price than that fixed for the time being by the association of British manufacturers, but it is alleged that by various means continental manufacturers have, in fact, succeeded in obtaining large contracts in this country ostensibly at the prices and on the conditions offered by British manufacturers, but in effect at a lower price. Nevertheless, at the outbreak of war the division of the United Kingdom trade between British and continental makers was substantially the same as in 1907, and in view of the progress which German and Austrian competition was making in this country prior to 1907 the British association is understood to have been not dissatisfied with the effect of the international arrangement. It may be added that the European makers were allowed to export bottles manufactured under the patent to all countries except the United States, Canada, and Mexico, these markets being reserved for United States makers.

(D) THE BRITISH-AMERICAN TOBACCO CO.

By the year 1901 the manufactured-tobacco industry of the United States had come under the domination of the American Tobacco Co. and some affiliated companies, which were later merged. The American Tobacco Co. had developed a large export trade in cigarettes, and for the purposes of both foreign marketing and of manufacture abroad had established a number of subsidiary companies. It then turned its attention to the United Kingdom market. The following extract from Part I of the Report of the United States Commissioner of Corporations on the Tobacco Industry sufficiently describes the subsequent course of events:

"In the fall of 1901 the tobacco combination entered upon a campaign designed to secure it a powerful position in Great Britain. For this purpose it bought control of Ogden's (Ltd.), a leading English manufacturer, paying therefor over $5,000,000. The Ogden Co. at once offered most liberal inducements to the trade. This entrance of the American Tobacco Co. interests into Great Britain alarmed the other tobacco manufacturers there, and almost immediately, in self-protection, 13 of the most important established a great combination, the Imperial Tobacco Co. The American and the Imperial waged a competitive warfare of extraordinary vigor for nearly a year. Toward the end of 1902, however, an agreement between the two interests was effected.

"By this agreement the American Tobacco Co. and its affiliated concerns relinquished their entire business in Great Britain and Ireland to the Imperial. The latter company agreed, on the other hand, not to manufacture or sell tobacco in the United States or its dependencies or in Cuba. The American and Imperial interests then joined in the organization of a third company to exploit the tobacco business of the world outside of Great Britain and the United States. This company, the British-American Tobacco Co., was incorporated under the laws of Great Britain in 1902. The American Tobacco Co. and its affiliated concerns were given substantially two-thirds of its stock and the Imperial Tobacco Co. one-third. The Imperial and American both turned over their export factories, their subsidiary companies in foreign countries, and their foreign trade generally to the new corporation. The British-American has since greatly extended its business and has acquired interests in numerous additional tobacco manufacturing and marketing enterprises in foreign countries."

(E) INTERNATIONAL METAL COMBINATIONS.

An international aluminum syndicate for the regulation of prices was formed in 1912 of all the chief producers in Europe (French, Swiss, and English), and it is understood to have entered into arrangements with the Canadian company producing aluminum, which is believed to be controlled by the Aluminum Co. of America. The world's trading and industry in a number of other base metals were largely controlled before the war by a powerful group of German interests, operating in conjunction with, but dominating, local financial interests in a number of countries. The center of this combination was the Metall-Gesellschaft of Germany, with which were affiliated through stock holdings the Merton Metallurgical Co. and the American Metal Co., and all three concerns were interested in the Metallbank und Metallurgische Gesellschaft of Germany. The group of companies thus closely interrelated were affiliated by actual ownership, by stock holdings, by interlocking directorates, or in other ways with, and, in fact, controlled, companies engaged in metal dealing, refining, or mining in Germany, the United Kingdom, France, Belgium, Switzerland, the Netherlands, Spain, Australia, the United States, and Mexico.

Two other important German metal concerns—Beer Sondheimer & Co. and Aron Hirsch und Sohn—had also control over a number of subsidiary companies, the former in Germany, Austria, Belgium, Italy, Australia, and France, and the latter in Germany, the United States, Mexico, and Australia; and were closely associated with the Metallgesellschaft and each other in various syndicates and combinations. Dominated by these German interests were (1) the Lead Convention, including all the principal producers of soft pig lead, which was formed in 1909—the selling of soft pig lead was handled by the Metallgesellschaft on the Continent and the Merton interests in the United Kingdom; and (2) the Spelter Convention, formed also in 1909. For the latter there were three groups—one of the German and certain Belgian makers, whose output was regulated and sold by a joint office; another of French and certain Belgian makers, who sold independently but were subject to the regulation of output; and the third consisted of the British makers, who were in the same position as the Franco-Belgian group. Stocks were taken monthly, and when they amounted to 50,000 tons and the average London market price had for two months been below £22 a ton restriction of output came into operation.

The international combinations which have been cited are only examples of those as to which some details are more or less public property. It is known that a number of other international agreements existed for price regulation, the restriction of output, or delimitation of marketing areas in respect of various branches of production, but for obvious reasons it is almost impossible to obtain definite information as to their precise nature and extent.

V. INDUSTRIAL COMBINATIONS IN GERMANY AND THE UNITED STATES.

Germany: In 1913 there were over 500 "cartels," or trade associations, in Germany; they covered coal and briquets, iron ore, pig iron, wrought iron, steel, tinplate, rod iron, tool steel, hoop iron, pipes, tubes, rolled wire, woven wire, wire netting, wire cables, skates, chains, screws, rivets, hardware, cutting tools, drills, anvils, axles, hollow ware, copper sheets, wire and tubes, zinc, white lead, lead pipe, rolled lead and lead wares, red lead, tinfoil, brass, enameled ware, wood screws, silverwares, rail carriages and wagons, machine tools, stoves, pumps, brewing machinery, printing presses, bottle, plate, and wired glass, brushes, matches, wall paper and printing paper, linoleum, cork manufactures, cotton yarns and other branches of the cotton industry, woolens, linen, hemp, silk, velvet, ribbons, umbrella cloth, jute, boots and shoes, potash, saltpeter, spirits, benzol, axle oil, sugar, potato flour, yeast, cement, tiles, bricks, building stones, slates, granite, marble, and many other commodities; in fact, it is difficult to find any branch of German industrial production which is not subject to control by a combination or agreement of some kind. In one very important branch of German industry, the manufacture of synthetic dyestuffs, drugs, photographic developers, and other chemicals, the agreements which are understood to have existed between the six powerful companies which dominate the trade have been replaced recently, during the war, by a formal combination.

The cartels fall into three main classes:

(1) Combinations or agreements limited to such matters as credit terms, etc.

(2) Combinations formed for the regulation of prices and the delimitation of selling areas.

(3) Combinations having a central selling agency and generally regulating production.

The combinations of the last-mentioned type, of which the German Stahlwerksverband is the most conspicuous example, aim at providing for (a) the avoidance of competition, (b) the regulation of prices and output, (c) the distribution of orders in such a way as to enable the constituent works to specialize on particular branches of production, (d) joint selling representation and propaganda at home and abroad, with resultant reduction in individual selling costs, (e) forced export sales ("dumping") when necessary to relieve the home market, (f) technical research.

As already remarked, the most conspicuous and most elaborate cartel in Germany is that known as the Stahlwerksverband, which was first constituted in 1904 by the merger of three previously existing combinations on somewhat similar lines. The 28 firms who formed the new combination united (1) to set up a joint selling agency, with a small capital, which should determine prices and receive and allocate orders;

and (2) to regulate production. For the latter purpose the products of the combined concerns were divided into two groups—"A" products (comprising ingots and blooms, slabs, billets, bars, railway rails and sleepers, shapes, and sections) and "B" products (plates and sheets, tubes, axles, tires, forgings, and castings). For "A" products the output was regulated, the quotas of the constituent works were fixed, and orders were to be received and distributed and prices fixed by the Verband; for "B" products the output was regulated, but the constituent concerns were left entirely free in respect of marketing, except in so far as they chose to enter into any special syndicate in respect of any one product. Each concern was to pay into a common fund a fixed amount in respect of each ton produced in excess of its quota, and any concern producing less than its quota was entitled to receive the same amount for each ton of deficiency.

The Verband was renewed in 1907 for a period of five years, and again for a similar period in 1912. At each period of renewal there were great difficulties, chiefly on the question of production quotas. There was always a tendency for the various concerns to push on with extensions of plant and output as the time for renewal approached, so as to establish claims for larger quotas; and the position was complicated by difficulties between the "pure" works—i. e., those engaged exclusively in manufacturing more finished goods from "A" products—and the "mixed" works—i. e., those manufacturing more finished goods from steel of their own production. The "pure" works were dependent on the syndicated products of the Verband, whilst they were without security as to the prices of their own manufactures; the "mixed" works, on the other hand, using steel of their own production, were in fact independent of the prices fixed by the Verband. Consequently the "pure" works, in order to secure their position, tended to combine with steel-making concerns or themselves to erect steel plants—that is, to pass into the category of "mixed" works—the results being an increased output and competition for quotas in respect of "A" products, and a relative increase in the proportion of "B" products in the total output of the Verband. In 1904 "A" products were 58.7 per cent of the total output, but in 1912 they were only 50.3 per cent. It may be added that throughout the history of the Verband there have been attempts to extend its control to the marketing of "B" products, but without success; schemes with the same object have been put forward during the war, but so far do not appear to have met with any general approval.

As regards export trade, the German cartels have consistently followed a twofold policy: (1) Those which produce semifinished commodities and sell them to other manufacturers for working up into finished goods commonly grant a rebate on ordinary prices for home consumption in respect of their products used for the manufacture of goods for export. Thus, the coal syndicate gave a rebate of a fixed amount per ton of coke used in the making of pig iron for export or for use in manufactures for export; the pig-iron syndicate gave a rebate in respect of pig iron utilized in the production of half-finished goods for export or for use in manufactures for export; the wire rolling mills received export rebates in respect of their materials, and in turn gave export rebates to the wire-tack syndicate. The complications of this system led, in 1902, to the establishment of the clearing house for export bounties at Düsseldorf by the coal syndicate, the half-finished goods syndicate, and the girder syndicate, a measure which contributed to the formation of the Stahlwerksverband. (2) The other form of export bounty is the levy of a small fixed percentage on all sales by members of a combination in order to form a fund out of which compensation can be paid to any members who at any time are forced to accept unremunerative prices abroad in order to relieve the pressure on the home market and hold up prices there.

It may be added that the German combinations were, prior to the war, parties to a large number of international arrangements, notably with Austrian, Belgian, French, and Swiss manufacturers.

The United States of America: The form of association adopted in Germany, even in its most developed form, as exemplified by the Stahlwerksverband, though it may leave the constituent concerns with little more than the management of their works, does keep them in being as industrial units on nominally equal terms in the combination, and with some voice in its management, and the associations are terminable. But a completely satisfactory organization and regulation of output may be possible only with consolidated management, and the recurring renewals always give rise to prolonged uncertainty and difficult negotiations. The only method of securing unity of management and assurance of continuity is consolidation.

The earliest form of consolidation adopted in the United States was the "trust," a method by which the holders of controlling interests in a number of companies placed their holdings in the hands of trustees, who thereafter managed or controlled the management of those companies and paid to the original shareholders dividends on the trust certificates which they had received in lieu of their shares. The Sherman Act of 1890, however, declared illegal "every contract, combination, in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States or with foreign countries"; and the resultant legal decisions, which dissolved some of the most conspicuous trusts, led to the adoption of the method of actual physical consolidation, by (a) the acquisition by a single company of a number of others and (b) the formation of "holding" companies to acquire the common stock of a number of concerns, and thereby to secure complete control without the necessity of purchasing preference shares or debentures.

The process of consolidation has proceeded very rapidly, until a very large portion of the field of the United States industrial production is dominated by powerful monopolistic or quasi monopolistic consolidations. A report of the Ways and Means Committee of the United States House of Representatives in April, 1913, enumerated some 224 consolidations of varying degrees of magnitude. Thus the United States Steel Corporation has acquired or controlled some 800 plants, and has an outstanding capital of about £300,000,000; and other examples are the American Agricultural Chemical Co. (45 plants, £9,500,000); the American Cotton Oil Co. (60 plants, £8,000,000); the American Hide & Leather Co. (22 plants, £6,000,000); the American Linseed Co. (30 plants, £6,500,000); the American Tobacco Co. (180 plants, £112,000,000); the American Sugar Refining Co. (70 plants, £28,000,000); the Central Leather Co. (40 plants, £22,000,000); the International Harvester Co. (33 plants, £31,000,000); the National Fire Proofing Co. (30 plants, £2,600,000); the National Lead Co. (15 plants, £11,200,000); the United Box Board Co. (28 plants, £3,000,000); the United Shoe Machinery Co. (15 plants, £7,600,000); the United States Rubber Co. (22 plants, £28,000,000); the General Electric Co. (30 plants, £18,000,000).

These are only a small and casual selection, and it has to be borne in mind that where a single consolidation in any particular branch of United States production has not secured a monopolistic position, but is exposed to competition from similar consolidations, there is frequently some agreement, commonly of an unrecorded kind, for the restriction of competition and consequently for the control of prices. This is exemplified by the history of the great United States meat corporations, which certainly acted for a long period in unison though without any formal agreement so far as is known. But the most striking illustration is furnished by events in the iron and steel industry, where the rise of powerful concerns and consolidations outside the United States Steel Corporation, and the resultant risk of unrestrained competition, led first to formal "pools," which had to be abandoned owing to their admitted illegality; then to trade meetings at which "understandings," as binding as formal agreements, were reached; and, finally, as the legality of these trade meetings was doubtful, to the "Gary dinners," given over the period from November, 1907, to January, 1911, by the president of the United States Steel Corporation to representatives of the concerns which had participated in the preceding "pools" or "trade meetings." It was estimated that the concerns participating in these gatherings controlled some 90 per cent of the total output of the United States steel industry.

The United States Steel Corporation is the most conspicuous example of "horizontal" and "vertical" combination. It was formed in 1901 to acquire the control of eight great companies, each of which was itself the result of far-reaching combination. Thus, among the companies acquired, the Federal Steel Co. had been the result of the merger in 1898 of the Illinois Steel Co., the Loraine Steel Co., and the Minnesota Iron Co. (the last named being an ore-mining concern in the Lake region, owning mines, an ore railway, and a fleet of ore steamers); the American Steel & Wire Co. had acquired almost all the United States works producing wire, wire nails, and other wire products; and the American Tin Plate Co. was an amalgamation of practically all the tin-plate works of the country. After its formation the United States Steel Corporation acquired yet other companies (such as the American Bridge Co., the Shelby Steel Tube Co., the Lake Superior Consolidated Mines, and the Bessemer Steamship Co.); and the results of these and subsequent developments is that through its constituent companies the corporation not only owns great steel plants, iron mines, and coal mines, railroads, and Lake steamships, but has large interests in subsidiary enterprises, such as gas and water companies. In 1911, the year of a special investigation by the United States Bureau of Corporations, its share of the pig-iron production of the United States was 45 per cent; of steel ingots, 54 per cent; of finished rolled products, 46 per cent; of wire nails, 54 per cent; of wire netting, 22 per cent; and of structural steel, 33 per cent. Its foreign trade is done through the United States Steel Products Co., which in 1912 had branches all over the world, maintained warehouses at a number of points of commercial strategical importance, and did between 80 per cent and 90 per cent of the total foreign iron and steel business of the United States. The relations between the corporation and its great American competitors, which have developed on much the same lines (though more vertically than horizontally) have been noticed already; it is only necessary to add that the Steel Products Co., though formed to market the corporation's goods, does undertake business for other manufacturers.

MARCH, 1918.

SUMMARY OF TESTIMONY AGAINST KENYON AND KENDRICK BILLS AT THE HEARINGS BEFORE THE COMMITTEE ON AGRICULTURE AND FORESTRY OF THE UNITED STATES SENATE, AUGUST 18 TO SEPTEMBER 13, 1919.

INTRODUCTION.

The hearings before the Committee on Agriculture and Forestry of the United States Senate, where the Kendrick and Kenyon bills for the regulation of the meat-packing industry were under consideration, began Monday, August 18, and closed Saturday, September 13. There were 195 persons before the committee. These came from 33 States and the District of Columbia and represented various lines of business.

Of this large number there were only about 12 who had any criticism to make of the larger packers, and some of these were opposed to licensing the packing industry.

The farmers, or producers, were the largest class represented at the hearings. Eighty-two were present. There were 21 small packers, more than a score of retailers, a good number of wholesalers, as well as representatives of civic and trade organizations, besides manufacturers, commission men, canners, editors, and other interests.

Those who appeared against the legislation were practical, representative and successful men. They were men of the highest character and standing in the communities from which they came.

I. BILLS BEFORE THE COMMITTEE.

Of the two bills that were before the committee, one was introduced by Senator Kenyon, of Iowa, and the other by Senator Kendrick, of Wyoming. Each seeks, in substance, to place the meat-packing industry under Government supervision and control.

On the opening day of the hearings, Senator Kenyon, in discussing the bills, spoke as follows:

"These bills seek to accomplish three things: First, control of the meat packers by a system of licensing; second, divorcement of the stockyards from packer ownership; and third, elimination of the refrigerator car privilege. They provide a new method of corporate control. They are radical bills; there is no doubt about that. They have teeth in them; there is no doubt or pretense they have not.

"The justification for any such measures as these at all is in the reports of the Federal Trade Commission, showing what has been done in the way of combination among the packers."

II. FEDERAL TRADE COMMISSION'S CHARGES.

W. B. Colver, of the Federal Trade Commission, occupied the entire opening day of the hearings. His testimony had to do with the reports of the Federal Trade Commission, which he elaborated on at great length. He declared that the small packers were "existing at sufferance" of the large packers, and that the live-stock producers are "at the mercy of the five great packing concerns."

The gist of the charges made by the Federal Trade Commission, and deliberately reiterated by Mr. Colver while he was on the stand, included the following:

That the small packers "are existing at sufferance" of the big packers.

That the stock producers are at "the mercy of the five great packing concerns."

That the packers have a monopoly in the packing industry.

That the packers are guilty of unfair practices in trading.

That the markets are not free and open at the stockyards.

That there is unfair competition in the selling end of the business.

That the five large packers deal in or manufacture more than 700 commodities.

All of the 21 small, or independent, packers disputed Mr. Colver's statements absolutely, and practically all of the 82 producers who appeared also declared that the report of the Federal Trade Commission and the statements of Mr. Colver were untrue.

The small packers vigorously denied that they "exist at the sufferance" of the large packers. Without exception, every one of them said there was no monopoly among the large packers nor any attempt by them to crush the smaller packers or drive them out of business. They declared also that the markets of the stockyards of the country are free and open, and that it is impossible for the big packers to control the markets if they wanted to. There are so many small packers and so many small buyers that they make the market many days themselves, their testimony showed. They further asserted that there were no agreements among the big packers in the purchase of live stock, and that there are no unfair practices by them, either in the buying of live stock or in the selling of meat products.

III. THE SMALL PACKERS' ANSWER.

It no doubt will be interesting to give a few salient points from the testimony of the small packers in answer to the charges of the Federal Trade Commission.

Howard R. Smith, president Jones & Lamb Co., Baltimore, said:

"The impression seems to be, among some people, that the large packers are simply monopolizing everything and driving the small packer out of business. We have been in the packing business for 15 years, and we have not been put out of business. We have grown right along and are now erecting a new plant."

Michael Ryan, president Cincinnati Abattoir Co.:

"I have been a competitor of the large packers for the last 40 years and I have never found a disposition on their part to crush competition. We independents have followed the lead of the larger concerns. Their houses and machinery have always been open to us. They have concealed nothing nor attempted any unfair practices that I know of."

T. Davis Hill, vice president Corkran, Hill & Co. (Ltd.), Baltimore:

"We have been in the packing business since 1886 and we have prospered and expanded. Our business has never been subjected to any undue interference by any other corporation. We buy our live stock on the open market at all the big yards, and our buyers have never complained at any time that they were hampered by anyone. The big packers can not control the market, for the reason that there are too many outside packers. Outside packers at Chicago some days purchase more than all of the large packers put together. In other words, some days the small packers make the market for the big packers. We have no fear of the big packers' competition. As to profits, I believe that during the past 25 years we have done a little better than the large packers. The large packers have never tried to undersell us or drive us out of business. We have in Baltimore 10 or 12 small packers. All of them are prospering and expanding."

H. C. Bertram, of D. B. Martin Co., Baltimore:

"Our company operates packing houses in Baltimore, Wilmington, and Philadelphia. We have grown very considerably during the last 15 years. We are meeting the big packers in competition, and we are growing larger every year."

James H. Cochrane, president Cochrane Packing Co., Kansas City:

"We have never had very much trouble competing with the big packers, either in buying or selling."

Walter H. Lipe, Beechnut Packing Co., Canajoharie, N. Y.:

"We have done business with the big packers 27 years and have made money. It doesn't seem that they have oppressed us."

G. H. Nuckolls, president Nuckolls Packing Co., Pueblo, Colo.:

"We are not existing 'at sufferance,' and we are perfectly able to take care of ourselves. Our business has been gradually increasing since 1880. We have never had any trouble in competition with the big packers. I know of no methods that have been adopted by the big packers which would be so radically unjust and unfair and monopolistic as to warrant legislation such as this. So far as profits go, my company has made a larger percentage on its turnover than any of the so-called Big Five. The profits were a little larger on the capital stock and surplus also."

James N. Doyle, Doyle Packing Co., Denver:

"I have been in competition with the Big Five packers for years, and my business has increased regularly. The big packers have never interfered with my business, and I have been able to do business in fair competition, both in the buying and selling end of my products."

P. Michaels, packer, Milwaukee:

"The Milwaukee stockyards are owned by Swift & Co. Trade is unrestricted. You can go out any day and buy what you want. There are about a dozen small packers operating at our yards, and none of them has any trouble in getting what live stock he wants for his packing plant."

W. N. W. Blayney, president Coffin Packing Co., Denver:

"It has been stated that the independent packers of the country 'exist at sufferance' of the so-called Big Five. This is not true. Anybody can compete with the Big Five packers. They have done much to build up the cattle industry, the packing industry, and business generally."

J. M. Emmart, Louisville Provision Co. (packers), Louisville:

"The small packer can make a success in the face of large packer competition. We started in business in 1910 with $50,000 capital stock. * * * Last year we did a business of $4,500,000. During these years we have made as much profit as some of the larger concerns. So far as I know the big packers never at any time have tried to put me out of business. We have expanded and are continually adding to our plant."

Patrick Brennan, president Independent Packing Co., Chicago:

"From its inception our company has been located within one block of the Union Stock Yards. * * * Our business has grown continuously from the beginning, commencing with sales of a little over $2,000,000 in 1906 and amounting to a little over $27,000,000 in 1918, each year showing a substantial increase. There is sharp competition between us and the so-called Big Five packers in the purchase of live stock, as well as in the disposal of our products."

W. R. Sinclair, manager Kingan & Co., packers, Indianapolis:

"I deny that there is any monopoly in the packing business, and I see no tendency in that direction. * * * It has taken 70 years to build up the packing industry to its present efficient state of operation, and we claim its efficiency is not surpassed by any other industry in the world to-day. Last year our turnover was $63,000,000. Our company is now and has been very prosperous."

J. Fred Shafer, president of the Jacob C. Shafer Co., Baltimore:

"I have been engaged in the packing business 20 years. We have been in daily competition with all the big packers and all the small packers, and we have always prospered. I have always found the big packers to be fair in their dealings with me. They have never been unreasonable, nor have they resorted to any unfair practices. I have never seen them at any time trying to put the small fellow out of business."

John J. Felin, president John J. Felin Co., packers, Philadelphia: (Mr. Felin represented seven other packers at the hearings before the Senate committee.)

"I wish to take exception to statements made by W. B. Colver, of the Federal Trade Commission, that the independent packers existed 'at the sufferance' of the large packers. I have known several of the independent packers of the country who have made a larger return on their capital than the Big Five, and we feel we have all prospered. I have known all the packers for years, and have never seen any unfair dealings on their part. I know of no methods that have been adopted by any of them that were unjust, unfair, or monopolistic. We are not 'existing at sufferance.' My company has made a larger percentage on its turnover than any of the so-called Big Five packers."

Edward Smith, president Edward Smith Packing Co., Buffalo:

"I have been in the packing business 30 years, and during the last 12 years have been in business for myself. Previous to that time I had been with Swift & Co. When Mr. Edward F. Swift learned that I had gone into business for myself he voluntarily let me have $5,000 to help establish myself. This would not indicate that he wanted to put me out of business. There is no combination or unfair practices on the part of the large packers."

Oswald Neesvig, president Madison Packing Co., Madison, Wis.:

"I have always found the big packers fair in their dealings with me. They have never been unreasonable, nor have they resorted to any unfair practices. I have never seen any attempt on their part to put the little fellow out of business."

Solomon Greenwald, president Greenwald Packing Co., Baltimore:

"I know that the big packers do not control competition in the stockyards. The yards are open to everyone. We bid against the big packers during the war, and had enough contracts for nine months to take care of a thousand cattle a month."

J. C. Dold, president of the Jacob Dold Packing Co., Buffalo:

"The Dold Packing Co. has been in business over 50 years. * * * Our expansion is indicated by the present large financial assets. And our steady progress has carried us to an output of nearly 1,000,000 head of live stock annually. Hundreds of the others of the small or independent packers have had the big packers for competitors, and during all these years we are forced to admit we can not point to a single act on their part directly tending to put us or, so far as we know, any small packer out of business. We are in touch with all the leading live-stock markets in the West every business day, and I recall no instance where we were ever hampered by any packer in the control of any stock or in the purchase of our supplies at competitive market prices."

The foregoing testimony of these substantial and representative business men seems to show conclusively the untruthfulness of the reports made by the Federal Trade Commission.

IV. THE PRODUCERS' ANSWER.

The 82 producers who testified came from all points of the compass. But from the cattle-producing States of Texas, Oklahoma, Kansas, Illinois, Iowa, Nebraska, Wyoming, Colorado, and Missouri came the strongest delegations. With the exception of two or three, all of them denied that they are "at the mercy of the five great packing concerns" and corroborated the statements of the small packers that no monopoly existed in the packing industry. They declared that the stockyards were free and open, and that they had always received fair treatment from the packers in disposing of their live stock.

Senator KENYON, author of one of the bills before the committee, was confronted by a delegation of his constituents. The witnesses who appeared are among the largest live-stock producers in the country. It is interesting to note the testimony of some of these men.

J. S. Blackwell, of Muscatine, Iowa:

"I am sorry that a Senator from a prosperous State like Iowa has to be the father of one of these bills," said Mr. Blackwell. "In view of the great prosperity we are now having I do not think that such legislation should originate from a State like ours. * * * Iowa's land values have increased by leaps and bounds within the last few years—from $50 to $500 an acre—and in some places more than that. This is due to the packers more than any single thing, and I will tell you why: Iowa is the greatest hog-producing State in the Union; besides it is one of the foremost cattle-producing States, as well as one of the leading States in the production of corn, poultry, butter, and eggs. Now, practically all of these products are sold to the packers at a ready cash market every day in the year.

"I am satisfied, Senator KENYON, that when you get a chance to come back home to Iowa and put your ear to the ground that you will want to get off of these bills as quickly as you know how. I do not find that you are getting any support from our people."

The other Iowa farmers substantiated Mr. Blackwell's statements, and declared they were opposed to licensing of business generally. They said the packers had treated them fairly.

J. P. Lynn, one of the several successful and prosperous producers appearing before the committee from Missouri, reflected the sentiment of his State when he said:

"There is not a stockyard in the United States where there is not competition in the purchase of cattle, no matter who owns them. As a shipper of long experience, I have never encountered any discriminating practices of combinations to control markets in any way whatsoever."

Similar testimony was given by the producers in connection with many other charges made by the Federal Trade Commission. Their denials of the commission's accusations were emphatic; they were without equivocation. Robert J. Kleberg, Kingsville, Tex., manager of perhaps the largest cattle ranch in the world, declared:

"I contend and believe that the producer of live stock who conducts his business properly has nothing whatever to fear from the packers. He needs the packer to prepare his product for market and distribute it. When a business is as big as the packers' business, that business has to be conducted properly and on businesslike lines and on principles of fairness toward the public. They can not afford in their own interests to conduct their business in such a way that it injures the great mass of people with whom they do business.

"I do not feel that there is any particular danger to this country from a monopoly of its food products. In fact, I have never considered it, because I do not think it is possible."

Maj. W. L. Brown, Kingman, Kans., one of the best known producers of pure-bred live stock in his State, said:

"We are wondering why it is necessary to change the whole system of marketing as is proposed. We have a large and growing market at Wichita. There is no complaint against the packers who buy on that market, because the people who ship their stock there have been treated fairly. But if you continue to hamper the meat-packing industry you will disturb the live-stock industry, and perhaps ruin the market facilities we have by trying to regulate an industry which we who supply its raw products have no complaint against."

F. R. Currie, Gard, Nebr., after experience covering 40 years in business, during which time all of his live stock was sold to the packers, gave the committee this opinion:

"I suppose if it were possible to have a monopoly of any particular line of business, it might be well to have it controlled. But a monopoly of the meat-packing business is absolutely impossible. It is impossible for the reason that no human being can forecast production. Nor can any man foresee what the demand will be. He can not tell where he will have to go for his raw supplies."

J. G. Imboden, Decatur, Ill., president of the Illinois Live Stock Association, expressed his views before the committee, as follows:

"I know of no industry which has been handled as intelligently and condemned as generally as the live-stock and meat industries of the Nation. * * * I have no complaint to make in regard to the market service as rendered either by the stockyards, commission firms, or packers. I have no absolute knowledge of the existing evils which are charged. Public sentiment has been created against the packing industry simply on account of the high prices the consumer has been forced to pay for his meats. There are, however, high prices charged for every article bought.

"I find that competition is keen. The men engaged in the industry on the average are satisfied with reasonable profits. I do not believe there is any semblance of monopolistic control."

I. C. Thurmond, cattle grower and banker of Oklahoma City, made this statement with respect to competition in the industry:

"There is most active competition in our territory. The people who produce cattle in my section of the country generally feel that the live-stock business should be encouraged. They believe that Congress is pursuing a wrong policy in attempting to hamper expansion of the packing industry, for the reason that it will reflect on the producer. They can not believe that a combination exists, for all of our live stock has been sold at good prices."

D. B. Zimmerman, Somerset, Pa., was introduced to the committee by Senator KENDRICK, who said that he was one of the very largest cattle producers in the country, having interests extending from Montana to Texas:

"The packing industry could not exist unless it had the producers; neither could the producers exist unless they had the packing industry and the markets to take care of their interests. We need the stockyards, we need the refrigerator cars, and we need the cold-storage plants. I would say that it is illogical to suppose that the packers would do anything to injure the producers, because it would be against their own interests."

Former Gov. E. M. Ammons, of Denver, headed a delegation of 18 men who represented Colorado at the hearings. Mr. Ammons advanced strong arguments in his attack on the legislation before the committee. He opposed the proposed bureaucratic control, the divorcement of refrigerator cars from packer ownership, and declared that the Government had gone far enough in its interference with business. He added:

"If there are any bad practices, I do not think there is a single one which is not covered by existing laws. I have seen no evidence of discriminating practices. I do know that we have plenty of competition and that the packers who own the Denver yards have given us more facilities and a larger market, as well as a surer market, with a satisfactory price than we could have had if such things as are charged had existed."

W. L. Richards, Dickinson, live-stock raiser and banker, presented to the committee the sentiment in North Dakota, Senator GRONNA'S home:

"In the country where I live," said Mr. Richards, "every man I have talked to, with the exception of one, is against such legislation as you have before you. I believe I could get a petition from every stock grower in our country to that effect.

"I sell my cattle in all of the central markets. Most of the time I have been present when my cattle were being sold and I always have seen competitive bidding. In my opinion the big packers have done more for the stockman than anyone else. And I do not believe that their reported profits are unjustified, for the small stockman has made proportionately as large profits on his investment."

V. ANOTHER CHARGE EXPLODED.

Another charge, made by the Federal Trade Commission, was that the five large packers were absorbing unrelated industries of every kind "at a rate that has become alarming." Besides small packers and producers, there were canners, retailers, wholesalers, manufacturers, commission men, representatives of the boards of trade, and live-stock associations who gave contradictory testimony to that charge.

H. H. Bergmann, secretary of the Missouri Carlot Poultry and Egg Shippers Association, of St. Louis, said:

"The packers do not have a monopoly of the egg business. They do not handle 5 per cent of the eggs of this country. We have never found them unfair in any way. They are not crushing anybody."

William T. Nardin, president of the Helvetia Milk Condensing Co., of St. Louis, who is one of the largest milk manufacturers of the country, said:

"The big five packers do not control 10 per cent of the milk business of the country. We have found no difficulty in packer competition in the milk business."

Frank Gerber, Fremont, Mich., president of the National Canners' Association, one of several canners who testified, said:

"None of the members of my organization has expressed any fear that the spreading out of the meat packers will drive them out of business. They feel they are able to take care of themselves."

James A. Anderson, of the Morgan Canning Co., Morgan, Utah:

"So far as the packers are concerned in the business that I am engaged in, there is absolutely no mononply. There can be none."

A number of retailers averred that the packers were not unfair and that they had no fears of being put out of business.

T. G. Park, retailer, Tulsa, Okla.:

"I say give us more packers. Give us more Swifts, more Armours, more Wilsons. We need them."

E. A. Brown, retailer, Newport, R. I.:

"I have been a retailer for 34 years and have failed to discover any advantage taken of us by the packers. They are a great help."

Emmanuel Wasserman, retailer, Norfolk, Va.:

"We have been in business 47 years, and in all the dealings I have had with the packers they have been absolutely fair, and I have prospered since I have dealt with them."

Representatives of commission houses and stockyards unqualifiedly denied the charge of the Federal Trade Commission that the large packers controlled the market. They declared the yards are open; that there is free competition; and they said it was very seldom that they ever received a complaint from any shipper.

VI. PROFITS OF THE SMALL AND LARGE PACKER.

The question of profits of the small packers, as compared to the large packer, was in the foreground throughout the hearings. In nearly every instance the small packer said he made a larger percentage of profit on his turnover than the big packer. This was admitted by two members of the committee, Senators NORRIS and GRONNA.

Senator NORRIS said on September 12, the day before the end of the hearings, while this question was under discussion:

"I think the evidence before the committee—at least in the other hearings—developed that a great many of the small packers made more money in proportion to the amount invested than the big packers."

The chairman, Senator GRONNA:

"I think, Senator NORRIS, we had a great many more witnesses this time than we did last winter, and I think I may say that the testimony has been that they have been very successful."

This would seem to further discredit the Federal Trade Commission's charge that the small packers are "existing at sufferance," and to show that they are not being held in the hollow of the hands of the big packers.

VII. COMMISSION'S METHODS EXPOSED.

The Federal Trade Commission's report was not received with the acclaim expected by the progenitors of the radical bills. Charges that the commission had been unfair; that it was biased; that it was incompetent; and that its investigations of the five larger packing companies was one-sided came not only from the smaller packers but dozens of men representing the very backbone of the live-stock industry.

Of all of the testimony discrediting the Federal Trade Commission's findings in the meat-packing investigation, the most sensational, perhaps, came from a constituent of Senator KENDRICK. Dr. J. M. Wilson, McKinley, Wyo., member of the executive committee of the American National Live Stock Association and one of the largest ranch owners of his State, openly accused the commission of conducting the investigation in the interests of a "small group of men who constitute the market committee of the American National Live Stock Association."

Dr. Wilson related in detail the story of relations between the Federal Trade Commission and the market committee. He declared that "the facts point very clearly and unmistakably to where the Federal Trade Commission got its original recommendations." The witness gave some startling details regarding the activities of H. A. Jastro, E. L. Burke, and Ike Pryor, who, he said, were the moving spirits in urging the investigation. He showed how anxious these men were about "finances," and called especial attention to the report of the market committee at the Cheyenne convention, in which the following statement was made in the report of the market committee:

"We are dealing with the biggest and most complicated economic problem of our day, namely, the proper handling of the meat supplies of the Nation. We are playing for big stakes, but the reward is great in proportion as the game is hard."

In commenting upon this statement, Dr. Wilson insisted it was proof sufficient that the motives behind the investigation were not altogether unselfish. He charged that the market committee had started originally with the idea of investigating the whole live stock marketing problem, but that later it was changed in its course and only the meat packers were subjected to the inquiries. He declared that the "finances" about which members of the market committee were so solicitous at the various conventions of the organization were used solely for propaganda purposes against the packers.

But the most striking feature of Dr. Wilson's testimony was in connection with a speech made by W. B. Colver, of the Federal Trade Commission, before the Denver convention of the American National Live Stock Association, last January. The witness quoted from Mr. Colver's speech as follows:

"It is a pleasure, as well as an honor, to come out here to talk to you and in a measure make a report on the progress that has been achieved on the job in which you were instrumental in starting us. You started the row; then you put us into a cage and went away and left us. I might say it has been a most interesting proceeding ever since. We did what you told us to do after you went away and left us."

This language clearly indicated, Dr. Wilson declared, that Mr. Colver never looked upon the proceedings in any other light than a row. He asked the Senate committee what it thought of the appalling admission. He also called attention to Mr. Colver's further statement that the "buck is now passed straight up to Congress." Such relations between the market committee and the Federal Trade Commission demonstrate how thoroughly the commission had joined in plans of the small group of members of the live-stock association, according to Dr. Wilson's views.

J. S. Blackwell, one of the largest farmers and producers of Iowa, also severely criticized the commission's activities. He declared:

"There is a feeling in the country that the legislation is based on the one-sided report of the Federal Trade Commission. * * * I do not know what was behind this report, but there is evidently some ax to grind at the expense of the live-stock producers. * * * Common talk out our way is that the Federal Trade Commission ought to prove something or shut up. Its system of starting out and trying cases in the newspapers is just another aid to the unrest of this country."

P. W. Olsen, Cokeville, Wyo., one of the largest sheep and wool growers in that country, said:

"The Federal Trade Commission charges that the packers have a monopoly. I have been in the stock business 36 years and I have to have more evidence than that charge that a monopoly exists."

Marion Sansom, among the largest live-stock producers and probably one of the best-known citizens of Texas, related an interesting experience he had with the Federal Trade Commission during the war. He said he was a member of the committee appointed by President Wilson to make a recommendation on the Federal Trade Commission's report on the packing industry.

"From what I heard," said Mr. Sansom, "I concluded that the Federal Trade Commission was a little bit stronger as a prosecutor than it was as an agent of the Government. I took it the commission was after the packers pretty strong. It made what looked to me like

some extreme recommendations. At that time, the commission's proposition was to take over the packers' stocks, their banks, and their stock and cattle loan companies. I thought that was a pretty strong recommendation."

W. J. Vereen, cotton manufacturer, of Moultrie, Ga., told the committee of the attitude of investigators which the Federal Trade Commission sent to Moultrie to investigate Swift & Co.'s plant there.

"I just want to bring to the attention of the committee," said Mr. Vereen, "the type of investigators, or rather not the type—well, we will let it go that way. Three gentlemen came down to Moultrie to investigate Swift & Co.'s plant. In the course of the conversation with them I paid a compliment to Swift & Co. as to how they had helped in the development of our section of the country. Immediately, these men showed very clearly they were prejudiced against the big packers and that they went there prejudiced. Of course, the report they made will be brought here, as well as other information. If I were to pass upon that information, I would not pay any attention to it because I would not have any confidence in it. If you see fit, you might look into the men who are making these investigations."

W. C. Swayze, of the Colorado State Grange, told the committee that—

"The National Grange has refused to adopt a resolution indorsing the report of the Federal Trade Commission. Thirty-five States are represented in the National Grange, and each State has two votes. Of the total 70 votes, there were only 3 in favor of indorsing the commission's report about the packing industry."

James A. Anderson, president of the Morgan Canning Co., Morgan, Utah, criticized "the arbitrary methods" which the Federal Trade Commission used in his factory.

"The report they made about my factory was absolutely wrong, and I can prove it by actual figures shown by an expert public accountant," Mr. Anderson said. "They used arbitrary methods and seemed to be determined to make the costs such and such whether they actually existed or not. * * * And I have this to say:

"That they are either incompetent in their way of arriving at the actual facts or else they do not care for actual facts. I would rather give them the benefit of the doubt and say they were incompetent."

W. B. Tagg, Omaha, former president of the National Live Stock Exchange, disclosed that new packing company schemes were being exploited as a result of the report of the Federal Trade Commission.

"They are selling millions of dollars' worth of stock out through our country," said Mr. Tagg, "based on the report of the Federal Trade Commission and the great profits alleged to have been made by the big packers. * * * And they are exploiting the commission's report for the purpose of selling stock. I am afraid it will cost the American people millions of dollars."

W. R. Martineau, secretary of the Live Stock Producers' Association of Oklahoma, criticized the way in which the Federal Trade Commission published its report. He declared it amounted to a trial in the newspapers.

Ward A. Neff, of Chicago, vice president of the Corn Belt Farm Dailies, challenged the statements made by the Federal Trade Commission and asserted that none of the papers for which he appeared is now or has been owned or controlled by any packer.

L. D. H. Weld, manager of the department of commercial research for Swift & Co., showed conclusively that Mr. Colver's statement, as well as the report of the Federal Trade Commission, contained many glaring misstatements, many inconsistencies, and many insinuations. He criticized the misuse of the words "control," "monopoly," and "Big Five" by those who were attacking the packing industry. He said, for example:

"If an employee or an official or a director of a packing concern owns a few shares of stock in a railroad, the insinuation is put forth that he is trying to control that railroad so as to get favorable treatment for himself or unfavorable treatment for his competitors.

"If he owns a few shares in a bank, the insinuation is put forth that it is done to control credits.

"If he owns a few shares in a cattle-loan company, the insinuation is put forth that it is to control the cattlemen to sell their cattle to his company. There is nothing, of course, of this sort at all."

Mr. Weld cited similar insinuations with regard to poultry and hides.

"Everything that we do is misconstrued, both by Mr. Colver and by the Federal Trade Commission," Mr. Weld continued. "If prices go up, some fellow has tried to sell his product at a big profit; if prices go down, we are trying to do this, that, or the other. That sort of thing is downright persecution of one of the leading and most vital institutions in the United States."

Mr. Weld then called attention to the fact that Mr. Colver had failed to mention that there are over 200 interstate slaughtering houses outside of those owned by the Big Five packers, and that there are nearly 1,000 packers in all in the United States. He showed the unfairness and what would seem to be deliberate attempts of the commission to misrepresent the facts, when he referred to the Federal Trade Commission's charge that the packers handled 639 commodities, and which Mr. Colver in his recent testimony said were "more than seven hundred."

"In the first place, over half of the products enumerated are meat and animal by-products," Mr. Weld said. "Seventy items in that long list are merely supplies which are not sold to the trade outside at all. They are bought at a central depot—for example, in Chicago—and distributed to the branch houses and to the plants."

Referring to other items on the lists, Mr. Weld declared:

"They list as separate items beef tongue, fresh beef tongue, cured beef tongue, ox tongue, pickled tongue, potted tongue, and smoked tongue. These are shown by the commission as distinct products in its list of nearly 700 items handled."

Other instances of the same nature were cited by Mr. Weld, including beef sides and dressed beef—one and the same thing—and flour and wheat flour. He mentioned that the list contained 37 kinds of sausages, including duplications. The list, he declared, contained dried sausage and dry sausage as two separate and different products. This padded, duplicated list, Mr. Weld insisted, demonstrated the unfairness and the glaring misrepresentations by the commission.

Mr. Weld then took the commission to task for its statements that the packers controlled the leather industry. He submitted figures and statements to show that the five larger packers together handle only 19 per cent of the total output of the country.

In connection with the commission's report on fertilizer which alleged that the five larger companies controlled that business also, Mr. Weld showed that the four large companies which make fertilizer handle only 19 per cent of the total output of the country.

He demonstrated with figures from the Trade Commission report that the five large packers handle only 7.8 per cent of the total output of crude cottonseed oil, and only 31.8 per cent of the refined. The most important packer in this field, in competition with all others, handles only about 10 per cent of the total. This was in answer to the commission's charge that the five great packing concerns controlled the cottonseed oil industry also.

IX. PACKERS AID SOUTHERN STATES.

That the Southern States are greatly interested in the development of the live-stock and packing industries, and that they appreciate what the larger packers have done, in establishing packing plants in their section of the country, was forcibly brought out during the hearing. This was especially true of the Southeastern States.

C. B. Caldwell, secretary of the Colquit County Chamber of Commerce, Moultrie, Ga., related to the committee how the citizens of his community persuaded Swift & Co. to go to Moultrie and take over their local packing plant, saying they wanted experienced men in the packing business to develop it.

"So we set out to get a packer to take over the packing house," said Mr. Caldwell, "which Swift & Co. did in 1917, and they have since made an investment of something like $1,000,000 in the development of the plant there.

"We regard the taking over of our plant by Swift & Co. the largest contributing factor in practically everything which helped us to swing the average farmer away from the one-crop farming system and threw him into the diversified manner of farming in which he grows more foodstuffs."

Mr. Caldwell said that Swift & Co. were the pioneers in the South in the development of live-stock production, as all the packing plants in that part of the United States have been the outgrowth of the plant at Moultrie.

W. J. Vereen, a cotton manufacturer, also of Moultrie, substantiated Mr. Caldwell. He said:

"Our experience with Swift & Co. has been that they are progressive and that they take care of the situation with us and we consider them the biggest single asset we have got, so far as developing the farming section of our part of the country is concerned."

C. E. Thomas, a producer, and William Howard Smith, a large shipper, both of Alabama, told the committee of the development of the live-stock industry in their State, and that the establishment of the packing house at Andalusia by Swift & Co. had not only stimulated live-stock production, but that real estate values had increased tremendously, as a result of the packing plant being established there.

Herbert H. Ruch, of Louisiana, said that until Morris & Co. bought the local stockyards and packing house at New Orleans there was practically no market there.

"Since Morris & Co. have been operating at New Orleans," said Mr. Ruch, "the market for cattle has increased 100 per cent over what it was before. Friends of mine who do cattle raising and feeding tell me they would be glad to see more packers come south."

Mr. Ruch went on to say that before Morris & Co. took hold of the plant at New Orleans there were glutted markets, and that shippers many times would have to sell their live stock at a discount or take it back home.

R. E. Power, of Nashville, Tenn., gave similar testimony:

"The farmers throughout the Southeast have diversified their farming from cotton to live stock since packing plants have been established here. This was the beginning of their career with live stock, and they are still in their infancy in that country. The big packers have, I understand, plants at Moultrie, Ga., Andalusia, Ala., and Jacksonville, Fla. I know those packing plants there have created a home market for, I should say, 75 per cent of the live stock that is offered for sale at those packing houses."

N. J. Harsh, a large farmer and feeder, of Sumner County, Tenn., declared:

"The packing business is one of the biggest and most important industries in the country, and we have got to have it unless some interest comes along to take care of the situation." He said the packers had been a great benefit to his section of the country.

J. H. Nail, one of the larger farmers and cattle growers of Texas, traced the development of the industry in his State and told of the benefits that resulted from the entrance of the large packers into the field. He said:

"I think that Gustavus F. Swift was one of the greatest benefactors this country has ever known. He made it possible for me to get between 40 and 45 products out of my cattle and put the food in half-pound tins and send them around the world."

Sam Davison, Fort Worth, Tex., told the committee that until Swift & Co. and Armour & Co. went to Fort Worth and established up-to-date packing houses there that the people of Texas were compelled to ship their live stock hundreds of miles to Kansas City, St. Louis, and Chicago. But now they have a splendid market at Fort Worth, and that about 500,000 head of cattle a year are slaughtered there, and that they receive practically the same price as is paid at the other markets.

Other witnesses from Texas testified that until these packing houses were established at Fort Worth very few hogs were raised in that State, but the coming of the packing plants has stimulated that industry until now there were many thousands of hogs sold at Fort Worth every year.

X. PROPAGANDA.

A great deal has been said, and especially before the hearings began, about "packer propaganda." Senator Kenyon made mention of this several times in the Senate. But developments during the hearings revealed that other interests were carrying on a propaganda as widespread and as direct as any with which this country is familiar. This was especially true of the Southern Wholesale Grocers' Association. The publicity man for the association, L. H. Haney, was present at many sessions of the committee and was frequently issuing statements to the press in Washington. He formerly was connected with the Federal Trade Commission.

Mr. Haney's activities in behalf of the proposed legislation were brought out forcibly by J. P. Lightfoot, general counsel for Wilson & Co. He inserted in the record of the hearings a letter issued by Mr. Haney showing the style of propaganda used by his organization. Here is a part of one of Mr. Haney's "bulletins":

"Having just returned from Washington for a few days, I desire to make some suggestion as to what you can do to help secure proper regulation of the meat packers' monopoly. * * *

"For the present it seems best for the wholesale grocers to assist the cause of competition and equal opportunity by securing petitions and letters from those who honestly believe that a monopoly of food products is dangerous and should be subjected to reasonable regulation. I suggest * * * that you secure signatures to the petition which is inclosed. It will be well to secure petitions in duplicate. When you have obtained a list of 20 or 30 names, send one of the copies to your

Senator and the other to your Congressman with the request that he introduce it at his early convenience, and that he send you a copy of the CONGRESSIONAL RECORD in which his action is recorded. Be sure to follow it up.

A letter with the bulletin states that every community should be canvassed, and that the leading citizens, "especially farmers," should be interviewed with regard to their signatures. Mr. Lightfoot further revealed that many such bulletins have gone out from the headquarters of the Southern Wholesale Grocers' Association during the hearings, thus showing that the campaign inaugurated by that organization was unusually widespread.

Dr. J. M. Wilson, who told of the efforts of a few members of the American National Live Stock Association with the Federal Trade Commission, told also of the propaganda carried on by members of the association's market committee against the packers. He referred to the propaganda of Senator KENDRICK, who is not only president of the American National Live Stock Association, and as such a member of its market committee, but also a member of the Senate Agricultural Committee. According to Dr. Wilson, Senator KENDRICK's envelopes bear the following:

"Whether or not the operations of the packers are in all respects fair and honorable, whether or not they allow the law of supply and demand full play in the markets, the fact remains that the power they exert over the food supply of a population of more than 100,000,000 is altogether too great to be vested in the irresponsible hands of a few private individuals. There is no divine right in industry."

Of Senator KENDRICK's propaganda, Dr. Wilson said:

"Sending to the producers of this country this propaganda against the packers and in favor of these bills, under a senatorial frank, discounts everything in the way of propaganda which the ingenuity, efficiency, or the economy of the packers have devised."

It would seem from the foregoing that the much-talked-of "packer propaganda" was amateurish and inconsequential in comparison with that of the proponents of the bills.

XI. SENATOR HARRISON'S RESOLUTION.

Another outstanding development of the hearing, due to the disclosures made by the witnesses, was when Senator HARRISON introduced a resolution which provided that the Senate committee make its own investigations of the meat-packing industry.

Senator HARRISON said it was growing irksome to have witnesses continually coming in and giving evidence which differed entirely from the reports made by the Federal Trade Commission.

His statements quickly brought forth invitations from Henry Veeder, general counsel for Swift & Co.; M. W. Borders, general counsel for Morris & Co.; J. P. Lightfoot, general counsel for Wilson & Co.; and Charles J. Faulkner, jr., general counsel for Armour & Co., for such an investigation to be made.

The attorneys each assured the committee that their clients welcomed an investigation by "competent, certified public accountants, who knew their business."

XII. COUNTRY OPPOSED TO LICENSING.

If the evidence submitted at the hearings can be taken as any criterion, there is practically a unanimous sentiment throughout the country against the licensing of American business. All of the witnesses who testified were almost of one mind on that question. They declared that the experiment was too drastic and was dangerous.

Government control of the railroads and telegraph and telephone lines was constantly cited as an experience with Government regulation "of which we want no more." These same witnesses saw grave dangers in any attempt of the Government to manage the packing industry, and various reasons were advanced against the licensing feature. Some of these were:

That there are already enough laws on our statute books to take care of any evils, if any exist.

That the licensing of business is a step toward Government ownership.

That it is socialistic and un-American and would destroy initiative and creative genius; it would blight ambition.

That the proposed legislation would put too much power into the hands of one man; it would be autocratic and the power might be used for political purposes.

That such legislation would be the opening wedge for the licensing of all business.

That such legislation would hamper and reduce the efficiency of the meat packers, thereby injuring the live-stock producers; this would limit the output which in turn would decrease the amount of food products for the consumer with a resulting increase in price.

Resolutions were presented to the committee from farmers' organizations, boards of trade, chambers of commerce, and other civic and trade associations vigorously protesting against the licensing proposal.

The fact that the Government has supervision and inspection of the banks of the country was cited by several members of the committee as an argument for similar control of the packing industry. Various witnesses explained that the two businesses were not at all similar.

Henry L. Prewitt, Mount Sterling, Ky., a banker and lawyer, showed most clearly the difference between banking and meat packing. His explanation was as follows:

"As I see it, there is a very great difference between a banking house and a packing house. The stockholders of a packing house are interested only in the financial end of the packing business. A bank is at least, I will say, half for the public. The public is directly interested. Its money is deposited there. It is an entirely different case.

"The packing business is organized to do business in a commercial way. The banks are only supervised and inspected so far as their rates of interest are concerned and to determine whether they are solvent. This is to keep them from charging usurious rates of interest and to protect against failure. * * * The two cases are not analogous at all."

XIII. THE STOCKYARDS.

A study of the testimony discloses that in most cases there was no objection to the ownership of the stockyards by the packers. Many witnesses declared they preferred packer ownership to private ownership, and set forth reasons which can be summarized as follows:

The charge of the Federal Trade Commission that the packers controlled the stockyards, to the detriment of everyone except themselves was denied by practically every witness who testified.

The testimony was overwhelming from small packers, producers, and shippers, commission men and others that the markets at the yards were free and open, and that the so-called big packers never made any effort to dictate or control in the marketing of live stock.

The packers must provide sufficient and well-managed marketing places, or else the shippers will patronize other yards; in other words, the interests of the packers and of the producers are identical.

In matters of convenience to the shippers, care of their live stock, and the providing of equipment with which to meet all needs of the shippers, it was clearly shown that the packer-owned yards or yards in which the packers were interested could hardly be improved upon.

Instances were cited of how the yards had been improved and marketing facilities increased after packers had acquired interests in them. In Fort Worth, Denver, Oklahoma City, Wichita, Omaha, and South St. Paul, the improvements have been most noteworthy, according to witnesses. It was brought out that nearly all of the earnings of different yards had been used for improvements and additions. In many cases the testimony showed the result of packer ownership of the yards has been improved conditions and satisfied shippers.

XIV. THE REFRIGERATOR CAR.

Of the nearly 200 witnesses who were before the committee, the record of the hearings show that there were only a few witnesses who were in favor of taking the refrigerator cars away from the meat packers. The fact that the packers had to build their own refrigerator cars, because the railroads did not or would not build them, was forcibly brought to the attention of the committee.

The producers especially were very much opposed to forcing the meat packers to give up their refrigerator cars. They argued that to eliminate packer ownership meant a total disruption of the packers' distributing system. They said that if you take away this avenue of outlet for the finished product they feared it would mean a curtailment in the amount of live stock the packers would purchase.

Various witnesses declared that to take away the refrigerator cars from the packer would be as foolish as to take away their knives or their slaughtering plants or their office buildings.

It was also brought out that if the railroads were to take over the refrigerator cars they did not have organizations or trained men to distribute and handle these cars as is necessary in the shipping of perishable products.

It was suggested that if there were not sufficient refrigerator cars that the railroads should be compelled to build and furnish them, or that the Government furnish them.

CONCLUSION.

Senator KENYON said the only justification for this legislation "at all is in the reports of the Federal Trade Commission." These reports were discredited by practically all of the witnesses, men of the highest character and integrity. They said they were absolutely untrue. The men who gave this testimony are in almost constant touch with the large packers, either as small packers who are in competition with them, as producers who sell their output to the packers, as retailers and wholesalers who buy the packers' products, or as live stock and commission men who are at the markets every business day of the year. All of them opposed the licensing feature, saying it was neither practicable or desirable.

The witnesses showed the Federal Trade Commission's reports to be false and not founded on fact. If their testimony is to be given credence, then there is no longer any reason for the proposed legislation, since the evils alleged do not eixst.

WITNESSES WHO APPEARED BEFORE THE SENATE COMMITTEE ON AGRICULTURE AUGUST 18 TO SEPTEMBER 13.

Alabama (2): C. E. Thomas, producer and banker, Prattville; William H. Smith, producer, Prattville.

California (4): Henry W. Lynch, producer, Monterey County; Joe D. Biddle, producer, Hanford City; W. E. Premo, producer, Porterville; Vernon Campbell, general manager the California Cooperative Canneries, San Jose.

Colorado (18): E. M. Ammons, producer, former governor, Denver; W. A. Drake, producer, Fort Collins; Charles Clayton, producer, Denver; J. M. Williams, producer, Steamboat Springs; J. D. Mallon, producer, Denver; R. E. Vickery, producer, Grand Junction; E. E. Stepp, producer, Berthoud; W. C. Swayze, Colorado State Grange, Denver; Ben M. White, producer, Eagle; G. H. Nuckolls, Nuckolls Packing Co., Pueblo; W. N. W. Blayney, Coffin Packing Co., Denver; James N. Doyle, Doyle Packing Co., Denver; Frank J. Dennison, producer, Denver; C. A. Rodgers, producer, Denver; Arthur C. Johnson, Daily Record-Stockman, Denver; J. E. Zahn, manufacturer, Denver; A. G. Prey, Denver Live Stock Exchange, Denver; John Grattan, producer, Broomfield.

District of Columbia (2): William B. Colver, Federal Trade Commission, Washington; William W. Williams, Department of Agriculture, Washington.

Florida (4): J. D. Baker, chain-store operator, Tampa; Lewis K. Riley, jr., wholesaler and jobber, Jacksonville; Lewis H. Haney, director of publicity Southern Wholesale Grocers' Association, Jacksonville; James Lasseter, vice president W. B. Johnson Wholesale Grocery Co., Jacksonville.

Georgia (2): C. B. Caldwell, secretary Colquitt County Chamber of Commerce, Moultrie; W. J. Vereen, cotton manufacturer, Moultrie.

Illinois (19): W. C. McLean, president Chamber of Commerce, East St. Louis; Ross Bowles, secretary East Side Employers' Association, East St. Louis; C. B. Heinemann, secretary National Live Stock Exchange, Chicago; Everett C. Brown, president National Live Stock Exchange, Chicago; J. G. Imboden, president Illinois Live Stock Association, Decatur; Patrick Brennan, president Independent Packing Co., Chicago; L. F. Gates, president Board of Trade, Chicago; Ward A. Neff, editor Daily Drovers' Journal and Corn Belt Farm Dailies, Chicago; L. D. H. Weld, director of commercial research, Swift & Co., Chicago; P. S. Haner, producer, Taylorville; Roy A. Johnson, producer and banker, Taylorville; E. M. Boddington, Associated Serum Companies of America, Chicago; Frank X. Mudd, president Live Poultry Transit Co., Chicago; C. R. Hillyer, counsel Live Poultry Transit Co., Chicago; Henry Veeder, general counsel Swift & Co., Chicago; J. P. Lightfoot, general counsel Wilson & Co., Chicago; M. W. Borders, general counsel Morris & Co., Chicago; E. G. Robson, producer and secretary Farmers' Cooperative Elevator, Watago; J. M. Chaplin, chief accountant Swift & Co., Chicago.

Indiana (5): Horace H. Fletcher, president Indianapolis Live Stock Exchange, Indianapolis; Charles A. Neimeier, chain-store operator, Princeton; C. M. Beall, producer, Clarksburg; Frank Offutt, producer, Arlington; W. R. Sinclair, manager Kingan & Co., packers, Indianapolis.

Iowa (12): John Waters, producer and representing Farmers' Cooperative Society, Postville; Thomas Dealtry, Sioux City Live Stock Exchange, Sioux City; Charles R. Brenton, producer, Dallas Center; S. D. Hockett, district sales manager Armour & Co., Des Moines; J. S. Blackwell, producer and banker, Muscatine; T. B. Nichols, producer, Nichols; C. H. Wills, producer, Muscatine; J. J. Legler, producer, Muscatine; L. B. Metcalf, producer, Nichols; R. G. Hoskins, producer, Earlham; E. M. Thomas, producer, Earlham; Henry C. Wallace, editor Wallace's Farmer, Des Moines.

Kansas (8): J. H. Mercer, secretary Kansas Live Stock Association, Topeka; James F. Cochrane, president Cochrane Packing Co., Kansas City; George T. Donaldson, president Kansas Live Stock Association, Greensburg; Fred Garland, retailer, Wellington; W. A. Giffen, retailer, Sedgwick; J. E. Wood, live-stock commission man and producer, Wichita; Maj. W. L. Brown, producer, Kingman; Andrew G. Muir, producer, Stockton.

Kentucky (6): Henry L. Prewitt, banker and producer, Mount Sterling; J. M. Emmart, president Louisville Provision Co., Louisville; Warren Rogers, producer, Paris; Walter Sharp, producer, Sharpsburg; Lemuel Tipton, producer, Mount Sterling; John Duvall, producer, Winchester.

Louisiana (2): H. Arthur Morgan, producer, Galvez; Herbert H. Ruch, wholesaler and retailer, New Orleans.

Maine (2): E. G. Robinson, wholesaler, Portland; BERT M. FERNALD, West Poland.

Maryland (14): H. C. Bertram, manager D. B. Martin Co., meat packers, Baltimore; Joseph Kurdle, vice president J. Kurdle Co., meat packers, Baltimore; T. Davis Hill, vice president Corkran, Hill & Co., meat packers, Baltimore; Howard R. Smith, president The Jones & Lamb Co., meat packers, Baltimore; Solomon Greenwald, president Greenwald Packing Co., meat packers, Baltimore; J. Fred Shafer, president Jacob C. Shafer Co., meat packers, Baltimore; Harry P. Strasbaugh, corn and tomato canner, Aberdeen; James J. Cassidy, retailer, Baltimore; W. E. Robinson, vegetable canner and banker, Bel Air; A. W. Sisk, vegetable canner, Preston; Judah Lehman, secretary and treasurer Greenwald Packing Co., meat packers, Baltimore; J. H. Baugher, live-stock commission man, Baltimore; C. E. Kunkel, live-stock commission man, Baltimore; H. F. Mullikin, Harwood F. Mullikin & Co., manufacturers of chemicals, Baltimore.

Massachusetts (2): Jacob Thurman, wholesaler, Boston; Henry T. Brockelman, chain-store operator, Fitchburg.

Michigan (3): F. W. Rowe, producer, Camden; Frank Gerber, president National Canners' Association, president Freemont Canning Co., Fremont; John E. Naver, retailer, Saginaw.

Minnesota (2): T. F. Hughes, secretary South St. Paul Live Stock Exchange, South St. Paul; Fred F. McQuade, retailer, Duluth.

Missouri (16): William T. Nardin, Helvetia Milk Condensing Co., St. Louis; J. P. Lynn, producer, Tarkio; H. A. Smith, producer, Tarkio; W. P. Carpenter, producer, Tarkio; J. A. Christensen, producer, Tarkio; H. H. Bergmann, secretary Missouri Carlot Poultry & Egg Shippers' Association, St. Louis; H. G. Windsor, producer, Booneville; J. E. Strickler, producer, Skidmore; True Davis, live-stock commission man, St. Joseph; W. D. Rankin, producer, Tarkio; L. F. Padberg, president Padberg Mercantile Co., St. Louis; W. B. Schneider, wholesale meats, Kansas City; Ralph Hurst, Hurst Produce Co., Kansas City; B. M. Anderson, producer, Columbia; Robert Thompson, producer, Bethany; Thomas Dunn, retailer, St. Louis.

Nebraska (11): W. D. Williams, president Basket Stores Co., Omaha; Frank Currie, producer, Gard; W. B. Tagg, representing Omaha Live Stock Exchange, Omaha; J. H. Bachelor, producer, Valentine; E. P. Meyers, producer, Alliance; C. W. Pugsley, editor Nebraska Farmer, Lincoln; A. F. Harsh, producer, Lowell; A. F. Stryker, secretary Omaha Live Stock Exchange, Omaha; Coit S. Campbell, Campbell & West, merchandise jobbers, Omaha; E. L. Burke, vice president and member market committee American National Live Stock Association, Omaha; C. H. Gustafson, representing Farmers' National Union, Omaha.

North Dakota (1): W. L. Richards, producer, Dickinson.

New Hampshire (1): George H. Moses, Concord.

New Jersey (1): Willard G. Stanton, jr., secretary chamber of commerce, Jersey City.

New York (10): M. O. Bement, representing East Buffalo Live Stock Association, East Buffalo; Irving C. H. Cook, producer, South Byron; Edson T. Case, producer, Canandaigua; J. G. Curtis, representing New York & New Jersey Live Stock Exchange, New York; Walter H. Lipe, president Beechnut Packing Co., Canajoharie; John J. Smith, retailer, Troy; Edward Smith, president Edward Smith Packing Co., meat packers, East Buffalo; J. C. Dold, president Jacob Dold Packing Co., meat packers, Buffalo; Mrs. Florence Kelley, general secretary National Consumers' League, New York; Cornelius Crittenden, wholesaler, Rochester.

Ohio (5): Michael Ryan, president Cincinnati Abbatoir Co., Cincinnati; Horace Wilson, producer, Washington Courthouse; Arthur Malling, general manager Schwenger-Klein Co., manufacturers, Cleveland; A. E. Bower, producer, Cleveland; John T. Sheppard, producer, Morristown.

Oklahoma (4): I. C. Thurmond, producer and banker, Oklahoma City; W. R. Martineau, secretary Oklahoma Live Stock Producers' Association, editor Oklahoma Live Stock News, Oklahoma City; J. E. Rebman, producer, Holdenville; T. G. Park, retailer, Tulsa.

Pennsylvania (9): P. J. Brinkman, representing Pittsburgh Union Stock Yards, Pittsburgh; J. J. Felin, representing seven packers in Philadelphia, president John J. Felin Co., meat packers, Philadelphia; George W. Wagner, chain store operator, Philadelphia; Fred P. Bell, retailer, Philadelphia; W. H. W. Atkins, retailer, Philadelphia; Percy A. Brown retailer, Wilkes-Barre; D. B. Zimmerman, producer (owning ranges in seven Western States), Somerset; Michael Czajkowski, wholesaler, Wilkes-Barre; Thomas Roberts jr., Thomas Roberts Co., wholesalers, Philadelphia.

Rhode Island (1): Edward A. Brown, banker and producer, Newport.

Tennessee (3): R. E. Power, live stock commission man, Nashville; N. J. Harsh, producer, Sumner County; J. D. McDowell, vice president Union & Planters Bank & Trust Co., Memphis.

Texas (15): Mayor W. D. Davis, producer, Fort Worth; Sam Davison, producer and banker, Fort Worth; J. H. Avery, producer, Amarillo; Robert J. Kleberg, manager King Ranch, Kingsville; W. N. Lazenby, chain store operator, Waco; C. E. Hunt, chain store operator, Dallas; J. H. Boyce, producer, Dalhart; W. D. Reynolds, producer, Fort Worth; J. H. Nail, producer, Fort Worth; Lee L. Russell, vice president Stock Yards Loan Co., of Kansas City; vice president Cassidy Southwestern Live Stock Commission Co., Fort Worth; F. H. Birmingham, producer, Fort Worth; W. N. Waddell, producer; former inspector of cattle loans for War Finance Corporation, Fort Worth; Marion Sansom, producer, member Federal committee appointed by President Wilson to make recommendations for legislation governing live-stock and meat-packing industry, Fort Worth; Ike T. Pryor, producer, San Antonio; L. C. Bright, producer, Marfa.

Utah (1): James A. Anderson, president Morgan Canning Co., Morgan.

Virginia (2): Emmanuel Wasserman, retailer, Norfolk; R. A. Eastwood, retailer, Norfolk.

West Virginia (1): E. N. Tutwiler, manager of stores, New River Coal Co., McDonald.

Wisconsin (3): A. H. McDermott, representing Milwaukee Live Stock Exchange, Milwaukee; Oswald Neesvig, president Madison Packing Co., Madison; P. Michaels, packer, Milwaukee.

Wyoming (4): E. Richard Shipp, lawyer and range owner, Casper; Dr. J. M. Wilson, producer, member executive committee American National Live Stock Association, McKinley; A. L. Pearson, producer, president Big Horn Wool Growers' Association, Cody; P. W. Olsen, producer, Cokeville.

In the Supreme Court of the District of Columbia.

The United States of America, petitioner, *v.* Swift & Co. and others, defendants. No. 37623. Equity.

DECREE AND CONSENTS.

This cause having come on to be heard on this 27th day of February, in the year 1920, before the Hon. Walter I. McCoy, chief justice, and the petitioner having appeared by the Hon. A. Mitchell Palmer, Attorney General of the United States, by its district attorney, John E. Laskey, and by Isidor J. Kresel, John H. Atwood, and Joseph Sapinsky, special assistants to the Attorney General, thereto duly authorized, and having moved the court for an injunction in accordance with the prayer of its petition; and it appearing to the court that the allegations of the petitioner state a cause of action against the defendants under the provisions of the act of July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies," and acts amendatory thereof and supplemental or additional thereto, and that the court has jurisdiction of the persons and the subject matter; and the several defendants having accepted service of process and having appeared and filed answers to the petition, which answers are on file in the office of the clerk of this court; and the parties having this day entered into a stipulation in this action, which stipulation is on file in the office of the clerk of this court, and from which it appears, among other things, that while the defendants and each of them, maintain the truth of their answers and assert their innocence of any violation of law in fact or intent, they nevertheless, desiring to avoid every appearance of placing themselves in a position of antagonism to the Government, have consented and do consent to the making and entry of the decree now about to be entered without any findings of fact, upon condition that their consents to the entry of said decree shall not constitute or be considered an admission, and the rendition or entry of said decree, or the decree itself, shall not constitute or be considered an adjudication that the defendants or any of them have in fact violated any law of the United States.

Now, upon the petition, the answers of the defendants, and the aforementioned stipulation and consents of the parties, all on file in the office of the clerk of this court, and on motion of the petitioner, it is ordered, adjudged, and decreed as follows:

First. That the corporation defendants and each of them be, and they are hereby, jointly and severally perpetually enjoined and restrained from, either directly or indirectly, by themselves or through their officers, directors, agents, or servants, in any manner maintaining or entering into any contract, combination, or conspiracy with each other, or with any other person or persons, in restraint of trade or commerce among the several States, or from either, directly or indirectly, by themselves or through their officers, directors, agents, or servants, either jointly or severally monopolizing, or attempting to monopolize, or combining or conspiring with each other, or with any other person or persons, to monopolize any part of such trade or commerce.

Second. That the defendants and each of them be, and they are hereby, jointly and severally perpetually enjoined and restrained from owning, either directly or indirectly, individually or by themselves, or through their officers, directors, agents or servants, any capital stock or other interest whatsoever in any public stockyard market company in the United States, or in any stockyard terminal railroad in the United States, or in any stockyard market newspaper or stockyard market journal published in the United States, except in so far as the court may permit any of the individual defendants to retain any such interests upon the conditions and in such circumstances as are provided for in paragraph tenth of this decree; and said defendants and each of them are hereby further enjoined and restrained from accepting or permitting to be given, directly or indirectly, on any pretext whatever, to any of them, or to any of their officers, directors, servants, or employees, for the use and benefit of the corporation defendants or any of them, any capital stock or other interest in any public stockyard market company, stockyard terminal railroad, or stockyard market newspaper or stockyard market journal.

Third. That the corporation defendants and each of them and their successors and assigns be, and they are hereby, perpetually enjoined and restrained from, either directly or indirectly, by themselves or through their officers, directors, agents, or servants, through any device or arrangement whatsoever, using or permitting any other person, firm, or corporation to use their distributive system and facilities, including their branch houses, route cars, and autotrucks, or any of them, in any manner for the purchase, sale, handling, transporting, distributing, or otherwise dealing in any of the articles or commodities named and described in paragraph fourth of this decree, except in so far as permitted in said paragraph fourth, and except refrigerator cars, when in good faith leased to common carriers, or furnished to them for their use as common carriers.

The corporation defendants, or any of them, may from time to time lease, sell, or otherwise dispose of any of the items of their distributive system free from any of the restrictions of this decree when they have a surplusage thereof or when such items have become obsolete or are otherwise not required for the business of the defendants, or any of them. But no sale, lease, or other disposition of a substantial part of defendants' respective distributive systems or such distributive system as an entirety shall be made without submitting the same to the court for the court's investigation and determination as to whether said proposed sale, lease, or other disposition is in accordance with the spirit and purpose of this decree, and without notice of the application for such approval first given to the Attorney General. Nothing herein contained shall be construed to prohibit the defendants or any of them from mortgaging or otherwise creating liens on said distributive system or parts thereof.

Fourth. That the corporation defendants and each of them be, and they are hereby, perpetually enjoined and restrained from, in the United States, either directly or indirectly, by themselves or through their officers, directors, agents, or servants engaging in or carrying on, either by concert of action or otherwise, either for domestic trade or for export trade, the manufacturing, jobbing, selling, transporting (except as common carriers), distributing, or otherwise dealing in any of the following products or commodities, except when such products or commodities are purchased, transported, or used (1) as supplies in operating their packing houses, branch houses, or other facilities used by them, or as an incident in the processes of manufacturing soap or packing-house products; (2) in the construction and physical maintenance of their packing houses, branch houses, or other facilities used by them; (3) in the operation of their restaurants, laundries, or other conveni-

ences, primarily for the benefit of their employees; or (4) in combination with meat, to wit:

1. Fresh, canned, dried, or salted fish, including therein, but in nowise limiting the foregoing general description, the following, to wit:

Canned oysters; canned mackerel; bulk mackerel; bulk, canned, and cured herring; canned salmon; canned sardines; canned shrimp; canned tuna fish.

2. Fresh, dried, or canned vegetables, except in combination with meats, including therein, but in nowise limiting the foregoing general description, the following, to wit:

Asparagus, navy beans, lima beans, peas, beets, corn, okra, potatoes, tomatoes, celery, garlic, horse-radish, pumpkins.

3. Fresh, crushed, dried, evaporated, or canned fruits, including therein, but in nowise limiting the foregoing general description, the following, but not including the same when used as an ingredient of mincemeat, to wit:

Ginger, cherries, apple butter, apricots, blackberries, peaches, pineapple, raspberries, currants, figs, gooseberries, oranges, strawberries, apples, prunes, raisins, dates.

4. Confectionery, sirups soda-fountain supplies and sirups and soft drinks (grape juice is not included in this paragraph 4; see paragraph 14), including therein, but in nowise limiting the foregoing general description, the following, to wit:

Apple cider, cherry juice, Coca Cola, creme de menthe, crushed-nut frappe, ginger ale, green pineapple sirup, lemon extract, marshmallow topping, orange extract, root beer, vanilla extract, vin fiz.

5. Molasses, honey, jams, jellies, and preserves of all kinds.

6. Spices, sauces, condiments, relishes, and sauerkraut, including therein, but in nowise limiting the foregoing general description, the following, to wit:

Catsup, chili sauce, cinnamon, cloves, mustard, mustard seed, olives, oyster cocktail sauce, pepper, pickles, spinace chili, tomato catsup.

7. Coffee, tea, chocolate, and cocoa.

8. Nuts, including therein the following, to wit:

Almonds, pecans, walnuts.

But not including peanuts.

9. Flour, sugar, and rice.

10. Bread, wafers, crackers, biscuits.

11. Cereals, including therein, but in no wise limiting the foregoing general description, the following, to wit:

Grits, oats, hominy, hominy feed, horse feed, brewers' flakes, brewers' grit, brewers' meal, buckwheat, canned hominy, clipped oats, corn grits, ground meal, ground oats, ground corn, cracked corn, crushed white oats, feed barley, feed meal, feed wheat, rolled oats, standard middlings, standard spring bran, spaghetti, vermicelli, macaroni, corn flakes, wheat foods.

12. Grain.

13. Miscellaneous articles, to wit:

Cigars, china, furniture, bluing, starch, fence posts and wire fences, alfalfa meal, babbitt, bar iron, binding and twine, brass castings for heavy ordnance, brick, builders' hardware, bumping posts for railroads, cement, lime, plaster, doors and windows, dried brewers' grains, lath, pitting and fruit-handling machinery, roofing, sand and gravel, shingles, soda fountains or parts thereof, structural steel, tile, waste.

14. Grape juice.

And the corporation defendants, and each of them, be, and they are hereby, further perpetually enjoined and restrained from owning, either directly or indirectly, severally or jointly, by themselves or through their officers, directors, agents, or servants, any capital stock or other interest whatsoever in any corporation, firm, or association, except common carriers, which is in the business, in the United States, of manufacturing, jobbing, selling, transporting, except as common carriers, distributing, or otherwise dealing in any of the above-described products or commodities.

Fifth. That the individual defendants, and each of them, be, and they are hereby, perpetually enjoined and restrained from, in the United States, either directly or indirectly, by themselves or through their agents, servants, or employees, owning voting stock which in the aggregate amounts to 50 per cent or more of the voting stock of any corporation, except common carriers, or any interest in such corporation resulting in a voting power amounting to 50 per cent or more of the total voting power of such corporation, or which interest by any device gives to any such defendant or defendants a voting power of 50 per cent or more in any such corporation, or a half interest or more in any firm or association which corporation, firm, or association may be, in the United States, in the business of manufacturing, jobbing, selling, transporting, distributing, or otherwise dealing in any of the following products or commodities, to wit:

1. Fresh, canned, dried, or salted fish, including therein, but in nowise limiting the foregoing general description, the following, to wit:

Canned oysters, canned mackerel, bulk mackerel, bulk (canned and cured) herring, canned salmon, canned sardines, canned shrimp, canned tuna fish.

2. Fresh, dried, or canned vegetables, except in combination with meats, including therein, but in nowise limiting the foregoing general description, the following, to wit:

Asparagus, Navy beans, lima beans, peas, beets, corn, okra, potatoes, tomatoes, celery, garlic, horseradish, pumpkins.

3. Fresh, crushed, dried, evaporated, or canned fruits, including therein, but in nowise limiting the foregoing general description, the following, but not including the same when used as an ingredient of mincemeat, to wit:

Ginger, cherries, apple butter, apricots, blackberries, peaches, pineapples, raspberries, currants, figs, gooseberries, oranges, strawberries, apples, prunes, raisins, dates.

4. Confectionery, sirups, soda-fountain supplies, and sirups and soft drinks, not including grape juice, including therein, but in nowise limiting the foregoing general description, the following, to wit:

Apple cider, cherry juice Coca Cola, creme de menthe, crushed nut frappe, ginger ale, green pineapple sirup, lemon extract, marshmallow topping, orange extract, root beer, vanilla extract, vin fiz.

5. Molasses, honey, jams, jellies, and preserves of all kinds.

6. Spices, sauces, condiments, relishes, and sauerkraut, including therein, but in nowise limiting the foregoing general description, the following, to wit:

Catsup, chili sauce, cinnamon, cloves, mustard, mustard seed, olives, oyster cocktail sauce, pepper, pickles, spinach, chili, tomato catsup.

7. Coffee, tea, chocolate, and cocoa.

8. Nuts, including therein the following, to wit:

Almonds, pecans, walnuts.

But not including peanuts.

9. Flour, sugar, and rice.

10. Bread, wafers, crackers, biscuits.

And further perpetually enjoining and restraining said individual defendants and each of them from individually or jointly, either directly or indirectly, by themselves or through their agents, servants, or employees, adopting any device or arrangement which by reason of the relation of said individual defendants or any of them to the corporation defendants or any of them would have the purpose or effect of giving to such business of dealing in the articles hereinabove in this paragraph mentioned and described, in which business such individuals or any of them may be substantially interested, an advantage over their competitors similar in purpose or effect to any advantage now enjoyed by any of the corporation defendants through their distributing system.

Sixth. That the defendants and each of them be, and they are hereby, perpetually enjoined and restrained from, in the United States, owning and operating or conducting, either directly or indirectly, severally or jointly, by themselves or through their officers, directors, agents, or servants, any retail meat markets in the United States: *Provided, however,* That nothing contained in this decree shall prohibit said defendants or any of them from continuing to conduct the retail meat markets located at their several plants and maintained by said defendants primarily for the accommodation of their own employees as long as said retail meat markets shall be continued to be operated for that purpose.

Seventh. That the defendants and each of them be, and they are hereby, perpetually enjoined and restrained from owning, directly or indirectly, jointly or severally, by themselves or through their officers, directors, agents, or servants, any capital stock or other interest whatsoever in public cold-storage warehouses in the United States: *Provided, however,* That nothing herein contained shall be construed to prevent the defendants or any of them from owning capital stock or other interests in any corporation, firm, or association owning or operating, or from themselves owning or operating, the public cold-storage warehouses now maintained by the defendants or any of them at stockyards where said defendants or any of them now maintain packing plants, nor to prevent any of said defendants, directly or indirectly, from establishing, owning, maintaining, or leasing, necessary cold-storage facilities or space required in good faith for the storage of commodities in which they or any of them may be interested, nor from renting space in any cold-storage warehouse directly or indirectly owned or leased by any of them to the public whenever such space is not in good faith required or needed by the defendants for their own use, nor from storing products for the public whenever the space used for that purpose is not in good faith required by the defendants for their own use.

Eighth. That the corporation defendants and each of them be, and they are hereby, perpetually enjoined and restrained from engaging in the United States, either directly or indirectly, jointly or severally, by themselves or through their officers, directors, agents, or servants, in the business of buying, collecting, selling, transporting, except as common carriers, distributing or otherwise dealing in fresh milk and cream, and further perpetually enjoining and restraining said defendants and each of them by themselves or through their directors, officers, agents, and servants, from either directly or indirectly owning any capital stock or other interest in any corporation, firm, or association engaged in the business of buying, collecting, selling, transporting (except as common carriers), distributing, or otherwise dealing in fresh milk or cream; provided, however, that nothing herein contained shall be construed as preventing the corporation defendants or their subsidiaries from buying, collecting, and transporting fresh milk and cream to be used by them or any of them in manufacturing condensed or evaporated or powdered milk or oleomargarine or other butter substitutes, or butter, ice cream, cheese, or buttermilk, or to be used as feed or in combination with any commodity not specifically mentioned and described in paragraph 4 hereof; and further provided that nothing herein contained shall be construed as preventing said defendants from selling or otherwise disposing of milk and cream bought or collected for manufacture, when such sale or disposition is necessary to avoid waste.

Ninth. That the corporation defendants and each of them be, and they are hereby, perpetually enjoined and restrained from, jointly or severally, by themselves or through their officers, directors, agents, or servants, engaging in, carrying on, or using any illegal trade practices of any nature whatsoever in relation to the conduct of any business in which they or any of them may be engaged.

Tenth. That within 90 days after the entry of this decree such of the defendants as have interests in public stockyard market companies, stockyard terminal railroads, or market newspapers, shall file in this court, for the court's approval, a plan or plans for divesting themselves of all ownership or interest in (1) public stockyard market companies; (2) stockyard terminal railroads; (3) market newspapers; provided, however, that the court may, in the event that it deems such provision necessary in order to enable the defendants to divest themselves of their interests in public stockyard market companies and stockyard terminal railroads, upon reasonable terms, permit the individual defendants, or some of them, to retain an interest by way of stock ownership, or otherwise, in any public stockyard market company or stockyard terminal railroad, or in any corporation organized to take over such public stockyard market companies or stockyard terminal railroads or the stock thereof; but no defendant or defendants shall at any time, either individually or jointly, own a controlling interest in any such stockyards or stockyard terminal railroads. Within such period of time after the entry of this decree and the approval of said plan or plans as the court may determine the defendants shall, in good faith, completely divest themselves of all such ownership or interests in public stockyard market companies, stockyard terminal railroads, and market newspapers. If within the time so fixed the defendants shall not have disposed of said interests ordered by the court to be disposed of, and the court upon application shall determine that the defendants have been unable, despite due diligence, to dispose of the same upon reasonable terms, the court may extend the time during which such ownership, control, or interest may continue until the same can be disposed of.

Eleventh. That immediately upon the entry of this decree the defendants shall in good faith and with due diligence proceed to dispose of their interests in, and shall completely divest themselves (to the extent required by this decree) of, all ownership of or interest in all public cold-storage warehouses and retail meat markets; but in no event shall the defendants, or any of them, make final disposition of any of their interests in such public cold-storage warehouses and retail meat markets without first obtaining the court's approval of such final

disposition. If, within nine months after the entry of this decree, the defendants shall not have finally disposed of their interests in public cold-storage warehouses and retail meat markets, the Attorney General may apply to the court for an order specifying the time within which the defendants shall finally dispose of all said interests.

Twelfth. That immediately upon the entry of this decree the defendants and each of them shall commence to dispose of such commodities owned or handled by them as are described in paragraphs fourth and fifth of this decree and which are to be disposed of by them under this decree, and shall likewise immediately upon the entry of this decree commence to divest themselves of all interests which are to be disposed of by them as and to the extent required by this decree in firms, corporations, and associations, including departments of the business of any of the corporation defendants when any of such departments is sold as a going concern, manufacturing, selling, or otherwise dealing in any of the commodities so mentioned and described in paragraphs fourth and fifth of this decree, and shall continue in good faith to dispose of said commodities required to be disposed of hereunder, and to divest themselves of such interests required to be disposed of hereunder as rapidly as may be consistent with the nature of the business and the seasonal nature of the merchandise involved, and that in any event the defendants and each of them shall completely dispose of said commodities and shall cease to manufacture, job, sell, transport, except as common carriers, distribute, or otherwise deal in the same, and shall completely divest themselves of said interests within two years from the date of the entry of this decree: *Provided, however,* to the end that the provisions of this decree may be complied with, the approval of the court shall be obtained prior to the final disposition of said interests in firms, corporations, or associations manufacturing, selling, or otherwise dealing in any of the commodities mentioned and described in paragraphs fourth and fifth of this decree. At any time within said two years the Attorney General may apply to the court for an order or orders to compel the defendants, and each of them, to make report to the court as to the progress being made by them in disposing of said commodities and in divesting themselves of said interests.

Thirteenth. That the purchaser or purchasers of the defendants' interests in any stockyard shall, as a part of said purchase, agree with such of the defendants as now maintain packing plants in said stockyards that for a period of at least 10 years after the date when such purchase shall be consummated said purchasers, their successors or assigns, will continue to maintain and efficiently operate such stockyards and each of them, and such of said defendants as now maintain packing plants at any of said stockyards shall agree with said purchasers that during the same period of 10 years said defendants, their successors or assigns, will continue to maintain and operate said packing plants at the points where the same are now located, unless strikes, shortage of supplies, or other causes beyond the control of either the purchasers, the stockyard companies, or said defendants shall prevent the carrying out of said agreement. Performance by either party shall be a condition concurrent to performance by the other.

Fourteenth. That nothing in this decree contained shall be construed to prohibit anything that may be otherwise lawfully done by the defendants, or any of them, in the United States in connection with or for the purpose of export trade or foreign commerce or business of the defendants: *Provided, however,* That nothing in this paragraph contained shall limit the effect of the injunction contained in paragraphs fourth and fifth of this decree.

Fifteenth. That nothing contained in this decree shall be held to preclude the petitioner from proceeding against any or all of the defendants, either civilly or criminally, for any violation of any law in connection with the carrying on by them of the business of buying and selling poultry, butter, eggs, and cheese, or any other business or activity not specifically mentioned in this decree; nor shall anything contained herein prejudice the Government in any such proceeding; nor shall this decree interfere with or prejudice any legal rights, business, or activity of the defendants, or any of them, not prohibited or covered by this decree.

Sixteenth. That for the purpose of (1) enabling the petitioner to ascertain whether the defendants are in good faith carrying out the terms of this decree; and (2) for the purpose of enabling the Attorney General to determine and advise the court whether in any transaction consummated or begun at any time prior to the entry of this decree the defendants, or any of them, have retained and now retain such an interest in or control over any public stockyard market company, stockyard terminal railroad, stockyard market newspaper, stockyard market journal, cold-storage warehouse, retail meat market, or corporation, firm, or association manufacturing, jobbing, selling, distributing, transporting (except as common carriers), or otherwise dealing in any of the commodities mentioned and described in paragraphs fourth and fifth of this decree, which would constitute a violation of this decree if the retention of such interest or control had been the result of a transaction consummated or begun subsequent to the date of the entry of this decree; and (3) for the further purpose of enabling the Attorney General to determine and advise the court whether any leases, contracts, or arrangements concerning their, or any of their, distributing systems made or entered into by the defendants, or any of them, prior to the entry of this decree, and in force on the day when it shall be entered, are in violation of the terms thereof, then, in the event that the Attorney General in writing notifies the defendant or defendants concerned with respect to such alleged violation, reciting in reasonably specific terms the nature thereof, the corporation defendants are hereby directed to make full and complete discovery to the petitioner with respect thereto, and the corporation defendants are further directed to submit to the Attorney General or to any Assistant Attorney General by him duly authorized all of their books, records, correspondence, or other documents in so far as the same refer to the alleged violation, and to furnish all information concerning the same.

Seventeenth. That all sales, transfers, or other disposition made by any of the defendants since the 1st day of October, 1919, of any of their interests in public stockyard market companies, stockyard terminal railroads, stockyard newspapers or journals, public cold-storage warehouses, and retail meat markets, or incorporations, firms, or associations manufacturing, jobbing, selling, transporting, except as common carriers, distributing or otherwise dealing in any of the commodities mentioned and described in paragraphs fourth and fifth of this decree, and all leases, contracts, or arrangements or other disposals made by any of the defendants since the 1st of October, 1919, affecting their delivery systems, shall be submitted by the defendants to the court for its investigation and determination as to whether the same were made in accordance with the spirit and purpose of this decree, in the same manner and with the same force and effect as though the said sales, dispositions, leases, contracts, or arrangements had been made subsequent to the entry of this decree.

Eighteenth. That jurisdiction of this cause be, and is hereby, retained by this court for the purpose of taking such other action or adding at the foot of this decree such other relief, if any, as may become necessary or appropriate for the carrying out and enforcement of this decree and for the purpose of entertaining at any time hereafter any application which the parties may make with respect to this decree.

WALTER I. MCCOY,
Chief Justice.

FEBRUARY 27, 1920.

The defendants, Western Meat Co., Oakland Meat & Packing Co., Nevada Packing Co., and Fred L. Washburn, appear herein generally by Henry Veeder, their attorney, and do hereby consent that the foregoing decree may be entered herein upon the stipulation of the parties filed in this cause without further notice.

HENRY VEEDER.
Attorney for above-named defendants.

Dated 27th day of February, 1920.

The defendants, Wilson & Co., Inc. (N. Y.); Wilson & Co. (N. J.); Wilson & Co., Inc., of Calif. (Nev.); Wilson & Co., Inc., of Louisiana (La.); Wilson & Co., Inc., of Okla. (Oklahoma); South Dakota Provision Co.; Gotham Hotel Supply Co., Inc.; Standard Beef Co.; Stiefel-O'Mara Co., Inc.; Drexel Packing Co.; Albert Lea Packing Co., Inc.; Mississippi Packing Co., Inc.; Morton-Gregson Co.; Paul O. Reymann Co.; Standard Provision Co., Central Products Corporation; Thomas E. Wilson; Arthur Lowenstein; Jacob Moog; Ponce De Leon Skipworth; Arthur L. Smith; James A. Hamilton; George D. Hopkins; Adolph E. Peterson; George H. Cowan; William C. Buethe; Carl F. Burrell; James C. Good, appear herein generally by Jewel P. Lightfoot, their attorney, and do hereby consent that the foregoing decree may be entered herein upon the stipulation of the parties filed in this cause without further notice.

JEWEL P. LIGHTFOOT.
Attorney for above-named defendants.

Dated Washington, February 27, 1920.

The defendants, the Cudahy Packing Co. (Me.), Cudahy Packing Co. of Nebraska, Cudahy Packing Co. of Alabama, Cudahy Packing Co. of Louisiana (Ltd.), Nagle Packing Co., Edward A. Cudahy, sr., Edward A. Cudahy, jr., Guy C. Shepard, John E. Wagner, Andrew W. Anderson, Emil A. Strauss, Frank E. Wilhelm, and George Marples, appear herein generally by Thomas Creigh, their attorney, and do hereby consent that the foregoing decree may be entered herein upon the stipulation of the parties filed in the cause without further notice.

THOMAS CREIGH.
Attorney for above-named defendants.

Dated Washington, February 27, 1920.

The defendants, Armour & Co. (Ill.), Armour & Co. (N. J.), Armour & Co. (Ky.), Armour & Co. (Tex.), Armour & Co. (Ltd.) (La.), the Anglo American Provision Co., the Colorado Packing & Provision Co., Fowler Packing Co., Hammond Packing Co., the New York Butchers' Dressed Meat Co., Atlantic Hotel Supply Co. (Inc.), J. Ogden Armour, Charles W. Armour, A. Watson Armour, Laurence H. Armour, Arthur Meeker, Robert J. Dunham, F. Edson White, George M. Willetts, Frederick W. Croll, and George B. Robbins, appear herein generally by Charles J. Faulkner, jr., their attorney, and do hereby consent that the foregoing decree may be entered herein upon the stipulation of the parties filed in this cause without further notice.

CHARLES J. FAULKNER, JR.,
Attorney for above-named defendants.

Dated Washington, February 27, 1920.

The defendants, Morris & Co. (Me.), Morris Packing Co. (Me.), Morris & Co. (N. J.), Morris & Co. (La.), Morris & Co. of Pennsylvania (Pa.), Joseph Stern & Sons (Inc.), Brooklyn Beef & Provision Co., Condit Beef & Provision Co., Corwin Wilde Co., Donnelly & Co. (Inc.), National Hotel Supply Co., Chamberlain & Co. (Inc.), J. M. Wilson Co., Middletown Beef & Provision Co., Glenn & Anderson Co., Edward Morris, Nelson Morris, Louis H. Heymann, Charles M. Macfarlane, and H. A. Timmins, appear herein generally by M. W. Borders, their attorney, and do hereby consent that the foregoing decree may be entered herein upon the stipulation of the parties filed in this cause without further notice.

M. W. BORDERS,
Attorney for above-named defendants.

Dated Washington, February 27, 1920.

The defendants Swift & Co. (Ill.); Swift & Co. (W. Va.); Swift & Co., Inc. (Ky.); Swift & Co., Ltd. (La.); Swift & Co. (Me.); Swift Beef Co. (Me.); United Dressed Beef Co. of New York; J. J. Harrington & Co., Inc.; Bimbler Co.; the G. H. Hammond Co.; Omaha Packing Co.; Plankinton Packing Co.; Sturtevant & Haley Beef & Supply Co.; E. K. Pond Packing Co.; Van Wagenen & Schickhaus Co.; Western Packing Co.; Hammond Beef Co.; Omaha Meat Co.; A. Cunfield Commission Co.; H. C. Derby Co.; Metropolitan Hotel Supply Co.; Vermont Supply Co.; the Hotchkiss Beef Co.; New England Dressed Meat & Wool Co.; North Packing & Provision Co.; the Sperry & Barnes Co.; John P. Squire & Co. (Me.); John P. Squire & Co., Inc. (Mass.); John P. Squire & Co., Inc. (R. I.); Springfield Provision Co.; White, Pevey & Dexter Co.; Louis F. Swift; Edward F. Swift; Charles H. Swift; Gustavus F. Swift, jr.; Harold H. Swift; Alden B. Swift; George H. Swift; Laurence A. Carton; Frank S. Hayward; Charles A. Peacock; Wilfred W. Sherman; Wellington Leavitt; John M. Chaplin; and William B. Traynor appear herein generally by Henry Veeder, their attorney, and do hereby consent that the foregoing decree may be entered herein upon the stipulation of the parties filed in this cause without further notice.

HENRY VEEDER,
Attorney for the above-named defendants.

Dated Washington, February 27, 1920.

PETITION.

In the Supreme Court of the District of Columbia.

United States of America, petitioner, *v.* Swift & Co.; Armour & Co.; Morris & Co.; Wilson & Co., Inc.; and the Cudahy Packing Co., et al., defendants, in equity, No. 37623.

To the honorable judges of the Supreme Court of the District of Columbia, sitting in equity:

The United States of America, by John E. Laskey, its attorney for said district, and by Isidor J. Kresel, John H. Atwood, and Joseph Sapinsky, special assistants to the Attorney General, they being severally duly authorized to act in said capacities by proper lawful authority, acting under the direction of the Attorney General of the United States, brings this proceeding in equity against Swift & Co., a corporation organized under the laws of the State of Illinois; Armour & Co., a corporation organized under the laws of the State of Illinois; Morris & Co., a corporation organized under the laws of the State of Maine; Wilson & Co. (Inc.), a corporation organized under the laws of the State of New York; the Cudahy Packing Co., a corporation organized under the laws of the State of Maine (these corporations are hereinafter referred to as the parent companies), and the following-named corporations and individuals, to wit:

ARMOUR DEFENDANTS.

CORPORATIONS.

Armour & Co., a corporation organized and existing under the laws of the State of New Jersey; Armour & Co., a corporation organized and existing under the laws of the State of Kentucky; Armour & Co., a corporation organized and existing under the laws of the State of Texas; Armour & Co. (Ltd.), a corporation organized and existing under the laws of the State of Louisiana; The Anglo American Provision Co., a corporation organized and existing under the laws of the State of Illinois; The Colorado Packing & Provision Co., a corporation organized and existing under the laws of the State of Colorado; Fowler Packing Co., a corporation organized and existing under the laws of the State of Maine; Hammond Packing Co., a corporation organized and existing under the laws of the State of Illinois; The New York Butchers Dressed Meat Co., a corporation organized and existing under the laws of the State of New York; Atlantic Hotel Supply Co. (Inc.), a corporation organized and existing under the laws of the State of New York.

SWIFT DEFENDANTS.

CORPORATIONS.

Swift & Co., a corporation organized and existing under the laws of the State of West Virginia; Swift & Co. (Inc.), a corporation organized and existing under the laws of the State of Kentucky; Swift & Co. (Ltd.), a corporation organized and existing under the laws of the State of Louisiana; Swift & Co., a corporation organized and existing under the laws of the State of Maine; Swift Beef Co., a corporation organized and existing under the laws of the State of Maine; United Dressed Beef Co. of New York, a corporation organized and existing under the laws of the State of New York; J. J. Harrington & Co. (Inc.), a corporation organized and existing under the laws of the State of New York; Bimbler Co., a corporation organized and existing under the laws of the State of New Jersey; The G. H. Hammond Co., a corporation organized and existing under the laws of the State of Michigan; Omaha Packing Co., a corporation organized and existing under the laws of the State of Kentucky; Plankinton Packing Co., a corporation organized and existing under the laws of the State of Wisconsin; Sturtevant & Haley Beef & Supply Co., a corporation organized and existing under the laws of the State of Massachusetts; E. K. Pond Packing Co., a corporation organized and existing under the laws of the State of Illinois; Van Wagenen & Shickhaus Co., a corporation organized and existing under the laws of the State of New Jersey; Western Packing Co., a corporation organized and existing under the laws of the State of Colorado; Hammond Beef Co., a corporation organized and existing under the laws of the State of Michigan; Omaha Meat Co., a corporation organized and existing under the laws of the State of California; A. Canfield Commission Co., a corporation organized and existing under the laws of the State of New Jersey; H. C. Derby Co., a corporation organized and existing under the laws of the State of New York; Metropolitan Hotel Supply Co., a corporation organized and existing under the laws of the State of Maine; Vermont Supply Co., a corporation organized and existing under the laws of the State of Massachusetts; The Hotchkiss Beef Co., a corporation organized and existing under the laws of the State of New York; F. & C. Crittenden Co., a corporation organized and existing under the laws of the State of New York; George Nye Co., a corporation organized and existing under the laws of the State of Massachusetts; H. L. Handy Co., a corporation organized and existing under the laws of the State of Massachusetts; Swift Coates Co., a corporation organized and existing under the laws of the State of Massachusetts; New England Dressed Meat & Wool Co., a corporation organized and existing under the laws of the State of Maine; North Packing & Provision Co., a corporation organized and existing under the laws of the State of Maine; The Sperry & Barnes Co., a corporation organized and existing under the laws of the State of Connecticut; John P. Squire & Co., a corporation organized and existing under the laws of the State of Maine; John P. Squire & Co. (Inc.), a corporation organized and existing under the laws of the State of Massachusetts; John P. Squire & Co. (Inc.), a corporation organized and existing under the laws of the State of Rhode Island; Springfield Provision Co., a corporation organized and existing under the laws of the State of New Hampshire; White, Pevey & Dexter Co., a corporation organized and existing under the laws of the State of Maine.

MORRIS DEFENDANTS.

CORPORATIONS.

Morris Packing Co., a corporation organized and existing under the laws of the State of Maine; Morris & Co., a corporation organized and existing under the laws of the State of New Jersey; Morris & Co., a corporation organized and existing under the laws of the State of Louisiana; Morris & Co., of Pennsylvania, a corporation organized and existing under the laws of the State of Pennsylvania; Joseph Stern & Sons (Inc.), a corporation organized and existing under the laws of the State of New York; Brooklyn Beef & Provision Co., a corporation organized and existing under the laws of the State of New York; Condit Beef & Provision Co., a corporation organized and existing under the laws of the State of New Jersey; Corwin, Wilde Co., a corporation organized and existing under the laws of the State of Massachusetts; Donnelly & Co. (Inc.), a corporation organized and existing under the laws of the State of Massachusetts; National Hotel Supply Co., a corporation organized and existing under the laws of the State of Illinois; Chamberlain & Co. (Inc.), a corporation organized and existing under the laws of the State of Massachusetts; J. M. Wilson Co., a corporation organized and existing under the laws of the State of Massachusetts; Middletown Beef & Provision Co., a corporation organized and existing under the laws of the State of Massachusetts; Glenn & Anderson Co., a corporation organized and existing under the laws of the State of Illinois.

WILSON DEFENDANTS.

CORPORATIONS.

Wilson & Co., a corporation organized and existing under the laws of the State of New Jersey; Wilson & Co. (Inc.), a corporation organized and existing under the laws of the State of Nevada; Wilson & Co. (Inc.), of Louisiana, a corporation organized and existing under the laws of the State of Louisiana; Wilson & Co. (Inc.), of Oklahoma, a corporation organized and existing under the laws of the State of Oklahoma; South Dakota Provision Co., a corporation organized and existing under the laws of the State of South Dakota; Gotham Hotel Supply Co. (Inc.), a corporation organized and existing under the laws of the State of New York; Standard Beef Co., a corporation organized and existing under the laws of the State of New York; Stiefel-O'Mara Co. (Inc.), a corporation organized and existing under the laws of the State of New York; Drexel Packing Co., a corporation organized and existing under the laws of the State of Illinois; Albert Lea Packing Co. (Inc.), a corporation organized and existing under the laws of the State of Virginia; Mississippi Packing Co. (Inc.), a corporation organized and existing under the laws of the State of Virginia; Morton-Gregson Co., a corporation organized and existing under the laws of the State of Delaware; Paul O. Reymann Co., a corporation organized and existing under the laws of the State of West Virginia; Standard Provision Co., a corporation organized and existing under the laws of the State of New Jersey; Central Products Corporation, a corporation organized and existing under the laws of the State of Virginia.

CUDAHY DEFENDANTS.

CORPORATIONS.

Cudahy Packing Co. of Nebraska, a corporation organized and existing under the laws of the State of Nebraska; Cudahy Packing Co. of Alabama, a corporation organized and existing under the laws of the State of Alabama; Cudahy Packing Co. of Louisiana (Ltd.), a corporation organized and existing under the laws of the State of Louisiana; Nagle Packing Co., a corporation organized and existing under the laws of the State of New Jersey.

OTHER DEFENDANTS.

CORPORATIONS.

Western Meat Co., a corporation organized and existing under the laws of the State of California; Oakland Meat & Packing Co., a corporation organized and existing under the laws of the State of California; Nevada Packing Co., a corporation organized and existing under the laws of the State of Nevada.

These corporations are hereinafter referred to as the subsidiaries defendants.

ARMOUR DEFENDANTS.

INDIVIDUALS.

J. Ogden Armour, Charles W. Armour, A. Watson Armour, Laurence H. Armour, Arthur Meeker, Robert J. Dunham, F. Edson White, George M. Willetts, Frederick W. Croll, George B. Robbins.

SWIFT DEFENDANTS.

INDIVIDUALS.

Louis F. Swift, Edward F. Swift, Charles H. Swift, Gustavus F. Swift, jr., Harold H. Swift, Alden B. Swift, George H. Swift, Laurence A. Carton, Frank S. Hayward, Charles A. Peacock, Wilfred W. Sherman, Wellington Leavitt, John M. Chaplin, William B. Traynor.

MORRIS DEFENDANTS.

INDIVIDUALS.

Edward Morris, Nelson Morris, Louis H. Heymann, Charles M. Macfarlane, Harry A. Timmins.

WILSON DEFENDANTS.

INDIVIDUALS.

Thomas E. Wilson, Arthur Lowenstein, Jacob Moog, Ponce De Leon Skipworth, Arthur L. Smith, James A. Hamilton, George D. Hopkins, Adolph E. Peterson, George H. Cowan, William C. Buethe, Carl F. Burrell, James C. Good.

CUDAHY DEFENDANTS.

INDIVIDUALS.

Edward A. Cudahy, sr., Edward A. Cudahy, jr., Guy C. Shephard, John E. Wagner, Andrew A. Anderson, Emil A. Strauss, Frank E. Wilhelm, George Marples.

OTHER DEFENDANTS.

INDIVIDUALS.

Fred L. Washburn.

These defendants are hereinafter referred to as the individual defendants.

COURT'S JURISDICTION.

The parent companies, either directly or through subsidiaries, are engaged in interstate and foreign commerce in (a) the purchase and slaughter of live stock; (b) the preparation and manufacture of dressed meats and edible by-products of the slaughter; (c) the curing, canning, or otherwise preparing for the market of the edible products and by-products of the slaughtered animal; (d) the production and sale of nonedible by-products and of articles in the manufacture of which these nonedible products are largely used; (e) the manufacture, canning, or otherwise preparing for the market, sale, and distribution of food supplies other than meats (these are hereafter referred to as substitutes for meat foods); (f) the manufacture and sale of various other articles commonly purchased and used either by the producer of live stock, the companies transporting the live stock or dressed meats, or the competitors of the parent companies (these are hereinafter referred to as unrelated commodities).

By the unlawful means and methods hereinafter set out and complained of, the parent companies and the subsidiaries, defendants, acting by and through their principal officers, who have been made defendants herein, have attempted to dominate, control, and monopolize a very great proportion of the food supply of the Nation and have thereby built up an unlawful monopoly and control over divers and sundry products and commodities herein referred to, and which are necessary to the life, health, and welfare of the people of the United States. And by the same or similar methods the said parent companies

and the subsidiaries defendants are attempting to increase and extend said monopoly, and are enabled thereby and do artificially control the supply and the price of the food supplies of the Nation.

The Government in instituting this proceeding invokes the general equity powers of this court in addition to the authority conferred upon it and contained in the act of Congress dated July 2, 1890, and entitled "An act to protect trade and commerce against unlawful restraints and monopolies," said act being commonly known as the Sherman antitrust law, and further conferred and contained in acts amendatory thereof and supplemental or additional thereto, and particularly the act known as the Clayton Antitrust Act, dated October 15, 1914, being entitled "An act to supplement existing laws against unlawful restraints and monopolies and for other purposes," which said acts by special provisions give to this court jurisdiction in all such matters as are set out in the following petition.

OBJECT TO BE ATTAINED.

This petition is filed and these proceedings are instituted to put an end to any and all monopolies which the defendants may have created or obtained in the interstate trade or commerce of live stock, meat products, and substitute foods, and to prevent the continuance of unlawful monopolies by the defendants, in the aforesaid trade or commerce in the products and commodities so described, and to deprive said defendants of certain instrumentalities, facilities, and advantages by which they have been enabled heretofore to more effectively perfect their attempts to monopolize; to compel the defendants to desist from dealing in certain of the substitute foods and certain of the unrelated commodities; to limit in the manner hereinafter set forth the interests which the individual defendants may have in corporations handling certain substitute foods and unrelated commodities; and to dissolve any and all contracts, combinations, and conspiracies in restraint of trade or commerce between the several States, which contracts, combinations, or conspiracies are more fully hereinafter described, and to prevent said defendants from maintaining said contracts, combinations, or conspiracies with each other, or from entering into further contracts, combinations, or conspiracies with each other or with other persons.

THE NATURE OF THE BUSINESS AND METHOD BY WHICH IT IS CONDUCTED.

The principal business of each of the parent companies, conducted by each company directly or through its subsidiaries, is the slaughter of live stock, consisting of cattle, hogs, sheep, and calves, the dressing of the carcasses, and the distribution of the dressed meat in interstate commerce through various means by which the dressed meat reaches the retail butchers and is by the retail butchers sold to the consumers.

Each of these concerns is the successor or natural outgrowth of concerns of many years' standing. In their inception these concerns devoted themselves exclusively to the slaughter of live stock, the dressing of the carcass, and the sale of the dressed meat to retail butchers or consumers. The invention of what are known as route cars and refrigerator cars, by means of which the dressed meats might be hauled long distances and preserved for a considerable length of time, free from decay, enabled the parent companies to widely extend their market so as to make it nation-wide, and further enabled them to slaughter the live stock near the source of supply.

As the demand for live stock grew in volume the institution known as the stockyard was evolved.

THE STOCKYARDS.

The stockyard was and is in theory a public market place to which all who wish to either buy or sell may have free access and right to trade. The stockyards afford to the cattle raiser the opportunity to dispose of his live stock for an immediate cash price. Contiguous to such stockyards commission men, dealing exclusively in the sale of live stock, locate themselves. These commission men attend to the care of the live stock upon its arrival, effect the sale of the stock so consigned, attend to its weighing, collect the proceeds of the sale and remit to the consignor after deducting customary commission.

Stockyards render certain services to the shipper, for which they make charge, to wit, yardage (furnishing the facilities and performing the services of placing and keeping the animals in pens and watering them), feeding, and selling food, weighing, dipping, bedding cars, and often loading and reloading.

The yardage charges are ordinarily based upon an arbitrary price per head for each kind of stock, but in some instances they are based upon the hundredweight. The charge for feed is fixed by the stockyards and includes the services rendered in feeding. The amount of the charges made or to be made for the other items of services or materials furnished is also fixed by the stockyards or those who are in control of the yards.

In connection with each stockyard there is need for certain facilities and conveniences for the benefit of either the shipper or the buyer of the live stock. The stockyards, by reason of its dominating position, control these conveniences and facilities.

CONVENIENCES AND FACILITIES CONTROLLED BY STOCKYARDS.

PACKING-HOUSE SITES.

In furtherance of the tendency to centralize the market, it became of advantage to establish the slaughterhouses and packing plants either in, or immediately adjacent to, the stockyards. The stockyard companies generally own or control all the available land within the yards, and at most of the important yards the land surrounding the yards is owned by companies controlled by the stockyard company or its principal stockholders. New packing companies, as a rule, can secure desirable packing sites only from the stockyard companies or from these land-development companies. The owners of stockyard companies are, therefore, in a position to determine what packing companies and how many plants shall be established at the yards.

SITES FOR STOCKYARD BANKS AND CATTLE LOAN COMPANIES.

The cattle raiser is in many instances dependent upon banks or loan companies to finance him in the rearing of his live stock and until such times as the stock shall have been sold. From the nature of the business it is a great advantage to these banks to locate in or near stockyards. It therefore lies within the power of the owner of the stockyard companies to designate how many and which banks or loan companies may establish themselves at the yards.

RENDERING PLANTS.

While in transit or after reaching the yards live stock often die, either from disease or accident. The stockyard companies, by virtue of their agreement with the commission men, are permitted to determine who shall buy the dead animals and the price which shall be paid therefor. This monopoly power has generally resulted in the establishment of only one dead rendering plant at each of the important yards.

COMMISSION MEN'S OFFICE SPACE.

The commission men and traders at the stockyards must have offices in or near the yards. They can get such accommodations only from renting or leasing from the stockyard companies. For the purpose of furnishing such office space each yard has a large building or series of buildings in which offices are leased to the commission men. The commission men are allotted pens, and inasmuch as it is of great advantage to commission men to be able to dispose of their customers' live stock at the earliest possible hour, location of pens most favorable to the prospective buyer is of great advantage.

TERMINAL RAILWAYS.

The centralization of the market at one site and the resultant growth of the packing houses in or about the market of necessity require terminal railways to facilitate the switching of cars from the railroads to the stockyards, from the yards to the packing plants, and from the packing plants to the railroads. These terminal or stockyard railways are usually owned by the stockyard companies or by those in control of the stockyard companies. Control of these railways carries with it the power to grant or withhold sidings, spurs, or other accommodations which may be required by the packing house, and those in control of said terminal railways are thereby in a position to discriminate against other packers or independent buyers by practicing delay in loading the animals bought by said packers or independent buyers and in switching the loaded cars to the connecting lines.

MARKET PAPERS AND JOURNALS.

In addition to having a free market in which to dispose of his live stock, the cattle raiser requires full, accurate, and unbiased reports of the demand for live stock, the prices prevailing, and the character and kind of stock required, together with such other information as to market or trade conditions. The cattle raiser, of necessity, is located at places remote from the market, he rarely accompanies his shipment to the market, and by reason of the cost of shipment and of feeding in transit, and while being held for sale, it is imperative that he dispose of his stock when once he has shipped. For his guidance the cattle raiser relies largely upon the trade papers and journals. Control of these papers and journals furnishes a means whereby the flow of stock to the market may be increased or decreased to the benefit of the slaughterer.

It is, therefore, evident that control of the stockyards and of the other facilities appertaining to the stockyards carries with it:

(a) A profit derived from the meat industry levied upon it and collected before the animal is slaughtered, all of which profit, however, evidences itself in the ultimate cost which the consuming public must pay for the dressed meat.

(b) A potential means of favoritism in dealing with commission men and of influence over them, a power to grant monopolies—carrying with it consequent profit—to banks, cattle-loan institutions, rendering plants, to concerns supplying food for live stock, and to others.

(c) A means to prevent the establishment of new packing plants and to hamper the growth of those in existence.

(d) A means to prevent the development and limit the number of new markets and to centralize and restrict business to the stockyards so controlled.

(e) Peculiar and exclusive access to information concerning the receipts and sale of live stock, its disposition, and the dissemination of information to the producer.

BRANCH HOUSES, ROUTE CARS, AUTOTRUCKS, AND COLD-STORAGE WAREHOUSES.

BRANCH HOUSES.

The primary means adopted by the parent companies in the distribution of their dressed meats are the branch houses. These houses are storage stations located in the cities and larger towns. They are equipped with facilities for cooling and preserving the meats, and each is under the charge of a branch-house manager, under whose direction the branch-house sales organization sells to retail and wholesale butchers, to purveyors, hotels, restaurants, and other similar large consumers. The parent companies maintain 1,120 branch houses in various large towns and cities throughout the United States, as against which all other interstate slaughterers, independent of the parent companies, maintain only 139.

ROUTE CARS.

The route cars supplement the branch houses. They serve the purpose of reaching these small communities where the trade is not sufficiently large to justify investment in a branch house. These route cars travel over what are known as car routes. Orders are taken in advance, and the route cars reaching specified towns on specified dates serve the requirements of the smaller communities. The starting point for the route cars is usually the packing plant, though in some instances the route car starts from a branch house. The parent companies operated as of June, 1918, 1,297 route cars, which constituted 90 per cent of the total number operated in the packing industry. Said route cars reach and serve dealers in 37,176 towns and operate in 37 of the States of the United States.

AUTOTRUCKS.

This is a further development of the route-car plan. It had its origin in the development of the motor truck, and because of its freedom from railway limitations and schedules it is enabled to reach a wider radius and smaller towns than is the route car.

The autotrucks have been adopted primarily by Armour & Co. as a supplement to the car routes. These autotrucks reach and serve a total of 20,836 towns throughout the United States.

COLD-STORAGE WAREHOUSES.

The cold-storage warehouses were in the beginning adopted as an instrumentality for enabling the parent companies to extend the volume of their slaughter of live stock and sale of dressed meat. In the first instance they were used for chilling meat in connection with the packing business. Then they were constructed in connection with the branch houses, so that they might be used for storing and holding the finished meats until they were sold. Later they were either built or acquired in the large eastern seaboard cities for long-time storage and for storing for export. As will be more fully set forth hereafter in discussing the control of substitute foods, these storage warehouses were later employed to store nonmeat-food products. Later control was acquired over public storage warehouses where surplus space was leased or let to others. Later it will be pointed out how control of this public-storage warehouse was employed to aid in control of the price of meats and substitute foods.

THE PARENT COMPANIES' ACQUISITION OF ABOVE-DESCRIBED FACILITIES AND THEIR PURPOSE IN DOING SO.

The parent companies and their controlling heads, appreciating the advantages which were to be gained by controlling the stockyards and the facilities pertaining thereto, the terminal railways and market papers and trade journals, and realizing that the requisition of such instrumentalities might thus enable them to obtain a primary profit not only out of the sale of live stock purchased and slaughtered by them but also on that purchased and slaughtered by their competitors, and realizing the opportunities thereby to repress and discourage the development of independent packers and slaughterhouses and to control the shipments of meat to the various markets, set about the acquisition of the various stockyards and the appurtenances and privileges incidental thereto. This in many instances was done by a concert of action and pursuant to a common understanding. In most instances the acquisition of control of the aforesaid stockyards by any one or more of the parent companies was acquiesced in by the others and in all instances the ownership or control of stockyards by other packers or by any one in fact other than the parent companies or one of their members or their controlling heads was discouraged and opposed.

In pursuance of a common purpose, plan, and design, outside investors and independent packers have gradually been forced out as dominating factors both in the ownership and management of most of the important stockyards and have been replaced by the parent companies or their representatives. This acquisition has been accomplished by various methods: In the earlier years by exacting stock donations under threats of moving away their packing plants; later by cash subscriptions for stock, generally below par; and in other instances by voluntary reorganization of stockyard companies in order that the parent companies and their controlling heads might gain a controlling or dominating power in the yards and thus be induced to continue to maintain their packing plants thereat. By these various means the parent companies directly, or indirectly through their controlling heads, have been enabled to obtain control of substantially all of the large stockyards of the country. They now have, either jointly or separately, a controlling interest in 22 of the 50 market stockyards in the United States.

The parent companies have availed themselves of the control so acquired by them in the stockyards aforesaid to elect the officers and directors of said stockyards and to dominate and control the policies thereof. They have granted exclusive privileges, such as the right to purchase dead animals, the right to furnish supplies and facilities and the location of cattle banks and cattle loan companies, to concerns and corporations in which they or some of them or individuals who are stockholders in said parent companies hold the controlling stock, and they have otherwise, acting in concert, employed the powers and privileges more specifically set forth and discussed under the heading, "Nature of the business and method by which it is conducted"; all of which has been done with the intent and purpose of, and has had the effect of, discouraging and suppressing the establishment of independent packing establishments and dwarfing the growth of such independent packing companies as might then be in existence, and to enable said parent companies, their subsidiaries, or the individuals who own and control the parent companies and their subsidiaries, to obtain vast profits from the management of the stockyard and the granting of the privileges appurtenant thereto, which profits are realized not only upon the live stock purchased by the packers but upon that purchased by their competitors. These methods have thus enabled them to enjoy and realize such profits without the same appearing or being disclosed in the profits of the parent companies; they have also furthered the attempt of said parent companies to monopolize the meat industry of the country and to artificially control the ultimate price which the consumer pays for meat and meat products.

CONTRACTS IN RESTRAINT OF TRADE.

The parent companies have entered into certain unlawful contracts and combinations to restrain trade and commerce and to artificially prevent between themselves competition in the prices for which meat and meat products are sold.

The most important of said contracts and agreements is what is known as the percentage purchase arrangement. This arrangement, though applied primarily in the purchase of live stock, had as its ultimate object the elimination of competition, not only in the purchase of live stock, but also in the sale of dressed meats. It is a well-established commercial principle that a limitation upon the source of supply and the consequent limitation upon volume of business are the easiest means of removing all incentive to reduce prices.

The simplest way to limit the volume of dressed meat is to limit the purchase of live stock.

Recognizing these principles, the parent companies thereupon agreed upon and thereafter recognized between themselves certain percentages or proportions to which they deemed that each company was entitled, and they thereafter so gauged their purchases that annually their respective purchases approximated actually or substantially the percentages so agree upon.

As a means of perfecting this arrangement divers percentages, varying at different stockyards, were agreed upon, and understandings were had that certain of the parent companies should buy in certain yards or should refrain from buying in certain stockyards. In order to prevent such plans from being disarranged by outsiders, agreements were made with such outsiders by which purchases between the parent companies and the independents were effected upon a percentage basis similar to the above.

Means were adopted and by virtue of the parent companies' control over many of the stockyards were easily executed by which sales to outsiders or independents were controlled by the parent companies.

Control over the stockyards, the stockyards loan institutions, the terminal railways, and other privileges and perquisites has discouraged any opposition by either commission men or independent packers.

CONTROL OF SUBSTITUTE FOODS.

Having eliminated competition in the meat products, the defendants next took cognizance of the competition which might be expected from what we here refer to as substitute foods. Their experience had taught them that if meat prices advanced out of proportion to that of other substitute foods the consuming public manifested a tendency to turn to such substitutes. To prevent this the defendants set about controlling the Nation's supplies of fish, vegetables, either fresh or canned, fruits, cereals, milk, poultry, butter, eggs, cheese, and other substitute foods ordinarily handled by wholesale grocers or produce dealers. To accomplish this purpose the defendants availed themselves of the advantages afforded by the refrigerator cars, route cars, auto trucks, branch houses, and storage warehouses owned or controlled by them. These facilities intended primarily for the sale of meats were employed with comparatively no increase of overhead in the distribution of the substitute foods and unrelated commodities. The defendants were enabled thereby to reach remote spots. This advantage was also employed temporarily to fix prices so low as to gradually eliminate competition.

These attempts to monopolize have resulted in complete control in many of the substitute food lines. They have made substantial headway in others. The control is extensively and rapidly increasing. New fields are gradually being invaded, and unless prevented by a decree of this court the defendants will within the compass of a few years control the quantity and price of each article of food found on the American table.

EXTENT TO WHICH THE MONOPOLISTIC ATTEMPTS HAVE BEEN SUCCESSFUL.

FINANCIAL GROWTH, PRESENT NET WORTH, AND VOLUME OF BUSINESS.

In the 15 years from 1904 to 1919, Swift & Co., Armour & Co., Wilson & Co. (Inc.), and the Cudahy Packing Co., according to their financial reports, grew from a net worth of approximately $92,000,000 to a net worth of approximately $479,000,000, and in this same period they paid in cash dividends $105,000,000. Only $89,000,000 of their increased worth represented new capital. Though always asserting a very low rate of profit on sales, the five parent companies have grown so rapidly that their combined net profits for 1917 have equaled nearly the amount of their total net worth in 1904. Sales in 15 years have increased until for the fiscal year 1918 they reached the vast sum of $3,200,000,000. This was realized from meats, substitute foods, and unrelated lines, as hereinabove set forth. In stating these figures account has been taken only of the profits and sales of the parent companies and subsidiaries included by them upon their books. No account has been taken of the many corporations which are owned or controlled by the same family or financial interest as own or control the parent companies.

In addition to these profits, there have been other vast profits, difficult of ascertainment, realized by the individuals by virtue of either their personal control of other packing houses and slaughtering companies or their interests in stockyards, terminal railways, rendering companies, cattle-loan institutions and banks, and other corporations, all of which corporations have their inception and depend for their prosperity upon advantages or privileges growing out of the interlocking control of the stockyard and stockyard appurtenances.

NUMBER OF CONTROLLED COMPANIES.

The parent companies or the individual defendants and their families maintain and control 574 corporations or concerns, including 131 trade names. They have a significant minority stock interest in 95 others and an interest of unknown extent in an additional 93. Thus the total number of concerns in which they have control or interest is some 762. In the years that are past the parent companies have acquired or organized many other concerns and have maintained them so long as they were useful for their purposes. When no longer useful those concerns, so acquired or organized, have been dissolved and their businesses have been merged into that of the parent companies or that of other subsidiaries. Such dissolved corporations and concerns are omitted in the above compilation except in those instances where their names have been continued as trade names. The total of 762 above stated, therefore, falls far short of representing the number of concerns that corporate and individual defendants have acquired or have organized in furtherance of the general scheme and plan of action already explained.

EXTENT OF INDUSTRIAL CONTROL IN THE SUBSTITUTE FOODS AND UNRELATED COMMODITIES.

It would be an enormous undertaking to determine the degree of control exercised by the defendants in all of these various industries. Enough has been ascertained to indicate that the growth has been rapid and that if permitted to continue unchecked in a matter of a few years the control will be complete.

In 1916 the business of Armour & Co. in canned fish, vegetables, and sundries, canned and dried fruits, fruit preserves (soda-fountain supplies), and grape juice amounted to $6,396,036.73; in 1918, two years later, the same company's volume of business in these items was $39,820,000, over a sixfold increase. While part of this increase of business may be attributed to the increase of population and the consequent increase in consumption, the greater part thereof was acquired at the expense of competitors. Of the corporations which have been acquired by the parent companies in recent years, a large number are concerns manufacturing or selling these substitute foods or unrelated commodities. This fact, together with the increased activities of the parent organizations themselves in these lines, indicates a well-defined purpose on their part to secure control of the market for meat-substitute foods. In addition to the companies whose control has been acquired by outright purchase, the parent companies have, in a large number of instances, contracted for the exclusive output of many other companies engaged in the production of the substitute foods and the unrelated commodities. The outputs of these plants are marketed by the parent companies or by their subsidiaries through the distribution facilities of the parent companies. In this fashion the parent companies control the output of these concerns and the market price of their products as completely as though they themselves owned the producing companies.

INDIVIDUAL DEFENDANTS.

The individual defendants are either officers, directors, agents, or employees of the parent companies or their subsidiaries or large stockholders of parent companies and subsidiaries who are otherwise affiliated in commercial operations with the active heads of the parent companies. These individual defendants are in their individual capacity financially interested to a great extent in the stockyards, terminal railways, cattle loan banks, rendering companies, and other institutions interrelated with the stockyards. They, or some of them, control the corporations dealing in the substitute foods and the unrelated commodities. In many instances, in addition to their individual holdings, they hold stock in these corporations for the benefit of the parent companies. The control by these individuals of the facilities or instrumentalities of the meat business and their interest in concerns dealing in the substitute foods and the unrelated commodities enable the parent companies to carry out the purpose of the combinations hereinabove described, and are now and will continue to be a sinister and ever-present means of furthering the attempt to monopolize and perfect it to such a degree that the parent companies or their subsidiaries will have complete control not only of meat products but of all substitute foods consumed in the United States.

SUBSIDIARIES DEFENDANTS.

These comprise many, but not all, of the subsidiaries owned or controlled by the parent companies. Only these subsidiaries, which are

substantially 100 per cent parent-company owned and which are engaged either in the slaughtering, packing, or selling of meats, have been made parties defendants. It is the plan and scheme of this petition and the prayer for relief that the corporations which in themselves own the facilities more specifically described above or deal in the substitute foods and unrelated commodities shall not be made parties defendants in the first instance or until it appears that they are necessary parties defendants, but that the parent companies, the subsidiaries defendants, and the individuals should be compelled to divest themselves of all interest in or connection with the subsidiaries owning the facilities or dealing in the substitute foods or commodities referred to.

PRAYER.

Wherefore, petitioner prays:

I. That the defendants, and each of them, be forever enjoined from continuing any contract, combination, or conspiracy in restraint of trade or commerce in the purchase of live stock, or the purchase, sale, or distribution of dressed meats or other products or commodities now handled by them, or any of them, among the several States or foreign nations, which contract, combination, or conspiracy may now exist between them, or any two or more of them, or from doing any act pursuant to or in furtherance of any such contract, combination, or conspiracy, and that they be enjoined from entering into any other or further contract, combination, or conspiracy, either among themselves or among any two or more of them, or with any other person or persons whatsoever, in restraint of trade or commerce between the several States and foreign nations.

II. That they, and each of them, be enjoined and forever restrained from monopolizing, or attempting to monopolize, or conspiring to monopolize, the trade or commerce between the several States or with foreign States in the purchase, sale, or distribution of live stock or the commodities aforesaid.

III. That the defendants, and each of them, be required to divest themselves to such extent and upon such terms and conditions as the court may deem proper from such interest in or control over public cold-storage warehouse, retail meat markets, stockyards, terminal railways, market or trade journals, or such other facilities as are connected with or are appurtenances to the stockyards, in such instances as the court may deem that such instrumentalities constitute a means of facilitating the formation or continuance of monopolies in the purchase of live stock or the sale of the commodities aforesaid.

IV. That the corporation defendants, and each of them, be perpetually enjoined from permitting their refrigerator cars, route cars, auto trucks, or branch houses, or other distributive facilities to be used for the distribution or sale of commodities of the character and kind hereinbefore generally described as substitute foods and unrelated commodities in such instances and to such extent as the court may deem necessary for the purpose of preventing the aforesaid defendants from acquiring a monopolistic control over the trade or commerce in such commodities, or a control which may enable them to restrain the trade or commerce or artificially affect the price of any commodities in which the aforesaid defendants now deal.

V. That the defendants and each of them be required to divest themselves of all stockholdings or other interests in any corporation, partnership, or association now dealing in any of the food substitutes or unrelated commodities hereinbefore more specifically described, and that wherever said defendants own, operate, or control a department buying, selling, or otherwise distributing substitute foods, unrelated commodities, or any of them, that they be required to discontinue the aforesaid department, and that the defendants and each of them be restrained and perpetually enjoined from hereafter acquiring any stockholdings or interests of the character hereinbefore described, in any corporation dealing exclusively or partially in the said substitute foods or commodities hereinbefore referred to, or from themselves engaging in such business, either directly or through a department.

VI. That the defendants and each and every one of them be perpetually enjoined from indulging in any unlawful practice or committing any act of unfair competition or any other act with the purpose of or which may have the effect of unduly restraining trade and commerce, or which may be indulged in or done with the purpose or effect of monopolizing said trade or commerce in the commodities now manufactured, bought, sold, or otherwise dealt in by the defendants or any one of them.

VII. That your petitioner be granted such other and further relief as the nature of the case may require and the court may deem just and proper in the premises.

To the end, therefore, that the United States may obtain the relief to which it is justly entitled in the premises, may it please your honors to grant writs of subpœna directed to each and every one of said defendants, commanding them and each of them to appear herein and answer, but not under oath (answers under oath being hereby expressly waived), the allegations contained in the foregoing petition, and to abide by and perform such order or decree as the court may make in the premises, and upon final hearing hereof to permanently enjoin each of the defendants as hereinbefore prayed.

Respectfully submitted.

JOHN E. LASKEY,
United States Attorney.

A. MITCHELL PALMER,
Attorney General.
ISIDOR J. KRESEL,
JOHN H. ATWOOD,
JOSEPH SAPINSKY,
Special Assistants to the Attorney General.

ANSWERS.

ANSWER OF SWIFT & CO. AND OTHERS.

In the Supreme Court of the District of Columbia.

United States of America *v.* Swift & Co. and others. In Equity, No. 37623.

The joint and several answer of the following-named defendants to the bill of complaint filed herein:

Corporations organized under laws of—

Swift & Co., Illinois; Swift & Co., West Virginia; Swift & Co. (Inc.), Kentucky; Swift & Co. (Ltd.), Louisiana; Swift & Co., Maine; Swift Beef Co., Maine; United Dressed Beef Co. of New York, New York; J. J. Harrington & Co. (Inc.), New York; Bimbler Co., New Jersey; The G. H. Hammond Co., Michigan; Omaha Packing Co., Kentucky; Plankinton Packing Co., Wisconsin; Sturtevant & Haley Beef & Supply Co., Massachusetts; E. K. Pond Packing Co., Illinois; Van Wagenen & Schickhaus Co., New Jersey; Hammond Beef Co., Michigan; Omaha Meat Co., California; A. Canfield Commission Co., New Jersey; H. C. Derby Co., New York; Metropolitan Hotel Supply Co., Maine; Vermont Supply Co., Massachusetts; The Hotchkiss Beef Co., New York; Western Packing Co., Colorado.

INDIVIDUALS.

Louis F. Swift, Edward F. Swift, Charles H. Swift, Gustavus F. Swift, jr., Harold H. Swift, Alden B. Swift, George H. Swift, Laurence A. Carton, Frank S. Hayward, Charles A. Peacock, Wilfred W. Sherman, Wellington Leavitt, John M. Chaplin, William B. Traynor.

These defendants now and at all times hereafter saving unto themselves all and all manner of benefits and advantages of exception which can or may be had or taken to the many errors, uncertainties, imperfections, and insufficiencies in the complainants' said bill of complaint contained, for answer thereto or to so much and such parts thereof as these defendants are advised it is material or necessary for them to make answer unto, answering say:

"COURT'S JURISDICTION."

These defendants admit that Swift & Co. referred to in said bill of complaint as a parent company, either directly or through subsidiaries is engaged in—

(a) The purchase and slaughter of live stock.

(b) The preparation and manufacture of dressed meat and by-products of the slaughtered live stock.

(c) The curing, canning, or otherwise preparing for the market of the edible products and by-products of the slaughtered animals.

(d) The production and sale of nonedible by-products and of articles in the manufacture of which these nonedible products are largely used.

(e) The manufacture, canning, or otherwise preparing for the market, sale, and distribution of certain food supplies other than meats.

(f) The manufacture and sale of various other articles commonly purchased and used either by the producer of live stock, the companies transporting the live stock or dressed meats, or the competitors of the parent companies.

But these defendants allege that the business and transactions in which said Swift & Co. is alleged in the bill of complaint to be engaged are not interstate or foreign commerce, and no facts are alleged in the bill of complaint which constitute interstate or foreign commerce.

These defendants deny that the various other articles described in said subdivision "(f)" as manufactured and sold by said Swift & Co., either directly or through subsidiaries, are articles or commodities unrelated to the business of said Swift & Co. as is impliedly charged in the bill of complaint.

These defendants deny that they or any of them have made any contract or in any manner or by any act, method, or means have engaged in or are or have been a party to any combination in the form of a trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States or with foreign nations.

These defendants deny that they or any of them in any manner or by any act, method, or means have monopolized or attempted to monopolize, or have combined or conspired with any other person, persons, firm, or corporation to monopolize any part of the trade or commerce among the several States or with foreign nations.

These defendants deny that Swift & Co., one of the "parent companies," referred to in the bill of complaint, and its subsidiaries, together with the other so-called "parent companies" and their subsidiaries, or otherwise, acting by and through their principal officers or otherwise, have attempted to dominate, control, and monopolize a very great proportion of the food supply of the Nation and have thereby built up an unlawful monopoly and control over divers and sundry products and commodities, referred to in the bill of complaint, as charged therein.

These defendants deny that said Swift & Co. and its subsidiaries, together with the other so-called "parent companies" and their subsidiaries, or otherwise, are attempting to increase and extend said alleged monopoly of the products and commodities referred to in the bill of complaint, as charged therein; and these defendants deny that the said parent companies and their subsidiaries artificially control the supply and price of the food supplies of the Nation, as charged in the bill of complaint.

"OBJECT TO BE ATTAINED."

These defendants deny that they or any of them have created or obtained any monopoly in the interstate trade or commerce of live stock, meat products, and substitute foods, as charged in the bill of complaint; and these defendants deny that any monopoly by the defendants named in the bill of complaint exists, as is charged in the bill of complaint. These defendants deny that there has been or is in existence, as charged in the bill of complaint, any contract, combination, or conspiracy in restraint of trade or commerce among the several States.

On the contrary, these defendants allege that said Swift & Co. and its subsidiaries, and as they are informed and believe, and therefore allege, that each parent company and its subsidiaries described in said bill of complaint are in actual and keen competition with each and every other parent company and its subsidiaries, so that the extent to which these defendants may dominate, control, or monopolize the food supply of the Nation depends upon the volume of business done by said Swift & Co. and its subsidiaries compared to the total volume of business done by all engaged in supplying the food supply of the Nation.

These defendants allege that said Swift & Co. and its subsidiaries handle only approximately 12 per cent of the total meat supply of the country and only approximately 22 per cent of the output of meats and meat products of the numerous plants engaged in the meat-packing business which ship meat in interstate commerce, and allege that said Swift & Co. and its subsidiaries likewise handle only approximately 6 per cent of the total quantity of butter, eggs, and poultry which enters trade channels in the United States; and only approximately 15 per cent of all cheese sold in the United States; and only approximately 20 per cent of the total production of oleomargarine in the United States; and less than 15 per cent of the total quantity of lard substitutes sold in the United States; and less than 5 per cent of the total quantity of canned fruits and canned vegetables sold in the United States; and less than 15 per cent of the output of hides in the United States; and these defendants allege that the volume of business thus handled by said Swift & Co. and its subsidiaries is too small a part of the total volume of business in said respective lines of business to even suggest the possibility that Swift & Co. could dominate, control, or monopolize any or all of such lines of business, or could control or manipulate the prices charged and received by it in the sale of commodities in said business.

These defendants allege that even if the five parent companies mentioned in the bill of complaint and their respective subsidiaries acted in

agreement or combination (which these defendants deny), the business of said five parent companies and their subsidiaries would not and could not dominate, control, or monopolize the food supplies of the Nation, but, on the contrary, would be less than 40 per cent of the meat supply of the United States; and less than 15 to 20 per cent of the quantity of butter, eggs, and poultry which enters trade channels in the United States; and only about 3 per cent of the total sale of grocery products at wholesale in the United States; and not more than 45 per cent of the output of hides in the United States; and not more than 16 to 17 per cent of the cattle, calf, and sheep leather output of the United States.

These defendants allege that even if the five parent companies in said bill described acted together by agreement or combination (which these defendants deny), said companies so acting together would not and could not dominate, control, and monopolize said respective businesses or the food supplies of the Nation, nor could said five parent companies control or manipulate the prices of commodities sold by them, respectively; and therefore these defendants allege that it is obvious that there is and can be no danger whatsoever that "within the compass of a few years" the packers will "control the quantity and price of each article of food found on the American table," as charged in the bill of complaint.

These defendants allege that if any one or all of said defendants dominated, controlled, or monopolized a very great proportion of the food supplies of the Nation, such domination, control, or monopoly would necessarily appear in the profits made by such defendant or defendants upon the sale of their products. These defendants deny that such domination, control, or monopoly exists, and allege that said Swift & Co. is not a party to any such domination, control, or monopoly, and alleges that the profit of said Swift & Co. from all sources for the fiscal year 1919 was only 1¾ cents on each dollar of sales and averaged only approximately one-fourth of 1 cent on each pound of all products of every description sold, and that such profit is so small as to have practically no effect on prices charged by Swift & Co. and its subsidiaries for their products; and, further, that said 1¾ cents on each dollar of sales includes the profits received by said Swift & Co. and by all its subsidiaries upon all products sold by them, including meat products and by-products of every description. These defendants allege that neither these defendants nor any of them would be satisfied with such a nominal profit upon their business if they had the power through domination, control, or monopolization of trade to obtain a reasonable profit upon the sale of their products.

"THE NATURE OF THE BUSINESS AND METHOD BY WHICH IT IS CONDUCTED."

These defendants admit that the principal business of said Swift & Co., directly or through its subsidiaries, is the slaughter of live stock, the dressing of the carcasses thereof, and the sale of the dressed meat and of the by-products resulting from the slaughter of live stock, but these defendants deny that said business as described in the bill of complaint is interstate commerce.

These defendants admit that the invention of the refrigerator car made it possible to slaughter live stock and prepare the fresh meat thereof for market at or near the great sources of supply in the West and to preserve the meat in transit to the consuming public in the East, and these defendants allege that great losses from shrinkage in weight of, injury to, and death of the live stock in transit were thereby saved, which losses had theretofore been an incident in the shipment of the live animals; and further allege that the invention of the refrigerator car, by preventing such losses and by preventing other losses, such as bruises to the hides of animals shipped long distances, which materially reduce the value of such hides when cured, revolutionized the live-stock and fresh-meat business of the country, developed the live-stock industry, and cheapened the cost of meats and animal by-products to the consumer, and was therefore of incalculable benefit to the public.

These defendants deny that they have any exclusive right to or monopoly over refrigerator cars, which fact may be inferred from the allegations in the bill of complaint. These defendants allege that any and all who desire to do so may secure, own, and furnish such refrigerator cars to the railroads for the purpose of carrying their products under the same terms, conditions, regulations, and tariffs of the railroads that the railroads require of these defendants.

"THE STOCKYARDS."

These defendants admit that stockyards are public market places, to which all who wish may have free access and right to trade. These defendants allege that the stockyard companies do not buy or sell live stock at the stockyards or interfere with or affect in any way the trading between the live-stock raisers or their agents, on the one hand, and the buyers on the other.

These defendants allege that the defendant corporations or some of them, by purchasing live stock shipped to the stockyards adjacent to their respective packing plants, have afforded and do afford the opportunity to the cattle raiser to dispose of his live stock for an immediate cash price at any and all times, in times of glut as well as in times of scarcity, and said defendants have by this means established and developed such stockyards and encouraged the growing of live stock.

These defendants allege that they have likewise improved and made attractive to live-stock raisers the stockyards in which they have been interested by promptly furnishing at great expense all facilities and conveniences necessary or suitable to the receiving, caring for, and handling of live stock, and have thus developed and encouraged the growing of live stock.

"CONVENIENCES AND FACILITIES CONTROLLED BY STOCKYARDS."

"PACKING-HOUSE SITES."

These defendants admit that as to all stockyards in which they are interested the stockyard companies generally own all the available land within the yards. These defendants deny that at any stockyards in which they are interested all the land surrounding the yards is owned by companies controlled by the stockyard company or its principal stockholders. These defendants allege that in many instances stockyard companies or companies controlled by the stockyard company or its principal stockholders have bought some land adjacent to the yards for the purpose of providing for the growth of the yards and for the establishment of additional packing plants at said yards whenever such opportunity offered. These defendants deny that new packing companies, as a rule, can secure desirable packing sites only from the stockyard companies or from the companies owned or controlled by said stockyard companies or their principal stockholders; and these defendants deny that stockyard companies, as a rule, are in a position to determine what packing companies and how many plants shall be established at the various stockyards, as charged in the bill of complaint.

These defendants allege that it is necessary, in order to develop a market at stockyards and to encourage the owners of live stock to ship their live stock to the stockyards, that there be a number of packing companies or other purchasers ready to buy live stock presented for sale at said stockyards and ready to buy said live stock at all times, so that there will always be a steady, competitive, and attractive market to which live-stock producers may ship their live stock with the assurance that they will find a fair and prompt market therefor. These defendants allege that for said reasons it is to the interest of the stockyard company and its stockholders to establish new packing plants at or adjacent to the stockyards, and these defendants, therefore, allege that it is good business foresight to acquire in advance at least some available land at or adjacent to the stockyards.

"SITES FOR STOCKYARD BANKS AND CATTLE LOAN COMPANIES."

These defendants allege that banks and cattle loan companies are established for the purpose of supplying to live-stock producers funds which before the development of such specialized institutions as cattle-loan companies have not been easily available, and therefore it is to their interest and that of the stockyard companies to facilitate the establishment of such institutions at or adjacent to the stockyards.

These defendants admit that a stockyard company has the power to designate how many and which banks or cattle loan companies may establish themselves within the yards which the stockyard company owns, but these defendants deny that any stockyard company in which they or any of them are interested, or these defendants or any of them have ever exercised such power arbitrarily or to the detriment of the interests of the live-stock raiser or have ever exercised such power at all. These defendants take pride in pointing out the part they respectively have played in financing the live-stock industry through the encouragement of such live-stock banks and cattle loan companies.

"RENDERING PLANTS."

These defendants admit that the stockyard companies generally find it necessary to determine who shall purchase carcasses of animals which have died from disease or accident while in transit or after reaching the stockyards, but these defendants allege that the number of animals dying from disease or accident while in transit or after reaching the stockyards is generally not sufficiently large to attract capital or justify the existence of more than one company to handle such dead animals and generally no one company would undertake to perform the service or would invest the capital necessary to equip itself to perform the service of removing dead animals from the premises of the stockyards company if it were not assured of a sufficient volume of such business to justify such undertaking.

These defendants allege that the maintenance of a sanitary condition at the stockyards requires the prompt removal of such dead animals, and experience has shown that in order that such service may be rendered promptly and efficiently it is generally necessary to regulate such business and enter into an arrangement with any company seeking to perform such service, under which such company will agree to be ready at all times to perform such service promptly and efficiently. These defendants deny that the prices which have been fixed for such dead animals at stockyards where they or any of them have been interested are or have been arbitrary, unreasonable, or unjust.

COMMISSION MEN'S OFFICE SPACE.

These defendants allege that no one office can be leased and no one pen can be allotted to more than one commission man at a time; that necessarily some offices and some pens are more advantageously located than others; but these defendants deny the implied charge contained in the bill of complaint that there is discrimination on the part of any stockyard company in which they or any of them are interested in leasing office space and other accommodations and in allotting pens to commission men and traders at the stockyards.

TERMINAL RAILWAYS.

These defendants allege that the terminal railways, to facilitate the switching of cars from trunk-line carriers to the stockyards, from the stockyards to the packing plants, and from the packing plants to the trunk-line carriers, are common carrier railroads engaged in intrastate and interstate commerce, and that they are subject to the railroad commissions of the several States in which such railroads may be located and to the Interstate Commerce Commission of the United States; that under the laws of the several States and under the interstate commerce act of the United States it is illegal for such common carrier railroads to discriminate between shippers in the location of sidings, spurs, or other accommodations, and severe penalties are prescribed under the several statutes aforesaid for such discriminations.

These defendants deny that there is or has been any discrimination against any packer or buyer by any stockyard terminal railway operating at any stockyards, described in the bill of complaint, in which they or any of them are interested; these defendants deny that any such terminal or stockyard railway has practiced any discrimination in granting or withholding sidings, spurs, or other accommodations required by any packing house, or by delay in loading animals bought at stockyards served by said railways, or in switching; and these defendants allege that in the operation of the stockyards and terminal railways described in the bill of complaint, in which they or any of them are interested, service is given to all alike without favoritism toward any shipper, dealer, packer, or buyer.

"MARKET PAPERS AND JOURNALS."

These defendants deny that the control of trade papers and journals has been used by them or any of them as a means whereby the flow of stock to the market may be increased or decreased to the benefit of the slaughterer, and these defendants allege that the only object of these defendants, or any of them, in owning or controlling trade or market journals has been to furnish adequate market information, including accurate price statistics and quotations, which were not otherwise available.

These defendants further allege that the establishment of such trade or market journals has been an important factor in affording better and more accurate information to live-stock producers and shippers as to the conditions of the respective markets to which they desired to ship their live stock.

These defendants deny the inferential charge contained in the bill of complaint that it is unlawful or improper for the parent companies mentioned in the bill of complaint, or any of them, to own, operate, or control the stockyards and facilities appertaining to stockyards or to derive a profit from such ownership, operation, or control of such stockyards.

These defendants allege that the operation of stockyards cost large sums of money and requires the investment of large capital, whether such stockyards are owned by these defendants or by others, and the investors in such facilities must derive a profit if they are to continue

to keep their capital invested therein. These defendants further allege that the profits derived by these defendants, or any of them, from the operation of such facilities are only a reasonable return upon the investment and the capital employed and for the services performed; and these defendants deny that the charges made by the respective stockyards companies in which they, or any of them, are interested, for their respective services, would be lower were the stockyards operated by others than by these defendants. These defendants allege that the expense and the reasonable profits of operating such stockyards must enter into the final prices charged for meats, without reference to what interests own or operate such yards.

Said Swift & Co. alleges that it is to its interest and it desires to have well-equipped and efficiently operated stockyards in connection with and adjacent to its packing plants, so as to attract adequate supplies of live stock for slaughter in such packing plants.

These defendants deny that control of stockyards and facilities appertaining to stockyards is used by these defendants or any of them as a means of favoritism in dealing with commission men. They deny that such control of stockyards and other facilities appertaining thereto has resulted in any discrimination by these defendants in favor of banks, cattle loan institutions, rendering plants, and concerns supplying food for live stock, which are located at or near to any of the stockyards described in the bill of complaint.

These defendants deny that control of stockyards and facilities appertaining thereto has been used by these defendants, or any of them, as a means to prevent the establishment of new packing plants or to hamper the growth of those in existence.

These defendants deny that control of stockyards and facilities appertaining thereto is or has been used by the defendants as a means to prevent the development and limit the number of new markets or to centralize and restrict business to the stockyards so controlled. These defendants deny that the control of stockyards and facilities appertaining thereto affords peculiar and exclusive access by these defendants to information concerning the receipts and sale of live stock, its disposition, and the dissemination of information to the producer.

BRANCH HOUSES, ROUTE CARS, AUTOTRUCKS, AND COLD-STORAGE WAREHOUSES.

"BRANCH HOUSES."

These defendants deny that the branch houses operated by the said Swift & Co. are merely storage stations, but these defendants allege that such branch houses are established and operated for the purpose of facilitating the sale and distribution of products produced and sold by said Swift & Co. and its subsidiaries.

These defendants allege that Swift & Co. and its subsidiary companies own or operate approximately only 400 branch houses in the United States and that said branch houses are operated in actual and keen competition with all of the branch houses operated by the other parent companies and their subsidiaries described in the bill of complaint. These defendants further allege that the number of branch houses operated by the larger packers who are engaged in shipping commodities from one State to another is greatly in excess of the number operated by small packers doing a local business and not engaged in shipping their commodities from State to State and who, therefore, do not require branch houses in distant cities. These defendants further allege that a widespread selling organization is absolutely essential to the larger packer for the efficient marketing in the consuming markets of the East of the live-stock products which are produced in the West.

"ROUTE CARS" AND "AUTOTRUCKS."

These defendants allege that there is no significance in the fact that the five large packers operate 90 per cent of the car routes operated by the whole packing industry in the United States, for the reason that, and these defendants allege that, said car routes of the respective parent companies are operated in competition with each other, and further, that small packers doing a local business have no occasion and ordinarily do not undertake the distribution of their products by route cars to small towns at a distance from their packing plants.

"COLD-STORAGE WAREHOUSES."

These defendants allege that the cold-storage warehouses described in the bill of complaint are necessary adjuncts and facilities for the preparation, conservation, and distribution of the food products stored therein. One of the purposes in operating such storage warehouses is to conserve the surplus supplies of seasons of heavy production for use during seasons of light production, thereby furnishing a more uniform market for producers and supplying such products at lower prices to consumers during times of natural scarcity.

Said defendant, Swift & Co., alleges that it has provided only sufficient cold-storage warehouses and space for its own business and that of its subsidiaries. These defendants deny that such cold-storage warehouses or space has been operated or is operated in collusion, combination, or agreement with others of said parent companies or their subsidiaries, and these defendants deny that they have employed or that they do employ or they can employ such cold-storage facilities in aid of the control of the price of meats or substitute foods.

"THE PARENT COMPANIES' ACQUISITION OF ABOVE-DESCRIBED FACILITIES AND THEIR PURPOSES IN SO DOING."

These defendants deny that the parent companies and their controlling heads, by a concert of action or pursuant to a common understanding, or otherwise, set about the acquisition of the various stockyards and the facilities appurtenant thereto, the terminal railways and market papers and trade journals, for the purpose (implied in the bill of complaint) of obtaining a primary profit, not only out of the sale of live stock purchased and slaughtered by them but also on that purchased and slaughtered by their competitors, or for the purpose (likewise implied in the bill of complaint) of repressing and discouraging development of so-called "independent packers and slaughterhouses," or for the purpose of controlling the shipment of meat to the various markets.

These defendants are informed and believe, and therefore allege, that the following phrases "independent packers and slaughterhouses," "independents," "outside investors," or "outsiders," as used in the bill of complaint, mean and are intended to mean persons, firms, or corporations engaged in the meat-packing or other business other than the defendants in the bill of complaint, and that such phrases imply and were intended to imply, without expressly charging, that the defendants in the bill of complaint are not acting independently of and in actual competition with each other.

These defendants allege that they, or some of them, have invested their capital in, have acquired the ownership of, and have operated stockyards for the purpose of securing an adequate and satisfactory supply of live stock for the operation of their packing plants adjacent to such stockyards.

These defendants deny that in any instance the ownership or control by other packers, or by anyone in fact other than the parent companies or one of them or their controlling heads of any stockyards in which these defendants or any of them are interested, has been discouraged or opposed.

These defendants deny that in pursuance of a common purpose, plan, and design, or otherwise, so-called "outside investors and independent packers" have gradually been forced out as dominant factors in the ownership and management of most of the important stockyards in which these defendants or any of them are interested, as charged in the bill of complaint.

These defendants further deny the inference in the bill of complaint that the means whereby these defendants or any of them secured an interest in any of the stockyards described in the bill of complaint were illegal, reprehensible, or contrary to good morals, but on the contrary these defendants allege that the acquisition of such interests or of capital stock in said several stockyards, whether by way of purchase or gift, was lawful and proper.

These defendants deny that said Swift & Co. has availed itself of any control which may have been acquired by it in the stockyards companies mentioned in the bill of complaint, to grant exclusive privileges, such as the right to purchase dead animals, the right to furnish supplies and facilities, and the location of cattle banks and cattle loan companies, to concerns and corporations in which the parent companies or some of them, or individuals who were stockholders in said parent companies, held the controlling stock.

These defendants deny that said Swift & Co., acting in concert or otherwise, with any or all other of the "parent companies" described in the bill of complaint, has employed any power or privilege, as alleged in the bill of complaint, with the intent, purpose, or effect of discouraging, suppressing the establishment of, or dwarfing the growth of, so-called "independent packing companies" as might then be in existence, as charged in the bill of complaint.

These defendants deny that they or any of them have employed any power or privilege described in the bill of complaint to enable said "parent companies," their subsidiaries, or the individuals who, as alleged in the bill of complaint, own and control the "parent companies" and their subsidiaries, to obtain vast profit from the management of the stockyards or the grant of privileges appurtenant thereto.

On the contrary, these defendants allege that any profits realized by them, or any of them, out of the ownership or operation of said stockyards, or any of them, have amounted to only a reasonable return upon their investment in said stockyards and a reasonable compensation for the services rendered by and the facilities furnished at said stockyards.

These defendants deny that any profit received by said Swift & Co., or its subsidiaries, from any source whatsoever have been enjoyed or realized by said companies, or any of them, without the same appearing or being disclosed in the profits of the "parent company." On the contrary, these defendants allege that the profits of said Swift & Co. from each and every source are truthfully reflected in its balance sheets and financial statements, and such profits are annually audited and such balance sheets and statements are certified to be correct by independent and responsible certified accountants and are widely published and circulated.

These defendants deny that said Swift & Co., in combination, collusion, agreement, understanding, or otherwise, with any other "parent company" described in the bill of complaint, or with their subsidiaries, has in any manner attempted to monopolize the meat industry of the country, or artifically, or otherwise, to control the ultimate price which the consumer pays for meat and meat products, as charged in the bill of complaint.

"CONTRACTS IN RESTRAINT OF TRADE."

These defendants deny that said Swift & Co., in combination, collusion, agreement, understanding, or otherwise, with any other "parent company" described in the bill of complaint, has entered into any unlawful contract or combination to restrain trade and commerce, or to artificially or otherwise prevent, between themselves, competition in the prices for which meat and meat products are sold.

These defendants deny that they or any of them have entered into any contract, combination, agreement, understanding, arrangement, or practice, whether known as "the percentage purchase arrangement," as charged in the bill of complaint, or otherwise, which has as its ultimate object the elimination of competition not only in the purchase of live stock but also in the sale of dressed meats; and these defendants deny that the "parent companies" agreed upon and recognized between themselves certain percentages or proportions to which they deemed that each company was entitled; and these defendants further deny that said Swift & Co. so gauged its purchases that annually its purchases approximated actually or substantially the percentage so alleged to have been agreed upon. These defendants further deny that the purchases of live stock by Swift & Co. or by its subsidiaries has been made in accordance with or pursuant to any agreement, understanding, or arrangement in regard thereto.

These defendants deny that divers percentages covering purchases by the "parent companies" of live stock at the various stockyards were agreed upon; and these defendants deny that Swift & Co. or its subsidiaries has been a party to any understandings, agreements, or arrangements whereby certain of the "parent companies" should buy at certain yards or should refrain from buying at certain yards, as charged in the bill of complaint.

These defendants deny that any arrangements, agreements, or understandings were entered into with any so-called "outsiders" whereby purchases between the "parent companies" and such "outsiders" (also designated in the bill of complaint as "independents") were effected upon a percentage basis, as charged in the bill of complaint. On the contrary, these defendants allege that they are in actual and keen competition with all others engaged in the purchase of live stock and the slaughter and sale of meats, including the other "parent companies" and their respective subsidiaries described in the bill of complaint.

These defendants allege that Swift & Co. is constantly striving to increase its purchases of live stock, and they allege that Swift & Co. did increase its purchases of cattle nearly 3½ per cent in the four years ending with 1917.

These defendants allege that the "parent companies" and many other packing companies, which are not defendants in the bill of complaint, have long-established packing business and have been engaged for a great many years in the purchase of live stock at the respective stockyards in which the purchase of live stock is carried on in open markets, and in which each purchaser can see from day to day just what number and kind of live stock his competitors are purchasing, and all of said packing companies, large and small, are likewise severally striving to increase their respective purchases of live stock.

These defendants allege that such constant effort on the part of all packing companies to increase their respective volume of business tends to bid up the price for live stock to a point where the packing company can no longer afford to buy, for the reason that, and these defendants allege that, the packing company, whether large or small, can not afford to pay more for live stock than it can get from the consumer for the meat and the by-products of the live stock.

These defendants allege that such persistent, watchful, and keen competition prevents said Swift & Co. from increasing its proportion of the total live-stock purchases materially during any one year; but these defendants deny that such fact is evidence of or tends to prove any contract, agreement, or understanding between the "parent companies" for any apportionment of live-stock purchases among them; but, on the contrary, these defendants allege that such fact results from an economic law which is applicable to every established industry where competition exists, and is peculiarly true of the packing business for the reason that the well-known small profit of packing companies on the sales of their products (heretofore in this answer referred to) fixes a narrow range within which any packing company can afford to bid up the price of live stock in order to increase its proportion of the total purchases of live stock.

These defendants allege that by far the largest proportion of live stock for meat purposes is produced in the Western States, and particularly in the States lying west of Chicago, and that by far the largest proportion of the fresh meat and by-products resulting from the slaughter of such live stock is consumed in the Eastern States, and particularly in the New England and North Atlantic States; that as a result of the invention of the refrigerator car it is more economical to slaughter live stock in the West near the sources of supply and ship the fresh meat and by-products to the numerous consuming centers in the East than to ship the live stock from the West to such consuming centers in the East for slaughter.

These defendants allege that approximately 90 per cent of the meat derived from live stock slaughtered in the West is not sold or consumed at the place of slaughter, but is shipped long distances, the largest part thereof being shipped to cities and towns in the East, at which such fresh meat must be sold promptly for the best price there obtainable, for the reason that fresh meat is a highly perishable commodity and each succeeding day it is held it will bring a constantly lower price.

These defendants allege that no agreement or other arrangement concerning the purchase of live stock can have any effect upon prices which the fresh meat will sell for at the consuming centers, but that the price which can be obtained for the fresh meat is dependent upon the supply of meat and the demand for meat at the city or town where the meat is offered for sale.

These defendants allege that, even if the defendants should enter into an agreement or other arrangement affecting the aggregate number of live stock purchased, as charged in the bill of complaint, such agreement or arrangement could not change the then existing supply of fresh meat or affect the then demand for that supply of fresh meat at the local market in the East; and that if the local market in the East be glutted with fresh meat, prices will fall without reference to the quantity of live stock at that time being purchased in the West or the price paid therefor; and likewise if the local market in the East has less fresh meat upon it than there is demand for, prices for that limited supply of fresh meat in that market will rise without reference to purchases and prices of live stock in the West; and that no agreement or other arrangement can affect prices of fresh meats at the local selling points that does not operate upon the supply of meat or the demand for meat at that particular point.

These defendants deny that they or any of them are directly or indirectly a party to any such agreement, combination, or arrangement to directly or indirectly affect the supply or demand for meats; but they allege that the prices at which they buy live stock and sell fresh meats and all other commodities sold by them are determined solely by the economic law of supply and demand.

These defendants deny that means were adopted by them or any of them whereby and by virtue of the "parent companies" alleged control over many stockyards, as charged in the bill of complaint, sales to so-called "outsiders" or "independents" were controlled by the "parent companies"; and these defendants deny that such control as the "parent companies" have exercised over stockyards, stockyards' loan institutions, terminal railways, and other privileges and perquisites to the operation of such stockyards has discouraged opposition or competition by commission men or such so-called "independent packers," as charged in the bill of complaint.

"CONTROL OF SUBSTITUTE FOODS."

These defendants deny that they or any of them have eliminated competition in meat products, as charged in the bill of complaint. These defendants further deny that they or any of them set about to control the Nation's supplies of fish, vegetables, either fresh or canned, fruits, cereals, milk, poultry, butter, eggs, cheese, and other foods ordinarily handled by wholesale grocers or produce dealers, as charged in the bill of complaint. On the contrary, these defendants allege that Swift & Co. and its subsidiary companies entered upon the business of handling fish, vegetables, either fresh or canned, fruits, milk, poultry, butter, eggs, and cheese for the purpose of utilizing their distributive sales agencies economically, as they had a lawful right to do.

These defendants allege that the handling of such products through its branch houses enabled Swift & Co. and its subsidiary companies to dispose of a larger volume of products without a proportionate increase in expense; and has been in the interest and for the benefit of the consuming public, in that it has enabled the consuming public to receive said perishable products in a better condition for consumption than would have otherwise been the case. These defendants allege that the handling of said products has made it possible for Swift & Co. and its subsidiary companies to establish branch houses and car routes at points which would not support a branch house or a car route handling only meat products, thus reaching a territory and serving a consuming public theretofore without a satisfactory means of supplying its wants in said perishable products; and, likewise, furnishing a broader outlet for the farmers' products by reaching a broader consuming public.

These defendants allege that there is and can be nothing illegal or reprehensible in the defendants reaching "remote spots" as insinuated in the bill of complaint. On the contrary, these defendants allege that such reaching of "remote spots" is lawful and in the public interest. These defendants allege that they have had and have a legal right to handle said products and are economically justified in so doing.

These defendants deny that Swift & Co. or its subsidiaries ever employed their distributive facilities or otherwise to fix prices so low as to eliminate competition.

These defendants deny that they or any of them have attempted to monopolize commerce in any of the food products above mentioned, and they deny that any act or acts of these defendants have resulted in the defendants obtaining complete control of any food products, as charged in the bill of complaint. On the contrary, these defendants allege that Swift & Co. and its subsidiaries handle an amount of so-called "substitute foods" which is negligible in comparison with the Nation's supplies of such "foods."

These defendants deny that unless prevented by a decree of this court the defendants will, "within the compass of a few years, control the quantity and price of each article of food found on the American table," as charged in the bill of complaint.

"EXTENT TO WHICH THE MONOPOLISTIC ATTEMPTS HAVE BEEN SUCCESSFUL."

"FINANCIAL GROWTH, PRESENT NET WORTH, AND VOLUME OF BUSINESS."

These defendants allege that they have no knowledge in regard to the financial figures of "parent companies" other than Swift & Co., and therefore these defendants neither admit nor deny the averments contained in the bill of complaint in regard to the aggregate financial growth of the "parent companies," or in regard to the payment of cash dividends by said companies. These defendants deny that it is illegal, reprehensible, or contrary to good business morals, as impliedly charged in the bill of complaint, to reinvest earnings of the defendant corporations in their business. These defendants allege that the profits made by Swift & Co. and its subsidiary companies have been reasonable and have been the lowest possible consistent with a reasonable return upon the investment in the business, and have been so low as to practically not affect the prices at which its products are, or have been, sold to the consuming public.

These defendants deny that vast profits, whether difficult of ascertainment or otherwise, have been realized by the individual defendants by virtue of either their alleged personal control of other packing houses and slaughtering companies than the "parent companies" and their subsidiaries, or their interest in stockyards, terminal railways, rendering companies, cattle loan institutions, and other corporations, as charged in the bill of complaint. And these defendants deny that such corporations had their inception in, or depend for their prosperity upon, advantages or privileges growing out of interlocking control of stockyards and stockyard companies.

"NUMBER OF CONTROLLED COMPANIES."

These defendants have no knowledge of the number of corporations, trade names, or concerns in which other "parent companies" than Swift & Co. or their respective subsidiaries have an interest, and therefore they neither admit nor deny the averments contained in the bill of complaint in regard to the number of corporations and concerns, including trade names, which the "parent companies" or the individual defendants and their families maintain and control, as set forth in the bill of complaint; but these defendants deny that they have acquired or organized any concerns or corporations in furtherance of any scheme or plan of action, general or otherwise, for the purpose of restraining or monopolizing trade or commerce, as alleged in the bill of complaint.

"EXTENT OF INDUSTRIAL CONTROL IN THE SUBSTITUTE FOODS AND UNRELATED COMMODITIES."

These defendants deny that, if the growth of the parent companies and their subsidiaries is permitted to continue unchecked, they will within a few years completely control the various industries in which the defendants are engaged.

These defendants have no knowledge of the averments contained in the bill of complaint as to the value of business transacted by Armour & Co. in 1916, and therefore these defendants neither admit nor deny said averments.

These defendants deny that they, or any of them, have any purpose or intention to secure control of the market for "meat substitute foods," as charged in the bill of complaint.

These defendants deny that it is illegal, reprehensible, or against good business morals for the "parent companies" in a large number of instances to contract for the exclusive output of many other companies engaged in the production of so-called "substitute foods" and so-called "unrelated commodities"; or to market the outputs of such companies through the distributive facilities of the "parent companies" or their subsidiaries; or in this fashion for the "parent companies" to control the output of such concerns and the market price of their products as completely as though they themselves owned the producing companies; but these defendants deny that any of them is or has been a party to any combination, agreement, understanding, contract, or conspiracy to restrain trade or monopolize commerce in meat products or substitutes or other foods consumed in the United States.

"INDIVIDUAL DEFENDANTS."

These individual defendants admit that they or some of them are officers, directors, agents, employees, or stockholders of Swift & Co., described in the bill of complaint as a parent company, or of the so-called "Swift defendants," described in the bill of complaint as corporations, or some of them, or the so-called "other defendants," described as corporations in the bill of complaint; but they deny that they are officers, directors, agents, employees, or stockholders of any of the other so-called "parent companies" or their subsidiaries.

Said individual defendants admit that some of them are, in their individual capacity, financially interested in stockyards, terminal railways, cattle loan banks, rendering companies, and other institutions located at or adjacent to stockyards.

Said individual defendants allege that the corporations dealing in so-called "substitute foods" and so-called "unrelated commodities," referred to in the bill of complaint, are controlled by their respective stockholders acting by and through their duly elected directors and officers.

Said individual defendants admit that in many instances stock certificates representing capital stock of corporations which are owned by said Swift & Co. stand in their respective names as a matter of convenience to such "parent company," but that such stock certificates are owned and held by said "parent company"; and these individual defendants deny that there is anything illegal or reprehensible or contrary to good business morals in their said activities.

Said individual defendants deny that they have or exercise any control over the facilities or instrumentalities of the meat business other than as aforesaid, and they deny that by reason of their interests in such corporations dealing in so-called "substitute foods" and so-called "unrelated commodities" the parent companies are enabled to carry out the alleged purpose of the combination charged in said bill of complaint.

These individual defendants deny that their interests in such corporations hereinbefore described are now or will continue to be a sinister or ever-present means of furthering any attempt to monopolize or to perfect a monopoly, so that the "parent companies" or their subsidiaries will have or will ever have complete control either of meat products or of all so-called "substitute foods" consumed in the United States, as charged in the bill of complaint.

"SUBSIDIARIES DEFENDANT."

These individual defendants deny that New England Dressed Meat & Wool Co., a corporation organized and existing under the laws of the State of Maine; North Packing & Provision Co., a corporation organized and existing under the laws of the State of Maine; The Sperry & Barnes Co., a corporation organized and existing under the laws of the State of Connecticut; John P. Squire & Co., a corporation organized and existing under the laws of the State of Maine; John P. Squire & Co. (Inc.), a corporation organized and existing under the laws of the State of Massachusetts; John P. Squire & Co. (Inc.), a corporation organized and existing under the laws of the State of Rhode Island; Springfield Provision Co., a corporation organized and existing under the laws of the State of New Hampshire; White, Pevey & Dexter Co., a corporation organized and existing under the laws of the State of Maine, are subsidiaries of any "parent company" described in the bill of complaint, or that any so-called "parent company" has any ownership, interest, or title in and to any of the capital stock or property of any of the said companies.

These individual defendants further deny that Western Meat Co., a corporation organized and existing under the laws of the State of California; Oakland Meat & Packing Co., a corporation organized and existing under the laws of the State of California; Nevada Packing Co., a corporation organized and existing under the laws of the State of Nevada, are subsidiaries of any of the so-called "parent companies," or any of them, as charged in the bill of complaint, or that any of said "parent companies" has any ownership, interest, or title, directly or indirectly, in or to any of the capital stock or property of any of said companies.

CONCLUSION.

These defendants deny that they or any of them is or has been a party to any combination, agreement, understanding, contract, or conspiracy to restrain trade, or to monopolize commerce in meat products or "substitute foods" consumed in the United States.

These defendants allege that the allegations and charges in each of the paragraphs of the bill of complaint are not sufficiently definite and specific to constitute a violation of law, but are too general and vague.

These defendants allege that the bill of compaint does not allege acts or facts to constitute a violation of law, but that the charges contained in the bill of complaint and in each paragraph thereof are mere statements of legal conclusions.

These defendants deny that complainant is entitled to the relief, or any part thereof, as prayed for in its bill of complaint, and allege that complainant under the allegations of its complaint is without standing or right in this court or in any court of equity.

These defendants deny all and all manner of unlawful acts whatsoever whereof they are in any wise by the said bill of complaint charged; all of which matters and things these defendants are ready and willing to prove as this honorable court shall direct.

These defendants pray in all things the same benefit and advantage of this, their answer, as if they had pleaded or demurred to said bill of complaint.

Wherefore these defendants pray that the bill of complaint herein be dismissed with costs:

Swift & Co. (Illinois); Swift & Co. (West Virginia); Swift & Co. (Inc.) (Kentucky); Swift & Co. (Ltd.) (Louisiana); Swift & Co. (Maine); Swift Beef Co.; United Dressed Beef Co. of New York; J. J. Harrington & Co. (Inc.); Bimbler Co.; the G. H. Hammond Co.; Omaha Packing Co.; Plankinton Packing Co.; Sturtevant & Haley Beef & Supply Co.; E. K. Pond Packing Co.; Van Wagenen & Schickhaus Co.; Hammond Beef Co.; Omaha Meat Co.; A. Canfield Commission Co.; H. C. Derby Co.; Metropolitan Hotel Supply Co.; Vermont Supply Co.; the Hotchkiss Beef Co.; Western Packing Co.; Louis F. Swift; Edward F. Swift; Charles H. Swift; Gustavus F. Swift, jr.; Harold H. Swift; Alden B. Swift; George H. Swift; Laurence A. Carton; Frank S. Hayward; Charles A. Peacock; Wilfred W. Sherman; Wellington Leavitt; John M. Chaplin; William B. Traynor.

By HENRY VEEDER,
Their Solicitor.

ANSWER OF ARMOUR DEFENDANTS.

In the Supreme Court of the District of Columbia.

United States of America, petitioner, *v.* Swift & Co., Armour & Co., Morris & Co., Wilson & Co. (Inc.), and Cudahy Packing Co., et al., defendants. In Equity, No. 37623.

The joint and several answer of Armour & Co., a corporation organized under the laws of the State of Illinois; Armour & Co., a corporation organized and existing under the laws of the State of New Jersey; Armour & Co., a corporation organized and existing under the laws of the State of Kentucky; Armour & Co., a corporation organized and existing under the laws of the State of Texas; Armour & Co. (Ltd.), a corporation organized and existing under the laws of the State of Louisiana; the Anglo America Provision Co., a corporation organized and existing under the laws of the State of Illinois; the Colorado Packing & Provision Co., a corporation organized and existing under the laws of the State of Colorado; Fowler Packing Co., a corporation organized and existing under the laws of the State of Maine; Hammond Packing Co., a corporation organized and existing under the laws of the State of Illinois; the New York Butchers' Dressed Meat Co., a corporation organized and existing under the laws of the State of New York; Atlantic Hotel Supply Co. (Inc.), a corporation organized and existing under the laws of the State of New York; and of J. Ogden Armour, Charles W. Armour, A. Watson Armour, Laurence H. Armour, Arthur Meeker, R. J. Dunham, F. Edson White, George M. Willets, Frederick W. Croll, and George B. Robbins, defendants to the petition or bill of complaint of the United States of America.

These defendants, for answer to the said petition or bill of complaint, or unto so much or such parts thereof as they are advised it is necessary or material for them to make answer unto, answering, say:

I.

They respectively admit, for all the purposes of this suit or proceeding, the organization and existence of the respective corporate defendants, and that they were organized respectively under the laws of the respective States as stated in said petition or bill of complaint.

II.

They respectively, for like purposes, admit that Armour & Co. of Illinois, referred to in the said petition or bill of complaint as the parent company, is, either directly or through subsidiaries, engaged in (a) the purchase and slaughter of live stock; (b) the preparation and manufacture of dressed meats and edible by-products of the slaughter; (c) the curing, canning, or otherwise preparing for the market of the edible products and by-products of the slaughtered animal; (d) the production and sale of nonedible by-products and of articles in the manufacture of which these nonedible products are largely used; (e) the manufacturing, canning or otherwise preparing to a limited extent for the market and the sale and distribution of food supplies other than meats, such as referred to in said petition or bill of complaint as substitutes for meat foods, but deny that it is either directly or indirectly engaged in the manufacturing or canning or packing of fish, vegetables, or cereals; (f) the manufacture and sale to a limited extent and primarily for the purposes of its own business of various other articles commonly purchased and used either by the producer of live stock, the companies transporting live stock or dressed meats, or the competitors of this parent company, such as are in said petition or bill of complaint referred to as (but which these defendants respectively deny are) unrelated commodities, but these defendants deny that the allegations of said petition or bill of complaint in respect to the activities of said defendants show facts which constitute interstate or foreign commerce.

III.

These defendants respectively deny that by the supposed unlawful means and methods set out or complained of in the said petition or bill of complaint, or any or either of them, or by any other unlawful means or methods, or otherwise, this parent company and defendants referred to in the said petition or bill of complaint as its subsidiaries, or any or either of them—acting by or through their principal officers, who have been made defendants herein, or otherwise—have attempted to dominate, control, or monopolize a very great or any proportion or part of the food supply of the Nation (other or otherwise than as they respectively, lawfully, and properly carry on and so therein lawfully and properly dominate and control their own respective legitimate businesses, as they lawfully may); or that they, or either of them, have thereby or otherwise, or in any way, built up an unlawful monopoly or control over divers and sundry or any products or commodities in said petition or bill of complaint referred to, or of any products or commodities whatever.

These defendants, respectively, deny that this so-called parent company and the subsidiaries, defendants, or any or either of them, by the same or similar methods, or otherwise, are attempting to increase or extend any supposed monopoly such as referred to in said petition or bill of complaint or otherwise; or that there is or has been any such, or any monopoly; or that they or any or either of them are enabled thereby or otherwise to, or do, artificially control the supply and the price, or either of them, of the food supplies of the Nation, or of any part thereof.

These defendants deny that they either with the other defendants to said petition or bill of complaint, or any or either of them, or otherwise, have created or obtained, or that these defendants, or any or either of them, have attempted to create or obtain, any monopolies or monopoly in or of the interstate trade or commerce, or of any part of the interstate trade or commerce, in or of live stock, meat products and substitute foods, or any or either of them, or in any other products or commodities, or that they have acquired or have, or have ever had, certain or any instrumentalities, facilities, or advantages by which they have been or are or might be enabled to more effectively or otherwise, or in any way, monopolize, or that they have in any way monopolized or attempted to monopolize any part of the trade in such, or any, products or commodities, or that they are or have been engaged in any contract or contracts, combination or combinations, or conspiracy or conspiracies in restraint of trade or commerce among the several States, either with each other or with any other person or persons.

They deny that they have acquired or have any instrumentalities, facilities, or advantages other than such as are lawful, fair, and proper, and as have legitimately resulted and come, and do legitimately result and come from their industry, application, skill, experience, and efficiency in the proper organization and conduct of their business and trade and such as have been and are open to any others to possess or acquire and exhibit and apply.

IV.

These defendants admit that this parent company, Armour & Co., is the successor or natural outgrowth of concerns of many years' standing and that its principal business is the purchase and slaughter of live stock, consisting of cattle, hogs, sheep, and calves, the dressing of the carcasses and the preparation and distribution and sale as and to the extent of the dressed meat and food products, and the distribution of the dressed meat in interstate commerce (as well as in intrastate commerce) through various means, by which the dressed meat reaches the retail butchers, and is by the retail butchers sold to the consumers, and also including in their said business the saving and utilization for its most valuable uses of every part and portion of the slaughtered animal, and their preparation for market and their use in the manufacture or production of useful commodities in whole or in part therefrom, and the sale and disposition thereof.

V.

The invention and the use by these defendants of refrigerator cars, by means of which the dressed meats might be and are transported long distances and preserved free from decay during transit, have enabled them to widely extend their market for fresh meats, and to slaughter the live stock near the source of supply in the meat-producing sections of the West, and to sell the products thereof in the more densely populated and meat-consuming centers of the East, and thereby supply a greatly increased demand therefor and consumption thereof; and they say that this has resulted in a large economic saving to both producer and consumer and in a greater demand and a ready cash market for live stock to supply such demand for such meats, and an increase of live-stock production as a dependable source of supply of meat and products of meat animals.

The "route" refrigerator cars have been employed to carry such meat supply to the smaller towns and places which require smaller and less than carload quantities; and for the same purpose autotrucks have been introduced, when more prompt and efficient than railroad cars; to supply smaller towns and places or where the places are not reached by railroad service.

That the ownership and use of refrigerator cars by the defendants and of an efficient organization to handle them were and are necessary for the legitimate purposes of defendants' business aforesaid and the carrying on thereof and of preserving in transit the fresh meats

and commodities requiring refrigeration in order to prevent their quick decay and to enable their transportation in good, wholesome condition to the markets where they were to be disposed of and consumed: that such provision and ownership and handling and operation of such refrigerator cars by the defendants and other packers has been going on for many years and has been approved, authorized, and regulated by the Interstate Commerce Commission and its lawfulness, necessity, and economic utility fully established and recognized.

These defendants deny that through the ownership and use of said refrigerator cars or the operation of said route cars or otherwise they have or enjoy any unlawful rates, concessions, privileges, or advantages from the railroads or the carriers and say that they ship their products under tariffs and rates, rules, and regulations prescribed in valid, published tariffs on file with the Interstate Commerce Commission and pay the same rates and operate under the same rules and regulations as are lawfully prescribed for and paid and observed by or available to all others shipping the same or like commodities.

VI.

These defendants admit that such stockyards as are described in said petition or bill of complaint which are public stockyard markets are employed for the yardage and care of cattle, sheep, and hogs at places where such live stock are customarily offered for sale and sold and have been shipped for sale, and that customarily all who wish either to buy or sell such live stock have been and are given free access to and the privilege to trade in and buy and sell live stock in such yard. When and as the amount of business at such a stockyard has become or been large enough to call therefor men who are or become skilled therein have engaged and do engage in the purchase and sale of live stock at such yards as commission men for those who desire to purchase or have live stock for sale. The principal business of such commission men is the sale of live stock for producers or shippers who desire their services and do not wish themselves to trade in person at the yard. Such commission men customarily are the consignees, as well as the agents of the shippers of live stock whom they serve, and have no connection or affiliation whatever with the defendants, and have no need to have financial or other relationship with owners of the stockyards other than as tenants of offices and in dealing with the stockyard companies with respect to the yardage and care of live stock consigned to them and the allotment to such commission men of pens in the yards in which the live stock consigned to them is yarded and sold.

The sales and purchases of live stock at such yards customarily take place in, at, or near the respective pens in which the live stock dealt in are confined and in which they are shown to and examined by the proposed buyer.

The live stock are sold by weight per 100 pounds, and upon the sale are weighed by the stockyard company from seller (owner or commission men) to buyer, and the stockyard company makes and keeps a record of the sales and weights as well as of the receipt and yardage, feeding, and care of the live stock.

Statistics and data as to the market prices for each day, including numbers and kinds and grades of live stock received or to arrive on that day at that stockyard and at other yards and prospective receipts, are publicly posted by the stockyard company at the exchange building and usually at other well-known places in the yard.

While the stockyard company has and exercises such control of the yards and of its own provision and furnishing of the facilities which it provides as the performance of its function in those respects calls for and makes necessary, it makes no unjust or unfair discrimination, of which these defendants are aware, as between different companies or persons who make use of such facilities, either as to providing sites or locations for packing houses or among those desiring them or as to granting switch tracks or sidings or other accommodations, which are subject to the control of the public utilities commission or similar body in the State or of the Interstate Commerce Commission, or as to location of banks or loan companies or offices of commission men, or the allotment to commission men of pens, except that (as defendants are informed) there is or may be observed a long-standing custom of permitting commission men to retain their live-stock pens from year to year, as they do their offices.

These defendants say that if there is or has been any unjust, unfair, or intentional discrimination on the part of any stockyard company or of any terminal or other railroad at any such yard or yards toward or for or against any packers or buyers or sellers or commission men in any or either of the matters or respects aforesaid, or in or by practicing delay in allotting animals bought or in switching loaded cars to connecting lines, or in any other respect whatever, these defendants, as to any such case, have not, nor has any or either of them, been knowing or privy thereto or in any way whatever responsible therefor.

The statements in the said petition or bill of complaint of the character of services performed by the commission men and with respect to the services performed by the stockyards companies are believed to be accurate.

These defendants believe it to be true that the charge of the stockyard companies for yardage, feed, and other services and materials furnished by them are prescribed by the respective stockyards companies rendering such services. So far as these defendants, respectively, have any information or are aware of the services, facilities, and conveniences rendered by the respective stockyards or of the charges made by them therefor, they are rendered and made fairly and without any discrimination as between different shippers, commission men, companies, and persons to or for whom they are rendered or made. With respect to each and every such matter or thing, these defendants have not and have never had or exercised any control, interference, or say whatever to or toward the giving or showing any partiality or discrimination to or against one customer thereof against or to another.

These defendants deny that with respect to the allotment to or the seeking by any company or person, other than themselves, of packing sites or sites for packing houses, or with respect to the number of plants or packing houses that should be established at the respective stockyards or any or either of them, or with respect to the allotment to or securing by any banks or loan companies of locations or sites for their banks or offices, or of any or either of them in or near stockyards, or with respect to the designation of how many and which banks or loan companies might establish themselves at or near such yards or any or either of them, these defendants have not, nor has any or either of them, interfered or sought to interfere, or to direct or control the same.

Defendants deny that they have or either of them has jointly or severally used or exercised any power, control, or interest they may have in any stockyard companies to hinder, impede, or prevent the establishment, enlargement, or development of packing plants at any such yards, nor has there been any such hindering, impeding, or preventing, so far as they have any knowledge, information, or belief. The action of any such stockyard company or companies has been to encourage the establishment of such packing plants and businesses as would tend to develop and increase the legitimate business and business interests of such stockyard companies. That this same statement applies to the action of the stockyard companies with respect to sites for banks and loan companies.

While such banks and loan companies as are or may be located at or near the stockyards do a considerable business, according to the information and belief of these defendants respectively, the great bulk of such cattle paper is not held by such banks or loan companies, the principal business of which is not to lend money but to discount and guarantee the note of the live-stock producer or dealer, and thereby lend and pledge their credit to enable such live-stock producer or dealer to secure money from the eastern banker necessary for the purpose of his business, and any statement or inference in the said petition or bill of complaint that stockyard companies through control of bank or loan company sites can or do wield or have an influence or effect over stockmen or raisers of or dealers in live stock, in any way or sort whatever to the detriment or prejudice of such stockmen, raisers, or dealers, is untrue. Any statement or inference in the said petition or bill of complaint that these defendants, or any or either of them, have wielded or exercised, or do wield or exercise any such influence, or that they, or any or either of them, have attempted or do attempt to wield or exercise or have any such influence is untrue and baseless.

VII.

As to terminal railways: Defendants say that in order to facilitate the connection at stockyards with main or trunk line railroads, for the purpose of switching cars from such railroads to stockyards, from yards to packing plants, from packing plants to main or trunk line railroads, it is necessary and proper that terminal railways should be constructed for such purpose, and that stockyard companies have established such roads and have acquired an interest in and use such roads to promote the development and use of stockyards at a satisfactory and attractive market center for live-stock producers and shippers, offering and affording such producers and shippers adequate transportation service at such stockyards, and offering and affording all industries there located like service. These defendants deny that they, or any or either of them, have sought or acquired or exercised, through their interest in stockyard companies or otherwise, any interest or control in such terminal railways for the purpose of discriminating against other packers or independent buyers or engaging in, bringing about, or doing any improper or unlawful practices, or been responsible for any unlawful acts or conduct whatever in connection therewith.

VIII.

As to market papers and journals: Defendants say that producers of live stock require and should be furnished full, accurate, and unbiased reports of the demand for live stock, the prices prevailing at various markets, and such other information as to market or trade conditions as they may desire. These defendants deny that they, or any or either of them, now own any interest whatever in such market papers or journals, or that they have ever owned an interest in such papers or journals published at the larger and well-established markets, such as those at Chicago, Kansas City, or Omaha, and defendants say that such financial interest as they may have had in the past in market papers and journals at any of the smaller yards was acquired for the purpose of rendering aid to and was prompted by the desire to develop these places as market centers attractive to producers of live stock through proper publicity, and advertisement, and dissemination of accurate information, regarding market conditions, both local and general, and that such papers and journals are a necessary and proper adjunct to the building up and establishment of a live-stock market; that the statistical information therein published and disseminated is collected and secured from the records of the various stockyards, open and available to the public generally and others locally, and published in all daily papers where the yards are located.

IX.

As to rendering plants: It is true that while in transit and after reaching the yards live stock often die, either from disease or accident, and the stockyard companies, as a matter of proper regulation, arrange for the disposition of the same; and that there has customarily been only one such rendering plant at each of the important yards. Such regulation, which was the result of many years of experience, is primarily in the nature of a sanitary precaution, and it is essential that disposition of such dead animal bodies be prompt and efficacious, and the experience of many years has demonstrated that such prompt and efficient service can best be secured by the method followed at most of the stockyards of disposing of such animals to some one rendering company. These defendants say, however, that they have not, nor have any or either of them been, nor are they or any or either of them responsible for any improper practice therein or in connection therewith.

X.

Referring to the specification in the said petition or bill of complaint as to the consequences or results flowing from the control by the stockyard companies of the facilities pertaining to the stockyards, these defendants say (a) that of course a profit is properly derived from the live-stock industry by and from the services and charges rendered by the stockyard company to such industry, and these defendants assert such profit will be so properly derived therefrom whether these defendants or any of them own or control any interest in said stockyards or not; (b) that if there be a potential means of favoritism on the part of stockyards in dealing with commission men or influence over them or in the alleged power of the stockyard companies to grant monopolies, carrying with it profit to banks, cattle loan institutions, rendering plants, or sources supplying food for live stock and others; or (c) if there be a potential means to prevent the establishment of new packing plants or to hamper the growth of those in existence; or (d) to prevent the development or limit the number of new markets, or to centralize or restrict business to stockyards so controlled; or (e) if there be any such means of favoritism from having peculiar or exclusive access to information concerning the receipts and sale of live stock, its disposition and the dissemination of information to the producers or others, and these defendants assert that the receipts and sales of live stock are public records of the various stockyards companies, open and available to the public generally, and that such information is posted on bulletin boards at such yards and published in the daily papers where the yards are located; these defendants deny that their interest in or control of any stockyards has been used as a means of any such favoritism or discrimination or any or either of the evils or

improper practices so charged to be possible in the conduct or control of the existing stockyards, or any or either of them.

They respectively deny that they, or any or either of them, have at any time or in any way participated in or favored, or been privy to any such conduct in the control or operation of the stockyards or the facilities appertaining thereto, in any case.

XI.

As to branch houses, route cars, autotrucks, and cold-storage warehouses: Defendants are without information upon which to base a belief as to the total number of branch houses maintained by interstate slaughterers other than this defendant parent company.

The defendant parent company, Armour & Co., has approximately 400 of these branch houses located at or near the centers of consumption. These are necessary in order to enable it to properly handle a perishable product in such manner as to maintain adequate supplies at all times.

These defendants deny that said branch houses are cold-storage stations, but, on the contrary, assert that they are marketing and manufacturing facilities and are maintained for the express purpose of facilitating the distribution of its perishable products in such prompt and expeditious manner as will insure the same reaching the retail trade and ultimately the consumer in the best possible condition; that approximately one-half of these branch houses are equipped with refrigerating machinery, and that many of them located in the large centers are equipped with facilities for turning raw materials into the finished products—that is, smoking meats, boiling hams, and manufacturing sausage; that this is necessary in order not only to meet trade requirements but to place these defendants upon an equal competitive basis with local packers operating killing establishments; that they are maintained by these defendants for the purpose of marketing and distributing of their products and to afford to the local retail butchers the opportunity to make purchases of meat and meat products while in fresh, wholesome condition; and that such branch houses are equipped with only sufficient cooler space for the needs of their marketing facilities in the particular locality where they are located, the turnover of such branch houses in said products being usually every week or every two weeks at the most.

These defendants say, and they submit that it is obvious and not open to question, that such branch houses for the proper receipt, care, sale, and distribution of their products and merchandise are lawful and proper business facilities therefor and for supplying the wants of their customers and consumers. Defendants further say that direct and active competition exists between all of the various branch houses of this defendant corporation and those operated by each and all of the other defendant corporations named in this bill of complaint and between those operated by others engaged in the meat-packing industry and various commission merchants and others who have the necessary facilities for handling like products; that such branch houses are recognized by the various communities they serve as of great and permanent value to the members of such community, as well as of those resident in the immediate vicinity, as affording to the people of such communities and surrounding territory an opportunity to secure under competitive conditions meats, meat products, and other commodities while in a fresh and wholesome condition.

Route cars are refrigerator cars which travel certain routes at stated intervals, supplement the branch houses, and furnish prompt, efficient, and adequate service to such towns and places as are not of sufficient size in themselves to warrant maintenance of a branch house. These cars carry only such products as have been previously ordered and are needed to supply such orders. These defendants are without information upon which to base a belief as to the number of such route cars sent out by other defendants, or the number of dealers reached or the number of cars owned by such other defendant parent companies.

Motor trucks made possible the rendering of such service to many towns and places which are not reached or served by route cars, or by branch houses. These defendants deny that these defendants reach or serve with such autotrucks a total of 20,836 towns throughout the United States and say that the number of towns so reached is about 1,500.

As to cold-storage warehouses: These defendants say that cold-storage warehouses were first used in connection with the packing business for the chilling of meats and later were adapted to branch-house use so that meats and meat-food products might be kept in prime condition for sale to the retailer; that from the beginning, such warehouses have been, and now are, necessary instrumentalities in connection with the business of these corporation defendants in order that such business may be properly and efficiently handled and the volume of their slaughter of live stock and sale of dressed meat and meat-food products, for both domestic and foreign trade, extended to meet the constantly increasing demand therefor; these defendants further say that they have established or acquired an interest in cold-storage warehouses in large eastern seaboard cities and elsewhere where cold-storage facilities or space was required for the storage of commodities wherein said defendants were interested, and that these defendants have leased and do lease space therein to the public, where, owing to seasonal conditions or fluctuations in foriegn or domestic demand, it has not been possible completely to utilize such cold-storage facilities and space for defendants' then existing needs; these defendants deny that their establishment, use, or control of cold-storage warehouses was for the purpose, or has been employed or used to aid, or has aided, in any alleged control of the price of meats and substitute foods or any other commodity or commodities.

XII.

As to the acquisition by this defendant parent company of interest in or control of stockyards, or the facilities appertaining thereto, and their purpose therein:

As to stockyards: These defendants jointly and severally deny that through a concert of action or pursuant to a common understanding with or by acquiescence of any one or more of the parent companies named in said petition or bill of complaint or otherwise they, or any or either of them, set about the acquisition of the various stockyards and appurtenances and privileges incidental thereto for the purpose (as is implied in said petition or bill of complaint) of securing any such advantage or advantages as are alleged in said petition.

These defendants jointly and severally deny that there is or ever was any common purpose, plan, or design to which they, or any or either of them, were a party to force the withdrawal of outside or any investors, or so-called independent packers, or any or either of them, as dominating or other factors in the ownership or management of most or any of the important or any stockyards, or that by or through any such purpose, plan, or design outside investors or so-called independent packers have been gradually or otherwise so forced out or been replaced by the defendant parent company, Armour & Co., or its representatives.

These defendants deny that they or any or either of them have availed themselves of any interest they may have in any stockyards or exercised any control they may have over such stockyards for the purpose of electing officers or directors or otherwise dominating or controlling the policies thereof for the purpose of granting exclusive privileges, such as the right to purchase dead animals or the right to furnish supplies and facilities and fix the location or give favorable sites for cattle banks or cattle-loan companies to concerns or corporations in which they or some of them or individuals who are stockholders in this defendant parent company hold the controlling stock or that they have, acting in concert or otherwise, employed any of the powers and privileges alleged in and more specifically set forth and discussed in said petition or bill of complaint under the title "nature of the business and method by which it is conducted" with the intent or purpose or effect of discouraging or suppressing the establishment of independent packing establishments or dwarfing the growth of such independent packing companies.

These defendants jointly and severally deny that this parent corporation, Armour & Co., or its subsidiaries, or the individuals who, as alleged in the bill of complaint, own and control this parent company and its subsidiaries were enabled by any of the alleged methods or means set forth in said petition or bill of complaint to obtain vast profits from the management of stockyards or granting of privileges appurtenant thereto; these defendants further deny that this parent company, Armour & Co., or its subsidiaries, have thus been enabled, as is alleged, to enjoy and realize or otherwise have obtained or enjoyed or realized such or any profits without the same appearing or being disclosed in the profits of this said defendant parent company; these defendants further deny that they or any or either of them have attempted thereby or otherwise to monopolize the meat industry of the country or artificially to control the ultimate price which the consumer pays for meat and meat products.

These defendants say that in the course of the growth and development of the live stock and producing and slaughtering and packing industries they have aided in the establishment of stockyards at points near or nearer the live-stock production than theretofore existing stockyards, and have taken over or assisted in taking over and developing what were small and inadequate yards at other points where they had been inaugurated, and have established at such places extensive and adequate packing plants, with the result that growers of live stock about or tributary to these localities now have properly equipped and efficiently operated marketing places so situated in relation to their farms and ranches as to afford them a ready market for the disposition of their live stock at a saving of freight, labor, cost, shrinkage, and other expenses. That the defendants have not heretofore in any way hindered, impeded, or prevented the establishment or operation of such or any stockyards by others, or the establishment thereat of any packing plants of others than themselves. That with respect to some of such yards others of the defendant parent companies have also joined or cooperated in the establishment and development of such yards and have established packing plants thereat.

That in the cases where these defendants, or any or either of them, have established or aided in the establishment of stockyards the motive of the defendants therein has been the proper motive of building up or developing, or aiding in the building up or development, of the industry and trade in live stock and the products thereof, as well as for the benefit and development of the live-stock producing industry as well as of their own packing industry, and in certain cases principally for the establishment and development of the live-stock producing industry, and to bring a market for the live stock near to the production thereof.

That so far and to such extent as any or either of these defendants have acquired and held or owned any capital stock or other financial or property interests in any or either of the live-stock yards or stockyard companies, such acquisitions and investments were and are held and owned for proper and legitimate purposes and from proper motives and considerations, and not otherwise.

These defendants say that the great industry in which they have been and are engaged of producing fresh meats and other products of slaughtered cattle, hogs, and sheep, and which was built up by the predecessors in the ownership and conduct of the defendant parent companies, and has been continued by the present owners and managers thereof, is and always has been properly allied with and dependent for its proper development and success upon live-stock raising and production, as well as upon the provision of adequate markets and facilities for the marketing of such live stock; and that in the interest of their own packing industry and the provision of markets and market facilities they have been guided and led into a proper interest in the development, maintenance, and carrying on of live-stock markets, and some of these defendants have, as they properly and lawfully might, acquired financial interests in the capital stock of certain stockyard companies. But at no time have they or any or either of them used or attempted to use the same in any way whatever to the prejudice or detriment of live-stock producing interests or other interests concerned in or affected by the operation, management, or conduct of any stockyards, or upon any other theory or conception than that their best interests in such stockyards and their investment therein call for and require such conduct and management thereof as would best serve and promote the interests of the live-stock producing industry and the extension and increase in the production of live stock, upon which the success of such stockyards depended, and the provision by and through such yards of the most efficient facilities and service for the receipt and care and marketing of such live stock.

These defendants—maintaining that the acquisition and holding by them or any or either of them of shares of the capital stock of stockyard companies as and for the purposes aforesaid and for investments and for the dividends or profits therefrom are lawful and proper and not against any public policy or ground for any just or fair animadversion or criticism—nevertheless say that they are entirely willing that such stockyards shall be controlled and the burden of their maintenance and operation assumed by others who will properly maintain and operate such yards in and for the best interest of the live-stock industry as market centers for the producers of live stock, with convenient, suitable, and efficient locations and facilities thereat or near thereto for the packing industry and the manufacture of live-stock products.

They maintain, however, that no other person or persons, company or companies are so much concerned in the establishment and in the proper conduct of such yards where needed for or for the building up

and increase of live-stock production as are the defendants and others in the meat-packing and live-stock industry, who also from their experience, as well as from their large interests in their own industry, are qualified for as well as so concerned in the proper conduct of stockyards.

XIII.

As to contracts in restraint of trade: These defendants deny that they, or any or either of them, have entered into or have any unlawful contract or contracts, combination or combinations, or conspiracy or conspiracies to restrain trade or commerce, or to artificially prevent between the defendants to the said petition, or any or either of them, or between these defendants, or any or either of them, or any other or others, or otherwise, competition in the prices for which live stock or meat or meat products or any other commodities are purchased or sold.

These defendants deny that there is any percentage-purchase arrangement between this defendant parent company and the other parent companies, or any or either of them, such as is referred to in the said petition or bill of complaint or otherwise. They deny that there is any such arrangement between this defendant parent company and the other companies, or any or either of them, having as its ultimate or other object the elimination of competition between them in the purchase of live stock or in the sale of dressed meats. They deny that there is any contract or agreement or arrangement or understanding to which these defendants, or any or either of them, are parties or privies for any limitation upon the source of supply, or upon the volume of business, or for limiting the purchase of live stock, or to limit the volume of their dressed-meat products.

They deny that these defendants, or any or either of them, are under any agreement or understanding for or concerning or recognizing certain percentages or proportions as between themselves or any or either of them, and any other defendant or defendants, to which they deem that each or any company was entitled, or that they, these defendants, or any or either of them, have any agreement or understanding to or do so gauge their purchases that annually, or at any time, their respective purchases should approximate actually or substantially the percentage so agreed upon or any percentage; or that as a means of perfecting said alleged arrangement or otherwise, divers percentages, whether varying at different stockyards or otherwise, are agreed upon, or that understandings have been had that certain of the parent companies should buy in certain yards or should refrain from buying in certain yards, or that in order to prevent such plans from being disarranged by outsiders, or for any other reason, agreements have been made, or any agreement has been made with such or any outsider by which purchases between this parent company, or any or either of these defendants, and the so-called independents, or any or either of them, were placed or were, or were or are to be, upon a percentage basis, whether similar to the above or otherwise.

These defendants further say that as between this parent company and each and all the other parent companies named as defendants herein, and all others engaged in the packing industry, there is now and at all times in said bill of complaint referred to has been active and unrestrained competition, both in the purchase of live stock and sale of dressed meats, meat products, and other commodities, and these defendants deny that any apparent or approximate uniformity of percentage of the receipts of live stock purchased annually by this parent company and its subsidiaries evidences or tends to prove any such contract or agreement between this parent company and all or any of the other parent companies as is alleged and referred to in said petition or bill of complaint. This parent company has the purpose and intention of securing in active competition with each and all of the other parent companies and other packers such quantity of live stock at the various stock markets that experience over a period of many years has demonstrated it must of necessity have in order to increase its volume of business and to provide for the needs of its trade, and that it may not lose that established position and trade it has taken years to gain.

These defendants say that during the year 1910 an indictment was returned in the district court of the northern district of Illinois against certain individuals who were then officers of the defendant parent companies, Armour & Co., Swift & Co., and Morris & Co., charging present petition or complaint that, among other acts, such defendants (who were therein alleged to be the principal owners and real managers of said companies) were engaged in a combination in restraint of trade and commerce, which combination was one for eliminating competition between the same defendant parent companies, Armour & Co., Swift & Co., and Morris & Co., in the purchase of cattle and the sale of fresh meat; that, in pursuance of such unlawful agreement, said defendants refrained from competing with each other in the purchase of cattle, and fixed the number of cattle to be purchased by or for each of said companies, and agreed upon the amounts to be bid for cattle from day to day, and fixed the prices at which fresh beef should be sold. The respective defendants named in said indictment entered a plea of not guilty, and upon trial of said cause the evidence concerning all and every the acts, transactions, or conduct of business which had been done or carried on by such defendants, or any or either of them, and which in the petition or bill of complaint herein are charged to constitute a contract, combination, or conspiracy in restraint of trade, or a monopoly of any part of said trade in or in respect of either the purchases of cattle or the sales of fresh beef—or acts, transactions, or conduct of business like in all respects to those done by these defendants and so charged in said petition or bill of complaint herein as constituting such alleged unlawful restraint of trade or a combination or conspiracy in restraint of trade or a monopoly thereof—was presented, adduced, and exhibited by the Government on said trial as constituting or showing the guilt of the respective defendants named in said indictment, and the said cause was, upon the evidence and testimony submitted, and the case made by the Government in support of said indictment, submitted to the jury—the defendants not introducing or offering any evidence, whereupon the jury, having been duly charged, retired and considered, and afterwards returned a verdict of not guilty, and thereupon said verdict was duly recorded and judgment thereon entered.

And these defendants maintain and charge that the said verdict and the judgment of said district court at Chicago, acquitting said defendants, constitute positive and incontrovertible proof and evidence that the acts, transactions, and conduct of their said business by these defendants which are referred to and complained of in the said petition or bill of complaint herein, which are like or similar to the acts, transactions, and conduct of such business in the said indictment referred to, or any or either of them, do not constitute any unlawful restraint of trade or commerce, or any combination or conspiracy in restraint of trade or commerce, or any monopolizing of or attempt to monoplize any part of such trade or commerce, but are lawful and proper.

These defendants respectively deny that means have been adopted by them, or any or either of them, or to which they or any or either of them, are parties, by which sales to outsiders or so-called independents or others were or are controlled by the parent companies or any or either of them.

These defendants respectively deny that control over the stockyards or stockyard-loan institutions, or terminal railways, or other interests, or any or either of them, has discouraged opposition by either commission men or so-called independent packers or others, or has existed.

XIV.

As to control of so-called substitute foods: Defendants admit that in dealing in and handling so-called "substitute foods" or "unrelated lines" these defendants availed themselves (as is alleged in said bill) of the route cars, auto trucks, branch houses, and storage warehouses owned or controlled by them, and that further (as is alleged in said bill) these facilities intended primarily for the sale of meat, were employed, with comparatively no little increase of overhead expense, in the distribution of so-called substitute foods and unrelated commodities, and the defendants were enabled thereby to reach remote spots.

Defendants allege that prior to the Great War the business of these defendants in canned vegetables, canned and dried fruits, canned fish, rice, beans, and other nonmeat foods was very limited and confined practically to local purchases by a few individual branch houses, usually as an accommodation to some of their customers, but when our country went into war and a survey of the meat-food situation of the world made it evident that the United States was to be (as it was) called upon to furnish practically the entire supply of pork product and the major supply of beef for not only our country but our allies, and everyone was urged to eat as little meat as possible, these defendants looked around for some products to sell to keep their enormous branch-house organization intact and employed (so far as not employed or used in such export and war business), and their cost to sell within reason, and largely increased these defendants' business in these lines. The reason for it was apparent when, as they allege upon information and belief, 35 per cent of defendants' entire production of meat food in this country was used by the allied Governments.

Defendants expressly deny, however, that they have at any time entertained the intention or purpose of controlling the Nation's supplies of so-called substitute foods or unrelated products, or any other commodity or commodities, but that, on the contrary, their purpose and intention in entering into and continuing in such lines of business and employing their organization and equipment therein was entirely lawful as a natural and legitimate extension of their business, and, moreover, based upon the soundest of economic grounds, to wit, the complete utilization of facilities and distributive organization necessarily required in the handling of meats and meat-food products and employed in connection with the marketing of so-called "substitute foods" and "unrelated lines" without placing upon the consuming public any burden of additional expense for the maintenance thereof.

Defendants further aver that the volume of business transacted in such lines amounts to but a small percentage of the total volume handled by wholesale grocers and other dealers in such commodities, and defendants allege upon information and belief that during the year 1918 the wholesale grocers throughout the United States handled more than $3,500,000,000 worth of wholesale grocery business, and that the total amount of such business in these lines handled by all the defendants named in said petition or bill of complaint, if combined, would not amount to more than 3 per cent of the entire total for the country; and further, that the amount of business handled by the defendant parent corporation, Armour & Co., during the year 1918 in canned fish, vegetables, and sundries, canned and dried fruits, fruit preserves, and grape juice amounted to 4.62 per cent of said defendant, Armour & Co.'s, total volume of business.

Defendants further allege that the increase shown in the volume of business handled in such lines was and is due to the fact that defendants were enabled to secure such business by reducing the costs necessary in connection with marketing such products through complete and efficient operation and use of their facilities and branch-house space, thereby rendering better and more efficient service both to the producers of said commodities and the consuming public. These defendants deny that the effect of their entry into such lines of business has been that of gradually eliminating competition, but are informed and believe and so allege that during the period 1907–1918, 1,101 wholesale grocers entered the highly competitive business of selling food products and further allege upon information and belief that during the year 1918 there were 3,887 wholesale grocers through the country, and that at present there are over 4,000 wholesale grocers in active competition with the defendants in such trade.

These defendants deny that they have eliminated or lessened, or sought to eliminate or lessen, competition in meat products.

These defendants deny that they have eliminated or lessened or sought to eliminate or lessen competition in so-called substitute foods, or that they have in any way sought to prevent the public from turning to or using substituted foods. They deny that they set about controlling or have sought to control the Nation's supplies of fish, vegetables, either fresh or canned, fruits, cereals, milk, poultry, butter, eggs, and cheese, or any or either of them, or other substitute foods, or that they or any or either of them had any such purpose.

These defendants deny that in their trade and business in so-called substitute foods they fixed or attempted to fix prices so low as to gradually or otherwise eliminate competition or that they fixed prices with any such purpose. They say that their prices were fixed with respect to the normal conditions and facts which govern or affect the market price of such commodities, such as supply and demand, costs and expenses, and fair profit. They maintain that their facilities for conducting such business, their organization, skill, industry, and business experience were all proper and lawful elements in securing trade; and that they had or exercised no unlawful discrimination or advantages in securing such business, and they maintain that any growth or increase in their business obtained in the manner aforesaid, in competition with others, was the result of fair competitive trade. They deny that the securing of trade in such manner is in any sense monopolistic or in violation of law or public policy; or that trade so secured, as their trade was secured, is or may be a monopoly within the meaning of the law or in fact.

XV.

As to the alleged monopolistic attempts of defendants:

These defendants respectively deny that they or any or either of them have in any way or at any time attempted to acquire, gain, or get any monopoly of or to monopolize any part of the trade or commerce.

The alleged comparison in the said petition or bill of complaint of the net worth of the defendant parent companies, so far as the same relate to Armour & Co. in 1904 and in 1919, is inaccurate and misleading as bearing upon this question.

In the first place, the values of the same properties of this defendant parent company employed in its business in 1904 and 1919 fairly bear no comparison, the normal and proper growth and increase in such values being very large. The value of materials and commodities in an inventory of 1904, or thereabouts, as compared with the value of the same or like commodities of the same amount in 1919 would be very small, or much smaller, and such comparison would be of no value upon the question here under consideration. Almost the entire net profits of the business of this parent company from year to year during the said period of 15 years have gone to increase the capital and have been invested and employed in the extension of its business and its facilities, a very small percentage of such profits having been drawn out, and the added and compounded earnings from such invested profits properly and greatly increased the net worth of said company.

The said company has been during said period a very large borrower of money upon its paper, its actual working capital at any period of time during said 15 years being thereby very greatly increased, and its earnings include its profits upon such actual employed capital. During said period of 15 years said company further added to its working capital the sum of $50,000,000, or thereabouts, received from the issue and disposition of that amount of its 4½ per cent bonds and was thereby enabled thus to increase its employed and working capital. During said period and in 1918 the said company issued and disposed of its convertible debentures to the amount of $60,000,000 and was thereby enabled to and did add that amount to its employed capital, and that of such convertible debentures so issued approximately $50,000,000 par value at the date hereof have been converted into the shares of the preferred stock of this parent company and constitute part of its permanent capital. That during the 10 years from 1909 to 1918, inclusive, the sales of said company increased from year to year from and through the extension of its business and trade from $225,000,000 in 1909 to $861,000,000 in 1918; that such increase during the Great War was exceptionally great, owing to conditions produced thereby. That the average net profit upon said sales during said period of 10 years was 2.48 per cent; that such rate of net profit was lower than or as low as in any other industry; that the net worth of this defendant company in 1904 was the sum of $45,000,000, or thereabouts, and that the net worth of said company at the end of 1918 was $173,000,000, or thereabouts, so that the net worth of said company at the end of said period of 15 years is less than four times its net worth at the beginning of said period; but in reckoning the value of the said company at the end of 1918 the increase in the values of commodities and property at the close of said period as compared with the values at its beginning amount to a large sum, and this should be taken into consideration in comparing the value of the company at the beginning with its value at the end of said period.

These defendants deny the accuracy of the statement in the said petition of the increase of the net worth of the said parent companies from 1904 to 1919, or the value or effect of the figures stated in said petition with respect thereto as showing or tending to show, and these defendants deny that they show or tend to show any attempts at monopoly on the part of the defendants.

The increase in the amount of the sales of this defendant parent company in the said 15 years, which has been large, has been due and owing to legitimate trade conditions and to the business skill and industry of the defendants and their officers and employees, and the increase and growth of its business thereby produced, and not to any other cause. These defendants deny that the growth, extension, and increase of the business so brought about and resulting is monopolistic or in violation of the Sherman or other antitrust acts, or their spirit, or their purpose. These defendants deny that their personal control of any packing houses or slaughtering companies, or their interest in stockyards, terminal railways, rendering companies, cattle-loan institutions and banks or other corporations, or in any or either of them, have or had their inception in or depend for their prosperity upon advantages or privileges growing out of the interlocking or any control of the stockyards or stockyard appurtenances.

These defendants have not information on which to state or base a belief as to the number of corporations or concerns or trade names maintained or controlled by the parent companies or the individual defendants (other than these defendants) or their families, or in which they have a significant or minority or other stock interest or an interest of unknown extent. But these defendants allege that any such facts or statement thereof are and is immaterial to this cause. They respectively deny that there is anything unlawful or against public policy or subject to challenge herein, in or from the fact, if and so far as it is a fact, of the maintenance or control by the parent companies (within their respective charter powers), or the individual defendants or their families, of business corporations or concerns or trade names, or in their holding minority or other stock interests or other interests in any such corporations or concerns, or in their having acquired or organized or maintained them so long as they were useful for their purposes, and when no longer useful dissolving such corporations or concerns. These defendants respectively submit that the allegations of the said petition in that behalf are immaterial. These defendants deny that they, or any or either of them, have acquired or organized, or become or are interested in any concerns in furtherance of any supposed general scheme or plan of action which is unlawful or against public policy or improper.

XVI.

As to the extent of industrial control of defendants in so-called substitute foods and unrelated commodities:

Defendants deny that the growth of the control of these defendants, or any or either of them, in all or any of the various industries in said petition referred to, if permitted to continue unchecked, will be complete.

With respect to the business in 1916 of this defendant parent company in canned fish, vegetables and sundries, canned and dried fruits, fruit preserves (soda fountain supplies), and grape juice, and the amount thereof in 1916, and in 1918, and the increase in the volume thereof in said two years, these defendants say that this increase in business was lawful and proper, and is to be attributed to the skill and energy and business ability, and proper business organization and facilities with which said business was conducted; and that such increase in business was lawfully accomplished, and without violating any law or public policy. These defendants are unable to state whether any or how much of such increase of business was acquired "at the expense of competitors"; but they say that in all competitive business, the business properly secured by each of the competitors is, within the sense and meaning of such allegation in said petition, acquired at the expense of other competitors; and that such is the proper and lawful operation of competition, which is authoritatively defined to be the seeking by two or more of trade which only one may secure.

These defendants deny any purpose on their part to secure control of the markets for meat substitute foods; and that their engaging in such trade in competition with hundreds of others who are also engaged in such trade, and the purpose of the defendants to secure, by proper competitive methods, a portion of such trade as might come to them, is lawful and proper. There is no allegation or charge in said petition or bill of complaint nor is there in fact any basis for a charge of the use by these defendants of any unfair methods of competition in such trade.

XVII.

These defendants admit that these individual defendants are respectively either officers, directors, agents, or employees of the parent company, Armour & Co., its subsidiaries, and that some of the defendants are large and other smaller stockholders of said parent company and subsidiaries, or one or the other or both, and others of the defendants are not stockholders in either or in any of said companies, and are only, if at all, connected with the various matters alleged and charged in the said petition or bill of complaint, as and while they are so connected with one or the other of said companies as officers or employees; and that they are and can only be proper defendants herein or properly subject to the jurisdiction, order, or direction of the court herein, with reference to their action as such officers or employees, while connected with such defendant companies, and not otherwise.

These defendants respectively deny each and every allegation of said petition or bill of complaint not herein admitted; and having answered, they pray to be hence dismissed, etc.

Armour & Co.; Armour & Co. of New Jersey; Armour & Co. of Kentucky; Armour & Co. of Texas; Armour & Co. (Ltd.) of Louisiana; The Anglo-American Provision Co.; The Colorado Packing & Provision Co.; Fowler Packing Co.; Hammond Packing Co.; The New York Butchers' Dressed Meat Co.; Atlantic Hotel Supply Co. (Inc.); J. Ogden Armour; Charles W. Armour; A. Watson Armour; Laurence H. Armour; Arthur Meeker; R. J. Dunham, F. Edson White, George M. Willetts; Frederick W. Croll; George B. Robbins.

By CHAS. J. FAULKNER, Jr.,
Solicitor for Defendants.

ANSWER OF MORRIS DEFENDANTS.

In the Supreme Court of the District of Columbia.

United States of America, petitioner, *v.* Swift & Co., Armour & Co., Morris & Co., Wilson & Co. (Inc.), and the Cudahy Packing Co., et al., defendants, in equity, No. 37623.

THE JOINT AND SEVERAL ANSWER OF THE FOLLOWING-NAMED DEFENDANTS TO THE BILL OF COMPLAINT FILED HEREIN.

CORPORATIONS.

Morris & Co. (Maine), Morris Packing Co. (Maine), Morris & Co. (New Jersey), Morris & Co. (Ltd.) (Louisiana), Morris & Co. (Pennsylvania), Joseph Stern & Sons (Inc.) (New York), Brooklyn Beef & Provision Co., Condit Beef & Provision Co., Corwin-Wilde Co., Chamberlain & Co. (Inc.), Donnelly & Co. (Inc.), National Hotel Supply Co., J. M. Wilson & Co., Middletown Beef & Provision Co., Glenn & Anderson Co.

INDIVIDUALS.

Edward Morris, Nelson Morris, L. H. Heymann, C. M. Macfarlane, H. A. Timmins.

DEFENDANTS.

These defendants now and at all times hereafter saving unto themselves, and each of them, all manner of benefit and advantage of exception which can or may be had or taken to the many errors, uncertainties, and other imperfections in the said bill of complaint contained, for answer thereto, or to so much and such parts thereof as these defendants are advised it is material or necessary for them to make answer unto, answering, say:

COURT'S JURISDICTION.

These defendants admit that Morris & Co., of Maine, is engaged in the character of business mentioned and described in the bill of complaint, but say that the bill of complaint does not state facts which show that such business is interstate and foreign commerce.

These defendants deny that they, or any of them, have ever been a party to any contract, combination, or conspiracy in restraint of trade or commerce among the several States or with foreign nations, either in the purchase of their raw material or in the sale of their finished products; and these defendants expressly and distinctly deny any and all allegations, charges, intimations, or inferences in the bill of complaint contained to the effect that the defendants, or any of them, are in any illegal combination, conspiracy, or contract of any kind or description with the other defendants, or any of them, or with any other person, firm, or corporation, either as to the purchase of their raw material, the sale of their finished products, or otherwise.

These defendants deny that they have in any manner whatsoever, either monopolized, combined or conspired to monopolize, or attempted to monopolize, any portion of the food supply of the Nation; and also deny that they control artificially either the supply or the price of the foods of the Nation; but, on the contrary, these defendants allege that the business of Morris & Co. has been, and is being, conducted in accordance with the laws of the land and the rules of good business ethics; that in considering the question of monopoly, the Swift, Armour, Wilson, and Cudahy interests must be considered separately, and not jointly, for each is in actual and active competition with the others and Morris is in actual and active competition with them all.

OBJECT TO BE ATTAINED.

These defendants deny that they have, or ever attempted, any monopoly whatsoever in the interstate trade or commerce of live stock, meat products, or so-called substitute foods; and deny that they have any instrumentalities, facilities or advantages by which they could build up or perfect any monopoly of meats, meat-food products, or substitutes for meats, or any other article or commodity.

Defendants aver that they have a perfect legal and moral right to deal in the so-called substitute foods or unrelated commodities, and that their dealing in such foods and commodities is sound economically and without question has been and is now of great benefit to the public.

THE NATURE OF THE BUSINESS AND METHOD BY WHICH IT IS HANDLED.

These defendants admit that the principal business of Morris & Co., of Maine, is the slaughter of live meat animals, the dressing of the carcasses, and the distribution of the dressed meat, and the sale of such meat and meat-food products to butchers, who in turn sell the same to the consumers.

These defendants admit that the large packers invented what is commonly known as the refrigerator car. By means of the refrigerator car the dressed meats can now be transported for long distances and delivered to the great consuming centers in the eastern part of this country in good condition. This is in the interest both of the producers of live-meat animals and of the consumers of meats and meat-food products. These cars make it possible for the packing houses to be located near the source of production of the live-meat animals, which saves shrink and freight to the producer of such live stock and relieves the necessity of shipping anything to the consuming centers excepting meats, the rest of the carcass being manufactured into by-products. In this respect the refrigerator car has been of great benefit to the country as a whole. It has developed the live-stock industry and has cheapened meats to the consumer.

This very advantageous and economical way of transacting this business requires large units, because only with a large volume could the packer afford to own refrigerator and route cars and the branch houses necessary for the distribution of the meats and meat-food products required in the great consuming centers of this country.

After inventing the refrigerator car the large packers were required to build, own, and operate their own cars, because the railroads refused to furnish such cars. These cars have been operated by the packers at a great loss and without any advantage over their competitors, because they pay the same rate on the product shipped in their own cars as that shipped in the cars of others and because the mileage rate paid to the packers for the use of their cars is fixed by the Interstate Commerce Commission.

STOCKYARDS.

The stockyard is a market place, where the live-meat animals of the country are received, penned, rested, fed, watered, weighed, and sold. The stockyards of this country are absolutely essential not only to the live-stock industry but also in getting meat foods for the people. They are not only in theory but in fact public markets where all who wish to buy or sell have had and may have free access and right to trade. The present high state of efficiency in the stockyards of this country is almost entirely due to the packers. It is infinitely better that the control of these yards should be with people who are interested in the industry rather than with people who are interested only in their dividends.

The stockyards, as alleged in the bill of complaint, have always afforded to the cattle raiser the opportunity to speedily dispose of his live stock for an immediate cash price. This is because of the financial strength of the packers. In the past this has been done, regardless of panics, the financial condition of the country, or the number of animals offered for sale, which demonstrates that there must be large units in the packing business. If the borrowing power of the large packers is impaired through needless agitation, improper regulation, or unwise legislation, it may be that in the future all of the live stock offered for sale will not continue to be purchased each day for cash.

As alleged in the bill of complaint, packing houses are naturally located at stockyards, because each is dependent upon the other. The stockyards furnish the raw material for the packer, and the packer furnishes a spot cash market for the live stock offered for sale in the stockyards. Consequently, the packer is directly and vitally interested in building up the yards and the live-stock market at all points where he may have a packing house. Originally many of the smaller yards near the source of production were not efficiently or successfully conducted. This was the great underlying cause that influenced the packer to become interested in such yards.

The ownership of the capital stock of the stockyards company can not possibly exercise any control or influence over the prices obtained for live stock bought and sold in the yards, for the reason the yards are public and free for everybody to bid upon stock offered for sale therein.

It is natural and proper that there should be located at the stockyards commission men skilled in valuing, handling, buying, and selling of live stock and to look after the live stock intrusted to their care for sale and disposition at the yards.

The stockyards company very properly makes charges for services rendered, as alleged in the bill of complaint, and the stockyards company is entitled to fair and reasonable compensation for such services, and this regardless of the ownership of the capital stock of the company. The charges at the various yards in the past have been fair and reasonable for the services rendered.

These defendants, further answering, state that none of the Morris corporation defendants has any interest whatsoever in any of the stockyards of this country. The Morris individual defendants holding interest in the stockyards have been, and are, willing to dispose of such interests, providing a purchaser can be obtained therefor who will pay what said interests are fairly and reasonably worth and who at the same time will insure the future efficient operation of such yards.

PACKING-HOUSE SITES.

There has been no undue or improper tendency to "centralize" the live-stock markets of this country, and it was not on account of any such alleged "tendency" that packing houses were located at the stockyards, and vice versa, as intimated in the bill of complaint. The stockyards could not exist without packing houses, because the packers are the principal buyers at the yards. Neither could a packing house exist without a stockyard, unless the packer should buy his raw material in the country direct from the owners of the live stock, which policy, we submit, neither the producers nor the Government would favor.

These defendants deny that the stockyard companies generally own or control all of the packing-house sites at such yards; also deny that the owners of the stockyards are in a position to determine or do determine what packing companies, and how many plants, shall be established at the yards.

Further answering, these defendants say that it is to the decided advantage of the stockyards to have as many packing houses as possible located at such yards. Each additional packing plant builds up the live-stock market for the yards company, as the yards company makes its money out of yardage and feedage charges. Therefore the greater number of head passing through the yards will necessarily increase the receipts of the stockyard company. It has always been the fixed policy of the stockyard companies to secure additional packing plants at the respective yards. It is not a fact that there has been any discrimination whatever in that regard. On the contrary, the stockyard companies, regardless of their ownership or control, have always been anxious to get additional packing plants located at their respective stockyards.

SITES FOR STOCKYARDS BANKS AND CATTLE LOAN COMPANIES.

These defendants admit that a very large amount of capital is required to finance the raising and preparing for market of live meat animals, upon which the consumers of this country depend for their meat and meat-food products. It is not practicable for the banks of the country generally to loan this money, taking chattel mortgages on the cattle as security, which is ordinarily the only security offered, because of the character of security and the distant location of the banks therefrom. Accordingly there are a great many cattle-loan companies in this country which maintain offices and representatives in the locality of the cattle given in security for loans, and thus these cattle-loan companies are in a position to keep in touch with the loans and inspect the security from time to time. The majority of these cattle-loan companies have no packer interest in them whatsoever.

The mode of procedure is for the cattle-loan companies to take the notes of the cattlemen, secured by chattel mortgages on the cattle, and then the cattle-loan companies indorse and guarantee this paper to the banks scattered all over the country. Most of this paper goes to eastern banks. The banks take and pass this paper out to their customers, not upon the security of the mortgaged cattle, which are generally at a great distance from the banks, but upon the indorsement of the cattle-loan company. For the inspection of the security and guaranty of the paper the cattle-loan company gets a reasonable commission, generally the difference between the interest which the borrower pays and the interest retained by the bank buying the paper. In this way it has been possible for the live-stock men of this country to borrow the required money to prepare the live stock for market, and the cattle-loan company has in this way been of great benefit both to the producer and the consumer.

These defendants further state that the cattle-loan companies controlled by the big packers have never required the live-stock man to market his live stock except when same is actually prepared and ready for the market. In not a single instance has the packer—controlled cattle-loan companies—required prior marketing of live stock, even in case of droughts or other extremity beyond human control, unless and except it was in the best interest of the owner of such live stock. The packers, in fact, have had no advantage whatever through such cattle-loan companies, except through the encouragement of production. The live-stock men have not to any extent been damaged by the interest of the packers in such cattle-loan companies, but, on the contrary, have been greatly benefited.

It is in the interest of the live-stock men and of everybody else that these cattle-loan companies and live-stock banks be located at or near the principal stockyards of this country.

These defendants deny that the owners of stockyard companies in which they, or any of them, have any interest have at any time or place designated how many and which banks or loan companies may establish themselves at the yards. But, on the contrary, there is in fact actual and active competition between the banks and cattle-loan companies at all of the large stockyards of this country.

Morris & Co. has no stock or other interest in any bank or cattle-loan company.

RENDERING PLANTS.

In the shipment of live meat animals to the market naturally some of them die either en route or after reaching the yards. There are not enough of these dead animals at any one stockyard to justify the investment, overhead, and expense incident to the operation of a rendering company. Accordingly the rendering company that handles the dead animals at any one of the stockyards must and does have additional business, which is generally obtained in the way of dead animals collected from the streets of the city under city contract. When a company has such a city contract it is enabled to handle the dead animals at the stockyards on better terms and to better advantage for the producers than otherwise could be done.

From the standpoint of health and sanitation these dead animals must be handled very expeditiously, and on that account some one must be charged with the responsibility of their very prompt collection and disposition.

These defendants deny that there is any monopoly at any of the public stockyards of this country for the handling of dead animals at said yards, but state the fact to be that said animals are handled to the best possible advantage and in the interest of the owners of such animals.

Morris & Co. has no stock or other interest in any rendering company.

COMMISSION MEN'S OFFICE SPACE.

It is advisable for the commission men and traders at the stockyards to have offices in or near the yards, as alleged in the bill of complaint, otherwise they could not expeditiously transact the business at the yards for the producers of this country. In the orderly and efficient handling of live stock at the yards it is necessary to allot certain pens to the commission men in order to avoid confusion and delay. The renting of offices and the allotting of pens to commission men at the various stockyards have been done in the interest of the producers and of all concerned, and nothing is averred in the bill of complaint to the contrary. Generally the commission men and traders at the yards have a committee of their own to make these allotments of pens, as the interests of the yards and the commission men are absolutely mutual in this regard.

TERMINAL RAILWAYS.

These defendants state that it is in the interest of the live-stock producers that these terminal railways should be owned and operated independent of any one railroad system, because otherwise the railroad company controlling such terminals would use same to its own advantage and in the interest of its shippers and against the interest of shippers on other railroads. These stockyard terminals were originally brought into existence so that all shippers would be treated alike and so that there would be no discrimination in the handling of live stock into and at such yards. It is of the greatest importance that all live stock should reach the unloading chutes and be unloaded as soon as possible, so as to be rested, fed, watered, and prepared for the early market.

While the bill of complaint does not charge the exercise of any discrimination on the part of the terminal railways at the different stockyards, it claims they have such power. These defendants state most positively that these terminal companies have not discriminated in the matter of sidings, spurs, or other accommodations which may be required by a packing house, and there has been no discrimination along this line against any packer or buyer in any manner whatsoever.

MARKET PAPERS AND JOURNALS.

As stated in the bill of complaint, the cattle raiser requires "full, accurate, and unbiased reports of the demand for live stock, the prices prevailing, and the character and kind of stock required," and such information is furnished by the market papers and journals specializing in intelligence of this kind. In years past the daily press printed more extensive, but still inadequate, reports than at the present time, the increased cost of print paper and the reduction in size forcing a curtailment of these reports. The burden of increased cost of production bears more heavily on the small publisher than the large. This situation endangers the future of these publications, and care should be taken that these market papers and journals are not required to abandon the field altogether.

Whatever financial aid or assistance which the packers have given these publications in the past has been done in the interest of the market, and the producers got the benefits thereof. No market paper or journal could successfully falsify either prices or conditions. To do so would be to commit financial suicide, as its integrity and accuracy are the sole measures of its value to its subscribers.

These defendants have no advantage of any kind either over the producer of live stock or the purchaser of their finished products by or through the publication of market papers or journals. The fact is that both the people from whom the packers buy their raw material and the people to whom they sell their product are fully and accurately advised concerning market conditions.

These defendants deny that they, or any of them, own any interest whatever in any of the market papers or journals at any of the stockyards in this country.

ALLEGED RESULTS FROM CONTROL OF STOCKYARDS.

These defendants deny that the control of the stockyards and of the other facilities at the yards would cause the results claimed in the bill of complaint, and with reference thereto would state:

(a) If the profits made by the stockyard company are reasonable (and there is no charge in the bill of complaint that they are unreasonable) then it is wholly and absolutely immaterial, both to the producer of live stock and the consumer of meat, who owns the capital stock in the stockyards so far as profits are concerned. Packers' interest in stockyards does not add 1 cent to the cost of meat to the consuming public. On the contrary, if packer control of the yards means greater efficiency and saving of cost, it is to that extent a saving to the consumer. In other words, the elimination of the packers from interest in the yards would eliminate neither the yards nor the reasonable charges which the yards company is justified in making for its services.

(b) There is no power in a stockyard company to grant a monopoly either to banks, cattle loan institutions, rendering plants, or concerns supplying food for live stock and others, and no such monopoly has been granted or attempted in the past.

(c) The stockyard companies have no power to prevent the establishment of new packing plants at the respective yards or to hamper the growth of those in existence; but, on the contrary, it is to the direct and best interest of the stockyard companies to induce the location of additional packing plants and to give such service as would encourage the growth of those in existence. The fact is that the building of additional packing plants has been encouraged by all of the yards.

(d) The present stockyard companies can not prevent the development and limit the number of new markets or centralize and restrict business to the present stockyards. The Morris interests have in the past established new markets in direct competition with the other large packers. In 1910, Morris built a packing plant and stockyards at Oklahoma City in direct competition with Swift and Armour at Fort Worth and with Cudahy and Dold at Wichita, being less than 200 miles from each point, and even to the present time Morris must buy live meat animals in the leading markets of this country to sustain and keep its Oklahoma City packing plant in operation. To illustrate, Morris & Co. has purchased as high as 40,000 head of cattle in one year at the stockyards in Fort Worth, controlled by Armour and Swift. These cattle were purchased for slaughter at its packing plant in Oklahoma City, operated in active competition with the Swift and Armour plants at Fort Worth.

The South needs packer development and diversified industry, and especially in those sections where cotton can no longer be raised on account of the boll weevil. The climate and the soil both favor the raising of meat animals, and the large packers have been developing this section both with packing plants and stockyards. If the packer should be denied the privilege of being interested in stockyards, then this development, so much needed and desired, may be arrested and defeated.

(e) There has never been any exclusive access to information concerning receipts and sales of live stock and its disposition, either to the producer, the packer, or anyone else. This information has always been and is public and accessible to everybody alike.

The Bureau of Markets, under the Department of Agriculture, is maintained for the purpose of obtaining and disseminating this species of information to all concerned.

BRANCH HOUSES.

A branch house is primarily a market, or sales place, for the disposition of packing-house products at a distance from the packing plant. Branch houses are also frequently used for manufacturing purposes, such as the smoking of hams and bacon, and the making of sausage and other similar products; the consuming public thus gets the most wholesome product.

The branch house must have refrigeration, for meat is a very highly perishable product. Before we had refrigeration, beef was shipped to the eastern markets in box cars, when the weather was cold enough, and sold at auction on arrival. This costly, insanitary, wasteful, and extravagant method was soon discarded when the big packers invented and brought into use the refrigerator car and the branch house.

The branch house is ordinarily located on a switch track near the business center of the city and is managed by experienced men who know the wants of their particular community. At first the branch house was a crude affair, but the modern branch house costs from $75,000 to $300,000.

The branch house is in the interest of both the producer and consumer, because, without the distributing facilities of the big packers, of which the branch house is a part, congestion would take place at the packing plant and the packer could not buy the live meat animals shipped to the yards. Consequently, it is in the interest of the producer that the packers have proper marketing facilities, so that the packing plant will not be congested with the finished product, and so that the packer, by not being a spasmodic buyer, can at all seasons of the year pay a fair price for the live meat animals offered for sale on the market. The branch house not only serves this purpose for the producer, but is also the source through which the butcher at all seasons of the year gets his meat and in turn is able to continually supply the consuming public.

With the large packing plants located near the source of production, as they should be (thus saving the producer shrink and freight), the branch house is an absolutely essential part of the distributing system of the packer. Meat is a highly perishable product and can only be kept in good condition for a limited number of days, even with refrigeration. Not only is the refrigerator car and the branch house an essential in the distributing system of the packers, but these facilities keep down the waste of meat to a minimum, and prevent the increase in price which waste would necessarily entail.

These defendants are not advised as to the number of branch houses maintained by the defendant parent companies, as alleged in the bill of complaint, but these defendants state the fact to be that Morris established its first branch houses in the East in the year 1885, and it now has 186 branch houses, with 2,850 employees.

These defendants further state that the distributing system of the large packers, including refrigerator cars and branch houses, does not give to them any monopoly in the sale of meats in the great consuming centers or anywhere else. To illustrate the situation in that regard it may be stated that in New York City, in addition to the defendants, there are more than 75 wholesale dealers and slaughterers, and in Boston, besides the defendants, there are 13 large wholesale dealers and 15 houses that buy from local slaughterers. This is characteristic of all the large cities in the great consuming section along the Atlantic seaboard.

The meat sold through the branch houses must bear the expense of shipment from the packing plant to the branch house, in many instances being a great distance and a large expense. This meat comes in competition with the meat of numberless local slaughterers in all of the cities of this country, which latter meat has no expense whatever for transportation and is also free of the expense incident to Federal inspection. Consequently, in the matter of competition the meat of the big packer sold through branch houses is at a decided disadvantage. The branch houses are maintained simply as a matter of necessity and because no better distributing system has ever been suggested or adopted for the transportation of meat from the large packing-house centers, which should be near the source of production, to the great consuming centers, which are largely along the Atlantic seaboard.

These defendants further state that a perishable product like meat can not be handled through some common freight house, like farming implements, clothing, boots, and shoes, or other staple articles, which do not have to be sold quickly in order to prevent deterioration or complete loss.

ROUTE CARS.

As stated in the bill of complaint, route cars supplement the branch houses and serve the purpose of reaching the small communities where the trade is not sufficiently large to justify an investment in a branch house.

The route car does more than this, it brings to these smaller communities the Federal inspected, sanitary, and finely prepared products of the modern packing house. Through the efficiency of the large packers and the utilization by them of all by-products, these meats and meat food products can be supplied to these small distant communities at less cost than they are supplied through the local butcher. At the same time the Department of Agriculture has determined and reported "that farmers receive smaller relative returns from cattle marketed locally than from those that are shipped to centralized markets."

These defendants are not advised as to the number of route cars operated by the parent companies or the percentage which that number bears to the total number operated in the packing industry. These defendants state that Morris & Co. operate 265 car routes in this country, reaching 5,074 towns, and the business done from these route cars comes in direct and active competition not only with the products of the large packers but also with the local butchers and slaughterers, many of whom are not Federal inspected and have no expense of shipment whatever. The percentage of route cars operated by the five large packers, as compared with the number of route cars operated by the packing industry as a whole, does not begin to describe the amount of competition which the business done from these route cars comes in contact with. If these route cars were not in existence the strong probability is that the local butchers and slaughterers would increase the price of meat to the consuming public. These defendants maintain that these route cars are now operated, not only within the law and without any undue or improper advantage to the packers, but they are in fact operated to the great benefit and advantage of the consuming public in the towns and communities reached by them.

AUTOTRUCKS.

These defendants do not maintain any autotrucks that serve as route cars, but insist that the consuming public is entitled to the most efficient and best means of distribution of meats and meat food products that can be devised.

COLD-STORAGE WAREHOUSES.

The bill of complaint alleges that the cold-storage warehouse enables the packer to extend the volume of his business. Anything that extends volume in the meat-packing business is in the interest of the public generally, both producer and consumer, because a big volume enables the packer to utilize the by-products to the fullest possible extent. That is why the big packer has so many departments. That is why the big packer has a large force of chemists and highly trained specialists who are constantly endeavoring to produce more and more by-products from the offal, the effect of which is to bring down the price of meats for human consumption. That is one important reason why this country must continue to have big units in the packing industry.

Generally speaking, the cold-storage warehouse enables full production in seasons of plenty to be carried over to seasons of scarcity, thus stabilizing the prices for the producer in seasons of plenty and at the same time making the prices lower to the consumer in seasons of scarcity.

The chief function of the cold-storage warehouse in the meat-packing business is to preserve the surplus meats until they can be advantageously marketed, which is in the interest of both the producer and the consumer. At times there are extraordinary runs of cattle, hogs, or sheep at the various yards. Sometimes this is due to usual and normal causes, such as the end of the grass season for cattle, or in the fall for hogs; and at other times it is due to some-

thing unusual and out of the ordinary, as a drought in the Southwest or a cholera scare among the hog feeders. Under such circumstances if there were no cold-storage warehouses to take care of this temporary oversupply this live stock could not be marketed and would represent a clean waste in the food supply of the Nation, which in turn would enhance the price of meats to the consumer, not to mention the loss to the producer.

If it had not been for the cold-storage warehouses along the Atlantic seaboard, our armies and the armies of our associates could not have been fed with American meat during the war, as these warehouses enabled us to store the meats at places reasonably accessible to seaboard while waiting for the ships.

Morris & Co. owns but one cold-storage warehouse, which is located in Chicago. This warehouse has a capacity of about 50,000,000 pounds, a large part of which is used for meats in process of curing. It is necessary for the company to store almost that amount in outside public warehouses, for which Morris & Co. pays the regular published rates regulated by the various State utility commissions where the different warehouses may be located. Morris & Co. has never had or exercised any control over public warehouses.

These defendants deny that they have any possible advantage over their competitors through the cold-storage warehouse; also deny that the cold-storage warehouse has ever been used by them, or any of them, as a means to control the price of meats and so-called substitute foods.

THE PARENT COMPANIES' ACQUISITION OF ABOVE-DESCRIBED FACILITIES AND THEIR PURPOSE IN DOING SO.

These defendants deny that they, or any of them, purchased or acquired any interest whatsoever in stockyards or the facilities pertaining thereto, the stockyards terminal railways, or market papers in order to repress and discourage the development of other packers and slaughterhouses or to control the shipments of meat to the various markets.

These defendants state that there are more packers in competition with them than ever before in the history of the industry; that there are more than 300 meat packers doing an interstate business under Federal inspection, and there are more than 1,000 local slaughterers doing an intrastate business, all in keen and active competition with these defendants.

These defendants deny that they, or any of them, ever purchased or acquired any interest whatever in stockyards, terminal facilities, or market papers by concert of action and pursuant to a common understanding with the other defendants in this case, or with any other person or persons; and these defendants have never acquiesced in the acquisition of interest in or control over stockyards by any of the other defendants.

These defendants deny that, in pursuance of a common purpose, plan, and desire, outside investors and packers have gradually been forced out as dominating factors, both in the ownership and management of the most of the important stockyards, and have been replaced by the parent companies or their representatives. The fact is that none of the Morris corporations have any capital stock or other interest whatsoever in any stockyard in this country. The largest stockyard in the country—Chicago—is not controlled by the packers, but, on the contrary, only one individual packer has any interest therein, and that but 19 per cent. More than two-thirds of the capital stock of the second largest stockyard in the country—Kansas City—is owned by people wholly unconnected with the packing industry, and the capital stock of this company is dealt in very extensively on the stock exchange, and any person is privileged to buy a substantial interest therein. Large blocks of the capital stock of the Omaha yards, the third largest stockyard in this country, are owned by people wholly unconnected with the packing industry. More than one-third of the capital stock of the East St. Louis yards, the fourth in size, is owned by people who are not connected with the packing industry. But the smaller yards, near the source of production, like the Denver, Fort Worth, Oklahoma City, and Wichita yards, which can scarcely support two packers, and which render the great service to the producers, relieving them of both freight and shrink, are not so attractive to the investing public, and these are the yards which have been built up and are controlled by the packers.

These defendants further state that the interests acquired by the packers in the various stockyards of this country were generally acquired through necessity and in order that such yards might be built up and maintained efficiently, and this packer interest in these yards has resulted generally in the extension and building up of the market.

These defendants deny that they, or any of them, ever acquired any interest in any stockyard, stockyard terminal, or stockyard paper through any of the means or methods set out and described in the bill of complaint.

These defendants deny that the Morris parent company, charged in the bill of complaint, has granted any exclusive privileges, such as the right to purchase dead animals, the right to furnish supplies and facilities, and the location of cattle banks and cattle-loan companies, to concerns and corporations in which these defendants, or any of them, were interested; also deny that they employed the powers and privileges more specifically set forth and discussed in the bill of complaint under the heading "Nature of the business and method by which it is conducted."

These defendants expressly and distinctly deny that they, or any of them, have done any of the things alleged in the bill of complaint for the purpose or with the effect of discouraging and suppressing the establishment of packing establishments or dwarfing the growth of any packing company whatsoever.

These defendants further deny that they, or any of them, have attempted to monopolize the meat industry of the country or to artificially control the ultimate price which the consumer pays for meat or meat products.

CONTRACTS IN RESTRAINT OF TRADE.

Defendants expressly and distinctly deny each and every allegation and averment in the bill of complaint under this heading.

Further answering this charge of an agreement as to percentage of purchase, these defendants deny that they, or any of them, have any agreement or understanding whatsoever with any person, firm, or corporation concerning or affecting its purchases of live stock, and, in that connection, state most positively that the business of Morris & Co. is regulated and controlled entirely and absolutely by the law of supply and demand, and that its purchases of live stock are not regulated or controlled, to any extent whatever, by the purchases of Swift & Co., Armour & Co., Wilson & Co., the Cudahy Packing Co., or any or either of them, or of any other person, firm, or corporation.

These defendants state that there is not the uniformity of purchase between the parent companies that is intimated in the bill of complaint, but an approximate uniformity of purchase between these companies is of no particular significance, as these businesses have been many years in developing, and each company now has its regular organization, its ordinary and usual trade, its plant capacity, and distributing system. Moreover, there has been a very determined fight for several years from certain quarters to hold these companies to their present volume and not to permit them to grow or extend, if not to disintegrate them altogether. All of this would tend to bring about even a greater uniformity of purchase than the law of general average.

The uniformity appears closer than it actually is because of the tremendous volume incident to the packing business. In the figures of percentage the difference of 1 per cent to the average mind would not appear great, and yet that 1 per cent may represent several hundred thousand head of cattle. The difference of 1 per cent in the Morris buy between the years 1915 and 1917, which is conceded by the Government, represents 76,000 cattle, which is approximately 10 weeks' kill in Chicago or 3 weeks' kill at all of the Morris plants.

Further answering, these defendants state that there is much more uniformity of purchase by the leading interests in any stabilized basic industry in this country having competition than there is in the packing industry, and that this alleged uniformity of purchase in the packing industry, whatever uniformity there may be, is due to healthy conditions and sound economic laws, except that brought about by forces and influences outside of the packing industry itself.

This identical charge of uniformity of purchase was made by the Government in a criminal case instituted by the Government in Chicago against certain of the officers of three of the defendant parent companies, and after hearing the testimony for several months, this precise question being gone into very fully, the jury, in March, 1912, returned a verdict in favor of the defendants upon the testimony of the Government alone. The judgment based upon that verdict necessarily means that there was no undue uniformity of purchase by the packers, and is, in fact, an adjudication on that point.

This Government suit of 1912 was on the theory that three of the parent companies in this case maintained a certain percentage as to buy of live stock, while this present suit is against five parent companies and their officers, and yet there is no allegation in the bill of complaint as to how, when, or why the Government changed its position from three to five or when the two additional parent companies became parties to the present alleged agreement, or how or to what extent the two additional companies have affected the alleged percentage.

These defendants further state that during the war the Government ordered and directed the packers of the country generally, including the defendants, to maintain their respective volumes of business. The Government can not consistently order a certain thing done and then afterwards complain of its being done. Consequently the allegations in the bill of complaint do not set up any facts constituting a violation of any law on this point within three years next preceding the filing of the bill of complaint.

CONTROL OF SUBSTITUTE FOODS.

The statement in the bill of complaint that defendants had eliminated competition in meat products is wholly without foundation in fact, as is also the statement that the packers commenced the handling of foods and products ordinarily handled by wholesale grocers and produce dealers in order to keep the price of meats from advancing out of proportion to these other foods.

The fact is that Morris & Co. largely confined its activities to the production and handling of meat food products until the latter part of 1917. At that time the cost of live meat animals, labor, taxes, supplies, and everything entering into meat had advanced tremendously. The irregular receipts of cattle, sheep, and hogs due to shortage of live stock caused irregular markets. There are always slack seasons in the sale of the meats. Morris & Co. had fixed an overhead for the maintenance of its branch houses and the distributing system. During the war the meat that was furnished to our Government and the Governments of our associates did not pass through the branch houses, and as the Government discouraged the eating of meat by the civilian population in order that the armies and navies might be properly fed, the employees in the branch houses were not fully engaged and had plenty of time to handle additional lines. In order to meet these conditions and to keep down the expense of this distributing system, Morris & Co. began the handling of canned fruits and vegetables. The company had the branch houses, the sales organization, and delivery equipment, and expenses were going on whether the meat business was active or quiet. It was, therefore, decided that it was good business to keep all of these men and the equipment busy the year around, and in order to do so canned fruits and vegetables were added to the Morris lines.

In addition to the utilization of the entire organization to its full capacity, these added lines enabled Morris & Co. to make more frequent turnovers, smaller sales to the retailer, who ordered more frequently, reduced his investment in stock and gave the consumer a better product. Morris & Co. was often encouraged by retailers to add to its line, as they appreciated the service and could save time in both purchasing and delivery.

In the handling of groceries Morris & Co. had no advantage whatever in freight rates over its competitors, and the only advantage which the packer had in handling groceries and so-called unrelated lines was the advantage due to his efficiency, and it is perfectly legitimate and proper that the consuming public should receive the benefit of such legitimate advantage.

These defendants deny that Morris & Co. fixed prices so low as to gradually eliminate competition and to exterminate the produce dealer and wholesale grocer. It is an admitted fact that the number of wholesale grocers and the volume of business done by them since Morris & Co. entered this field in the latter part of 1917 has increased more than 10 per cent. This conclusively demonstrates that, instead of eliminating competition, or even injuring the business, the competition of the packers has stimulated and been beneficial to the business.

The entire business done by Morris & Co. in the so-called unrelated lines, which consisted almost entirely of canned fruits and vegetables, amounted to less than 2 per cent of the total annual sales of the company. The total business done by all of the packers in lines unrelated to meats amounts to less than 3 per cent of the entire volume transacted by the wholesale grocers and packers.

In view of the substantial growth of the business of the wholesale grocers during the last few years, the statement in the bill of complaint to the effect that, unless prevented by a decree of this court, the defendants will, within the compass of a few years, control the quality and price of each article of food found on the American table, is nothing short of the ridiculous. On the contrary, these defendants insist that it is in the best interest of the consuming public that it should get the benefit of the distributing system and added competition

of the packers in these so-called unrelated lines. To eliminate the packers from this field would merely mean to cut down competition to that extent to which the consuming public is entitled. The handling of groceries and foods other than meats by the packers has resulted in a better product and a saving of foods through wastage and destruction. While the wholesale grocer has his place in the economic scheme of this country, still it would be to the interest of the people generally if the efficient competition of the packers would force the wholesale grocer to revise his business methods and cut down his costs.

All of the profits made by Morris & Co. in the handling of these so-called unrelated lines finally went into the packing house profits, and to that extent enabled the packer to sell meat at a lower price. Consequently, the elimination of the packers from these so-called unrelated lines would naturally result either in lower prices for the live stock or higher prices for meats.

FINANCIAL GROWTH, PRESENT NET WORTH, AND VOLUME OF BUSINESS.

These defendants are not advised concerning the alleged growth, profits, sales, or net worth of Swift, Armour, Wilson, and Cudahy between the years 1904 and 1919, but these defendants do state that the total annual profits of Morris & Co. from every source whatsoever for this period of 16 years was but 8.41 per cent on the capital and surplus invested. Out of these profits dividends have been paid to the stockholders representing but 1.71 per cent on the capital invested. The balance of profits, to wit, 6.70 per cent on the capital invested, has been added to surplus.

A table showing the capital stock, the surplus, and the profits of, and the dividends paid by, Morris & Co. for each of the years 1904 to 1919, both inclusive, is as follows:

Year.	Capital.	Surplus.	Profits.	Dividend paid.
1904	$3,000,000.00	$12,663,983.17	$1,656,599.39	$240,000.00
1905	3,000,000.00	14,080,582.56	2,023,643.80	240,000.00
1906	3,000,000.00	15,864,226.26	1,796,618.65	240,000.00
1907	3,000,000.00	17,420,844.91	2,251,673.39	1,800,000.00
1908	3,000,000.00	17,872,518.30	2,650,389.35	315,000.00
1909	3,000,000.00	20,207,907.65	2,069,578.36	450,000.00
1910	3,000,000.00	21,827,486.01	746,194.96	435,000.00
1911	3,000,000.00	22,138,680.97	1,034,851.64	180,000.00
1912	3,000,000.00	22,993,532.61	1,812,653.49	180,000.00
1913	3,000,000.00	24,626,186.10	1,916,995.94	360,000.00
1914	3,000,000.00	26,183,183.04	2,205,672.69	450,000.00
1915	3,000,000.00	27,938,855.73	2,321,414.78	750,000.00
1916	3,000,000.00	29,510,270.51	3,632,212.90	1,000,000.00
1917	3,000,000.00	32,142,483.41	5,301,071.47	150,000.00
1918	3,000,000.00	37,293,554.88	4,217,858.84	300,000.00
1919	3,000,000.00	41,211,413.72	703,641.00	300,000.00

The profit on each dollar of sales by Morris & Co. for the years 1910 to 1919, both inclusive, is as follows:

Year.	Profit on each dollar of sales.
1910	$0.0061
1911	.0086
1912	.0136
1913	.0117
1914	.0139
1915	.0129
1916	.0170
1917	.0181
1918	.0106
1919	.0016

These defendants are in no way connected with Swift, Armour, Wilson, or Cudahy and are not in a position to state as to their profits, but these defendants are advised and verily believe that the profits made by the five big packers have been substantially less than the profits made by any other large basic industry in this country.

These defendants deny that the Government has not ascertained all of the profits made by the defendants and state the fact to be that departments and representatives of the Government have been through their books and records very thoroughly and for many years, and are familiar therewith, and, under these circumstances, these defendants state that the petitioner is not justified in alleging that there are profits which have not been ascertained.

NUMBER OF CONTROLLED COMPANIES.

Unfortunately, the allegations in the bill of complaint under this heading are vague, indefinite, and uncertain. These defendants are not advised as to the number of corporations in which the Swift, Armour, Wilson, and Cudahy companies are interested; nor are these defendants advised as to what is included in the word "families" under the averment in this regard. These defendants do say that the Morris organization is interested, comparatively, in very few corporations, and if the petitioner would specifically allege or set out the names of the corporations in which it is claimed that any of the Morris defendants are interested, then these defendants would answer such an allegation with certainty and precision.

These defendants are absolutely certain, however, that the Morris organization has no greater number of corporations than is ordinarily identified with a business having the volume and magnitude of Morris & Co. The corporations which Morris & Co. do own or control were acquired and are held and controlled legally and not in violation of any law.

EXTENT OF INDUSTRIAL CONTROL IN THE SUBSTITUTE FOODS AND UNRELATED COMMODITIES.

It would not be an enormous undertaking to determine the degree of control exercised by the defendants in all of the various activities mentioned in the bill of complaint, and there is positively no truth in the statement that, if the growth is permitted to continue unchecked, it will be complete within a few years. The fact is that it is now within the complete power of the petitioner to ascertain and determine, if that has not already been done, just to what extent Morris & Co. is engaged in any of these unrelated lines.

Of course, these defendants are not familiar with the alleged growth of the business of Armour & Co. in these unrelated lines, as alleged in the bill of complaint.

Morris & Co. disclaims any purpose whatever on its part to secure control of the market for so-called meat substitute foods or any portion thereof.

The parent companies do not control either the output or the price of products marketed through their distributing facilities, because they must pay exactly the same freight rate on goods shipped through these facilities as if they were shipped otherwise.

INDIVIDUAL DEFENDANTS.

The individual defendants are all members of the board of directors of Morris & Co., of Maine; Edward Morris is president, Nelson Morris is chairman of the board, L. H. Heymann is vice president, C. M. Macfarlane is vice president and treasurer, and H. A. Timmins is secretary and assistant treasurer of Morris & Co., of Maine.

The defendant, Nelson Morris, was not on the pay roll of Morris & Co. between March 1, 1918, and June 11, 1919, and took no part whatever in the affairs of the company during that time.

There is no foundation in fact for the statements in the bill of complaint that there is any effort or attempt on the part of these individual defendants, either for themselves or for others, to control the meat products or so-called substitute foods in the United States.

CORPORATION DEFENDANTS.

The history of the growth and development of the Morris organization is merely the recital of thrift, economy, efficiency, strict personal attention to business, and the leaving of the earnings in the business to accumulate; in another form, it is the tale of interest compounded. This organization has been three generations in the making. Nelson Morris, grandfather of the present heads of the business, was the original founder. More than 60 years ago he started in business as a sheep driver in the Chicago yards with a total capital of 50 cents. He became the largest feeder of cattle in the world, feeding as high as 60,000 head at one time, making big money in selling his cattle to the packers, and the money so made went into the packing business. The capital stock of Morris & Co. has always been closely held, and its legitimate growth, with increasing values in this country, can thus be easily understood.

The original corporate organization was the Fairbank Canning Co., but the business was in fact conducted as a partnership by Nelson Morris and his sons under the firm name of Nelson Morris & Co. until the present parent company, Morris & Co., of Maine, was organized.

It can be asserted with complete confidence that even during the period of business development in this new country of unparalleled natural resources and advantages the packing industry was far above the average in business morals, and that the industry continues to be conducted with honesty of purpose and scrupulous regard for the laws of the country and the equities of the producer and consumer.

There is a strong disposition in certain quarters of this country to have the Government interfere with private business by the creation of bureaus to control and run the business, which necessarily means inefficiency, politics, and added cost to the consuming public. This policy in its developed state would lead to paternalism and finally Government operation, which would mean the destruction of private initiative and personal ambition, which has been the genius of American business.

In this country of shifting extremes the preservation of equal opportunity to all American youth, such as that possessed by the founder of the Morris organization, is of vastly more importance than everything else involved in this litigation.

These defendants state that Morris & Co., organized under the laws of the State of Maine on October 16, 1903, with a capital stock of $3,000,000, is the company designated in the bill of complaint as the parent company in the Morris group, and said company has its principal place of business in the city of Chicago, Ill., and owns and operates a packing house in said city and also in the cities of East St. Louis, Ill.; St. Joseph, Mo.; Kansas City, Kans.; Omaha, Nebr.; and Oklahoma City, Okla. Its principal business is the purchase and slaughter of live meat animals and the sale of the finished products thereof; the said company, through its subsidiaries, maintaining selling branches in the principal cities of the United States.

The Morris subsidiary defendants mentioned in said bill of complaint are as follows:

The Morris Packing Co. was organized under the laws of the State of Maine on September 28, 1912, with a capital stock of $25,000, and conducts branch houses at Little Rock and Helena, in the State of Arkansas, selling Morris products, all of the capital stock of said company being owned by Morris & Co., of Maine.

Morris & Co., the New Jersey corporation, was organized under the laws of New Jersey on December 27, 1902, and has a capital stock of $100,000, and operates the selling branches for the Maine corporation in the United States, with the exception of those branches in the States of Texas, Louisiana, Pennsylvania, Maine, and Arkansas, all of the capital stock of said company being owned by Morris & Co., of Maine.

Morris & Co., the Louisiana corporation, was organized under the laws of the State of Louisiana on October 11, 1910, with a capital stock of $50,000, and conducts the Morris selling branches in the States of Louisiana and Texas, all of the capital stock of said company being owned by Morris & Co., of Maine.

Morris & Co., the Pennsylvania corporation, was organized under the laws of the State of Pennsylvania on October 6, 1910, with a capital stock of $50,000, and operates the Morris selling branches in the State of Pennsylvania, all of the stock of said company being owned by Morris & Co., of Maine.

Joseph Stern & Sons (Inc.) was incorporated under the laws of the State of New York in the spring of 1910, and has a present capital stock of $2,000,000, and now operates a meat-packing plant in the city of New York, all of the capital stock being held by Morris & Co., of Maine.

The Brooklyn Beef & Provision Co. was incorporated under the laws of the State of New York on September 30, 1912, with a capital stock of $5,000 and merely operates a branch house in the city of Brooklyn, N. Y., selling the Morris products, all of the capital stock of said company being owned by Morris & Co., of Maine.

The Condit Beef & Provision Co. is a corporation incorporated under the laws of the State of New Jersey in July, 1909, with a capital stock of $5,000 and merely operates a branch house in East Orange, N. J., selling the Morris products, all of the capital stock being held by Morris & Co., of Maine.

The Corwin-Wilde Co. was incorporated under the laws of the State of Massachusetts on March 29, 1893, with a capital stock of $50,000 and merely operates a branch house in the city of Boston, Mass., selling the Morris products, all of the stock being held by Morris & Co., of Maine.

Donnelly & Co. (Inc.) was incorporated under the laws of the State of Massachusetts in December, 1912, with a capital stock of $50,000 and operates a branch house in the city of Boston, Mass., selling the Morris products, all of the capital stock of said company being held by Morris & Co., of Maine.

The National Hotel Supply Co. was incorporated under the laws of the State of Illinois on March 19, 1901, with a capital stock of $5,000 and operates certain branch houses in the cities of New York and Philadelphia, selling the Morris products, all of the stock of said company being held by Morris & Co., of Maine.

Chamberlain & Co. (Inc.) was incorporated under the laws of the State of Massachusetts on February 27, 1907, and has a present capital stock of $200,000 and operates certain manufacturing and selling branches in the city of Boston, Mass., 1,334 shares of the capital stock of said company being owned by Morris & Co., of Maine, the rest of said capital stock being owned by parties wholly unconnected with the Morris organization.

J. M. Wilson & Co. was incorporated under the laws of the State of Massachusetts on December 23, 1915, with a capital stock of $12,000, and this company merely operates a wholesale meat market in Dover, N. H., Morris & Co., of Maine, owning capital stock of the par value of $9,000, and the rest of the capital stock of said company being owned by parties wholly unconnected with the Morris organization.

The Middletown Beef & Provision Co. was incorporated under the laws of the State of Massachusetts on January 7, 1914, with a capital stock of $12,000, and merely operates a wholesale meat market in Middletown, Conn., Morris & Co., of Maine, owning capital stock of the par value of $8,000, the rest of the capital stock being owned by people wholly unconnected with the Morris organization.

Glenn & Anderson was incorporated under the laws of the State of Illinois on December 14, 1905, with an authorized capital stock of $10,000, of which amount stock of the par value of $8,750 has been issued, which company operates a wholesale meat market in the city of Chicago, Ill., Morris & Co., of Maine, owning 44¼ shares of said capital stock, the rest owned by persons not connected with the Morris organization.

It is not the fact, as alleged in the bill of complaint, that only those subsidiaries which are substantially 100 per cent parent company owned and which are engaged either in slaughtering, packing, or the selling of meats have been made parties defendant. On the contrary, it will be observed that the interest of Morris & Co. in several of the above corporations does not even approach 100 per cent.

Defendants deny that the Western Meat Co., Oakland Meat & Packing Co., and the Nevada Packing Co. are subsidiaries of Morris & Co.

SOME PERTINENT FACTS AND SUGGESTIONS IN CONNECTION WITH THE PACKING INDUSTRY.

These defendants feel justified in this honorable court of equity in calling attention to some of the pertinent facts involved in this litigation and to some of the problems and difficulties which they encounter in endeavoring to do equity to all with whom they come in contact, and that means the whole population of the United States, for they deal in a necessity of life—food.

Equity demands that the producer of live stock be paid a fair price for his animals. Equity also demands that the consumer be served with the packers' finished product at the lowest possible cost. Equity, however, in the view of the stock raiser means high prices for his cattle, while equity to the public means cheap meat on the table. It is practically impossible to please both, for there can not be cheap meat on the table of the consumer when the producer receives high prices for the live meat animal.

Between this Scylla and Charybdis the packing industry in the past has been tossed in all directions by angry winds, sometimes blowing from the ranges, sometimes from the combined kitchens of housewives, storm tossed themselves by the mounting waves of the cost of living, and sometimes from the cavernous mouths of politicians whose interest in the matter is distinctly less honest than that of the producer and consumer. Thus the packer has suffered from agitation and misrepresentation; he has been a tempting target for time-serving aspirants for public favor, and he has furnished campaign shibboleths. While equity has been demanded of the packer, and to the best of his ability he has rendered it to all, still equity has seldom been conceded to him.

The packing business is so intimately interwoven in the daily existence of every man, woman, and child in the Nation, so identified with their welfare and health, that it is extremely sensitive to criticism, and doubly so because it deals in a highly perishable product. These attacks cause not only moral but material damage.

The packing industry can not justly be blamed for the present high cost of living, because it gets less than 2 per cent profit out of its total sales (representing approximately one-fourth of 1 cent per pound of dressed meat), while the producer gets 85 per cent, and the balance goes to labor, freight, and other expenses. In the last few years packing-house labor has advanced more than 150 per cent, and everything that goes into meat has advanced in proportion, and yet meat has not advanced in comparison with other necessities, and within the last six months meat at wholesale has declined 35 per cent.

We submit, in all candor, that we have reached the point where equity must be done to this vital industry, as well as to the producer and the consumer, because its future very closely affects the welfare and the happiness of all the people. It can only stand so much strain. It must not be torn down through prejudice or passion or even a misunderstanding of the great facts which point to the eternal justice of this controversy.

The large packers are perhaps the largest borrowers of money of any industry in the world, because large sums are required to buy for cash the live meat animals offered daily for sale in the stockyards. The large packers are expected to "clean up" the yards every night. It also takes large sums of money to carry the stocks, transport the meats to and distribute them in the great consuming centers at a distance from the packing houses and to make a market for American meats in foreign countries. This export trade is in the interest both of the American live-stock producer and of American labor. If the borrowing power of the packer is destroyed, this complex industry will be in a worse mess than the railroads; production will go down and the price of meats will necessarily go up. It is easier to tear down than to build up, as the world is now learning in this period of reconstruction.

It is but just and proper that this honorable court should know the great and controlling facts underlying this industry and the difficult and delicate problems with which it is constantly confronted. The packer is in the nature of a buffer between the producer and the consumer. He is the manufacturer and distributor of meats and meat-food products for the people. If he does his work efficiently and at a reasonable cost, if the toll he exacts for the manufacture and distribution is fair and reasonable, then he performs a great and vital work for the people generally, and the machinery and efficiency with which this work is done should never be destroyed or impaired. It is just as important that this vital industry should be treated fairly and justly by the public as that the public be treated fairly and justly by this industry.

These defendants have never attempted or desired any monopoly in foods. They have never taken a position of defiance to the Government. On the contrary, they have honestly tried to observe the laws governing their business not only in letter but in spirit as well. They desire to cooperate with the producer and to treat the consumer fairly. They want to deserve the confidence of all the people. The present efficiency and marketing system of the packing industry should be preserved to the people for all future time, but this industry can not survive constant agitation and criticism.

These defendants stand ready and willing to meet the views of the Government along fair lines that would tend to bring about a better and more equitable understanding between this industry and the public, to the end that the present efficiency and lasting benefits of this great industry may be preserved and perpetuated for the American people.

THE PRAYER.

These defendants say that the bill of complaint does not state a good cause of action and does not aver facts which would entitle the petitioner to any relief in a court of equity.

Further answering, these defendants deny that the petitioner is entitled to the relief, or any part thereof, in the said bill of complaint demanded, and pray the same advantage of this answer as if they had pleaded or demurred to the said bill of complaint, and pray to be dismissed with their reasonable costs and charges in this behalf most wrongfully sustained.

Morris & Co. (Me.), Morris Packing Co. (Me.), Morris & Co. (N. J.), Morris & Co., Ltd. (La.), Morris & Co. (Pa.), Joseph Stern & Sons, Inc. (N. Y.), Brooklyn Beef & Provision Co., Condit Beef & Provision Co., Corwin-Wilde Co., Chamberlain & Co., Inc., Donnelly & Co., Inc., National Hotel Supply Co., J. M. Wilson & Co., Middletown Beef & Provision Co., Glenn & Anderson Co., Edward Morris, Nelson Morris, L. H. Heymann, C. M. Macfarlane, H. A. Timmins, defendants.

By M. W. BORDERS.
Solicitor for said defendants.

ANSWER OF THE WILSON DEFENDANTS.

In the Supreme Court of the District of Columbia.

United States of America, petitioner, *v.* Swift & Co., Armour & Co., Morris & Co., Wilson & Co. (Inc.), and The Cudahy Packing Co., et al., defendants, in equity, No. 37623.

The joint and several answers of the following-named defendants to the bill of complaint filed in this cause, who are designated in said bill of complaint as Wilson defendants:

	Organized under laws of—
Corporation defendant names as parent company:	
Wilson & Co. (Inc.)	New York.
Corporation defendants named as subsidiaries of the parent company:	
Wilson & Co	New Jersey.
Wilson & Co. (Inc.) of California	Nevada.
Wilson & Co. (Inc.) of Louisiana	Louisiana.
Wilson & Co. (Inc.) of Oklahoma	Oklahoma.
South Dakota Provision Company	South Dakota.
Gotham Hotel Supply Company (Inc.)	New York.
Standard Beef Company	New York.
Stiefel O'Mara Company (Inc.)	New York.
Drexel Packing Co	Illinois.
Albert Lea Packing Company (Inc.)	Virginia.
Mississippi Packing Company (Inc.)	Virginia.
Morton-Gregson Company	Delaware.
Paul O. Reymann Company	West Virginia.
Standard Provision Company	New Jersey
Central Products Corporation	Virginia.

Individuals named as defendants because of their connection as directors, officers, and employees of Wilson & Co. (Inc.), defendant parent company, and its subsidiary corporation defendants above named:

Thomas E. Wilson, Arthur Lowenstein, Jacob Moog, Vonce DeLeon Skipworth, Arthur L. Smith, James A. Hamilton, George D. Hopkins, Adolph E. Petersen, George H. Cowan, William C. Buethe, Carl F. Burrell, James C. Good.

These defendants, jointly and severally, for answer to the bill of complaint filed in this cause, or to so much thereof as these defendants are advised is material or necessary for them, or any of them, to make answer unto, say:

First. These defendants, for whom answer is herein made, for the limited purposes of this case only, admit that Wilson & Co. (Inc.), the corporation referred to in said bill of complaint as the parent company, is either directly or indirectly, or through subsidiaries, engaged in interstate and foreign commerce, but deny that any of the following acts constitute either interstate or foreign commerce as alleged in said bill of complaint, viz:

(a) The purchase and slaughter of live stock.

(b) The preparation and manufacture of dressed meat and by-products of the slaughtered live stock.

(c) The curing, canning, or otherwise preparing for the market of the edible products and by-products of the slaughtered animal.

(d) The production and sale of nonedible by-products and of articles in the manufacture of which those nonedible products are largely used.

(e) The manufacture, canning, or otherwise preparing for the market, sale, and distribution of certain food supplies other than meats.

And these defendants, for whom answer is herein made, severally deny that Wilson & Co. (Inc.), or any of its subsidiaries or any of the individuals named as Wilson defendants in said bill of complaint, are engaged in or are a party to any contract, combination in the form of a trust or otherwise, or conspiracy in restraint of trade or commerce among the several States or with foreign nations, or are attempting to increase and extend any monopoly therein of the products and commodities referred to in said bill of complaint, or to artificially control the supply and price of the food supply of the Nation, or that such defendants acting by and through their principal officers, or otherwise, have come to dominate, control, and monopolize a very great proportion of the food supply of the Nation and have thereby built up an unlawful monopoly and control over divers and sundry products and commodities referred to in said bill of complaint, or that any of said defendants have created or obtained any monopoly in interstate trade or commerce in live stock, meat prod-

ucts, and substitute foods, as charged in the bill of complaint, or that there has been or is in existence, as charged in the bill of complaint, any contract, combination, or conspiracy in restraint of trade or commerce between the several States, wherein said Wilson defendants or any of them are in any way concerned or a party or parties, but these defendants herein named, and each of them, aver that no such state of facts exists as charged in said bill of complaint as related to said Wilson defendants, or any of them.

And these defendants, and each of them, further deny that the said defendant parent company and its subsidiary companies who are defendants herein, either by themselves or in concert or combination with any or all of the other defendants named in the bill of complaint, have created or obtained any monopoly in interstate trade or commerce in live stock, meat products, and substitute foods, as charged in said bill of complaint, and deny that any unlawful monopoly by the defendants named in the said bill of complaint exists, as is charged therein.

STOCKYARDS AND STOCKYARD TERMINAL RAILROADS.

Second. These defendants, for whom answer is herein made, further severally say that neither Wilson & Co. (Inc.), defendant parent company, or any of its subsidiaries, own or control, directly or indirectly, any interest in the form of stock ownership or otherwise in any corporation, firm, or association now owning, controlling, or operating any public stockyard market company, stockyard terminal railroad company, or market newspaper doing business in the United States of the class and character referred to in said bill of complaint.

These defendants further answering, aver that notwithstanding that the said Wilson & Co. (Inc.), or any of its subsidiaries, do not own or control, directly or indirectly, any interest in any such companies, there has never been any discrimination against said defendant companies, or any interference with their right to go upon the premises of any of the said stockyard companies and purchase live stock or transact any other business thereon; that neither they, or any of them, nor any other person, firm, or corporation, so far as they or either of them are informed, have ever been denied the right to secure desirable packing-house sites in or near any such stockyards; that said stockyards are open to any person, firm, or corporation in the United States who desires to sell live stock thereon, and they are open to any person, firm, or corporation in the United States who desires to go thereon and bid for the purchase of any live stock offered for sale in said stockyards; that to the best of their knowledge and belief the ownership of stock in any such stockyard by any of the defendants owning any such stock has not and does not exercise any control over the prices for which live stock are bought or sold at any of said stockyards, and that ownership or control of any stock in any such stockyards does not give the owner thereof any advantage in the purchase or sale of live stock at any of such stockyards not possessed and enjoyed by any other person transacting business thereat.

The defendants, Wilson & Co. (Inc.) and its subsidiaries, are charged with all manner of divers conspiracies in relation to the ownership, operation, and control of public stockyard market companies, stockyard terminal railroads, and market newspapers, when in truth and in fact Wilson & Co. (Inc.) and its subsidiaries did not at the time and do not now own any of the capital stock or other interest in any such public stockyard market companies, stockyard terminal railroads, or market newspapers, nor did they exercise any control or influence whatever in shaping the business policies of any such companies.

Further answering, the defendants, for whom answer is herein made, deny that the defendant Wilson & Co. (Inc.) and its controlling heads set about to acquire the various stockyards, appurtenances, and privileges incidental thereto, as charged in the bill of complaint, and the defendants deny that there was any concert of action or common understanding between the parent companies in regard thereto, and the defendants deny that the ownership and control of stockyards by others than the parent companies, or one of their members or controlling heads, was discouraged and opposed, as charged in said bill of complaint, but, on the contrary, in so far as the defendant parent corporation, Wilson & Co. (Inc.), or any of its subsidiary companies who are defendants in this cause are concerned, they and each of them allege the facts to be that, as heretofore set forth, they have never acquired any stock or other interest in any of the stockyards referred to in said bill of complaint, nor have they refrained from purchasing any such interest because same was owned or controlled, either wholly or partially, by any other parent company defendant in this cause; nor have they, or either of them, entered into any contract, agreement, or understanding with any other defendant in this cause the purpose of which was to effect any of the matters or things alleged in said bill of complaint, but specifically deny each and every allegation therein contained in relation thereto.

And the individual defendants, for whom answer is herein made, and each of them, except Thomas E. Wilson, further specifically deny that they, or either of them, own any interest, directly or indirectly, in any public stockyard market company, stockyard terminal railroad, or stockyard market newspaper, as described in the bill of complaint, and deny each and every allegation in the bill of complaint in relation to stockyards, and further deny that they now have or exercise or heretofore have had or exercised any voice or power, or now have or have had any agreement or understanding, directly or indirectly, express or implied, to do or bring about any of the matters or things alleged in the bill of complaint.

And further answering, the defendant, Thomas E. Wilson, says that he is the owner of a small amount of stock in a few public stockyard market companies, purchased by him as an investment and not for any of the purposes set forth in said bill of complaint.

And the defendant, Thomas E. Wilson, further answering, denies that either he, Wilson & Co. (Inc.), or any of its subsidiaries or any of the other individuals named in said bill of complaint as Wilson defendants, is or has ever been in any combination, agreement, or understanding with any of the other defendants mentioned in said bill of complaint or any other corporation, firm, or association to accomplish or effect any of the things or conditions set forth in said bill of complaint in relation to any stockyards or stockyard terminal railroads or market papers referred to therein.

And these defendants for whom answer is herein made, further answering, severally say that if it be true, as alleged in the bill of complaint, that the public stockyard market companies directly or indirectly own or control the available land surrounding the yards owned by such companies, it was no doubt acquired at the time said yards were established to provide necessary land for the future growth and expansion of its business and the extension of said yards.

The value of stockyards as an investment is dependent upon the number of head of live stock handled through such yards. It is therefore to the interest of such stockyard company to encourage the establishment at such yards of as many packing plants and other enterprises essential to the maintenance of a market as can be induced to locate at such yards. The greater the number of such plants, the larger the requirements of such a market; and if it be true that new packing companies can secure desirable packing sites only from said stockyard companies or from the companies owned or controlled by said stockyard companies, or their principal stockyards, or that said stockyard companies are in a position to determine what packing companies and how many plants should be established at the various stockyards, as charged in the bill of complaint, these defendants aver that said facts do not constitute a violation of any law of the land; and, so far as they are informed and believe, no packing company or other related enterprise has ever been denied the privilege of securing a location for its plant at any of such stockyards.

These defendants, further answering, aver that, according to their observation, information, and belief, the ownership by packing companies of an interest in public stockyard market companies has been to the advantage of such stockyard companies.

The acquisition of such interests has usually been followed by improved management, better facilities, new extensions, and greater efficiency in the handling of live stock at and through the yards. The packer has the greatest possible interest in maintaining a market for his raw material, to popularize it with the producer as far as it is possible to do so, in order that a continuous supply of live stock will be available for his requirements. Much of the trouble suffered by the packing industry has grown out of the impression and suspicion existing in the minds of some of the producers of live stock that the ownership or control of stockyards by packing companies in some mysterious manner gives to the packer a power to influence and manipulate the prices paid for live stock. There was never a grosser misconception or more erroneous assumption wholly unsupported by facts.

These defendants further answering, severally aver that for sanitary reasons, and to comply with the laws of the country and regulations of Government bureaus, it is essential to remove the carcasses of dead animals from the premises promptly; and in order to have some one ready at all times to perform that service and properly equipped to do so, the defendants are informed that it is customary to enter into contract with some responsible concern to perform that service. These defendants are informed and believe that the number of such animals dying either in transit or after arrival is not sufficiently large to support a number of plants for disposing of same, and that the stockyard companies do not determine or fix the price which shall be paid for such dead animals.

These defendants, for whom answer is herein made, further answering severally deny that they or either of them is or has been a party to any arrangement, understanding, or agreement with any of the other defendants herein or with any public stockyard market company, or with any other person, firm, or corporation whatsoever, whereby any such stockyard company was induced or was attempted to be influenced to discriminate against certain commission men or traders in the leasing of office space, or in the allotment of pens or other accommodations as alleged in the bill of complaint. That some offices and some pens are more advantageously located than others is true of any structure, but unfortunately they can only be occupied by one tenant at a time—and these defendants for whom answer is made herein further answering upon information and belief severally deny that there is any discrimination against any packer or independent buyer by any stockyards terminal railway operating at any stockyards described in the bill of complaint; or that the control of stockyards and facilities appertaining to stockyards is used by defendants owning or controlling them as a means of favoritism in dealing with commission men; or that such control of stockyards and facilities appertaining thereto has resulted in any discrimination by the defendants owning or controlling them in favor of banks, cattle loan institutions, rendering plants, and concerns supplying food for live stock which are located at or near to any of the stockyards described in the bill of complaint; or that the control of stockyards and facilities appertaining thereto is or has been used by the defendants, or any of them, as a means to prevent the establishment of new packing plants or to hamper the growth of those in existence; or that the control of stockyards or facilities appertaining thereto is, or has been, used by the Wilson defendants as a means to prevent the development and limit the number of new markets or to centralize or restrict business to the stockyards so controlled; or that the control of stockyards and facilities appertaining thereto affords peculiar and exclusive access by the defendants, or any of them, to information concerning receipts and sales of live stock, its disposition, and the dissemination of information to the producer. But, on the contrary, these defendants severally aver that according to their observations, information, and belief the service afforded by such stockyard companies is furnished without favoritism toward or discrimination against any shipper, dealer, packer, buyer, commission man, or any other person, firm, or corporation transacting business at any or all of such stockyards.

BRANCH HOUSES.

Third. These defendants further answering severally aver that Wilson & Co. (Inc.) and its subsidiaries operate approximately 120 branch houses in the United States; that said branch houses are established for the purpose of facilitating the sale and distribution of the products manufactured, produced, and sold by Wilson & Co. (Inc.) and its subsidiaries, and are not mere storage warehouses. These defendants further aver that the branch houses of Wilson & Co. (Inc.) and its subsidiaries are operated in actual and open competition with the branch houses of any and all the other defendants in this cause and in competition with all other persons, firms, and corporations engaged in a similar business.

ROUTE CARS AND AUTO TRUCKS.

Fourth. These defendants, for whom answer is herein made, further answering severally aver that the establishment by Wilson & Co. (Inc.) and its subsidiaries in their business of the system of distributing fresh meats, dairy and poultry products through refrigerator cars and auto trucks running on a fixed schedule has been an economic advantage to the country. It enables the smallest towns along such routes to receive regular supplies of food necessities and provides the producers with a much enlarged market for the consumption of their products. But these defendants deny the inference that there is anything unlawful in their use as a means of distribution. The use of refrigerator cars for such purposes is recognized, approved, and regulated by the Interstate Commerce Commission. All products so handled pay the same freight rates and are governed by the same rules and regulations as apply to or affect all other shippers handling the same commodities.

COLD-STORAGE WAREHOUSES.

Fifth. These defendants further aver that the cold-storage warehouses described in the bill of complaint are necessary adjuncts and facilities for the preparation, conservation, and distribution of the food products stored therein, one of the objects of such storage being to conserve the surplus supplies of seasons of heavy or excess production for use during seasons of light or under production, thereby furnishing a more uniform market for producers and supplying such products at lower prices to consumers during times of natural scarcity.

PARENT COMPANIES' ACQUISITION OF STOCKYARDS TERMINAL RAILROADS AND MARKET PAPERS AND THE POWER GIVEN BY SUCH CONTROL.

Sixth. These defendants for whom answer is herein made, further answering, severally deny, as they have heretofore done, that the defendant Wilson & Co. (Inc.), or its subsidiaries, have acquired any interest in or control over any public stockyard market companies, stockyard terminal railroads, or stockyard market newspapers, and, consequently, each and all of the allegations contained in said bill of complaint, dealing with the power of such ownership or control and the manner in which it is alleged to be exercised, can have no application to the defendant Wilson & Co. (Inc.), or any of its subsidiaries, and, therefore, these defendants, and each of them, further answering, severally deny that Wilson & Co. (Inc.) and its subsidiaries, acting in concert or otherwise with any or all of the defendants named in said bill of complaint, have employed any power or privilege possessed by them through any such agencies to effect or discourage or suppress the establishment of independent packing companies or of dwarfing the growth of such independent packing companies as might then be in existence, as charged in said bill of complaint, and the said defendants further deny that the defendant Wilson & Co. (Inc.), parent company, or its subsidiaries, either alone or in concert with any or all of the other defendants named in said bill of complaint, have in any manner attempted to monopolize the meat industry of the country or artificially or otherwise control the ultimate price which the consumer pays for meat or meat products, as charged in the bill of complaint.

CONTRACTS IN RESTRAINT OF TRADE.

Seventh. And these defendants, for whom answer is herein made, and each of them, further answering, severally deny that Wilson & Co. (Inc.), the parent company, has entered into any unlawful contract or combination with any other defendant named in said bill of complaint to restrain trade and commerce and to artificially or otherwise prevent between themselves competition in prices for which meat and meat products are sold.

These defendants further severally deny the existence of any contract, agreement, arrangement, understanding, or practice by which purchases of live stock by Wilson & Co. (Inc.), the parent company, has been gauged, divided, or distributed between Wilson & Co. (Inc.), the parent company, and any other defendant or defendants named in said bill of complaint. These defendants further deny that any purchases of live stock by Wilson & Co. (Inc.), the parent company, have been made in accordance with or pursuant to any agreement, understanding, or arrangement with any other defendant in regard thereto; or that the divers percentages of the purchases by the respective defendant parent companies of live stock at the various stockyards were agreed upon, and further deny that any understanding, agreement, or arrangement was had or made that certain of the parent companies should buy in certain stockyards or should refrain from buying at certain stockyards, as charged in the bill of complaint.

These defendants severally deny that any arrangement, agreement, or understanding was entered into with any other person, firm, or corporation designated in said bill of complaint as "independents" engaged in the meat-packing business, whereby purchasing between Wilson & Co. (Inc.) and its subsidiaries and such so-called "independents" was effected upon a percentage basis, as charged in the bill of complaint. And these defendants severally say that they, or either of them, to the knowledge or belief of the others, or other of them, do not know whether the percentage of purchase of live stock by the parent companies, other than the defendant herein, for whom answer is made, were uniform and approximately constant, as alleged in said bill of complaint, but, on the contrary, from the best of their knowledge and belief, the defendants for whom answer is herein made aver that the purchases of live stock of the several defendant parent companies have not been uniform or constant in respect of any ratio of percentage to the other defendants in this cause or uniform as to the purchases made by the so-called "independents," and the defendants for whom answer is herein made expressly deny that the percentages of purchases of live stock by Wilson & Co. (Inc.) have been uniform in any week, month, or year, as compared to the purchases of others, and the defendants severally aver that any and all of the purchases of live stock made by the said Wilson & Co. (Inc.) and its subsidiaries were not the result of and were not controlled or governed by any agreement, understanding, combination, or conspiracy by and between the parent companies, or any of their officers or employees, or with any other person, firm, or corporation whatsoever, but that they were the result of the trade demand of said Wilson & Co. (Inc.) and its subsidiaries and the active competition existing between Wilson & Co. (Inc.) and its subsidiaries and each and all of the other defendants named in the said bill of complaint.

And said defendants, further answering, severally aver that each and every allegation in said bill of complaint relating to the purchase of live stock on a percentage basis are founded upon misconceptions and are in fact untrue; that the defendants, Wilson & Co. (Inc.) and its subsidiaries, are ever alert to maintain the volume of their business and to increase it wherever and whenever possible, without regard to the policy of any other company engaged in a similar business and in competition with any and every such company. The meat food products of Wilson & Co. (Inc.) and its subsidiaries are distributed to the public through the medium of retail dealers; Wilson & Co. (Inc.) and its subsidiaries have their regular line of customers among such dealers, and it is the business policy of Wilson & Co. (Inc.) and its subsidiaries to supply as far as possible all the trade demands of its customers and to secure new customers wherever and whenever possible. Wilson & Co. (Inc.) and its subsidiaries purchase in the open markets of the country a sufficient number of live stock to fill their trade requirements, without regard to how it may figure out in comparison with the purchases of any other person, firm, or corporation. If the demands of their customers increase, the purchases of live stock are increased accordingly, and if there is a decrease in the demand, likewise purchases are decreased. The law of supply and demand govern the aggregate purchases of live stock by Wilson & Co. (Inc.) and its subsidiaries, and from their knowledge of the business and their belief, based upon observations, the ratio of the volume of business transacted by the several defendants in this cause is not more uniform than will be found to exist between competitors in any other basic industry in this country.

And these defendants for whom answer is herein made, further answering, severally aver that Wilson & Co. (Inc.) and its subsidiaries annually purchase and slaughter approximately 3,000,000 head of hogs, 1,000,000 head of cattle, and 1,000,000 head of lambs. In order to increase their annual purchase to the extent of 1 per cent it would mean that retail dealers handling the products of Wilson & Co. (Inc.) and its subsidiaries would be required to secure approximately 10,000 new customers who would exclusively purchase the Wilson brand of commodities for the entire year. It would mean the additional purchase and slaughter by Wilson & Co. (Inc.) and its subsidiaries of approximately 30,000 head of hogs, 10,000 additional cattle, and 10,000 lambs, representing an outlay of approximately $2,500,000 for the raw materials. Therefore, while the variations in the percentage of purchase of live stock from year to year may appear to be very small, yet the smallest fraction of an increase or decrease actually represents a very considerable number of live stock and quite a volume of business in money values. It is and has been the purpose of Wilson & Co. (Inc.) and its subsidiaries to use all lawful and legal means at their disposal to maintain their present volume of business and to increase it as much as possible.

These defendants, further answering, severally deny that means were adopted by any of the defendants named in the bill of complaint whereby and by the parent companies' control over stockyards, sales to outsiders or so-called independents were controlled in any manner by Wilson & Co. (Inc.) or any of its subsidiaries, as charged in the bill of complaint; and these defendants deny that such control as the parent companies, other than Wilson & Co. (Inc.), have exercised over stockyards, stockyards loan institutions, stockyards terminal railways, and other facilities incidental to the operation of such stockyards has discouraged opposition or competition by commission men or by so-called independent packers, as charged in the bill of complaint. As heretofore alleged, the defendant parent company, Wilson & Co. (Inc.), nor any of its subsidiaries, own or control any interest in said stockyards, terminal railroads, or the instrumentalities by means of which any of such results were accomplished, if indeed any such conditions were created as alleged, all of which these defendants deny.

CONTROL OF SUBSTITUTE FOODS.

Eighth. These defendants, further answering, severally deny that they have eliminated competition in meat products, as charged in the bill of complaint.

Wilson & Co. (Inc.) and its subsidiaries are in active, open, free, and unrestricted competition with over 1,000 persons, firms, and corporations engaged in the business of slaughtering live stock in this country, more than 300 of which are engaged in interstate commerce. Moreover, the meat products of said Wilson & Co. (Inc.) and its subsidiaries are sold in active competition with the products of local butchers in all sections of the country. It is absurd to charge that the defendants in this cause have eliminated competition in meat products when all of said defendants together do not slaughter in excess of 35 per cent of the cattle slaughtered for food in this country.

These defendants further deny that Wilson & Co. (Inc.) and its subsidiaries set about to control the Nation's sale of fish, vegetables, either fresh or canned, fruits, cereals, milk, butter, cheese, eggs, and other foods ordinarily handled by wholesale grocers or produce dealers, as charged in the bill of complaint, and these defendants deny that their method of handling any such commodities has or had the effect of eliminating competition in the sale or of fixing the price of said products, but, on the contrary, they, and each of them, aver that according to their knowledge, information, and belief the total volume of business transacted by each, any, and all of the defendants in any of the commodities mentioned in this paragraph was only a small fraction of the total volume of business transacted in the United States in the said commodities; that the total volume of the business handled by the defendants in this cause in all of the so-called grocery lines approximates in the aggregate about $100,000,000, whereas the defendants are informed and believe and so represent that the total volume of such business transacted by competitors other than the defendants herein, including the wholesale grocers, aggregates more than $4,000,000,000 annually.

These defendants further aver that the business in such lines transacted by each of the parent companies and their subsidiaries is separate, distinct, and independent from the business transacted by any other parent company or its subsidiaries, and said defendants deny that there is any contract, agreement, understanding, or concert of action by and between Wilson & Co. (Inc.) and its subsidiaries and any of the defendant parent companies in this cause whereby they, or any of them, have attempted to monopolize commerce in any of the products above mentioned, and further deny that any acts of Wilson & Co. (Inc.) and its subsidiaries have resulted in the defendants, or any of them, obtaining complete control of any food products, as charged in the bill of complaint, or any such control as would in the remotest degree approximate a monopoly in commerce in any of such food products; and these defendants further deny that great numbers of competitors have finally abandoned and quit their business or sold out to the defendant parent companies or their subsidiaries, as charged in the bill of complaint, but, on the contrary, the defendants aver that according to their information and belief a few such competitors for sufficient reasons of their own may have retired from business, but the number of competitors in such lines of business has increased, and the volume of such business transacted by them has constantly grown and is now greater than at any previous time in the history of this country.

These defendants emphatically deny that unless prevented by a decree of this court the defendants will within the compass of a few years control the quantity and price of each article of food found on the American table, as charged in the bill of complaint.

And as a further evidence of the lack of facts to support the theories of said bill of complaint these defendants aver that long prior to the filing of the bill of complaint in this cause and long prior to the time that the Department of Justice took up for consideration the issues involved in its complaint Wilson & Co. (Inc.) and its subsidiaries determined of their own volition to retire from the business of manufacturing, transporting, and distributing through their distributive system many of the products theretofore handled by them, such as canned goods and groceries. To this end they have long since disposed of all their manufacturing plants whereby fish and vegetable foods

were manufactured, and steps are being taken for a final discontinuance of their distribution. This decision was not taken because of any existing contracts, agreements, or understandings in violation of law or of sound business ethics.

Wilson & Co. (Inc.) and its subsidiaries deny any and all allegations in said bill of complaint that its entry into or the handling of any of the so-called unrelated lines of food or so-called substitute food products was in any manner a violation of any law of the land or of sound economics or was against the interest of the producing or consuming elements of the population of this country.

FINANCIAL GROWTH, PRESENT NET WORTH, AND VOLUME OF BUSINESS.

Ninth. The defendants for whom answer is herein made further severally say that they, or any or either of them, to the knowledge or belief of the others, or other of them, do not know and have never been informed, save by the bill of complaint and through the public press, of the facts in relation to the financial growth of the parent companies other than Wilson & Co. (Inc.), the parent company, for whom answer is herein made, or in regard to the payment of cash dividends by any of said parent companies, other than Wilson & Co. (Inc.), and therefore neither admit nor deny the averments contained in the bill of complaint in regard to the financial growth of said parent companies; but answering specifically for Wilson & Co. (Inc.), they aver that its financial growth has been the result of sound business management, in conformity with the laws of the land, and not a result of any combination, agreement, or understanding with any other person, firm, or corporation that gave it the slightest advantage over any of its competitors or influenced it to act in concert with any other person, firm, or corporation.

NUMBER OF CONTROLLED COMPANIES.

Tenth. These defendants further severally say that they, or any or either of them, to the knowledge or belief of the others, or other of them, do not know the number of corporations and concerns, including trade names, which the parent companies, or the individual defendants and their families maintain and control, as set forth in the bill of complaint, further and beyond those relating to said Wilson & Co. (Inc.) (parent corporation defendant) herein, and therefore neither admit nor deny the averments contained in the bill of complaint in regard to the number of corporations and concerns, including trade names, which such other parent companies, or individual defendants and their families maintain and control, but answering specifically for Wilson & Co. (Inc.), and the other defendants for whom answer is herein made, these defendants deny that any corporation or concern or trade name controlled by it or them in any manner violates any law of the land.

CONTROL OF VARIOUS INDUSTRIES.

Eleventh. These defendants deny that if the growth of the parent companies and their subsidiaries is permitted to continue unchecked they will within a few years completely control the various industries in which said defendants are engaged.

EXTENT OF CONTROL IN THE SUBSTITUTE FOODS AND UNRELATED COMMODITIES.

Twelfth. These defendants for whom answer is herein made further severally say that they, or any or either of them, to the knowledge or belief of the others, or other of them, do not know and have never been informed, save by the bill of complaint and through the public press, as to the volume of business transacted by Armour & Co. in 1916, and therefore neither admit nor deny the averments contained in the bill of complaint in respect thereof.

Thirteenth. These defendants for whom answer is herein made further severally deny that Wilson & Co. (Inc.) and its subsidiaries have any purpose or intention of securing control of the market for the so-called substitute meat foods, as alleged in the bill of complaint; but on the contrary the defendants herein aver that it is impossible that any or all of the defendants, even if they should act together (which they do not), in pursuance of a common purpose and design to attempt or secure control of the market for meat or meat substitute foods, as alleged in the bill of complaint, that, so long as the raw material entering into the manufacture of meat and meat food products is in the hands of millions of producers and is sold in the open markets of the country in free competition such as actually exists in the sale of said raw material, no man or group of men may secure a monopoly thereof.

These defendants further aver that there are over 1,000 persons, firms, and corporations in the United States engaged in business in active competition with Wilson & Co. (Inc.) and its subsidiaries, and with the other parent corporations and their subsidiaries named as defendants in said bill of complaint, of which more than 300 are engaged in interstate and foreign commerce. All of said other concerns purchase their raw materials in the open market in competition with the defendants herein and sell their products in the markets of the world in competition with each and all of the said defendants, each of whom is in open active competition with the other.

INDIVIDUAL DEFENDANTS.

Fourteenth. The individual defendants named in said bill of complaint as Wilson defendants, answering further for themselves and each for himself, deny all and singular the allegations in said bill of complaint, wherein it is charged, directly or indirectly, inferentially or otherwise, that they, or either of them, jointly or severally, have entered into any contract, agreement, or understanding with any other person, firm, or corporation named as a defendant in said bill of complaint, to establish or create a monopoly or any restriction or restrictions in trade or commerce between the States or foreign nations, or to do any of the acts or things alleged in said bill of complaint as violating the laws of the land.

Fifteenth. Said individual defendants aver that they are the managing officers of Wilson & Co. (Inc.) and its subsidiaries, named as defendants herein; that it is and has been the constant aim and purpose of each of said individual defendants to conduct the business of said corporation, defendants for whom answer is herein made, in strict conformity with the laws of the land and in consonance with the highest commercial ethics and ideals; that the bill of complaint in this cause follows closely the report of a Government bureau, made after an ex parte investigation, in which the defendants herein were not given an opportunity to testify or explain any of the matters or things set forth in said report.

The individual defendants, further answering severally, aver that the packing-house industry is but the manufacturing and distributing agency between the producer on the one hand and the consuming public on the other; that when the prices of live stock are high and profitable to the producer the consumers complain of the high cost of the products, and, on the other hand, when they are low the producer is dissatisfied, and out of this unfortunate situation has grown the basis for the allegations in the bill of complaint, which are grounded upon misconceptions, inaccuracies, and unwarranted deductions, having no foundation in fact.

CONCLUSION.

Sixteenth. These defendants for whom answer is herein made, and each of them further answering, severally deny all, and all manner of unlawful combination and conspiracy wherewith they are by the said bill of complaint charged, or that the complainant is entitled to the relief, or any part thereof, in said bill of complaint demanded, and pray to be hence dismissed with their reasonable costs and charges in this behalf most wrongfully sustained.

Respectfully submitted.

Wilson & Co. (Inc.), Wilson & Co., Wilson & Co. (Inc.) of California, Wilson & Co. (Inc.) of Louisiana, Wilson & Co. (Inc.) of Oklahoma, South Dakota Provision Co., Gotham Hotel Supply Co. (Inc.), Standard Beef Co., Stiefel O'Mara Co. (Inc.), Drexel Packing Co., Albert Lea Packing Co. (Inc.), Mississippi Packing Co. (Inc.), Morton-Gregson Co., Paul O. Reymann Co., Standard Provision Co., Central Products Corporation, Thomas E. Wilson, Arthur Lowenstein, Jacob Moog, Vonce DeLeon Skipworth, Arthur L. Smith, James A. Hamilton, George D. Hopkins, Adolph E. Petersen, George H. Cowan, William C. Buethe, Carl F. Burrell, James C. Good.

By JEWEL P. LIGHTFOOT, *Solicitor.*

ANSWER OF CUDAHY DEFENDANTS.

In the Supreme Court of the District of Columbia.

United States of America, petitioner, *v.* Swift & Co., Armour & Co., Morris & Co., Wilson & Co. (Inc.), and the Cudahy Packing Co., et al., defendants, in equity, No. 37623.

Now come the defendants in the above-entitled cause (herein called "Cudahy defendants"), viz:

1. The Cudahy Packing Co. in said bill of complaint designated as a "parent company."

2. The Cudahy Packing Co. of Nebraska, the Cudahy Packing Co. of Louisiana (Ltd.), the Cudahy Packing Co. of Alabama, Nagle Packing Co., in said bill of complaint designated as "defendant subsidiaries."

3. Edward A. Cudahy, sr., Edward A. Cudahy, jr., Guy C. Shepard, John E. Wagner, Andrew W. Anderson, Emil A. Strauss, Frank E. Wilhelm, George Marples, designated in said bill of complaint as "individual defendants"; all by George T. Buckingham and Thomas Creigh, their solicitors, and for answer to the bill of complaint in the above-entitled cause, or to so much thereof as these defendants are by counsel advised is necessary or material to be by him or any of them answered, say:

Cudahy defendants admit that said the Cudahy Packing Co. is a corporation organized under the laws of the State of Maine. They aver, however, that said corporation was organized in October, 1915, and began business on the first day of November, 1915, and that said corporation prior to that date was never engaged in any business or activity.

They aver that individual defendants—Edward A. Cudahy, sr., since the organization of said the Cudahy Packing Co. has been its president, and Edward A. Cudahy, jr., its vice president, and that the other individual defendants since the organization of said parent company have been connected with it as officers or employees.

Cudahy defendants deny that they or any of them have now or have ever had any stock ownership or other interest in Western Meat Co., Oakland Meat & Packing Co., Nevada Packing Co., or that either of said companies is or has ever been a subsidiary of any of the Cudahy defendants.

COURT'S JURISDICTION.

Cudahy defendants admit, for the purposes of this action, that said parent company since its organization November 1, 1915, has been and now is engaged in interstate and foreign commerce, and that it transacts the kinds of business as alleged under (a), (b), (c), and (d) of paragraph 1 under the above head, and also to a limited extent as alleged under (e) and (f) of said paragraph 1, and as to said latter limited number of items none of them are unrelated to the general business of parent company but are all a natural outgrowth of same and economically related thereto.

Cudahy defendants deny that they or any of them by means of any unlawful means or method, or otherwise, attempted to dominate, control, or monopolize a very great portion or any portion of the food supply of the Nation, or that they have, in conjunction with any person or corporation whatever, built up by any means, or attempted so to do, any unlawful monopoly in or any control over divers and sundry products mentioned in said bill, as alleged in said bill.

Cudahy defendants deny that by any methods whatever any of them have attempted or are attempting to increase or extend any monopoly, or that they are or any of them have been enabled in any manner, artificial or otherwise, to control the supply or price of the food supplies of the Nation, as alleged in said bill.

OBJECT TO BE ATTAINED.

Cudahy defendants deny that any monopoly exists or has been attempted by any of them, as alleged under this head.

THE NATURE OF THE BUSINESS AND METHOD BY WHICH IT IS CONDUCTED.

Cudahy defendants admit that the allegations of the bill of complaint under this head are substantially true and correct, except that they aver that the "invention of refrigerator cars" was only one of the elements which caused said parent company to widely extend its market, and to make the same nation-wide, and they allege that many other elements of natural growth and legitimate business development entered into and caused such expansion of business.

Defendants further aver that the business established by its predecessor corporation was begun in 1887, and that while in its inception this predecessor devoted itself exclusively to the slaughter of live stock, it from the very beginning, in addition to dressing the carcass and selling the dressed meat to retail butchers, also engaged in the business of preparing various by-products, such as hides, fertilizer,

bones, hair, etc., and that more than 30 years ago said predecessor began its operations and developed its business in other kindred lines in the manufacture and dealings in other articles both edible and inedible which were not derived from live stock.

THE STOCKYARDS.

Cudahy defendants admit that the allegations in the bill of complaint under this head are substantially true and correct in so far as they relate to the stockyards being a public market place, but they deny that the stockyards afford the cattle raiser the opportunity to dispose of his live stock for an immediate cash price. They aver that the stockyards provide facilities for attending to the handling of the live stock itself, and is a place where commission men, packers, feeders, and all other dealers have common access to the live stock for the purpose of independently buying, trading, selling, and inspecting it, but that all of these activities are entirely independent of any relation to the stockyards as such, and that in fact it is largely the facilities and financial resources of the packers and other dealers which provide to the cattle raiser the opportunity to dispose of live stock as alleged.

Defendants further deny that the stockyards by reason of its dominating position controls the conveniences and facilities associated with it, as alleged in said bill of complaint.

CONVENIENCES AND FACILITIES CONTROLLED BY STOCKYARDS.

Cudahy defendants aver that said parent company owns packing houses in or near, and does business at, the stockyards following, and at none other, to wit:

Sioux City, Iowa; Omaha, Nebr.; Kansas City, Kans.-Mo.; Wichita, Kans.; and North Salt Lake City, Utah.

With reference to these stockyards (and only as to these), Cudahy defendants, as to the subject matter of the respective subheads, under the above general head, say:

Packing-house sites: That they deny the allegations of the bill of complaint.

Sites for stockyards banks and cattle loan companies: That they deny the allegations of the bill of complaint.

Rendering plants: That they deny the allegations of the bill of complaint.

Commission men's office space: That they admit the allegations of the bill of complaint.

Terminal railways: That they deny the allegations of the bill of complaint.

Market papers and journals: That they admit the allegations of the bill of complaint.

That they deny that control of said stockyards or of any facilities appertaining to said stockyards carried with it any of the profits, means of favoritism, means to prevent the establishment of new packing plants, means to prevent the development or to limit the number of new markets, or peculiar and exclusive access to information, and that they deny all allegations as alleged in paragraphs (a), (b), (c), (d), and (e) under the above general head.

That they further expressly deny that any said stockyards ever has—

(a) Derived any profit from the meat industry "levied upon it" as alleged in paragraph (a); or

(b) Exercised any favoritism in dealing with commission men or granted any monopolies, as alleged in paragraph (b); or

(c) By any means or method prevented the establishment of new packing plants or hampered the growth of those in existence, as alleged in paragraph (c); or

(d) Prevented the development or limited the number of new markets or centralized or restricted stockyards business, as alleged in said paragraph (d); or

(e) Possessed or used any peculiar or exclusive access to information, as alleged in paragraph (e).

BRANCH HOUSES, ROUTE CARS, AUTO TRUCKS, AND COLD-STORAGE WAREHOUSES.

Branch houses: Cudahy defendants admit the allegations of the bill of complaint under this subhead to be substantially true and correct, except that they have no direct knowledge as to the number of branch houses maintained in the United States by all interstate slaughterers and therefore neither admit nor deny the allegations concerning numbers.

Route cars: Cudahy defendants admit that the allegations of the bill of complaint under this subhead are substantially accurate and correct, except that they have no direct knowledge as to the total number of route cars operated by all parent companies, or the percentage which those bear to the total operated in the entire packing industry, or the number of towns reached thereby, or the number of States in which the same operate, and they therefore neither admit nor deny the allegations concerning numbers and percentage.

Autotrucks: Cudahy defendants neither admit nor deny the allegations under this subhead, but aver that none of them have ever operated any autotrucks over any route under the system or otherwise, as alleged under said subhead.

Cold-storage warehouses: Cudahy defendants deny the allegations under this subhead.

THE PARENT COMPANIES' ACQUISITION OF ABOVE-DESCRIBED FACILITIES AND THEIR PURPOSE IN DOING SO.

Cudahy defendants deny that they, or any of them, ever set about the acquisition of stockyards and appurtenances and privileges incidental thereto in the manner or with the purposes as alleged under said head.

They deny that such was done in any instance, or that it was done by concert of action or pursuant to a common understanding between any of the Cudahy defendants and any of the defendants in this bill of complaint other than Cudahy defendants.

They deny that the acquisition of control of any stockyards by any defendant to the bill of complaint other than Cudahy defendants was acquiesced in by any of Cudahy defendants, or that any defendant other than Cudahy defendants ever acquiesced in the acquisition of any interest in any stockyards ever acquired by any of Cudahy defendants, or that any of Cudahy defendants ever discouraged or opposed the acquisition by any other defendant of any interest in any stockyards or that any defendants other than Cudahy defendants ever opposed or discouraged the acquisition by Cudahy defendants, or any of them, of any stockyards property or any interest therein; but, on the contrary, Cudahy defendants aver that none of them have any interest whatever in any stockyards company or property, except only as follows, to wit:

Holdings in stockyards companies, Jan. 30, 1920.

	Par value.	Number of shares.			Total.
		C.P.Co.	E.A.C.	E.A.C.,jr.	
Sioux City Stockyards Co. (preferred)	$100.00	1,117			1,117
Wichita Union Stockyards Co. (common)	100.00	6,140	119		6,259
Salt Lake Union Stockyards Co. (common)	10.00	5,625			5,625
Union Stock Yards Co. of Omaha (Ltd.) (common)	100.00		31		31
Kansas City Stockyards Co. (common)	100.00		500		500

That in said Wichita property, and in said Salt Lake property, no defendant, other than Cudahy defendants, have any stock ownership or interest whatever; that all of said interests so acquired by any of the Cudahy defendants were acquired for purely legitimate business purposes, as investments and for value received.

They deny as to said stockyards companies in which any of them are interested, that, in pursuance of a common purpose, plan, and design, or otherwise, outside investors and independent packers have been forced out as dominating factors in the ownership and management of said stockyards or that such have been replaced by any defendant or representatives thereof, as alleged under the above head.

Cudahy defendants deny that by the various means set forth in said bill of complaint, or otherwise, the Cudahy Packing Co. has, directly or indirectly, obtained control of any stockyard whatever, or that it has any interest in any except only as above set forth.

Cudahy defendants deny that by reason of their control of any stockyard, or otherwise, they have granted exclusive privileges such as the right to purchase dead animals, furnish supplies and facilities, locate cattle banks and cattle-loan companies, or otherwise, to concerns and corporations in which they, or some of them, are stockholders, as alleged under this head. On the contrary, they aver that all of their acts as owners of any interest in said two stockyards, in which they have any substantial interest, have been in complete harmony with the holders of the majority of the stock in such stockyards company, and that Cudahy defendants, separately or collectively, do not own a majority of the stock in any said stockyards company, and that any or all of Cudahy defendants, in connection with any other defendants, do not in any case own a majority interest in any said stockyards company, and that none of Cudahy defendants have at any time every exercised the aforesaid exclusive rights and privileges alleged under this head.

Cudahy defendants deny that any of the acts alleged under this head have been done with the intent and purpose alleged in said bill of complaint, or have had the effect therein alleged, or that the Cudahy Packing Co. has been enabled thereby to obtain vast profits, or any profit, from the management of any said stockyard or from the granting of any said exclusive privileges relating thereto, or that said the Cudahy Packing Co. has realized vast profits or any profits which were not disclosed in its profits on its books.

Cudahy defendants deny the Cudahy Packing Co. has attempted to monopolize the meat industry of the country, or to artificially control the ultimate price which the consumer pays for meat and meat products, either by its own acts or in conjunction with any other defendant, as alleged under this head, or otherwise.

CONTRACTS IN RESTRAINT OF TRADE.

Cudahy defendants deny that the Cudahy Packing Co. has ever entered into any unlawful contract or combination to restrain trade and commerce, or to artificially prevent between it and other defendant parent companies competition in the prices for which meat and meat products are sold as alleged under this head.

Cudahy defendants further deny that any contract or agreement described in said bill of complaint as "the percentage purchase agreement," or anything similar thereto, exists or was ever entered into or participated in by the Cudahy Packing Co. parent corporation, or that it ever entered into or participated in any contract or agreement with anyone which had as its ultimate object the elimination of competition in the purchase of live stock or in the sale of dressed meats, as alleged under this head or otherwise.

They deny that it is a "well-established commercial principle" that limitation on the source of supply, and consequent limitation on volume of business, removes all incentive to reduce prices, or necessarily tend to do so, as alleged under this head.

With reference to the purchase of live stock, they deny that the Cudahy Packing Co. agreed with said parent companies, or with anyone, or thereafter recognized between it and them certain percentages or proportions of purchase to which they deemed that each was entitled, and they deny that the said Cudahy Packing Co. thereafter gauged its purchases in such manner that its annual purchases approximated actually or substantially percentages agreed upon, as alleged under this head.

They deny that as a means of perfecting this arrangement, or otherwise, divers percentages varying at different stockyards were ever agreed upon by or for the Cudahy Packing Co., or that understandings were had by or for it that certain parent companies should buy in certain yards, or should refrain from buying in certain yards, or that in order to prevent such plans from being disarranged by outsiders, or otherwise, agreements were made by the Cudahy Packing Co. with "outsiders" by which its purchases were conducted on any agreed percentage basis, as alleged under this head.

They deny that by virtue of its control over any stockyards, or by any other method, purchases by outsiders or independents were ever controlled by the Cudahy Packing Co. or by any agreement whatever made by or for it, or that it, by any control or by any agreement, ever discouraged any opposition by commission men or independent packers, as alleged under this head.

Cudahy defendants aver the fact to be that the Cudahy Packing Co. and its subsidiaries, operates at various points in the United States a total of 105 branch houses and, in addition thereto, a large export and other business; that these branch houses are equipped with refrigeration and other facilities; that it employs therein a large number of salesmen; that it sells and distributes its products therefrom, within

the territory naturally and commercially adjacent and tributary to each; that it makes every effort within its power, and by the best business activity and efficiency of which it is capable, to sell as much as it can; that the great bulk of said products originate at the said packing houses of the Cudahy Packing Co. parent company; that at its packing houses, and at its branch houses and other said distribution facilities, it has refrigeration and storage space in which it keeps products in the brief period between manufacture and sale; that naturally and logically the parent company purchases and slaughters at its packing plants such number of animals and such number only as it can reasonably expect and anticipate will yield the quantity of products which can be marketed through its said branch houses and other facilities; that the amount of product which it can sell necessarily determines and limits the number of animals which it buys and slaughters; that it has never entered into any agreement and could not in the nature of the economic situation enter into any agreement which would either limit or expand the extent of its purchases, the latter being determined by the amount of products which it is able (a) to manufacture at its plants, (b) to keep and to refrigerate pending sale, and (c) to handle and sell through its branch houses, car routes, foreign trade outlets and other sale facilities.

That all other packers, handling the same products and including the other so-called parent companies, are similarly situated with respect to marketing their said products through their branch houses and otherwise; that all branch houses and sales outlets are in keen and active competition with each other at various market and consuming points and the distributing centers; that the necessary result of this trade situation and the competition existing at said centers, is that each of the said packers is able to sell and distribute from one month to another, and annually, a similar proportion of products; and the natural result of this is that the purchase of live stock by the several parent companies maintain throughout monthly and yearly periods substantially a similar percentage relation to each other; that this condition has always obtained in the packing business and, in the opinion of the Cudahy defendants, always will obtain; that it is brought about by competition, and by the economic situation, and by the natural laws of trade and commerce, and not by any agreement or combination; that the aggregate purchases of live stock by the parent companies and by the packing industry as a whole is very great, amounting annually to millions of animals. In 1916 this latter total, according to the Federal Trade Commission, was approximately 70,000,000 animals; that there are daily, weekly, and monthly fluctuations in the relative number of its purchases by the various defendant parent companies; that these variations are considerable and substantial, amounting to hundreds of thousands of dollars; there are also great variations in the kind, character, quality, weight, and value of the respective animals purchased. When, however, these very great numbers are compared to each other, and the comparison expressed in percentages, it is inevitable that substantially similar percentages will appear from year to year, although the actual variations, as among the several packers, are in themselves enormous.

CONTROL OF SUBSTITUTE FOODS.

These defendants deny that competition ever has been eliminated in meat products, as alleged under this head.

They deny that for the purpose of preventing the public from turning to meat substitutes or for any other purpose they or any of them, individually or collectively, or with any or all defendants, set about controlling the Nation's supplies of fish, vegetables, fresh or canned fruits, cereals, milk, poultry, butter, eggs, cheese, and other substitutes ordinarily handled by wholesale grocers or produce dealers, or any of them, as alleged under this head.

They deny that to accomplish said purpose or to accomplish any purpose they, or any of them, ever availed themselves of advantages available in route cars, autotrucks, branch houses, storage warehouses owned or controlled by the Cudahy defendants, or any of them; they deny that said advantage or any advantages were ever employed by Cudahy defendants in fixing prices so low as to gradually or otherwise eliminate competition, as alleged under this head.

They deny that they have participated in any attempts to monopolize which have resulted in complete control or any control in any substitute food lines or that they are invading any fields, as alleged under this head.

EXTENT TO WHICH THE MONOPOLISTIC ATTEMPTS HAVE BEEN SUCCESSFUL.

FINANCIAL GROWTH, PRESENT NET WORTH, AND VOLUME OF BUSINESS.

Cudahy defendants, as to the allegations under this subhead, say that they have no direct or authoritative information concerning the subject matter of the first paragraph, but that they are informed and believe that said allegations are untrue. Therefore upon information and belief they deny said allegations and each of them under the first paragraph of this subhead.

Cudahy defendants deny that there has been realized by the Cudahy individual defendants, or any of them, vast profits or any profits in addition to those shown upon the books of the parent company arising from any advantages or privileges growing out of interlocking control of stockyards and stockyard appurtenances, as alleged in the second paragraph under this subhead.

NUMBER OF CONTROLLED COMPANIES.

Cudahy defendants deny the allegations under this subhead, and particularly they deny that they, or any or all of them, control or have any interest in 762 corporations or 574 corporations or 131 trade names, or in any number of corporations or trade names remotely approximating either of said alleged numbers.

Cudahy defendants deny that they have acquired or have organized any corporations whatever in furtherance of any general scheme and plan of action with defendants other than Cudahy defendants, as alleged under this subhead.

EXTENT OF INDUSTRIAL CONTROL IN THE SUBSTITUTE FOODS AND UNRELATED COMMODITIES.

Cudahy defendants deny that they, or any of them, exercise any degree of control in the various mentioned industries, as alleged under this subhead.

Cudahy defendants, as to the allegations concerning the business of Armour & Co., have no direct or authoritative information, and therefore neither admit nor deny the same.

Cudahy defendants deny that they, or any of them, are engaged in the business of canned fish, vegetables, and sundry canned and dried fruit, and soda-fountain supplies.

Cudahy defendants deny that they, or any of them, are engaged in the business of fruit preserves and grape juice, except only that Edward A. Cudahy, sr., and Edward A. Cudahy, jr., own and control a corporation called The Red Wing Co. (Inc.), which manufactures fruit preserves and grape juice in a small and relatively negligible amount, and which has always been entirely independent of the Cudahy Packing Co.

INDIVIDUAL DEFENDANTS.

Cudahy defendants admit that the Cudahy individual defendants are either officers, directors, agents, or employees of the Cudahy parent company. They deny that Cudahy individual defendants are financially interested to a great extent in stockyards, but aver that none of them is financially interested therein except only as above set forth. They deny that any of said Cudahy individual defendants are financially interested in terminal railways, cattle loan banks, rendering companies, and other institutions interrelated with stockyards, except only that E. A. Cudahy, sr., owns, and for more than 20 years has owned, 80 shares of stock in one rendering company and 25 shares of stock in another. They deny that any acts of theirs, or of any of them, enable the Cudahy parent company to carry out the purpose of the supposed combinations described in said bill of complaint, and they deny that any such combination exists.

They deny that the Cudahy parent company, or its subsidiaries, either by itself or in conjunction with any other person or corporation, has complete control, or is likely ever to have complete control, or any control, over meat products or substitute foods, as alleged under this subhead.

PRAYER.

Wherefore these defendants, having answered this bill of complaint, deny that the plaintiff therein is entitled to the relief sought by the prayer of said bill of complaint, or to any relief whatever, against Cudahy defendants, or any of them, and hence pray that they may be, and that each of them may be, hence dismissed.

THE CUDAHY PACKING CO., *Parent Company.*
THE CUDAHY PACKING CO. OF NEBRASKA,
THE CUDAHY PACKING CO. OF LOUISIANA (LTD.),
THE CUDAHY PACKING CO. OF ALABAMA,
NAGLE PACKING CO., *Subsidiaries.*
EDWARD A. CUDAHY, Sr.,
EDWARD A. CUDAHY, Jr.,
GUY C. SHEPARD,
JOHN E. WAGNER,
ANDREW W. ANDERSON,
EMIL A. STRAUSS,
FRANK E. WILHELM,
GEORGE MARPLES, *Individuals.*

All appearing by:
GEORGE T. BUCKINGHAM,
THOS. CREIGH,
Solicitors for Cudahy Defendants.

Dated February 27, 1920.

ANSWER OF WESTERN MEAT CO. AND OTHERS.

In the Supreme Court of the District of Columbia.

United States of America, petitioner, *v.* Swift & Co., Armour & Co., Morris & Co., Wilson & Co. (Inc.), and the Cudahy Packing Co. et al., defendants, in equity No. 37623.

The joint and several answers of the following-named defendants to the bill of complaint filed herein:

Corporations organized under the laws of—

Western Meat Co., California; Oakland Meat & Packing Co., California; Nevada Packing Co., Nevada.

Individual, Fred L. Washburn.

These defendants now and at all times hereafter saving unto themselves all manner of benefits and advantages of exception which can or may be had or taken to the many errors, uncertainties, imperfections, and insufficiencies in the complainant's said bill of complaint contained, for answer thereto, or to so much and such parts thereof as these defendants are advised it is material or necessary for them to make answer unto, answering say:

These defendants aver that none of the corporations described as parent companies in the bill of complaint in this cause has any ownership, interest, or title in and to any of the capital stock or property of any of these corporation defendants, and none of these corporation defendants is a subsidiary of any of said parent companies.

"COURT'S JURISDICTION."

These defendants neither admit nor deny that the parent companies referred to in the bill of complaint, either directly or through subsidiaries, are engaged in—

(a) The purchase and slaughter of live stock.

(b) The preparation and manufacture of dressed meat and by-products of the slaughtered live stock.

(c) The curing, canning, or otherwise preparing for the market of the edible products and by-products of the slaughtered animal.

(d) The production and sale of nonedible by-products and of articles in the manufacture of which these nonedible products are largely used.

(e) The manufacture, canning, or otherwise preparing for the market, sale, and distribution of certain food supplies other than meats.

(f) The manufacture and sale of various other articles commonly purchased and used either by the producer of live stock, the companies transporting the live stock or dressed meats, or the competitors of the parent companies (these are hereinafter referred to as unrelated commodities).

But leave the complainant to make due proof thereof.

These defendants deny that they or any of them in collusion, agreement, or combination with the so-called parent companies or their subsidiaries or any of them, or otherwise, have made any contract or in any manner or by any act, method, or means have engaged in or are or have been a party to any combination in the form of a trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States or with foreign nations.

These defendants deny that they or any of them in collusion, agreement, or combination with the so-called parent companies or their subsidiaries or any of them, or otherwise, in any manner or by any act, method, or means have monopolized or attempted to monopolize or have combined or conspired with any other person, persons, firm, or corporation to monopolize any part of the trade or commerce among the several States or with foreign nations.

These defendants deny that they or any of them in collusion, agreement, or combination with the so-called parent companies or their subsidiaries or any of them, or otherwise, acting by and through their principal officers or otherwise, have attempted to dominate, control, and monopolize a very great proportion of the food supply of the Nation and have thereby built up an unlawful monopoly and control over divers and sundry products and commodities, referred to in the bill of complaint.

These defendants deny that they or any of them, in collusion, agreement, or combination with the so-called parent companies or their subsidiaries or any of them are attempting to increase and extend said alleged monopoly of the products and commodities referred to in the bill of complaint. These defendants neither admit nor deny that the said parent companies and their subsidiaries artificially control the supply and price of the food supplies of the Nation, but leave the complainant to make due proof thereof.

"OBJECT TO BE ATTAINED."

These defendants deny that they have created or obtained any monopoly in the interstate trade or commerce of live stock, meat products, and substitute foods, as charged in the bill of complaint; and these defendants deny that any monopoly by the defendants named in the bill of complaint, as charged therein, exists. These defendants deny that there has been or is in existence, as charged in the bill of complaint, any contract, combination, or conspiracy in restraint of trade or commerce among the several States.

On the contrary, these defendants allege that they, and each of them is in actual and keen competition with each and every so-called parent company and its subsidiaries.

As to the allegations and charges relating to the so-called parent companies contained in the sections or subdivisions of the bill of complaint entitled "The nature of the business and method by which it is conducted," "The stockyards," "Conveniences and facilities controlled by stockyards," "Branch houses, route cars, autotrucks, and cold-storage warehouses," "The parent companies' acquisition of above-described facilities and their purpose in doing so," and "Contracts in restraint of trade," these defendants neither admit nor deny the truth thereof, but leave the complainant to make due proof thereof.

"CONTROL OF SUBSTITUTE FOODS."

These defendants deny that they, or any of them, have eliminated competition in meat products, as charged in the bill of complaint. These defendants further deny that they, or any of them, set about to control of the Nation's supplies of fish, vegetables, either fresh or canned, fruits, cereals, milk, poultry, butter, eggs, cheese, and other foods ordinarily handled by wholesale grocers or produce dealers, as charged in the bill of complaint.

These defendants deny that they, or any of them, ever employed their distributive facilities, or otherwise, to fix prices so low as to eliminate competition.

These defendants deny that they, or any of them, have attempted to monopolize commerce in any of the food products mentioned in the bill of complaint, and they deny that any act or acts of these defendants have resulted in the defendants obtaining complete control of any food product, as charged in the bill of complaint.

These defendants deny that unless prevented by a decree of this court the defendants will, within the compass of a few years, control the quantity and price of each article of food found on the American table, as charged in the bill of complaint.

"EXTENT TO WHICH THE MONOPOLISTIC ATTEMPTS HAVE BEEN SUCCESSFUL."

These defendants neither admit nor deny the allegations and charges relating to the so-called parent companies contained in the section or subdivision of the bill of complaint, entitled as above, but leave the complainant to make due proof thereof, except that these defendants deny that, if the growth of the parent companies and their subsidiaries is permitted to continue unchecked they will within a few years completely control the various industries in which the defendants are engaged.

"INDIVIDUAL DEFENDANTS."

Defendant Fred L. Washburn denies that he is either an officer, director, agent, or employee of any of the so-called parent companies or their so-called subsidiaries, or a large stockholder of any of the said parent companies or their subsidiaries, and he further denies that, in his individual capacity, he is financially interested to a great extent in the stockyards, terminal railways, cattle loan banks, rendering companies, and other companies intimately related with the stockyards, as charged in the bill of complaint. He further denies that in addition to his individual holdings he holds stock in any corporation dealing in the so-called substitute foods and so-called unrelated commodities for the benefit of the said parent companies.

Defendant Fred L. Washburn denies that he has or exercises any control over the facilities or instrumentalities of the meat business as charged in the bill of complaint, and he denies that by reason of any interest which he may have in such corporations dealing in so-called substitute foods and so-called unrelated commodities, the so-called parent companies are enabled to carry out the alleged purpose of the combinations charged in the said bill of complaint.

Defendant Fred L. Washburn denies that any interest which he may have in any corporation hereinbefore described is now or will continue to be a sinister or ever-present means of furthering any attempt to monopolize or to perfect a monopoly so that the so-called parent companies or their subsidiaries will have or will ever have complete control either of meat products or of all so-called substitute foods consumed in the United States as charged in the bill of complaint.

"SUBSIDIARIES DEFENDANTS."

These defendants deny that they, or any of them, are subsidiaries owned or controlled by the so-called parent companies, and they further deny that the parent companies, or any of them, has any ownership, interest, or title in and to any of the capital stock or property of any of these defendants.

CONCLUSION.

As to all other averments of said bill of complaint which are not hereinbefore denied or admitted, these defendants make no answer, but pray strict proof.

These defendants allege that the allegations and charges in each of the paragraphs of the bill of complaint are not sufficiently definite and specific to constitute a violation of law, but are too general and vague.

These defendants allege that the bill of complaint does not allege acts or facts to constitute a violation of law, but that the charges contained in the bill of complaint and in each paragraph thereof are mere statements of legal conclusions.

These defendants deny that complainant is entitled to the relief, or any part thereof, as prayed for in its bill of complaint, and allege that complainant under the allegations of its complaint is without standing or right in this court or in any court of equity.

These defendants deny all and all manner of unlawful acts whatsoever whereof they are in anywise by the said bill of complaint charged; all of which matters and things these defendants are ready and willing to prove as this honorable court shall direct.

These defendants pray in all things the same benefit and advantage of this, their answer, as if they had pleaded or demurred to said bill of complaint.

Wherefore, these defendants pray that the bill of complaint herein be dismissed with costs.

WESTERN MEAT CO.,
OAKLAND MEAT & PACKING CO.,
NEVADA PACKING CO.,
FRED L. WASHBURN,
By HENRY VEEDER, *Their Solicitor.*

—

ANSWER OF NEW ENGLAND DRESSED MEAT & WOOL CO. AND OTHERS.

In the Supreme Court of the District of Columbia.

United States of America, petitioner, *v.* Swift & Co., Armour & Co., Morris & Co., Wilson & Co. (Inc.), and the Cudahy Packing Co. et al., defendants, in equity, No. 37623.

The joint and several answer of the following corporations, defendants, to the bill of complaint filed herein:

Organized under laws of the several States mentioned:

New England Dressed Meat & Wool Co., Maine; North Packing & Provision Co., Maine; The Sperry & Barnes Co., Connecticut; John P. Squire & Co., Maine; John P. Squire & Co. (Inc.), Massachusetts; John P. Squire & Co. (Inc.), Rhode Island; Springfield Provision Co., New Hampshire; White, Pevey & Dexter Co., Maine.

These defendants now and at all times hereafter saving unto themselves all manner of benefits and advantages of exception which can or may be had or taken to the many errors, uncertainties, imperfections, and insufficiencies in the complainant's said bill of complaint contained, for answer thereto or to so much and such parts thereof as these defendants are advised it is material or necessary for them to make answer unto, answering, say:

These defendants aver that none of the corporations described as parent companies in the bill of complaint has any ownership, interest, or title in and to any of the capital stock or property of any of these defendants, and none of these defendants is a subsidiary of any of said parent companies.

COURT'S JURISDICTION.

These defendants neither admit nor deny that the parent companies referred to in the bill of complaint, either directly or through subsidiaries, are engaged in—

(a) The purchase and slaughter of live stock;

(b) The preparation and manufacture of dressed meat and by-products of the slaughtered live stock;

(c) The curing, canning, or otherwise preparing for the market of the edible products and by-products of the slaughtered animal;

(d) The production and sale of nonedible by-products and of articles in the manufacture of which these nonedible products are largely used;

(e) The manufacture, canning, or otherwise preparing for the market, sale, and distribution of certain food supplies other than meats;

(f) The manufacture and sale of various other articles commonly purchased and used either by the producer of live stock, the companies transporting the live stock or dressed meats, or the competitors of the parent companies (these are hereinafter referred to as unrelated commodities);

but leave the complainant to make due proof thereof.

These defendants deny that they or any of them in collusion, agreement, or combination with the so-called parent companies or their subsidiaries, or any of them, or otherwise, have made any contract, or in any manner or by any act, method, or means have engaged in, or are or have been a party to any combination in the form of a trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States or with foreign nations.

These defendants deny that they, or any of them, in collusion, agreement, or combination with the so-called parent companies or their subsidiaries, or any of them, or otherwise, in any manner or by any act, method, or means have monopolized or attempted to monopolize, or have combined or conspired with any other person, persons, firm, or corporation to monopolize any part of the trade or commerce among the several States or with foreign nations.

These defendants deny that they, or any of them, in collusion, agreement, or combination with the so-called parent companies or their subsidiaries, or any of them, or otherwise, acting by and through their principal officers, or otherwise, have attempted to dominate, control, and monopolize a very great proportion of the food supply of the Nation and have thereby built up an unlawful monopoly and control over divers and sundry products and commodities referred to in the bill of complaint.

These defendants deny that they, or any of them, in collusion, agreement, or combination with the so-called parent companies or their subsidiaries, or any of them, are attempting to increase and extend said alleged monopoly of the products and commodities referred to and as charged in the bill of complaint. These defendants neither admit nor deny that the said parent companies and their subsidiaries artificially control the supply and price of the food supplies of the Nation, but leave the complainant to make due proof thereof.

"OBJECT TO BE ATTAINED."

These defendants deny that they, or any of them, have created or obtained any monopoly in the interstate trade or commerce of live stock, meat products, and substitute foods, as charged in the bill of complaint; and these defendants deny that any monopoly by the defendants named in the bill of complaint exists, as is charged in the bill of complaint. These defendants deny that there has been or is in existence, as charged in the bill of complaint, any contract, combination, or conspiracy in restraint of trade or commerce among the several States.

On the contrary, these defendants allege that they and each of them is in actual and keen competition with each and every so-called parent company and its subsidiaries.

As to the allegations and charges relating to the so-called parent companies contained in the sections or subdivisions of the bill of complaint, entitled "The nature of the business and method by which it is conducted"; "The stockyards"; "Conveniences and facilities controlled by stockyards"; "Branch houses, route cars, autotrucks, and cold-storage warehouses"; "The parent companies' acquisition of above-described facilities and their purpose in doing so"; and "Contracts in restraint of trade," these defendants neither admit nor deny the truth thereof, but leave the complainant to make due proof thereof.

"CONTROL OF SUBSTITUTE FOODS."

These defendants deny that they, or any of them, have eliminated competition in meat products, as charged in the bill of complaint. These defendants further deny that they, or any of them, set about to control the Nation's supplies of fish, vegetables, either fresh or canned, fruits, cereals, milk, poultry, butter, eggs, cheese, and other foods ordinarily handled by wholesale grocers or produce dealers, as charged in the bill of complaint.

These defendants deny that they, or any of them, ever employed their distributive facilities or otherwise to fix prices so low as to eliminate competition.

These defendants deny that they, or any of them, have attempted to monopolize commerce in any of the food products mentioned in the bill of complaint, and they deny that any act or acts of these defendants have resulted in the defendants obtaining complete control of any food product, as charged in the bill of complaint.

These defendants deny that unless prevented by a decree of this court the defendants will, within the compass of a few years, control the quantity and price of each article of food found on the American table, as charged in the bill of complaint.

"EXTENT TO WHICH THE MONOPOLISTIC ATTEMPTS HAVE BEEN SUCCESSFUL."

These defendants neither admit nor deny the allegations and charges relating to the so-called parent companies, contained in the section or subdivision of the bill of complaint, entitled as above, but leave the complainant to make due proof thereof, except that these defendants deny that if the growth of the parent companies and their subsidiaries is permitted to continue unchecked they will within a few years completely control the various industries in which the defendants are engaged.

"INDIVIDUAL DEFENDANTS."

These defendants neither admit nor deny the allegations and charges relating to the individual defendants and the so-called parent companies contained in the section or subdivision of the bill of complaint entitled as above, but leave the complainant to make due proof thereof.

"SUBSIDIARIES DEFENDANTS."

These defendants deny that they, or any of them, are subsidiaries owned or controlled by the so-called parent companies, and they further deny that the parent companies, or any of them, has any ownership, interest, or title in and to any of the capital stock or property of any of these defendants.

CONCLUSION.

As to all other averments of said bill of complaint which are not hereinbefore denied or admitted, these defendants make no answer, but pray strict proof.

These defendants allege that the allegations and charges in each of the paragraphs of the bill of complaint are not sufficiently definite and specific to constitute a violation of law, but are too general and vague.

These defendants allege that the bill of complaint does not allege acts or facts to constitute a violation of law, but that the charges contained in the bill of complaint and in each paragraph thereof are mere statements of legal conclusions.

These defendants deny that complainant is entitled to the relief, or any part thereof, as prayed for in its bill of complaint, and allege that complainant under the allegations of its complaint is without standing or right in this court or in any court of equity.

These defendants deny all and all manner of unlawful acts whatsoever whereof it is in any wise by the said bill of complaint charged, all of which matters and things these defendants are ready and willing to prove as this honorable court shall direct.

These defendants pray in all things the same benefit and advantage of this, their answer, as if they had pleaded or demurred to the bill of complaint.

Wherefore these defendants pray that the bill of complaint herein be dismissed with costs.

NEW ENGLAND DRESSED MEAT & WOOL CO.
NORTH PACKING & PROVISION CO.
THE SPERRY & BARNES CO.
JOHN P. SQUIRE & CO.
JOHN P. SQUIRE & CO., INC. (Massachusetts).
JOHN P. SQUIRE & CO., INC. (Rhode Island).
SPRINGFIELD PROVISION CO.
WHITE, PEVEY & DEXTER CO.
By HENRY VEEDER, *Their Solicitor.*

STIPULATION AND PROPOSED DECREE.

In the Supreme Court of the District of Columbia.

The United States of America, petitioner, *v.* Swift & Co. et al. defendants, in equity, No. 37623,

It is hereby stipulated by and between the parties hereto that the decree hereinafter contained may, upon consent of the parties and without any findings of fact, be entered in this cause.

The corporation and individual defendants, while maintaining the truth of their answers and asserting their innocence of any violation of law in fact or intent, nevertheless, desiring to avoid every appearance of placing themselves in a position of antagonism to the Government, consent to the making and entry of said decree; but this stipulation shall not constitute or be considered as an admission, and the rendition or entry of the decree, or the decree itself, shall not constitute or be considered as an adjudication that the defendants, or any of them, have in fact violated any law of the United States.

The decree above referred to is as follows:

(In the original "Stipulation and proposed decree" filed in the Supreme Court of the District of Columbia there was inserted here the proposed decree which was the decree entered in this cause by said court and is set out in full in the book on pages 1 to 12, both inclusive, but is omitted here to avoid unnecessary repetition.

Dated Washington, D. C., February 27, 1920.

A. MITCHELL PALMER,
Attorney General of the United States.

CHAS. J. FAULKNER, Jr., attorney for—
Armour and Company (Ill.), Armour & Company (N. J.), Armour & Company (Ky.), Armour & Company (Tex.), Armour & Company (Ltd.) (La.), The Anglo American Provision Company (Ill.), The Colorado Packing and Provision Company (Colo.), Fowler Packing Company (Me.), Hammond Packing Company (Ill.), The New York Butchers Dressed Meat Company (N. Y.), Atlantic Hotel Supply Company (Inc.) (N. Y.), J. Ogden Armour, Charles W. Armour, A. Watson Armour, Laurence H. Armour, Arthur Meeker, Robert J. Dunham, F. Edson White, George M. Willets, Frederick W. Croll, George B. Robbins.

HENRY VEEDER, attorney for—
Swift & Company (Ill.), Swift & Company (W. Va.), Swift & Company (Inc.) (Ky.), Swift & Company (Ltd.) (La.), Swift & Company (Me.), Swift Beef Company (Me.), United Dressed Beef Co. of New York (N. Y.), J. J. Harrington & Company (Inc.) (N. Y.), Bimbler Company (N. J.), The G. H. Hammond Company (Mich.), Omaha Packing Company (Ky.), Plankinton Packing Company (Wis.), Sturtevant & Haley, Beef & Supply Company (Mass.), E. K. Pond Packing Company (Ill.), Van Wagenen & Schickhaus Company (N. J.), Western Packing Company (Colo.), Hammond Beef Company (Mich.), Omaha Meat Company (Calif.), A. Canfield Commission Company (N. J.), H. C. Derby Company (N. Y.), Metropolitan Hotel Supply Company (Me.), Vermont Supply Company (Mass.), The Hotchkiss Beef Co. (N. Y.), New England Dressed Meat & Wool Company (Me.), North Packing & Provision Company (Me.), Sperry & Barnes Company (Conn.), John P. Squire & Company (Me.), John P. Squire & Company (Inc.) (Mass.), John P. Squire & Company (Incorporated) (R. I.), Springfield Provision Company (N. H.), White, Pevey & Dexter Company (Me.), Louis F. Swift, Edward F. Swift, Charles H. Swift, Gustavus F. Swift, jr., Harold H. Swift, Alden B. Swift, George H. Swift, Laurence A. Carton, Frank S. Hayward, Charles A. Peacock, Wilfred W. Sherman, Wellington Leavitt, John M. Chaplin, William B. Traynor.

M. W. BORDERS, attorney for—
Morris & Company (Me.), Morris Packing Company (Me.), Morris & Company (N. J.), Morris & Company (La.), Morris & Company of Pennsylvania (Pa.), Joseph Stern & Sons, Inc. (N. Y.), Brooklyn Beef & Provision Co. (N. Y.), Condit Beef and Provision Company (N. J.), Corwin Wilde Company (Mass.), Donnelly & Company, Inc. (Mass.), National Hotel Supply Company (Ill.), Chamberlain & Company, Inc. (Mass.), J. M. Wilson & Company (Mass.), Middletown Beef and Provision Company (Mass.), Glenn & Anderson Co. (Ill.), Edward Morris, Nelson Morris, Louis H. Heymann, Charles M. Macfarlane, Harry A. Timmins.

JEWELL P. LIGHTFOOT, attorney for—
Wilson & Co., Inc. (N. Y.), Wilson & Co. (N. J.), Wilson & Co., Inc., of Calif. (Nev.), Wilson & Co., Inc., of Louisiana (La.), Wilson & Co., Inc., of Okla. (Okla.), South Dakota Provision Co. (S. Dak.), Gotham Hotel Supply Co., Inc. (N. Y.), Standard Beef Co. (N. Y.), Stiefel-O'Mara Co., Inc. (N. Y.), Drexel Packing Co. (N. Y.), Albert Lea Packing Co., Inc. (Va.), Mississippi Packing Co., Inc. (Va.), Morton-Gregson Co. (Del.), Paul O. Reymann Co. (W. Va.), Standard Provision Co. (N. J.), Central Products Corporation (Va.), Thomas E. Wilson, Arthur Lowenstein, Jacob Moog, Ponce De Leon Skipworth Arthur L. Smith, James A. Hamilton, George D. Hopkins, Adolph E. Peterson, George H. Cowan, William C. Buethe, Carl F. Burrell, James C. Good.

THOMAS CREIGH, attorney for—
The Cudahy Packing Company (Me.), Cudahy Packing Company of Nebraska (Nebr.), Cudahy Packing Company of Alabama (Ala.), Cudahy Packing Company of Louisiana, Ltd. (La.), Nagle Packing Company (N. J.), Edward A. Cudahy, sr., Edward A. Cudahy, jr., Guy C. Shepard, John E. Wagner, Andrew W. Anderson, Emil A. Strauss, Frank E. Wilhelm, George Marples.

HENRY VEEDER, attorney for Western Meat Company (Calif.)
HENRY VEEDER, attorney for Oakland Meat and Packing Company (Calif.).
HENRY VEEDER, attorney for Nevada Packing Company (Nev.).
HENRY VEEDER, attorney for Fred L. Washburn.

IN THE MATTER OF THE APPLICATION FOR PARDON OF WILLARD N. JONES.

WASHINGTON, D. C., *May 10, 1912.*

The PRESIDENT.

SIR: On March 1, 1911, you commuted the sentence of Willard N. Jones in effect to four months' imprisonment in the county jail and to pay a fine of $12,000. On March 16 you received a telegram from H. H. Schwartz, former chief of field service of the General Land Office, charging irregularities in the filling of the jury box from which grand jurors and petty jurors were drawn in the Jones cases, and also in the trial of the cases, and pursuant thereto you directed a further investigation to be made and that the execution of the penalty be deferred until the investigation be completed.

Shortly thereafter additional papers were filed to sustain the charge, and a report was received from United States Attorney McCourt with which he transmitted additional papers formerly belonging to William J. Burns, detective, which were found in the United States attorney's office. All of these were sent to you April 24, 1911, with a statement that I thought enough facts were submitted to throw a very decided doubt upon the fairness and impartiality in the method of selecting the jury. And that in my opinion it would not be just to allow a man to be sent to prison as the result of a trial before a jury procured in the manner in which it was shown by the papers the jury by which Jones was tried was selected.

I stated further that the papers also tended strongly to show an atmosphere surrounding the whole prosecution which was hardly consonant with the impartial administration of justice. I referred, however, to the fact that the papers had not been submitted to Mr. Francis J. Heney, the attorney who conducted the prosecution and who was at that time in California, and recommended, in view of the delay which would result from securing a statement from Mr. Heney, that the sentence be commuted so as to relieve the defendant from actual imprisonment, or if you desired Mr. Heney's statement before acting that the papers be transmitted to him for an expression of his opinion concerning the points of criticism. On April 28, 1911, you replied saying that you believed the execution of the sentence should be withheld until the papers had been submitted to Mr. Heney for comment and answer.

Mr. Heney's report, a lengthy document covering 77 pages, dated May 23, 1911, was received by the department June 28, 1911. Mr. Heney disclaims any knowledge of the matters charged, offers explanations and conjectures regarding the alleged irregularities, and expresses the firm conviction that the charges are baseless. I read the statement and referred it to the pardon attorney, directing him to look over the report carefully, and also the papers and documents which had been received since your prior action on the case, and requested him to inform me whether or not in his opinion there was anything in the papers which should modify the conclusions shown in Mr. Heney's report. This the pardon attorney attempted to do.

On August 26, 1911, he informed me that he had practically completed the preparation of his report, and although he had reached a fairly satisfactory conclusion, there were matters which he could not settle with absolute certainty from the papers before him, and said that he thought it desirable the department should have at least some statement from Mr. Burns; that he had in my absence caused a telegram to be sent to Mr. Burns inquiring how he obtained possession of the list of names which were in the possession of Capt. Sladen and Jury Commissioner Bush prior to the filling of the jury box, to which Mr. Burns replied that there was no truth whatever in the statements that Capt. Sladen or the jury commissioner had furnished him with advance lists of prospective jurors, and stating that he would look up data and furnish the department with a complete report of his connection with the matter, which was entirely straight and honorable; that he expected to be in Washington within a short time and would then make a report and answer interrogatories by anyone interested. Thereupon, I directed the pardon attorney to delay the completion of the report until he had seen Mr. Burns. Mr. Burns, however, did not make his report or come to the department for months afterwards, although repeatedly communicated with about the matter.

The papers received up to this time and reviewed by the pardon attorney in connection with Mr. Heney's lengthy report was so voluminous that the pardon attorney's brief had reached nearly 80 pages. He delayed the completion of his report styled "Supplemental report" until October 10, and then closed it with a statement that he did not think any fair or proper conclusion could be arrived at until the department had received a complete statement from Mr. Burns, and that it might be necessary to receive statements from others connected with the prosecution, and in view of the size to which his report had grown he thought it would be well to make the result of his further investigations the subject of another communication.

This he has done, styling it "Second supplemental report." It is well that he has done so and that he has delayed his report until this time, as the department is now in receipt of such further information in documentary form that there is little left to conjecture as to what actually transpired regarding the filling of the jury box and the correctness of the charges made by petitioner and his friends.

Fortunately, this evidence is of such a character that it will not be necessary for you to follow very carefully the line of reasoning, conjecture, and comparisons of documents and reports received, which otherwise would have been required in order to reach, I think, a thoroughly satisfactory and convincing idea of what actually transpired.

Nor is it necessary to review the offenses of which Jones was convicted, for the reason that if the charges made by him are true, it matters little what the offense was; he should not be required to serve a day of imprisonment or be otherwise punished. The facts relating to the conviction are, however, fully set forth in my former report, which is sent herewith.

It is charged by the defendant and his friends that William J. Burns, who was investigating jurors for Mr. Francis J. Heney, as stated by the latter in a communication to me dated August 23, 1911, sent his agents throughout the several counties from which names of jurors had been taken for the purpose of filling the jury box, and had these proposed jurors investigated prior to the time the box was filled. It is claimed that these agents reported to Burns and that he was able in some way to control, and did control, the selection of names that went into the jury box; that in this way the jury box was filled with names of persons predisposed to convict, to wit, Democrats, Populists, Socialists, and Republicans belonging to what is known as the Simon faction who were antagonistic to the so-called Mitchell faction of the Republican Party, to which Jones and the persons prosecuted belonged, and that none of the persons objectionable to Burns were selected.

It is also claimed that offenses against the public-land laws were of such common occurrence by reason of the lax methods employed by the Government officials or even by their acquiescence, that very many people in that section of the country had made themselves liable to conviction and punishment under a strict interpretation of the law; and that the prosecution, through intimidation by threats of indictment and conviction, compelled witnesses both before the grand jury and petit juries to testify falsely, and that witnesses did testify falsely in the Jones and other cases. These charges have been substantially proven, particularly those relating to the irregularities in the filling of the jury box.

The department has in its possession the original reports of Burns's agents to him and those assisting him regarding the names of proposed jurors, which reports were made prior to the filling of the box. Some of the comments upon these names were as follows: "Convictor from the word go." "Socialist. Anti-Mitchell." "Convictor from the word go; just read the indictment. Populist." "Think he is a Populist. If so, convictor. Good, reliable man." "Convictor. Democrat. Hates Hermann." "Hidebound Democrat. Not apt to see any good in a Republican." "Would be apt to be for conviction." "He is apt to wish Mitchell hung. Think he would be a fair juror." "Would be very likely to convict any Republican politician." "Just convictor." "Would convict Christ." "Convict Christ. Populist." "Convict anyone. Democrat." Burns's favorite way of describing an unsatisfactory juror was to designate him as a "s—n of a b—h," and lists are checked as "s—b," etc. Attached to the Polk County list found among Burns's papers is a slip bearing the following indorsement: "Pat McArthur checked all on Polk County list who were good; checked on said list for s—s of b—s."

The department also has Burns's original statements of adversely reported names, some in his own handwriting, others typewritten. Evidently Burns, or some one for him, had gone over the reports received and picked out the bad reports and had them typewritten. This was done county by county, with the exception of Multnomah County, concerning which reports are meager, and in practically every instance all of the names on these lists were left out, and occasionally were the only names left out, from a particular county unless the name bore a circular check, which indicated, although the name appeared upon the list, yet for some reason the proposed juror would be satisfactory.

The conclusion is obvious it would have been a remarkable coincidence for the jury commissioners to have selected for rejection even from one county only the names which were reported upon adversely, and which had been collected and typewritten as above stated, but when the situation obtains with substantial uniformity throughout all of the counties save one it is impossible to reach any other conclusion than that Burns in some way, either with or without the actual knowledge of the jury commissioner, caused the selections to be made in conformity with his wishes.

In view of the high regard in which Capt. Sladen and the jury commissioner were held, and the positive statements made regarding the probity of these men, I am disposed to regard it as improbable that they really understood the nature or the extent of what was being done, but there is abundance of evidence, in my judgment, to show that the work was probably done by Burns acting in collusion with Marsh, who was deputy clerk at the time.

It is noticeable that the positive statements of denial are chiefly in the nature of an assertion that neither Capt. Sladen nor the jury commissioner could have been implicated in the affair. Even Burns, in his first telegram, does not reply directly, but says there is no truth in the statements that Capt. Sladen or Bush furnished him with the information, and Mr. Marsh's emphatic statements have been largely of a similar nature. Indeed, some of the information, which Mr. Burns secured and secured so promptly, it would seem could not have been obtained in any other way.

It is impracticable to go into all the details of the corroborating evidence on this point, but if there were any doubt regarding Burns's connections with the affair and what he actually accomplished, it would seem to be set at rest by his own telegram in cipher to Mr. W. Scott Smith, then secretary to Hon. E. A. Hitchcock, the then Secretary of the Interior, on August 19, 1909, the very date the jury box was filled and on which the grand jury was drawn. The department has this original telegram. It reads as follows:

"Jury commissioners cleaned out old box, from which trial jurors were selected, and put in 600 names, every one of which was investigated before they were placed in the box. This confidential."

In addition to this an affidavit was received on the 12th instant from C. N. McArthur, who was one of Burns's agents in the field, and afterwards speaker of the House of Representatives of Oregon. Mr. McArthur makes a complete disclosure of the whole situation, which leaves no possible ground for doubt. Among other things he states that on or about July 25, 1905 (the jury box was filled Aug. 17, 1905), Burns telephoned to him that he wished to see him in the district attorney's office and while there and in the presence of Francis J. Heney, Burns handed him a typewritten list and said, as nearly as Mr. McArthur can remember: "Here, Mac, is a list of prospective jurors from several counties. Take it, weed out the s—s of b—s, who will not vote for conviction, and return it to me as soon as possible for we are going to make up a new jury box and we want to be sure that no man's name goes into the box unless we know that he will convict; for, by G—, we are going to 'get' Williamson this time, you can bet your sweet life, and we will send this whole d—d outfit to jail, where they belong. We are going to 'stack the cards' on them this time."

Mr. McArthur states that he became indignant, and told Burns that such methods as he proposed were altogether improper and that no self-respecting man could be a party to them; and Burns replied: "Any methods are justifiable in dealing with these s—s of b—s." He states further, that on or about September 1, 1905, he met Burns, and the latter said to him: "Well, Mac, we weeded out the s—s of b—s, at least I think we did, and we will 'get' Williamson this time and, by G—, we will get the whole d—d crowd. Old Sladen kicked like h—l, because my men worked the lists over before they went to the jury commissioners, but it didn't do the old s—n of a b—h any good, and the corrected lists went in anyhow."

Mr. McArthur, it is to be remembered, was one of Burns's agents and furnished many of the reports which are on file in the department. He claims, however, that he did so with great reluctance and under duress, and after much persuasion. He does not state the nature of the duress, but I am informed is willing to do so if you insist.

There are also on file affidavits of persons who claim that they were induced through intimidation and threats to testify falsely in the Jones case. Such representations in the absence of other corroborating evidence would not be entitled to very great weight, but when it is considered how emphatic have been Mr. Burns's denials and his statements that the whole thing is a tissue of falsehoods from beginning to end it is apparent, notwithstanding these denials, that the prosecution very probably resorted to intimidation of witnesses also.

In line with these practices, it is further shown that one of the defendants, with Jones, a man named Sorensen, while he was presumptively being tried by the Government, was in the active employment of Burns and received compensation from the Government under the name of George Edwards. In this way Burns kept tab on Jones, and the latter, relying on Sorensen because he was a fellow defendant, accepted as jurors persons to whom he would otherwise have objected.

I need not go further in a recital of the high-handed outrageous conduct on the part of the officers of the prosecution in these cases. The Government can not properly countenance, nor is it expedient in these times of attacks upon courts and the judicial system of the United States for it to lend its approval to any such procedure.

In the light of the facts as they appear from the documents and reports before the department, it does not seem to me that any person convicted of land frauds by the jury drawn from the box referred to had a fair and impartial trial. For this reason I feel it my duty to advise you that, in my judgment, Willard N. Jones should receive a full and unconditional pardon. In this connection, I should say that Mr. Burns has been given the fullest opportunity to make a statement. The pardon attorney went to New York and interviewed him by appointment, but could not obtain a statement from him, though he informed Mr. Burns that he had with him all of the documents that had been filed, and would be glad to show him every one and receive what com-

ment he had to make. Thomas B. Neuhausen, Burns's right-hand man in the investigation and also closely connected with Mr. Heney in the prosecution of the cases, has been given an opportunity to make a statement, the pardon attorney informing him of the nature of the representations made, and the documents filed, and indicating the conclusions to which the documents unanswered and unexplained must lead. No reply has been received. Such statements as have been secured are of an evasive character or are directly contrary to the documentary evidence before the department. Even Judge Gilbert has submitted an explanation of his former emphatic statement denying that the charges made could be true.

The course of the Executive, however, seems to me to be clear, and that is, he can not countenance the methods employed in the prosecution of these cases by requiring an enforcement of the sentence imposed in the Jones case, and I think also, and for the same reason, a pardon should be granted to Franklin P. Mays, although my impression is that the man is really very guilty and deserving of punishment.

Respectfully,

GEORGE W. WICKERSHAM,
Attorney General of the United States.

—

THE WHITE HOUSE,
Washington, June 2, 1912.

MY DEAR MR. ATTORNEY GENERAL: I am sorry that I am so occupied as not to have time to make an extended examination of the application for pardon on behalf of W. N. Jones. From the case made it is perfectly clear that his conviction was effected by the most barefaced and unfair use of all the machinery for drawing a jury that has been disclosed to me in all my experience in the Federal court. It gives sufficient to justify the pardon of Mr. Jones, as well as the condemnation of the methods of Mr. Heney and Mr. Burns. You may send me a pardon for signature.

Sincerely, yours, WILLIAM H. TAFT.

Hon. GEORGE W. WICKERSHAM,
Attorney General.

CALL OF THE ROLL.

Mr. CURTIS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. WILLIS in the chair). The Secretary will call the roll.

The reading clerk called the roll, and the following Senators answered to their names:

Ball	Gronna	Moses	Spencer
Beckham	Harris	Nelson	Sterling
Borah	Heflin	New	Sutherland
Brandegee	Johnson, Calif.	Overman	Swanson
Calder	Jones, N. Mex.	Page	Townsend
Capper	Jones, Wash.	Phipps	Trammell
Culberson	Kendrick	Pomerene	Underwood
Curtis	Keyes	Reed	Wadsworth
Dial	Kirby	Sheppard	Walsh, Mass.
Dillingham	Knox	Sherman	Warren
Elkins	Lenroot	Shields	Willis
Fernald	McCormick	Simmons	Wolcott
Fletcher	McCumber	Smith, Ariz.	
France	McKellar	Smith, Md.	
Gooding	McLean	Smoot	

The PRESIDING OFFICER. Fifty-seven Senators have answered to the roll call. A quorum is present.

Mr. FERNALD. Mr. President, the bill which I propose to discuss briefly to-day is another attempt to extend Government interference over private business and place one of the greatest industries of the country under the control of a Federal bureau. The provisions of the bill are so revolutionary in character that I ask the indulgence of the Senate that I may call its attention to what is likely to result if this bill becomes a law.

I want to recite briefly the reason given for this bill and why such a measure is now pending before this body. In February, 1917, President Wilson, in a letter to the Federal Trade Commission, directed that it make an investigation of the food supply of this country. Among other things, the President in his letter said:

> I direct the commission, within the scope of its powers, to investigate and report the facts relating to production, ownership, manufacture, storage, and distribution of foodstuffs, and the product or by-products arising from or in connection with their preparation and manufacture.

This order from the President naturally meant that the entire industry from the producer to the consumer, or, putting it in another way, from the farm to the table, should be investigated, but this was not done. The only part of the instructions that was followed by the Federal Trade Commission was to investigate the manufacturing end—the packing industry. No attempt was made to look into the producing, the distributing, or the retailing end of the business.

The Federal Trade Commission employed an attorney, who was a candidate for office—and I refer to Francis J. Heney, of California, who was then seeking the nomination for governor of his State, as this counsel. Hearings were held in different parts of the country, but these were ex parte in character and the packers have insisted that they were not permitted, through legal counsel, to cross-examine witnesses who were prejudiced and were sought out to testify against them. I think the records of these hearings will show that the Federal Trade Commission, and its attorney, were prejudiced against the packers when they started this investigation. The investigation was confined to the so-called big five packers, and apparently the Federal Trade Commission before they ever started made up their minds that the packers were guilty of wrongdoing and every means that could possibly be employed was brought about to convict them. The inquiry was continued for more than a year and the reports of the Federal Trade Commission which were published, among other things, recommended that the Government take over the stockyards, the refrigerator cars, and the branch houses. As a result of this investigation, bills were introduced in this body by the Senator from Wyoming [Mr. KENDRICK] and the Senator from Iowa [Mr. KENYON]. These bills required the packer to take out a license. Hearings were held on these two bills before the Senate Committee on Agriculture and Forestry from August 18 to September 13, 1919. After the hearings closed and the committee considered the evidence submitted the present bill was reported from the committee, and was known as the Gronna bill. This bill provides for a Federal live-stock commission, and provision is made for the packer to register, and I think in the outcome you will find that the effect between a license and registration is more imaginary than real.

But, Mr. President, I want to discuss briefly the facts leading up to the preparation of this bill. I want to discuss the report of the Federal Trade Commission as well as the statements of W. B. Colver, who was then a member of that body, and who was particularly interested in the findings that were submitted by the Federal Trade Commission. When the hearings before the Senate committee opened Mr. Colver appeared and reviewed the Federal Trade Commission's findings at some length. These included a number of very serious charges against the packing industry. Mr. Colver reiterated these charges when he appeared before the Senate committee. The more important of these were:

First. That the small packers "are existing at sufferance" of the big packers.

Second. That the stock producers of the country "are at the mercy of the five great packing concerns."

Other charges made by Mr. Colver were that the packers have a monopoly in the packing industry; that they are guilty of unfair practices in trade; that the markets are not free and open at the stockyards; and that there is unfair competition in the selling end of the business.

There were about 200 witnesses who testified during the hearings and they came from all parts of the United States—33 States were represented.

I regard the charges made by Mr. Colver as very serious, and coming from a Government official naturally would carry considerable weight. But I want to call your attention, first, to the specific charge made that the small or independent packers "are existing at sufferance" of the big packers. There were more than 20 of these small packers who went before the committee and asserted the statement made by Mr. Colver was untrue. They denied absolutely that there was any basis for such a charge and discredited the Federal Trade Commission's report, as well as Mr. Colver's statement.

Many of these witnesses are known to Members of this Senate as citizens of the highest honor and integrity, and their word is never questioned. One of these was Mr. Michael Ryan, president of the Cincinnati Abattoir Co. He is one of the best-known and one of the most prosperous of the small packers, and has been engaged in the packing business for 40 years. This is what he says:

> I have been a competitor of the so-called big packers for the last 30 or 40 years, and I have never found a disposition on their part to crush competition. * * * I have never heard of any desire on the part of the big packers to eliminate any packing house in this country.

Mr. Ryan said that his company's turnover that year was about $30,000,000; that they owned about 200 refrigerator cars, and were prosperous and had no complaint to make.

Mr. T. Davis Hill, vice president of the Corkran Hill & Co., Baltimore, testified as follows:

> Our business has never been subjected to any undue interference by any other corporation. The big packers can not control the market for the reason there are too many outside packers. Outside packers at Chicago some days purchase more than all the large packers put together. In other words, the small packers make the market for the big packers day after day. We have no fear of the big packers' competition. As to profits, I believe that during the past 25 years we have done a little better than the large packers.

Mr. W. R. Sinclair, manager of Kingan & Co., of Indianapolis, also denied the statements by Colver. Kingan & Co. is among the larger of the so-called small packers, and do a large business. They operate about 550 refrigerator cars and do business running into the millions annually. Their turnover in 1918 was $63,000,000. Mr. Sinclair declared that there was no monopoly in the packing business, and he saw no tendency in that direction.

I could go on and read to you similar testimony from these small packers, gentlemen like J. C. Dold, president of the Dold Packing Co., Buffalo; Patrick Brennan, president of the Independent Packing Co., of Chicago; W. N. W. Blaney, president of the Coffin Packing Co., Denver; John J. Felin, president of the Felin Co., of Philadelphia—all of whose testimony corroborates that I have just read, but I shall not detain the Senate further in reading from their testimony. It will all be found in the report of the committee.

I simply cite the testimony of these gentlemen, Mr. President, men of truth and veracity, and ask whom are we to believe, these men, whose word is unquestioned, or a Government bureau, many of whose members have the reputation of preferring that the business of this country be operated and controlled by Government agencies rather than by a private industry.

PRODUCERS.

The second and equally as serious a charge was made by Mr. Colver when he said the live-stock producers of the country "are at the mercy of the five great packing concerns."

There were more than 80 cattle growers who appeared as witnesses, and with but few exceptions they declared the charges made by Mr. Colver were false. These men came from the cattle-producing States of Texas, Wyoming, Oklahoma, Kansas, Illinois, Iowa, and Nebraska. They declared emphatically, as did the small packers, that there was no monopoly in the packing industry, and they further asserted stockyards were free and open, and that they had always received fair treatment from the packers in disposing of their live stock. This testimony was submitted by farmers and small dealers.

I shall not undertake, Mr. President, to burden the Senate with much of this testimony, because all of it may be found in the printed reports of the Senate hearings. But I can not refrain from calling the attention of the Senate to the testimony of Mr. J. S. Blackwell, of Muscatine, Iowa. He comes from that great agricultural State from which one of the sponsors of this bill hails. Among other things Mr. Blackwell said was this:

> I am sorry that a Senator from a prosperous State like Iowa has to be the father of this bill, in view of the great prosperity that we are now enjoying. I do not think such legislation should originate from a State like ours. * * * Iowa's land values have increased by leaps and bounds within the last few years—from $50 to $500 an acre, and in some places more than that. This is due to the packers more than any single thing, and I want to tell you why. Iowa is the greatest hog-producing State in the Union. Besides, it is one of the foremost cattle-producing States, as well as one of the leading States in the production of poultry, eggs, and butter. Now, all of these products of our farms, practically, are sold to the packers at a ready cash market every day in the year.

But Mr. Blackwell was not the only producer from Iowa to appear before the committee. There were eight or nine other prominent farmers who testified practically the same as did Mr. Blackwell. Similar testimony was given from producers in other States, and all but a very few refuted and declared to be untrue the statements that they were at the mercy of the Big Five packing concerns.

So I ask again, Mr. President, whom are we to believe—these reputable citizens whose business compels them to be in contact almost every day with the big packers, men who have been engaged in the business for years, or are we to discount their testimony and accept a statement from an employee of a Government bureau? I do not think there is anyone in this Chamber who for one moment believes these packers and cattle raisers would go before a congressional committee, or anywhere else for that matter, and make a false statement. And I submit, Mr. President, that the charges made by Mr. Colver and the Federal Trade Commission were wholly and absolutely discredited by these citizens.

At the opening day of the hearings the Senator from Iowa [Mr. KENYON], who has been one of the sponsors of this legislation, among other things, said:

> The justification for any such measures as these at all is in the report of the Federal Trade Commission, showing what has been done in the way of combination among the packers.

The Senator made this statement on August 8, 1919, and in this Chamber more than a year afterwards—December 8, 1920—the Senator, in spite of the testimony given by the leading citizens of the country, among other things, made this statement in his speech supporting this measure:

> There are some independent packers, and they are permitted to live at the sufferance of the large packers.

This statement was made in view of the preponderance of testimony declaring there was no foundation in fact for the Federal Trade Commission's charge. The Senator from Iowa continues:

> These packers have it in their power to fix the price at which they buy and the price at which they will sell. * * * What I have to say is based on the hearings before our committee and also on the reports of the Federal Trade Commission. If the report of the Federal Trade Commission is unworthy of belief, as has been charged on this floor, then what I have to say falls to the ground.

If we believe, Mr. President, that the witnesses who testified before the Senator's committee were telling the truth, then I say the Federal Trade Commission's report is unworthy of belief. I, for one, would rather believe honest and sincere business men and farmers who are recognized as the leading citizens in their communities than I would a Government commission of impractical men, who know nothing about business, who are socialistically inclined, and who believe the Government ought to regulate private business.

As I said in the beginning, the Gronna bill is so drastic in its nature and so far-reaching in its effects that it should command the serious consideration of this body. While I have little confidence in the Federal Trade Commission as it is at present constituted, yet I think a study of the Federal Trade Commission law and the provisions of this bill will disclose that the Federal Trade Commission has ample power to take care of any violations of the law, and that another commission is unnecessary.

If I understand this bill, it will give the members of the commission the power to make its own rules and regulations; in fact, it will be a law-making body so far as controlling the packing industry is concerned. It will not be an administrative body, but a legislative and executive one. It will determine whether there is a monopoly, which, it seems to me, should be the province of a court and not of a commission.

The bill provides for three commissioners at an annual salary of $10,000 each, and section 3 of the measure prohibits anyone directly or indirectly interested in the packing business from being eligible to membership on the commission. The packing-house business is one of the most efficiently managed, yet one of the most complex in the country, and the men who have charge of it have had years of experience in handling this technical industry. Yet men who have this experience and the knowledge are prohibited from serving on the commission. The great trouble in the past with like bureaus, commissions, and boards has been that practically no one has ever been appointed to serve on them who has had any knowledge, experience, or training in the business which the commission controls.

That has been one great trouble with the Interstate Commerce Commission. There has never been an active, operative railroad man on the Interstate Commerce Commission until the appointment of Mr. Mark W. Potter, whose nomination has not yet been confirmed by the Senate. I believe Mr. Clark, who was a railroad conductor, has been serving also as a member of the commission. This is equally true with the Federal Trade Commission. There is not a man of recognized business standing a member of that body to-day. Yet the purpose of the Federal Trade Commission was to help and encourage business, and naturally one would suppose it would be a sane policy to have one business man at least a member of that bureau. That commission has had in its membership too many reformers, too many dreamers, too many theorists, and no one of practical business sense. And they have harassed, annoyed, and meddled with American business until the country has lost faith in the Federal Trade Commission. The operations of that organization alone should be a warning and provide ample evidence that no more commissions are wanted.

So this very important question is put squarely up to Congress, whether it is ready to turn over such a complex and vital industry to a bureau with almost unlimited power, but whose members would be without any practical or technical knowledge of the industry, and specifically provide that no man who has any connection with the business shall serve on the commission. These men who have no knowledge of the business will be empowered to make rules and regulations—or their own laws, if you please—controlling this great industry, of which they know nothing. Think of a $10,000 a year man sitting here in Washington regulating and controlling an industry which runs into billions of dollars a year! It is absurd and ridiculous.

I believe this bill is merely the entering wedge for similar legislation for control of all private business engaging in interstate commerce and will be a long step in the direction of the nationalization or socialization of all private industry. It strikes at individual initiative and personal ambition. It is not a governmental function to meddle in private business as long as that business is conducted honestly and fairly, and Government meddling is contrary to the history of this country and everything that has contributed to its greatness.

This measure means bureaucratic government for the packing business, and I am going to predict that it also means the same kind of government for all large business. If the bill becomes a law a group of men will be put in control of an industry which is the most sensitive to the law of supply and demand of any in the country, and the commission will have greater power

than was ever before conferred by Congress on any man or group of men. It will have power to legislate, to prosecute, and judge, and it may soon hamper the industry so as to affect the meat supply of the Nation and even of the world.

Another objection to such a commission is that it will be like every similar commission that has been created; it will be anxious to extend its own power and jurisdiction. The number of its employees and the size of the pay roll will be augmented, and it will not be many months until the cost to the Government will run into the millions. This has been the case with every bureau and commission which has ever been created.

For example, take the Federal Trade Commission. Starting in 1916 with an appropriation of more than $300,000, the amount has been increased from year to year so that if the appropriation recommended for 1922 by the House passes the Senate, the Federal Trade Commission will have cost the Government approximately $7,500,000 since it was organized. In 1919 it asked for the enormous sum of $1,677,000. It has increased its employees now to several hundred, and asks that Congress appropriate almost a million dollars for 1922.

I want to call the attention of the Senate to the manner in which the people's money has been expended by the Federal Trade Commission. It has flagrantly disregarded the appropriations made by Congress, and from year to year has gone ahead and spent large amounts exceeding the annual appropriation. In 1916, in addition to the $355,000 allowed by Congress, $15,000 was spent for printing. In 1917 Congress gave the commission $444,000, but it proceeded to spend $75,000 more, and $25,000 of that amount was for printing. In 1918 Congress appropriated $773,000 in round numbers, and the President gave $700,000 to the commission from his fund, yet it went ahead and spent $30,000 more for printing. One million and fifty-five thousand dollars was allowed by Congress in 1920, yet the Federal Trade Commission, regardless of that large amount, spent an additional $150,000. Nine hundred and fifty-five thousand dollars was expended in 1921, and the same amount has been recommended by the House for 1922. You will notice that since 1916, $70,000 has been expended for printing, and I have wondered whether this may have been used for propaganda. I have also wondered sometimes whether some member of the commission was not a printer.

I believe the theory of the Federal Trade Commission, that of being of assistance to business—and I understand that was the purpose of it when it was created—was a practical and feasible one; but it has enlarged its field of operations, and now has its special attorneys, special experts, special agents, special clerks, and other employees, who travel over the country, meddling here and investigating there, where they have no business. So far as I know, there is not a single business in the United States that has uttered a word of commendation of the Federal Trade Commission because of any assistance it may have rendered. There may have been some such instance, but I have never heard of it. Many of its so-called experts, from the best information I have, are against the American idea of business. Some of these experts are of foreign birth and education and brought up in an environment of socialism. Yet these individuals have been investigating American business and recommending that certain things be done. Is there any wonder that the Federal Trade Commission is discredited in the minds of the business men of this country?

While I am on the subject of commissions I want to discuss in some detail the operations of the Interstate Commerce Commission. I desire to be fair, and in the beginning I want to say that in many instances this commission has rendered valuable service, but there are numerous occasions when I think it has been a menace to the railway transportation system of the country over which it has control.

When the so-called Mann-Elkins amendment to the interstate commerce act was approved on June 18, 1910, the Interstate Commerce Commission, for the first time, was given complete jurisdiction over interstate freight and passenger rates, with the powers of suspension and investigation, the initiation of rates, or other investigations, and the like. This amendment greatly strengthened the hands of the commission and placed its authority over railway rates beyond question.

The financial status of the railways of the United States from 1910 to 1917—and I refer to this period for the reason the roads went under Government control January 1, 1918—depended very largely therefore upon the attitude of the Interstate Commerce Commission for the several petitions that were presented to it by the railways for increased rates, to maintain and improve their credits. It is a matter of general knowledge that this period was one of rising prices and wages, during which an industry like the railway industry, the price of whose product, namely, transportation, was closely regulated by law, would suffer a loss of net revenues and a consequent diminution of credit unless rates were permitted to advance to relatively the same degree as the cost of operation.

Beginning with the increased powers of the Interstate Commerce Commission over rates in 1910, the railways made several general applications to the commission for increased rates. In no instance did the commission grant the applications in full, and in some cases the applications were denied and some were granted in part and subsequently reopened for further consideration. In spite of the fact that the railroads knocked at the door of the commission and pleaded and pleaded with it for relief, every case occupied many months in hearings and deliberations before final decision was granted.

Two well-known rate cases were inaugurated in 1910, known as the eastern and western cases. These cases were filed in the summer of 1910 and not until February, 1911, was there any decision, when the applications were denied by the commission. In the spring of 1913 the eastern railways made their first petition in the so-called 5 per cent case. The commission delayed its decision until July, 1914, and then granted the increases only in part. On petition of the railways, and because of the serious situation caused by the war, the commission reopened the case in August, 1914, and in December of that year granted the remaining portion of the desired increase. In 1915 the so-called western advanced-rate case was decided by the commission, only a part of the increase being granted. The 15 per cent case was inaugurated by the railways in March, 1917, and the increase was granted in part by the commission in July of that year. The case was later reopened upon petition of the carriers, but the final decision was not made until 1918, after the Government had assumed control.

There were several less extensive rate cases during this period, but the record of the commission during the seven years from 1910 to 1917 can not be regarded as exhibiting a desire to do more than grant only such increases in the freight rates as were made absolutely necessary by the straitened financial situation of the railways. In other words, the commission demanded almost a proof of impending bankruptcy before any substantial relief was granted. The idea seems to be that of relief rather than of assistance.

Between 1910 and 1920 the population of the United States increased 14.9 per cent. Railway facilities developed at a much lower rate, owing, at least in part, to the failure of railway credit to keep on a par with that of industry in general.

The mileage of new railway lines constructed between 1910 and 1913 was 13,256 miles; during the four years between 1914 and 1917 it declined 4,542 miles. Locomotives were built and purchased to a number of 18,548 during the first four years and 8,505 during the second four years. New passenger cars numbered 13,225 and 8,771, respectively; new freight cars, 591,758 and 394,542. In every instance it will be noted the railroads found themselves unable to maintain the same amount of construction of new trackage or new equipment during the second four years as during the first. Their credit was clearly on the downward grade.

Mr. President, I think an impartial investigation and study of the operations of the Interstate Commerce Commission since the railroads were placed at its mercy in 1910 will show that the members of that commission lacked the perspective and bigness of intellect and the knowledge of conditions, or a practical sense of the real situation and the needs of the railway industry. In place of being of some assistance and helpfulness to these great arteries of trade and commerce, the decisions of the commission in almost every instance resulted in preventing the railroads to keep abreast of the times and in retarding their operations.

But when you analyze the personnel of the Interstate Commerce Commission from the time it was organized down to the present day, one need not be surprised that this governmental agency has failed in many instances to render a satisfactory service to the country. It has strangled and starved and annoyed railway operations until practically no new lines were contemplated on account of its niggardly policy toward the roads for improved equipment and betterment.

I referred awhile ago to the fact that Mr. Potter, who has just recently been appointed a member of the commission, is the first active operative railway official ever appointed to membership on the commission. I understand he was president of the Carolina, Clinchfield & Ohio Railway Co. The membership of the Interstate Commerce Commission for the most part has been composed of lawyers, politicians, professors, so-called economists, and experts who never had a day's experience in the management of a railroad. The Interstate Commerce Commission is composed of nine members, but there are at the present time two vacancies. Of these seven who are now serving,

I think all of them, with the exception of Mr. Potter and Mr. Clark, are either politicians or professors. I understand some members of the commission have had railroad affiliations, like being counsel for a railroad. For example, Commissioner Walker, from 1887 to 1889, had been general counsel to a railroad prior to his appointment. Commissioner Calhoun, in 1898, was connected in a legal capacity with the Chicago & Eastern Railroad, while Commissioner Hall, in 1914, was at one time general attorney of the Arkansas, Louisiana & Gulf Railway. But these connections were all legal and the men involved were primarily lawyers rather than men versed in the operation of railroads.

As a result of this policy pursued by the Interstate Commerce Commission, thousands of people throughout the country have suffered. Railway securities are widely scattered at the present time. In 1917 there were 647,689 railway stockholders, whose average holdings were $13,966 par value. Including railway stock owned by the railways themselves, the average holdings per stockholder were $10,024. The number of railway bondholders has been estimated at not less than a million. A large proportion of the stock, and a much larger proportion of the outstanding bonds, is held by banks, trust companies, insurance companies, corporations, benevolent institutions, and so forth, the beneficiaries of which number many million persons. In fact, it has been stated that the ownership of equities of American railways are in the hands, directly or indirectly, of perhaps the total population of the country. Every insurance policyholder, every bank depositor, every student in a college or other endowed institution has a vital interest in having railway credit conserved and maintained. Railway credit is a matter of vital interest to the general public, both because they are the real owners of railways and because transportation is the artery that feeds the economic lifeblood of the Nation.

So, I believe, Mr. President, that if the Interstate Commerce Commission had had during these years a few practical railroad men who understood the operation of a railroad, who knew something about traffic conditions, who knew something about rates and railroad economics, it would have been a means of helpfulness, and the stockholders, who are in reality the owners, and are numbered by the hundreds of thousands, would have been better off; but I am sorry to say that the commission has in the main been dominated and controlled by men without any practical business training, let alone any training or knowledge of how this great system of transportation is operated. They have theorized and imposed their idealistic notions upon the public.

The records show, Mr. President, that when the railroads in 1910 were placed at the mercy of the Interstate Commerce Commission it required months and months of hearings and rehearings before the commission would decide whether to grant the increase in rates, and in almost every case the request was denied.

The attitude of the Interstate Commerce Commission resulted in an agitation by politically aspiring demagogues throughout the States, and one legislature after another in the several States passed a 2-cent rate law which prohibited railroads from charging more than 2 cents a mile for passenger travel. It was popular then for the politicians to jump on the railroads, but since they collapsed, due to the folly of the Interstate Commerce Commission, many demagogues and politicians who always appeal to the prejudices of the people have turned from the railroads to the packers, and it is now popular in the minds of some people to attack the packing industry.

If the railroads of this country had been permitted to receive a just compensation for the services rendered along with the increase in cost of operation as well as the increase in population, there never would have been any excuse for the Government taking them over in January, 1918. Their failure to function properly was not the fault so much of the railway management as it was of the narrowmindedness and the impracticability of the men who decided what their income should be.

I realize, Mr. President, that I have gone into this question in considerable detail, but I have done this with the hope to be able to show that whenever a Government bureau or a commission has attempted to regulate or govern an industry it has been a total failure.

Like the Federal Trade Commission, the Interstate Commerce Commission costs the country millions of dollars a year. For the fiscal year 1920 the appropriations made by Congress for the Interstate Commerce Commission totaled $5,596,600. The amount expended in that year was $5,542,373. From 1888 through to 1920 the total appropriations for the commission were $47,071,704. The exact appropriations for the fiscal year 1921 is not yet known.

The total number of employees of the commission in 1919 was about 2,200, including the Bureau of Valuation; excluding that bureau, the employees number about 1,000.

Senators, let me state to you that there have been 900 employees of the Interstate Commerce Commission traveling over the country for the past eight years, or since 1913, undertaking to determine the physical value of the railroads, and they might travel for the next 800 years and they would not be any nearer able to determine the exact value than they were the day they started out.

Mr. SHERMAN. Did the Senator state the number of employees?

Mr. FERNALD. There are 900 employees traveling. There are 2,200 employees.

Mr. SHERMAN. The total number of employees?

Mr. FERNALD. Two thousand two hundred; but 900 of those employees are traveling to-day over the country, and have been since 1913.

Mr. SHERMAN. It will be a great deal like the story in Gil Blas, that before they got to a conclusion they had forgotten the beginning.

Mr. FERNALD. Precisely. I thank the Senator for the observation. Senators, for the past few weeks we have been undertaking to assist the farmers in the marketing of their crops. I have letters here from nearly every State in the Union, and in almost every one of them they state that if they could have had transportation to get their goods to the market they would have disposed of more than half of them. I have a letter here stating that the farmers in the Dakotas to-day would have disposed of 47 per cent of their wheat if they could have had transportation facilities.

A few years ago we used to hear about the Harrimans, the Hills, and the Flaglers, who developed the great Central West and the Valley of the Mississippi, who brought the fruits from California and Florida to the breakfast tables of the people in Washington, Maryland, New York, Philadelphia, and the eastern markets. It was done by the development of the railroads of the country. But we hear nothing to-day of great railroad magnates. The ambition for building railroads has ceased. There are no men to-day undertaking to get any capital to build new railroads. We have been drying up for the past 10 years, and I suppose that in the next 10 to 20 years, if we pursue this policy of creating new commissions, there will be no producers to need railroads. They will all be down here in Washington working for the Government at a salary of $10,000 a year.

Since the roads were taken over by the Government during the war and subsequently there has been an 80 per cent increase in freight rates; that is, paid by the farmer. Yet, just a while before the roads were taken over the Interstate Commerce Commission denied the small increase of 15 per cent asked for by the railroads. And immediately after they came under Government control an additional rate was made of 35 per cent, and you know that it costs about twice as much to-day to travel as it did five years ago.

Mr. President, I have no interest in the meat-packing industry. I own none of their stock. I do not know a single one of the so-called meat packers, and the only interest I have is for fair play. No business has experienced a greater evolution than that of this industry. It has not been so very long since the old days of meat slaughtering when every butcher did his own work. There was no division of labor, only a few animals were handled at a time, and the conditions under which meat was dressed were not of the best. The meat was inferior in quality and the by-products were thrown away. The packing business is really a delicate mechanism. Expert skill and judgment are necessary at every step, from the purchase of live animals in the stockyards to the delivery of meat in prime condition to retailers hundreds of miles away. Even with the most expert skill available, and with constant attention to details, the whole complex process is accomplished at only a fraction of a cent a pound of the products sold. The least derangement of this machinery on the part of inexperienced Government officials whose appointment probably would be the result of political consideration, would without question have a serious effect not only on the packers themselves but on producers of live stock and consumers of meat.

Those who are prejudiced against the packers merely because of their size overlook several very important considerations. In the first place, instead of having one corporation which dominates the industry there are five large ones who are not only in competition with each other but who have to face the competition of hundreds of small and medium-sized packers, and thousands of local butchers who are handling meat raised in their immediate neighborhoods. Why, there are over 230 pack-

ing plants in the United States outside of the five largest ones which ship meat in interstate commerce and which have Government inspection. Some of these companies are so large that they each do a business of over $50,000,000 a year. There are also a number that have sales amounting to $15,000,000, $20,000,000, and $25,000,000 a year.

It is simply necessary that there be a packing industry organized on a large scale. If my own State raised enough cattle and hogs to feed Portland and Lewiston and Bangor and the other cities, perhaps no large packing organization would be necessary. But the people of my State have to rely on cattle and hogs raised and fattened in the Mississippi Valley and in the West. It takes a large organization to be able to maintain a selling organization which can market stuff from Chicago to Bangor in an economic fashion. No small packer would have a sufficient volume of business to make it possible to maintain a selling organization which could take care of the needs of the cities in my State.

Our experience during the war also demonstrated the value of such an organization as the American packers have developed. The story of their war-time achievement has never half been told. If they had been harassed by Government regulation and starved as the railroads have been starved they might have had the same difficulty in carrying out their war-time obligations as the railroads had. As it was, the job was done so smoothly and so perfectly and with so little noise that nobody realized the importance of the task they performed.

Consider, for example, that they not only took care of the needs of the United States during the war but that England and France purchased greater quantities of meat than they had been buying before the war. In fact, we had been exporting no beef for several years until the European war broke out. Especially during the last two years of the war shipload after shipload of beef was sent to the Allies. Not only this, but our own soldiers had to be fed on the other side.

The packers with their splendid organizations merely had to accelerate their activities, work overtime, and give their first attention to overseas shipments. Orders for millions of pounds would be placed by the Food Administration for shipment to Europe. Within a few days after the order was given, trainloads of meat were started eastward by the Chicago packers as soon as these orders were received. Never once did they fall down on any of these shipments. They always had the goods at port of shipment on time.

One packer shipped as many as 800 carloads of foodstuffs in a single week during the war, and this food was pure and sweet and clean and of the highest quality available. Imagine what would have happened if the country had had nothing but thousands of small individual packers. How could they have handled these tremendous orders and kept meat moving in sufficient quantity and with so little friction and waste motion?

When I addressed the Senate before on this subject I referred to the astonishingly small profit obtained by the large packers, and I submitted a table which showed this profit for each year from 1909 to 1918.

During the past two years the profits in the packing industry have been lower than ever, due to declining markets in live stock and meats. Although fresh meat is sold by the packers within two or three weeks after the animals are killed, these concerns have to carry huge stocks of goods continuously. When the market is falling this means losses to the packing industry, and during an industrial depression such as we are going through at present the packers necessarily suffer along with all other industries.

One of the large packers had to pass its regular quarterly dividend two or three months ago. Another large packer within the past few days has announced that it will pay its regular dividend in the form of stock instead of in cash. The annual statement of Swift & Co. was issued only a couple of weeks ago, and this showed that that company earned during the fiscal year ending November 1, 1920, only $5,000,000, whereas interest requirements alone amounted to $12,000,000. Because of a conservative policy of financing and the accumulating of a surplus in profits during previous years, this company was able to continue cash dividends by drawing on surplus. This is a policy, however, which could not be kept up indefinitely. I am stating these facts merely to show on what a slender margin of profit these companies do business and how dangerous a time it is to agitate Government regulation of this industry.

This profit of $5,000,000 earned by Swift & Co. last year was made on sales of over $1,100,000,000, so that it amounted to less than half a cent on each dollar of sales and to less than 4 per cent on total investment in the business.

Of course, it might be argued that this small profit of 1920 is abnormal and has no bearing on the case, but I find even during the most prosperous war year this same company made less than 4 cents on each dollar of sales, and that its average profit for a long series of years has been only about 2½ cents on each dollar of sales. In the long run this has averaged only about 11 per cent on investment, out of which dividends have had to be paid. It should also be remembered that dividends represent interest on capital invested in the business by stockholders.

I also find that this company carries a very great responsibility to its stockholders, inasmuch as the president of Swift & Co., in his recent annual address, announced that there are over 40,000 shareholders of record. He also pointed out that over 13,000 of these 40,000 are employees, and that there are only four or five other corporations in the United States whose shares are more widely held.

As indicating the desire of this company to deal fairly with its employees, I find that it has developed an employee's stock savings plan, under which employees may purchase stock at par, even when the stock has been worth over 130 on the market, and pay on the installment plan. In addition to the 13,000 who already own shares there are 7,000 other employees who have subscribed for shares on the installment plan. This makes about one-third of the 60,000 employees of Swift & Co. who are or will soon become shareholders of record.

The smallness of the profit in the packing industry also suggests the unfairness of singling out this industry for special legislative action. There is probably no industry in the country whose profit has so little effect on the prices of commodities sold. It seems absurd to think that an industry which is perhaps less responsible for high prices than any other industry in the country should be harassed and criticized. If we are going to break away from American traditions and subject private industry to Government restriction and regulation, why should we begin with this industry? If we are ready to take the step and extend Government regulation definitely over private industry, let us make a clean sweep of it and provide commissions to regulate and control all interstate corporations.

During the World War the Government became involved too much in the affairs of private business. No doubt this was essential in many instances, and no one will criticize any act which was necessary for bringing the war to a successful issue. The War Industries Board controlled industry in a great measure through the agency of trade organizations. Nearly everything a man did during the war was regulated by some one besides himself. If an individual or organization wanted to know what he could do, he had to come to Washington and seek some official or some war board organization if he got anywhere. Men got in the habit of having or of permitting some one else to do their own thinking for them.

The Government idea of conducting private business was further expanded during the war when it got into the price-fixing field. The Government fixed the price first of one product, then another. It guaranteed a certain price on articles of production. It regulated credits; it regulated prices up and down—labor, capital, hours of work, wages, and all that sort of thing. This war period of Government regulation has got the idea into the minds of many people that the Government can do anything and everything; that it possesses magic and that by waving the wand impossible things become possible.

Our country is still suffering from the effects of the World War, and it will require several months before conditions are normal. It should be the duty of Congress to lend every possible aid toward a complete restoration of prewar conditions. We should encourage and not discourage business. We should lend a helping hand and not throw any obstruction in the way of progress.

I indorse with all my heart the sentiment expressed by President-elect Harding when he declared, and he has made the statement repeatedly:

> More business in government and less government in business.

It is the most cheering and encouraging message that has come to the business men of the country from a man in high position in a quarter of a century. It has met with universal approval from one end of the country to the other. I am sure that business men, little and big, indorse the sentiment expressed by Senator Harding and believe that we are soon to enter upon an era of confidence and good feeling. There has been a lot of hysteria in this country during the past few years, and men of high Government position have been responsible for much of this un-American propaganda that has been disseminated all over our land.

We have had too much meddling by the Government in private business. Let us cut the chains and unshackle this governmental octopus which retards the development and progress of business. We have now too many bureaus and too many commissions. If this bill becomes a law it is the opening of the door for further Government regulation of business. It is the sure road to paternalistic Government. Such measures as this will encourage others of a socialistic mind to attempt the regulation of other business by commissions. If we put the packing industry under the control of a commission, I can see no reason why other business and corporations should not also be governed by bureaus. If a commission is good for the packing industry, why not for the shoe industry, the clothing industry, the cotton, the coal, the iron, and the steel industry? There is no reason why one should be singled out. For if you do that, you have class legislation pure and simple.

I made a plea in this Chamber more than a year ago in discussing this proposed legislation for American business. I said then let business alone, and I repeat it now. I am unalterably opposed to this bill. I am a business man myself and I know how the business men of the country feel about this sort of legislation. We should encourage initiative in American business. Of course, I do not approve or sanction any business guilty of any unfair practices, but so long as business is conducted honorably and honestly I say the Government should keep out of it and not meddle.

Mr. President, the kind of legislation this bill proposes is filled with danger to our institutions and our system of government. It is socialistic, it is un-American, and I can not think that such a body as the United States Senate, noted for its conservatism, will go on record favoring such a bill. I believe if we decide in this Senate that we are going to give the country a rest from agitation and useless legislation and say to the people that the days of bureaus and commissions and governmental meddlings are over there will be a confidence established that is so much needed at this time.

Irrespective of party, I plead that we uphold the hands of President-elect Harding and assure him we are with him in his desire that there should be "more business in Government and less Government in business." Nothing will encourage our people or restore confidence in Government more than the assurance that henceforth that is to be our policy.

So, Mr. President, in behalf of the business men of this country, in behalf of those who have had as much to do with making our country great as any other class of citizens, I want to protest here and now against this proposed legislation. Remove the shackles that some men are attempting to place upon the business interests of this country. Give them a fair field. Open the avenues of commerce and stimulate trade. Let each in his own way work out the problems before him, and I believe if the country understands that to be our policy we shall enter an era of peace and prosperity never before experienced in the history of our Republic.

CALL OF THE ROLL.

Mr. HEFLIN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. McCUMBER in the chair). The Secretary will call the roll.

The reading clerk called the roll, and the following Senators answered to their names:

Ball	Harris	Moses	Smith, Ariz.
Beckham	Harrison	Myers	Smith, Ga.
Brandegee	Heflin	New	Smoot
Calder	Johnson, Calif.	Overman	Spencer
Capper	Jones, N. Mex.	Page	Sterling
Curtis	Jones, Wash.	Phelan	Sutherland
Dial	Kendrick	Phipps	Swanson
Dillingham	King	Pomerene	Trammell
Elkins	Kirby	Reed	Underwood
Fernald	Knox	Sheppard	Wadsworth
Fletcher	Lenroot	Sherman	Warren
Gooding	McCumber	Shields	Willis
Gronna	McKellar	Simmons	Wolcott

Mr. CURTIS. I was requested to announce that the Senator from Iowa [Mr. KENYON], the Senator from Wisconsin [Mr. LA FOLLETTE], and the Senator from Massachusetts [Mr. WALSH] are detained from the Senate on official business.

Mr. BALL. I wish to announce that the Senator from New Hampshire [Mr. KEYES], the Senator from Washington [Mr. POINDEXTER], and the Senator from Nevada [Mr. PITTMAN] are engaged in committee work.

Mr. MOSES. I desire to state that the Senator from Michigan [Mr. TOWNSEND] is engaged in the Committee on Post Offices and Post Roads.

The PRESIDING OFFICER. Fifty-two Senators have answered to their names. A quorum is present.

ESTRADA CABRERA (S. DOC. NO. 357).

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, which was read and referred to the Committee on Foreign Relations and ordered to be printed:

To the Senate:

I transmit herewith a report from the Acting Secretary of State in response to the resolution adopted by the Senate on January 10 (calendar day, January 12), 1921, requesting the Secretary of State to furnish to the Senate such information as he may possess concerning the signing and observance of articles of capitulation under the terms of which President Estrada Cabrera surrendered the executive office of Guatemala and was guaranteed certain safeguards.

WOODROW WILSON.

THE WHITE HOUSE,
21 January, 1921.

ARMY STORES AND SURPLUS MILITARY SUPPLIES.

Mr. KNOX. Out of order, from the Committee on Military Affairs, I report back favorably without amendment Senate resolution 426, and I ask unanimous consent for its present consideration. I will say that I believe it will lead to no debate.

The PRESIDING OFFICER. The resolution reported by the Senator from Pennsylvania will be read.

The resolution (S. Res. 426) submitted by Mr. KING January 18, 1921, was read, as follows:

Resolved by the Senate, That the Secretary of War be, and he is hereby, directed to report to the Senate the description and quantity of quartermaster stores and all property and materials of a nonmilitary character under the control of the War Department, and the value thereof, at the armistice of November 11, 1918; the description and quantity of the surplus of such quartermaster stores, property, and materials not required for the uses of the Army and available for disposition at the armistice of November 11, 1918; the description and quantity of such surplus quartermaster stores, property, and materials which have been sold and disposed of since the armistice of November 11, 1918, together with a statement of the moneys obtained on account of such sales and dispositions; and the description and quantity of such surplus quartermaster stores, property, and materials, and the value thereof, on hand at this date.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

Mr. UNDERWOOD. I wish to ask the Senator from Pennsylvania if the resolution has been referred to a committee?

Mr. KNOX. The resolution was introduced by the junior Senator from Utah [Mr. KING]. It was referred to the Committee on Military Affairs and unanimously recommended to be reported favorably by that committee. I have, in obedience to that command, reported the resolution.

Mr. UNDERWOOD. I do not know that I shall object to the resolution, but I should like to inquire if the Military Affairs Committee has made any investigation as to what it will cost the Government to ascertain the facts called for by the resolution.

Mr. KNOX. The Committee on Military Affairs took this position: One very prominent member of the committee assured the committee that, in his opinion, it would take but a short time for the War Department to give us the information, or, if the War Department can not give us the information, it will give us the reason why it is not available. So, in either event, the resolution would be harmless.

Mr. UNDERWOOD. Mr. President, I shall not object to the resolution as it has been considered by a committee of the Senate, but I wish to say that there are a great many resolutions passed by the Senate calling for information, and I think we should all of us be exceedingly generous with each other in our desire to obtain information for the Senate to act upon, because that is a channel which should not be closed; but when a Senator sits down and writes a resolution the adoption of which requires an investigation, and sometimes requires a vast number of clerks in order to procure the information, I think the committees which have such resolution under consideration should ascertain whether or not their passage will involve the expenditure of a great deal of money and require the services of a number of clerks in order to comply with their terms, and should also ascertain whether or not clerks employed in the ordinary fields of Government endeavor are going to be withdrawn from their work in order to obey the mandate of the Senate.

If we do not do that we shall constantly be met with the proposition that we must appropriate for a deficiency; and that is one of the grounds on which such requests are made. We are told by officials who come before the committee with requests for deficiency appropriations that the Senate has diverted the work of the clerks. As the Committee on Military Affairs,

however, has investigated the pending matter and has reported the resolution favorably, it is their responsibility; but I believe if we are going to enter upon the attempt to cut down expenditures we ought to reform our own household by not making demands on the executive departments of the Government which are going to require great expenditure and the consumption of much time, unless the matter is carefully investigated.

Mr. KNOX. I think, Mr. President, that this resolution does not come within the category of those to which the Senator from Alabama refers. The first consideration that the committee gave to the resolution was to determine the value of the information which it seeks and of the propriety of the Senate having the information for guidance in further legislation. Of course, if it should involve very great expense or a very long period of time or if for some reason or other the information should not be thought by the War Department to be of importance to the Senate, it would be up to the War Department to say so; but really the people of the country, as well as the Senate itself, have some right to know what quantity of the quartermaster's stores and other nonmilitary articles were on hand at the time of the armistice; they are entitled to know what disposition has been made of them to the extent that they have been disposed of; they are entitled to know what the proceeds of the sales have been to the extent that they have been sold; and they are entitled to know what is on hand at the present time. It was the important character of the information requested that addressed itself to the committee and moved the committee to its action.

The PRESIDING OFFICER. Is there objection to the request for the present consideration of the resolution?

The resolution was considered by unanimous consent, and agreed to.

COMPENSATION OF UNITED STATES EMPLOYEES.

The Senate resumed the consideration of the bill (H. R. 5726) to fix the compensation of certain employees of the United States.

The PRESIDING OFFICER. The pending amendment is the amendment offered by the Senator from Georgia [Mr. SMITH], which will be stated.

The READING CLERK. On page 2, line 9, after the word "clerks," it is proposed to insert "or employees in the District of Columbia."

Mr. SMITH of Georgia obtained the floor.

Mr. WARREN. Mr. President, will the Senator yield for a moment?

Mr. SMITH of Georgia. I yield.

Mr. WARREN. I should like to know the condition of the record as to the measure which is now under consideration, for, as I recall, at the time the bill went over there were certain amendments which had been offered to it. I think, however, that in the confusion which then prevailed, they were not adopted, although there did not seem to be any objection to them. I therefore should like to have the bill read, with all the amendments which have been adopted, and then I should like to ascertain what amendments are pending.

The PRESIDING OFFICER. Without objection, the Secretary will read the bill as it has been amended.

The bill as amended was read, as follows:

Be it enacted, etc., That after the passage of this act the minimum compensation of any person employed by the United States or by the government of the District of Columbia shall be not less than $3 per day, including any Government bonus; or if employed by the hour not less than 37½ cents per hour; or if employed by the month not less than $90 per month; or if employed by the year not less than $1,080 per annum, including any Government bonus: *Provided*, That persons employed on a monthly or annual salary basis and who regularly perform less than a full day's service shall receive compensation at the rate of not less than 37½ cents per hour: *Provided further*, That the provisions of this act shall not apply to persons enlisted in the military or naval branches of the Government nor to the employees in the Philippine Islands, Porto Rico, Guam, the Virgin Islands, the Territory of Hawaii, the Territory of Alaska, and the Panama Canal Zone, nor to members of the National Home for Disabled Volunteer Soldiers employed at or in connection with said homes, nor to persons holding appointments as postmasters, assistant postmasters, rural carriers, postal clerks, carriers in the City Delivery Service, or railway mail clerks: *Provided further*, That the provisions of this act shall apply only to those persons who shall have attained the age of 20 years: *And provided further*, That in the case of an employee receiving quarters and subsistence in addition to his compensation, the value of such quarters and subsistence shall be determined by the head of the department, and the compensation of such employees, plus the value of quarters and subsistence, shall in no event be less than the rate fixed by this act.

The PRESIDING OFFICER. The Secretary will now state the pending amendment.

The ASSISTANT SECRETARY. The pending amendment is the amendment offered by the Senator from Georgia [Mr. SMITH], to insert after the words "railway mail clerks," in line 9, page 2, the words "or employees in the District of Columbia."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Georgia.

Mr. SMITH of Georgia. Mr. President, I hope the Senate will continue for 12 months longer the bonus of $240 to Government employees as it has been paid during the past 12 months. The cost of living has been unusually high, and the bonus was allowed for that reason; but in 12 months we may expect the cost of living again to be normal, and, if we continue the bonus for 12 months longer, we may then view the compensation of Government employees from that time forward upon the same basis as that prior to the war.

This proposition to establish a minimum wage disregards entirely the service to be rendered. I am in favor of paying all Government employees liberally and as much as is paid for similar work in private employment. We give them in addition the benefits which are provided to Government employees, the stability of the office and the old-age pension; but we can not, in justice to the people at home and to those engaged in occupations throughout the entire Nation, establish rules for Government employees and for their pay in disregard of compensation paid elsewhere and in disregard of service rendered. This bill proposes to increase the pay, it is estimated, of 50,000 Government employees, without regard to the service which they render, but to say arbitrarily that each one of them shall receive not less than $1,080 a year.

I offered the amendment excepting the District of Columbia. I shall vote against the entire bill.

I think it is unsound to fix compensation without regard to service. Service should be paid for, should be well paid for; but if there is service rendered of less value than $1,080 a year, then this bill pays for service not rendered.

Take the District of Columbia: It was said before the committee that the minimum wage should be $1,080, because no man could support a family on less. Why, Mr. President, compensation can not be fixed upon the theory that but one in a family works. In the District there are frequently three in a family in the Government service. I know a family in which two are messengers and one runs an elevator and one stays at home, there being four in the family; and yet that family's compensation would be $3,240 a year by this minimum wage. There are dusters in the Patent Office. Twenty-five years ago they received $40 a month. They were girls between 20 and 25, perhaps, without education, the extent of the service received from them being to take a duster and dust off and clean around the exhibits in the Patent Office. There were messengers receiving from $60 to $80 a month. There were innumerable applicants for the places. The compensation for the service was more than the same parties could earn outside.

The hours of occupation were less. The very brightest of boys were glad to come here and take messengers' places at $70 a month, or from $60 to $80 a month. They attended school at night and in that way prepared themselves better for the struggles and the opportunities of life. The difficulty was not in obtaining them; it was in refusing those who could not get the places; and yet we are to say that the untrained messenger, with but little education, performing a very ordinary class of work, must have $1,080 for about as cheap service, about as little skilled service, as could be rendered anywhere.

We have in the Government employ as unskilled service in many instances, as is found in any private occupation, less skilled than the most unskilled on the farm, less skilled than domestic service, much less skilled than the girl in the store; and yet we are arbitrarily to say that no one of these shall receive less than $1,080 a year. We have ladies of education in the Government service who are drawing for clerical work now $900 a year. I grant that they should receive more. We have those that are receiving $1,000 a year. I grant that that is low pay for them. But we are to bring the duster in the Patent Office and the entirely unskilled and usually uneducated messenger boy of the lowest order of service up to a parity with educated women, when their service does not compare with that of the educated woman.

We have a commission, I think, now studying the entire question of compensation that is being given to Government employees. As I said, I favor paying them liberally, taking into consideration what can be earned and what is paid in private employment for similar work; but to say arbitrarily that each one of these performing service of the least value, with the least accomplishment, shall come up to the grade of pay of educated women performing much higher service is utterly unsound and I think indefensible.

Let us wait until we hear from the commission. If these messenger boys and lowest order of employees are to receive $1,080, are we to leave the clerical force of educated women at $1,080? Is that fair? I grant that I should be pleased to see

every person in the United States so prepared for occupation and so skilled and trained that each one's work would be worth more than $1,080 a year. I would broaden the field of opportunity for preparation, but, finally, compensation should follow service rendered, and it should be graded according to the service rendered; and if the duster in the Patent Office gets $1,080, no educated woman doing clerical work should fail to receive substantially more.

Now let us come to the bill and look at whom it excepts from its provisions.

The provisions of this act shall not apply to persons enlisted in the military or naval branches of the Government.

Why? Is the messenger boy around one of these departments worth more than a soldier or sailor? Is there any reason why he should be compensated more than a man in the Navy or in the Army? And yet we expressly except the Army and Navy from the provisions of the act. It is understood that the act will apply to some 50,000 employees and involve an expense of from five to ten million dollars annually. No accurate report was given to the committee on this subject. No accurate testimony was furnished the committee showing how large the bill might be. I was on the committee at the hearings, and if any evidence was presented I can not recall it. I can recall only one proposition expressed before the committee—that a family could not be supported for less; and it was plainly upon the theory, therefore, that but one in a family must work that the minimum scale of pay was to be fixed.

It will be most unfortunate for this country if we instill the doctrine that but one in a family is to be occupied. There may be families where one has so prepared for life that he or she can produce such a result from his or her occupation that the balance of the family may lean upon him or her, and be comfortably supported; but in the usual family, when they are past 20, the boys are at work, and many of the girls are at work. With our changing conditions, with woman suffrage, with women entering into politics, with women holding offices, I have no doubt that the number of women in occupation will be far greater. I, for one, believe that when a woman does a piece of work she should have just as much pay for it as a man gets when he does the same work; but what I wanted to urge was that the idea of predicating compensation upon the theory that but one in a family is to work is radically unsound. It is untrue in practice. It will be less and less true as the days go by.

But why should the soldier and the sailor be excepted? If the ordinary messenger boy, 20 years of age, who sits at the door of an office and runs a few errands, and works 7½ hours a day, is to get $1,080, why not give the same compensation to a sailor in the Navy and to a soldier in the Army?

Again:

Nor to the employees in the Philippine Islands, Porto Rico, the Territory of Hawaii, the Territory of Alaska, and the Panama Canal Zone.

If our boys go off to these countries to work, or if our women go, why should they receive less compensation? Why discriminate against them? Is it an easier task to go to one of these colonies to work than it is to stay here in the District of Columbia? I think not.

Nor to persons holding appointments as postmasters, assistant postmasters, rural carriers, postal clerks, carriers in the City Delivery Service, or railway mail clerks.

Why should they be exempted? Why pick the cheapest of labor, the least productive of labor, here in the District—and I understand that one-half of these places are in the District—and put them upon the basis of $1,080 a year, and discriminate against your assistant postmasters at home?

Mr. DIAL. These messengers are holding down a chair most of the time, anyway.

Mr. SMITH of Georgia. They do that practically all the time without getting up to do anything else, and very few of them have the politeness to show you anything, if you want to find it, about a department.

Why should these 25,000 in the District of Columbia be put up to a minimum of $1,080, and assistant postmasters, rural carriers, postal clerks, carriers in city delivery, and railway mail clerks be prohibited from receiving as much compensation? They are not limited to seven and a half hours a day. But they are not to have the benefit. This provision for $10,000,000, half to the District of Columbia, excludes these people at home, excludes your boys who are in the Army, and excludes your boys in the Navy. If you would add all, you would carry your increase to at least a hundred million dollars—yes; two hundred million.

The discrimination is made on account of the size of the bill, because if its provisions were extended to all the amount would be so large that it would stagger Congress.

Mr. President, let us compare the compensation. We are coming to normal times. We are going to have normal times in 12 months, and I hope we will take care of all these Government employees with the $240 bonus for 12 months longer, until the cost of living comes down. Let us compare their compensation with the compensation in private life.

The average pay of a teacher in the United States is $600 a year, according to the report furnished us by the census. Of course, the amount paid teachers is too small. I wish it were much larger. But that is what the States have found they were able, as an average, to pay their teachers.

Mr. JOHNSON of California. Mr. President——

The VICE PRESIDENT. Does the Senator from Georgia yield to the Senator from California?

Mr. SMITH of Georgia. Yes; I yield.

Mr. JOHNSON of California. However many States the Senator may refer to, do not include the State of California in that category, if you please.

Mr. SMITH of Georgia. I did not; I said the average. I think most of the Western States, where land grants have been given by the Government to aid in education, pay more than the old States, with one or two exceptions. But I am giving you a fact as reported from the census and as reported by the National Educational Association.

Mr. JOHNSON of California. Mr. President, does the Senator believe that sum to be adequate for teachers?

Mr. SMITH of Georgia. I have said I did not.

Mr. JOHNSON of California. Then let us increase it wherever we can. Would the Senator make the inadequate sum paid to some occupation an argument for the payment of an inadequate sum where we have the power to fix the compensation?

Mr. SMITH of Georgia. Yes and no.

Mr. JOHNSON of California. That is a good answer.

Mr. SMITH of Georgia. I will explain why. Yes, in the sense that compensation of Government employees should average with compensation in private occupation, in ordinary occupation, outside of occupation by the National Government. For that reason, yes. I will say no because I think that compensation ought to be substantially advanced.

But if you take the employees of the stores, if you take a similar branch of service in private occupation, it does not receive and it can not receive $1,080 a year for the lowest order of service. It can not earn it. It can not produce results which justify it. If the compensation to the least competent and least productive is to be put at this figure, then the educated and the more productive, to be justly treated, must receive a great deal more.

I am utterly opposed to the theory of paying by the head. Pay should be by the service.

Mr. JOHNSON of California. Mr. President, does the Senator mind interruptions?

Mr. SMITH of Georgia. Not a particle.

Mr. JOHNSON of California. Does not the Senator think that under that system we should alter the scheme of paying United States Senators?

Mr. SMITH of Georgia. In which direction would the Senator alter it—up or down?

Mr. JOHNSON of California. Some are worth many times what they receive. I would not insinuate that any are worth less than they receive, but some of them are worth very many times what they do receive, and so you ought to have a graded class by service for United States Senators.

Mr. SMITH of Georgia. It is impossible to separate compensation when paid to a class.

Mr. JOHNSON of California. Quite so.

Mr. SMITH of Georgia. It would be very difficult to discriminate between Senators. I could scarcely estimate the value of the services of the Senator from California.

Mr. JOHNSON of California. Of course, Mr. President, I had in mind the transcendant value of the services of the Senator from Georgia.

Mr. SMITH of Georgia. I thank the Senator.

Mr. JOHNSON of California. But I did not suggest that; it was so obvious that it did not require suggestion.

Mr. SMITH of Georgia. I thank the Senator. I am glad he realizes that it is obvious. And I agree to the value usually of his service as well as my own, but I feel sure I am rendering a service now and the Senator from California is not.

Mr. JOHNSON of California. The amount fixed is $3 per day.

Mr. SMITH of Georgia. I do not understand. The Senator said it was $3 a day?

Mr. JOHNSON of California. We are rendering a service on a $3 per day bill. The service the Senator renders, of course, is made conditional upon the value that it may be to the Republic

in his service. The value that flows from a bill of this sort is not measured alone by the $3 a day which is given to underpaid employees, but it is measured in many other fashions as well. With that, however, I shall deal in subsequent remarks.

Mr. SMITH of Georgia. I know of some who are to be affected by this bill who are underpaid. There are a great many of them I can name who are fully paid now. I have pointed to those whose services are of but small value, the character of whose services does not justify a flat $1,080 a year. My contention is that there are classes of service of small value. One might be more efficient in that service than another, but if you are undertaking to apply a minimum to the lowest grade of service, without regard to its value or its productiveness, it is economically unsound.

If the Senator will single out a part of these employees and say that they render service worth $1,080 a year, I will vote to increase the pay of that class. But the Senator does not do that. He arbitrarily says that no matter how low the order of service, how cheap the character of service, how small the result, the pay shall be $1,080 a year, except that if they are in the Army they can not have it, if they are in the Navy they can not have it, if they are in the Postal Service they can not have it, if they are in any of the Territorial services they can not have it. One-half of those to be raised are in the District of Columbia, where the hours are the least and the service perhaps the easiest and the number from the same family frequently the largest.

I state again that if this bill is right, then nobody in any occupation should receive less for a 7½-hour day's work than $1,080. You can scarcely measure the discontent the passage of this bill would produce throughout the United States, the discontent among other Government employees, the discontent it would produce in the Army, the discontent it would produce in the Navy, the discontent it would produce in the Postal Service, the discontent in our Territories, the discontent in all private occupations, for if it is understood that these easy-going District employees must, if of the least value, receive $1,080 per year, where can anybody work or do anything for less? Who should anywhere do anything for less. The domestic must have as much. Every farm hand should have as much. They work over 7½ hours a day. You set a precedent and a standard that must necessarily produce dissatisfaction and upheavals all over the land.

Let us come back to the service here. You raise that messenger boy or that duster to $1,080 a year. Alongside of them you raise the cultivated woman who is doing high-class clerical work to $1,080. I grant she ought to have it. I would pay her more. But you put them on the same basis of compensation. You put lack of education, lack of efficiency, low-grade work, not based upon merit, not based upon the value of the service, right alongside of the cultivated woman who has spent her time in getting an education.

Well, if you put that as the standard for the least efficient, the least valuable, then there is but one thing to do, in all fairness; lift all the other pay in the same proportion. Be just, pay for service what the service is worth, pay for service what the time for preparation justifies. You should raise, if you are just, all your employees, and if you apply the rule of justice to those higher up, and the rule of justice to your Army and to your Navy, and to the postmasters, you would have a bill of over five hundred million increase.

What I am seeking to press is that you can not logically sustain the proposition of segregating these producers of minimum value, these least efficient and least serviceable, and put them up to $1,080, and disregard the rights of those of higher qualifications who are rendering much more valuable service to the country.

You can not pick these 50,000 and disregard the 175,000 in the Army. I believe they get $30 or $40 a month in the Army and not more in the Navy. Can the Senator from California tell me a reason why a messenger boy in one of the departments in Washington should have more than a sailor in the Navy, or more than a postmaster or assistant postmaster, or a clerk in a post office? The bill will produce discontent in the entire Government service if we make this distinction, and it will be just discontent. It would produce the discontent which comes from the consciousness that a class has been segregated for an increase without an increase commensurate for the service of others, that a class is segregated for an increase, and other classes are excluded from it.

It will produce discontent and disorganization in private employment. We can not carry such compensation into private employment for the least productive. We can not give it to the least productive without proportionately or greatly increasing the compensation of the more productive. It will produce discontent in the public service, and it will produce discontent in private occupations. It will invite strikes; it will invite discontent.

As I said, if the Senators who favor the bill will designate those who are entitled to more compensation and recognize others also who should receive increased compensation, I have not a word to say against such a policy. What I can not accept as sound in the bill is the arbitrary fixing of a minimum wage to only a class, excluding many more equally meritorious, excluding 175,000 soldiers worth more than some of these, excluding our sailors worth more than many of these, excluding those in the Postal Service worth more than many of these. The idea can not be carried out except upon a sentimental desire, an ethical purpose, which does not work out practically.

I understand there is a commission now engaged in studying the compensation of Government employees, and that we are going to have a report indicating a more just compensation, based upon the character of work done and the value of the services. To that bill I would give ready support.

As I intend to vote against the pending measure, I wished briefly to express the reasons that lead me to the conclusion that it ought not to be passed.

Mr. DIAL. Mr. President, the Senator from Georgia [Mr. SMITH] has so well presented the opposition to the bill that I do not deem it necessary to say very much. I was opposed to the bill when it came up before and I have not seen any reason since to change my mind. To my way of thinking the bill is unsound and there is nothing in it to cause one to advocate its passage. It is based upon a wrong principle. It is undemocratic. It would tend to bring about great dissatisfaction in the country. It is unjust, as the Senator from Georgia has said, to a great number of employees of the Government who would not be benefited by the bill.

It is wrong in principle for Congress to try in this way to legislate pay to fix compensation for the people. The bill treats all employees in a drove, as it were. That is contrary to the production of efficient service. It does away with the idea of employees excelling in their work, it does away with competition and with the rendering of the best service within one's power. The employees affected by the pending bill perform their duties mostly indoors. Theirs is not hard work. Their work does not require education nor skill. The lowest kind of intelligence can perform it. If we pass the bill we virtually say to everyone in the United States, "Unless your employer is willing to pay you $3 a day, you should not work." Many times we would like to employ the old or the decrepit or parties who are somewhat incapacitated and can not render a full day's service, but under the bill they are practically excluded from such employment. If they can not get work to do, the next thing for them to do is to go on the charity list. It is wrong to put all mankind in the same category in this way. As I said, each one should be induced to perform better service, if that could be done.

If the bill is passed it will not be two days before the news is heralded clear across the continent, and people in private occupation will say that the Congress has invited them to ask for greater pay and if they do not get it they will be dissatisfied with the positions they are occupying.

We know that in some little towns there are only two or three Government employees who might receive the additional or increased pay.

This fact will be heralded about town and all other employees in the town will know it, and if they can not get their pay increased in private employment they will feel that their employers are not treating them justly, and they will become dissatisfied with their labor and perhaps leave their positions.

I believe in paying everyone a just, fair, and reasonable compensation. It is impossible for us to legislate to meet changing conditions at all times. We will remember that about 12 months ago we were appropriating the public money to find employment for people. It was not six months after that until we could not find the people for the positions that were open. Even in my home town, a small place, pay for ordinary labor, such as plasterers and carpenters, went to the unheard of figure of something like $1.35 an hour. A short time ago that same labor was begging for positions at $2 a day. So it is unwise in us to try to legislate to meet the changing conditions from time to time. It is impossible to do it.

The bill is wrong in principle and establishes a wrong precedent. As the Senator from Georgia has said, the cost would be enormous. I have seen no provision in the bill whereby the money is to be raised, and no estimate of the amount needed. This is a democratic country, and we, the representatives of the people, have no right to pick out pets and to pay them salaries away out of proportion to the value of the services rendered,

and away beyond any salaries which the people who support the Government pay their employees for greater work than is done by the employees of the Government. We will bring the Government into ridicule.

The positions will be looked upon as soft snaps. We have no right to set a standard way beyond what the people of the country are able to meet.

I believe in being on the best of terms with labor. I believe in helping them better their condition. The term "living wage" never did appeal to me. People do not work just to live. They should be able to earn something more than a living, to save something; but when we get to paying ordinary labor, people who sit down in their chairs and have nothing to do except to point visitors to the next door—and we could get along with a vastly less number of them, by the way—when we pay them more than we pay people who are educated and who take a great interest in their work, then we are doing wrong, and we are encouraging dissatisfaction all over the country. We should want everyone to receive what is just and fair and reasonable. We should adopt a scale which would be on the same basis as that for similar employment in private life, and even to give them something more would not hurt. This bill, however, proposes at least to double, and perhaps to treble, in the case of Government employees the compensation received by people in similar employment outside the Government service.

I picked up a newspaper to-day which shows what wages farm labor is now receiving. I see that in the State of the Senator from California farm laborers are paid higher than they are anywhere else in the United States. What I shall now read may be interesting to the Senate. I read from the New York Times of yesterday, January 20, as follows:

The wages of hired men—

This article refers to men, not women and children.

The wages of hired men on farms have more than doubled in the last 10 years, tripled in the last 20 years, and were more than four times higher last year than they were in 1879. These changes are shown by statistics of the Department of Agriculture.

Wages paid by the month, without board, averaged $64.95 for the country as a whole last year; 10 years ago they averaged $27.50; and in 1879 they were $10.43.

Day labor at harvest time last year averaged $4.36 without board, and at other than harvest time, $3.59 Ten years ago harvest-time labor was paid $1.82, and at other than harvest time, $1.38. In 1894 harvest-time day labor was paid $1.13 and nonharvest-time labor 81 cents a day.

California and Nevada farmers paid their labor the highest prices for labor without board, the average in those States last year having been $107 a month. The lowest average was in Mississippi, where $41 was paid. The average for the country as on a whole was $64.95.

It is here proposed to pay Government employees who perform very little service, who sit indoors, who are not exposed to the elements, about double what men in the country upon the farms receive. In that employment they are engaged about 7½ hours a day, while on the farm the hours of labor are something like 14 hours a day during many months of the year.

Mr. President, we can all appreciate the feelings of the men who toil, who do work in reality, and who earn on the average only $64.95 as against the proposition to pay the beneficiaries of this bill nearly $100 a month.

Conditions as to labor and wages paid are much worse in the South, perhaps, than in other sections of the country. I do not like very well to expose our poverty there, but I have before me an article from a publication entitled "Commerce and Finance," from which I will ask that certain excerpts, appearing on page 131, be printed in the RECORD as a part of my remarks. The communication is signed by Mr. Coker, one of the best-known men in South Carolina, a member of the Federal Reserve Board at Richmond, who has made a calculation as to what a farmer in the cotton-producing States can earn a day. He figures out that a man, his wife, and three children engaged in farming in the South only earn $1.07 per day, figuring cotton at 15 cents a pound and the production as one bale per acre, which is practically twice the quantity that is raised per acre. Yet a man, his wife, and three children will net only $1.07 a day as wages, in addition to some potatoes or a little cabbage patch or something like that. I have marked the paragraphs which I desire to have inserted in my remarks, and ask that they be printed at this point.

The VICE PRESIDENT. Without objection, permission is granted.

The matter referred to is as follows:

THE COTTON PROBLEM—HOW CAN IT BE SOLVED?

[By D. R. Coker, of Hartsville, S. C. The writer of this article and his father before him are known to the entire fraternity of cotton producers and consumers as men who have been conspicuous as upbuilders in the South.—T. H. P.]

We believe that few outside of the South, and by no means all in the South, realize the distressing features of the present situation or are able to diagnose their effect upon the civilization of the South and the future of the cotton industry. A brief consideration of facts, however, will promptly convince everyone interested in the industry, whether in the North or the South, that there is no future for it at present prices, and that a continuation of present conditions would threaten the civilization of the South.

Government statistics show that the average production of lint cotton in the South is between one-third and four-tenths bales per acre, but in order to show how impossible the present situation is we are going to first discuss production figures under the ideal conditions of a bale per acre production at 15 cents—a price above the present market.

The bulk of the crop of the South is produced on a share-crop system, the most popular share contract in this section being one under which the land owner furnishes the land, buildings, planting seed, and fertilizer and the tenant furnishes the live stock, tools, and labor. Ginning and baling expenses are divided. Landlord and tenant divide the cotton equally, but the landlord receives all of the seed. Under this plan let us see what would be the returns to landlord and tenant on a 20-acre crop of cotton producing one bale per acre.

The farm will contain about 30 acres, including a little woodland and a few acres for corn and other minor crops. If the land is good enough to produce a bale per acre, a fair valuation for the farm including buildings will be between $6,000 and $10,000. A minimum charge for rent on the cotton land, therefore, to cover interest, repairs, and taxes would be not less than $25 per acre. The landlord expecting a bale of cotton per acre would buy not less than $20 worth of fertilizer per acre for the cotton, and, as he must exercise supervision over his croppers, a charge of $5 per acre for supervision should be made. The total of these expenses is $50 per acre. His returns will be one-half bale of cotton at 15 cents, $37.50; seed, $10; total, $47.50, less one-half ginning, $3; net income, $44.50 per acre. These figures show a net loss to the landowner of $5.50 per acre. Some may object to the charging of rent and supervision to crop expenses. To this we answer that these are necessary preliminary expenses for crop production without which capital can not be secured.

To make this crop the tenant furnishes a mule and feed costing per year $125; depreciation on implements, taxes, etc., $25; hire for picking 10 bales of cotton, $150; one-half ginning, $60; total, $360, besides the labor of himself, wife, and three children.

Receipts from 10 bales of cotton at 15 cents per pound	$750
Expenses besides labor of family	360
Balance	390

Divide this amount by 365 and you get the magnificent sum of $1.07 per day with which the tenant must purchase clothing, shoes, and household equipment and must supply a large part of the food for the family, and besides must pay the doctor and the preacher if they are paid. It is true that the tenant raises some corn, a few vegetables, and sometimes has a pig or a few chickens. The pitiful poverty under which most of them live, however, keeps them moving from place to place, the average term of farm tenancy being about two years, and it is the exception rather than the rule for the tenant to have any livestock besides his mule or any poultry.

Please note that with cotton at 15 cents per pound, $1.07 is the maximum amount that a tenant can receive for the labor of himself, his wife, and three children in producing the ideal yield of 1 bale of cotton per acre on 20 acres, and this is a larger acreage than the average one-horse crop in this section and must be further curtailed this year. The item for picking 10 bales is absolutely necessary, for the tenant and his family can not gather more than half the crop in time to prevent serious deterioration of the grade.

Please remember that the average production in the South is less than four-tenths bale per acre. The production in this State, however, for the past year has slightly exceeded one-half bale per acre. Based on one-half bale production, the tenant farmer's expenses would be reduced by the item of picking, $150, and half of the ginning, $30, making his expenses $180 instead of $360. He would receive for his half share of 10 bales, $375, leaving $185, or 51 cents per day for the sustenance of his family. But at least half the tenant farmers make less than one-half bale per acre in South Carolina or less than one-third bale per acre in the rest of the cotton belt except in North Carolina. How can these people keep body and soul together, much less maintain a decent standard of citizenship, if cotton does not advance materially?

Mr. DIAL. I repeat that the writer of the article bases his figures on the basis of a bale of cotton to the acre, whereas the average is only about four-tenths of a bale at the present time. That shows the great injustice which would be placed upon a large population in this country by the enactment of a bill such as that now pending.

Mr. President, I have not the figures before me, but I venture the assertion that many lawyers in the United States do not average $1,000 a year. I am satisfied that the ministers in the United States as a whole do not average $1,000 a year. I have figures before me which show that in 1918 the average salary of teachers for all cities in the United States was $854 a year. That is the average for the cities and not of the country districts, where the average is less. The Senator from Georgia [Mr. SMITH] said, I believe, that the teachers of the country received an average salary of $600 a year. I have not verified that statement, but no doubt he is correct. I have, however, the figures to which I have referred, furnished by the Bureau of Education, which show that the teachers of this country, who are trying to lead our children in the way they should go, who are educated and trained for their work, receive on the average the pitiful sum of $834 each a year, while in this bill it is proposed to pay a low class of labor $1,080 a year minimum. It would be enough to cause an uprising in the country if any such legislation should be adopted.

I saw a statement some time ago to the effect that ministers in Georgia—and I do not think they are any better off in South Carolina—only receive, according to my recollection, $760 a year.

So, Mr. President, I feel that this is far-reaching legislation; it is wrong in principle; it would be wrong in practice; and it would cause more disturbance and dissatisfaction in this country than any law we could well pass. I feel this is no time to put it on the statute books, and I hope that it will be rejected. Now is no time to increase the expenses of this country. When we think of the great decline in business and prices which has come upon the country and how rapidly it has come and how far it has gone, it is plain that the people are in no position to have piled upon them taxes beyond their endurance. We read of business failures throughout the country every day; a great many people have become bankrupt; some are even committing suicide because they are not able to meet their obligations. We, as their representatives, should pay heed to their condition. We should act so as to set an example here that may be followed all over the country and should pass no law of which we would be ashamed and which would impose a burden upon the great mass of the taxpayers of the country.

This bill would discount education and place a premium on ignorance. It is against public policy.

DEATH OF REPRESENTATIVE CHARLES F. BOOHER.

Mr. REED. Mr. President, I have the painful duty to perform of announcing to the Senate the death of Representative CHARLES F. BOOHER, of the fourth Missouri district. The official announcement has not come from the House of Representatives, and I would await it but for the fact that the funeral service is to be held in the State of Missouri at so early a date that it is necessary for the Members of Congress who shall be assigned to attend the funeral to leave at 6 o'clock this evening.

Mr. President, CHARLES F. BOOHER has been for many years a distinguished Member of the House of Representatives. He was a man of the highest character, of unimpeachable integrity, and of rare courage. There was no public duty which he ever hesitated to perform, with an eye single to the public interest and with a total disregard of his own personal fortunes. He was beloved by the people of his district and of his State. He was a typical American Representative and of the best type.

Mr. President, I ask for the adoption of the resolutions which I send to the desk.

The VICE PRESIDENT. The resolutions will be read.

The resolutions (S. Res. 431) were read, considered by unanimous consent, and unanimously agreed to, as follows:

Resolved, That the Senate has heard with profound sorrow the announcement of the death of Hon. CHARLES F. BOOHER, late a Representative from the State of Missouri.

Resolved, That a committee of six Senators be appointed by the Vice President, to join the committee appointed by the House of Representatives, to take order for the superintending of the funeral of Mr. BOOHER at Savannah, Mo.

Resolved, That the Secretary communicate a copy of these resolutions to the House of Representatives.

The VICE PRESIDENT appointed as the committee on the part of the Senate, Mr. REED, Mr. SPENCER, Mr. TRAMMELL, Mr. FERNALD, Mr. DIAL, and Mr. CAPPER.

Mr. REED. As a further mark of respect to the memory of the deceased Representative, I move that the Senate take a recess until to-morrow, January 22, at noon.

The motion was unanimously agreed to; and (at 4 o'clock and 30 minutes p. m.) the Senate took a recess until to-morrow, Saturday, January 22, 1921, at 12 o'clock meridian.

HOUSE OF REPRESENTATIVES.

FRIDAY, *January 21, 1921.*

The House met at 12 o'clock noon.

Rev. James Shera Montgomery, D. D., pastor of Calvary Methodist Church, Washington, D. C., offered the following prayer:

Almighty God, lead us into all constructive truth; deliver us from all destructive ignorance; illumine our minds so that our characters shall be the direct offsprings of our understanding. Grant that the Angel of Peace and the Angel of Mercy abide around about the fireside of the one who is stricken to-day, and may our citizens everywhere deal justly, love mercy, and walk humbly with their God. Through Jesus Christ our Lord. Amen.

The Journal of yesterday's proceedings was read and approved.

COUNTING THE ELECTORAL VOTES.

Mr. ANDREWS of Nebraska. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk Senate concurrent resolution No. 38 for immediate consideration.

The SPEAKER. The gentleman from Nebraska asks unanimous consent for the immediate consideration of a Senate concurrent resolution, which the Clerk will report.

The Clerk read as follows:

Senate concurrent resolution 38.

Resolved by the Senate (the House of Representatives concurring), That the two Houses of Congress shall assemble in the Hall of the House of Representatives on Wednesday, the 9th day of February, 1921, at 1 o'clock in the afternoon, pursuant to the requirements of the Constitution and laws relating to the election of President and Vice President of the United States, and the President of the Senate shall be their presiding officer; that two tellers shall be previously appointed by the Vice President on the part of the Senate and two by the Speaker on the part of the House of Representatives, to whom shall be handed, as they are opened by the President of the Senate, all the certificates and papers purporting to be certificates of the electoral votes, which certificates and papers shall be opened, presented, and acted upon in the alphabetical order of the States, beginning with the letter A; and said tellers, having then read the same in the presence and hearing of the two Houses, shall make a list of the votes as they shall appear from the said certificates; and the votes having been ascertained and counted in manner and according to the rules by law provided, the result of same shall be delivered to the President of the Senate, who shall thereupon announce the state of the vote, which announcement shall be deemed a sufficient declaration of the persons, if any, elected President and Vice President of the United States, and, together with a list of the votes, be entered on the Journals of the two Houses.

The SPEAKER. Is there objection to its present consideration?

Mr. GARNER. Mr. Speaker, reserving the right to object, this is the usual resolution passed every four years?

Mr. ANDREWS of Nebraska. Yes.

Mr. GARD. Mr. Speaker, reserving the right to object, has this the approval of the minority members of the committee?

Mr. ANDREWS of Nebraska. I understand it is on the Speaker's desk, and has not been referred to the committee, but this is the usual course pursued in calling it up.

Mr. MONDELL. Mr. Speaker, I will say to the gentleman from Ohio that the only reason why the resolution has not been called up earlier is that the chairman of the committee to which it would be referred if it were referred has been ill and is still ill, and the gentleman from Nebraska calls it up in his stead.

Mr. BLANTON. May I suggest the minority could not lose any right by it anyway?

The SPEAKER. Is there objection? [After a pause.] The Chair hears none. The Clerk will report the resolution.

The resolution was again reported.

The question was taken, and the concurrent resolution was agreed to.

On motion of Mr. ANDREWS of Nebraska, a motion to reconsider the vote by which the concurrent resolution was agreed to was laid on the table.

AGRICULTURAL APPROPRIATION BILL.

Mr. ANDERSON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 15812) making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1922.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 15812, the Agricultural appropriation bill, with Mr. HICKS in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 15812, the Agricultural appropriation bill, which the Clerk will report.

The Clerk read as follows:

A bill (H. R. 15812) making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1922.

Mr. ANDERSON. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. Is there objection? [After a pause.] The Chair hears none.

Mr. ANDERSON. Mr. Chairman [applause], I ask to be notified when I have consumed 30 minutes.

Mr. Chairman and gentlemen of the committee, the subcommittee which considered the appropriations for the Department of Agriculture worked under rather unusual and extraordinary difficulties. In the first place we could not be unmindful of the general financial condition of the Government and the urgent necessity of economy in every direction where economy was possible. We could not be unmindful of the fact that the country has a very large floating indebtedness which it is necessary to reduce as fast as possible, and that the general necessity of economy must be reflected, to some extent at least, in the Agricultural appropriation bill. There were those who took the position that agriculture might be considered outside of