

A BRITISH VIEW OF THE STEEL CORPORATION

BY T. GOOD

THE iron and steel industry, from mining the ore to putting the finest wire in a musical instrument, or from smelting the pig-iron to building a huge ship and her engines, constitutes a group of the most interesting and highly skilled occupations mankind has yet indulged in, and is, next to agriculture, the world's most important productive industry. Even in the United Kingdom, so famed for its cotton and woollen trades, the metal group of industries beat the textile group at the last census (1901), measured by the number of persons employed; while in wages paid, in skill required and displayed, in capital invested, in value of goods produced, and in general economic importance, iron stands out above all other manufacturing trades. So it is in America and Germany, and the world's demand for iron products seems to increase more rapidly than its demand for any other class of commodities. When, therefore, we find one country (the United States) producing more iron and steel than any other two or three countries; when we find the actual productive capacity of this country equal to that of the next three or four countries combined, and being still further increased; and when we find one company (the United States Steel Corporation) aiming, apparently, at a monopoly of the entire iron and steel industry of this great country, and actually controlling half the trade and owning half the capacity of production, the progress, position, and prospects of this huge and ambitious

corporation become matters of high national and international concern. At any rate, no apology need be offered for presenting a brief review and criticism of the American steel trade in general, and of the big Steel Trust in particular, from a purely British point of view.

Let us take a glance backward. The history of the iron trade, especially in America, is marked almost throughout by violent fluctuations in demand and supply, in prices and profits, with all their accompanying hardships inflicted upon labor and capital, upon workmen and manufacturers, to say nothing of the losses and inconveniences of consumers. The fits and starts and panics which have characterized the iron industry may have yielded fortunes for the few, but they have imposed miseries upon the many. The need of some means or method by which such fluctuations might be moderated was long and keenly felt. For this reason, if for no other, the aims and objects of the organizers of the Steel Trust merit sympathetic consideration. To have brought every phase of steel production, from mining raw ore to selling the finished goods, under a single management; carefully to have regulated prices and business; to have economized mining, transit, and manufacturing costs; to have given fair dividends to investors, fair wages and regular employment to workmen; and to have developed the great natural resources, and expanded the industry and commerce, of the vast United States —

all this would have been beneficent work as well as good business, if successfully accomplished.

But by what methods have the directors of the Steel Trust sought to attain their objects, and what are the results of their policy? Since the Steel Trust began business, ten years ago, much new capital has been attracted to the American iron and steel industry, many new furnaces and mills have been erected, output has been largely increased, prices have never been put to an extremely high, or permitted to fall to an extremely low, level; during the great pressure of 1901 and 1902 the Trust directors refused to put prices as high as they might have done, and in the depression following October, 1907, they as resolutely refused to reduce prices to panic figures. The directors have endeavored, with some show of success, to have a price-maintenance understanding with their independent rivals at home. They are now trying to cultivate coöperation with their competitors abroad. We may give the Trust and its directors full credit for all this; but we cannot refrain from looking at the other side of the picture.

It may be recalled that the United States iron and steel industry, with all its faults and defects, prospered and progressed before the advent of the Steel Trust. Fresh capital was invested, new furnaces were erected, production was increased, wages went up and manufacturing costs went down, mechanical efficiency reached a high pitch, and the American steel trade became the wonder of the world, before the Steel Trust was organized. In the closing years of the nineteenth century, pig-iron was produced, and steel was manufactured, in the United States, at a speed, on a scale, with an efficiency and an economy which had never been equaled—certainly never surpassed—in the history of the trade in any other

country. European iron- and steel-makers became alarmed. One of the greatest English authorities said that there seemed to be nothing to prevent America from flooding the world's markets with cheap steel. One of the greatest American authorities boldly declared that the United States would annex the world's export trade in iron and steel. So alarmed were we in England that one of our leading public men cried out that our only hope of salvation lay in becoming an American colony. It was roundly asserted that the United States possessed such inexhaustible natural resources, such cheap transit, such manufacturing competency, and such business ability, that we in the old country could not hope to withstand American competition.

Financially, industrially, and commercially, the United States iron and steel trade took almost giant strides before the Steel Trust was born. In three years—between 1897 and 1900—American exports of iron and steel went up by very nearly one hundred per cent, and it seemed, indeed, that America was destined to annex the world's trade. Such was the position, and such were the prospects, prior to the organization of the Steel Trust. What is the position, and what are the prospects to-day, after ten years of Steel Trust operations?

Briefly, the facts are these: Britain and Germany, between them, are doing in tonnage six times as much, and in value eight times as much, business in the exportation of iron and steel products as the United States, although their combined productive capacity is considerably less than that of the latter. Although America has furnaces and rolling mills enough to undertake about nine tenths of the world's export trade, in addition to supplying her own wants, she is content with about one tenth of the total. There is a world's export

trade in iron and steel amounting to something like 14,000,000 tons a year. Of that total, America claims only one and a half million tons — America, with an iron-and-steel-works capacity almost equal to that of all other countries put together — America, who ten years ago boasted the greatest natural resources and lowest manufacturing costs of any iron country.

Since the Steel Trust was organized, for every dollar's worth of American iron and steel sold in neutral markets, there has been sold a sovereign's worth of British iron and steel. And our American friends can no longer offer the explanation, or excuse, that they are too busy meeting home demands to trouble about foreign business. Never since October, 1907, have the United States steel-producers been anything like adequately employed on home account. Tens and even hundreds of millions of dollars' worth of plant and machinery have been standing idle in the American iron and steel industry for three and a half years — not obsolete plant and machinery, but huge, costly, up-to-date furnaces and steel mills. To-day, the United States has an iron and steel capacity unemployed nearly equal to the entire working capacity of the United Kingdom.

Nowhere within the four corners of the United States is there the shadow of a sign of a demand equal to the full employment of the works in that country. Productive capacity has been pushed millions and millions of tons beyond consumptive requirements. Yet no effort is made to find full employment by exportation. There is plenty of export trade to be had. The world's export trade is available for the strongest competitor — in other words, for the country which can produce and sell cheapest. Who would have believed, ten years ago, that we should ever have the spectacle of one third of

America's furnaces — one third of a 33,000,000-ton annual capacity, measured in terms of pig-iron — standing idle month after month, while alleged played-out Britain, and despised Germany, worked practically at full capacity and exported between them nearly 10,000,000 tons of iron and steel in a year? Ten or twelve years ago there seemed to be every prospect that America would take first place in the steel exportation business as well as in point of production. But America remains, and is likely to remain, a bad third in the international race. Why is this so?

Is it not remarkable that the prestige, powers, and prospects of the United States in the international steel trade have diminished during the decade which has elapsed since the Steel Trust was organized? In no important group of industries in any country have the costs of production gone up so rapidly and substantially these last ten or twelve years as in the United States iron and steel trades. It is this increase in costs which has impaired, if not destroyed, America's chances of dominating the world's steel trade. And this increase in costs has coincided with the operations of the Steel Trust.

It would not be fair, perhaps, to charge the Steel Trust with all the mischief; but that a very large proportion of the increased costs of production is due to the policy of the Trust admits of no manner of doubt or question. It is, indeed, a demonstrable fact that the Trust has done more harm than good from an American point of view; that it has burdened and handicapped the United States steel trade, and, incidentally, given Britain, Germany, and other countries, a better chance in the race. Last year, 1910, British iron and steel exports were further in advance of those of America than they were in 1900, the year be-

fore the Steel Trust got down to business; while German exports, which were about 30 per cent below those of the United States in 1900, are now something like 300 per cent above them. Here are the bald figures:—

IRON AND STEEL EXPORTS FROM

	UNITED STATES	UNITED KINGDOM	GER- MANY <i>Tons (metric)</i>
	<i>Tons</i>	<i>Tons</i>	
1900 . . .	1,154,000	3,213,000	838,000
1910 . . .	1,535,000	4,594,000	4,868,000

While in Britain and Germany the actual costs of producing iron and steel goods are no higher now than they were ten or twelve years ago, in the United States they are very much higher. For example, in 1899 it was calculated that steel-making pig-iron was produced in the United States five dollars per ton cheaper than in England, and that standard steel rails were manufactured seven dollars per ton cheaper there than in the old country. Before the Steel Trust was organized, the cost of producing pig-iron had been got down as low as eight dollars per ton, and American costs all along the line, from mining ore to rolling rails, plates, and structural materials, were at a level which defied British competition; and if America's productive capacity had been sufficiently in advance of her domestic requirements she would, no doubt, have beaten our country in the exportation business.

At that time United States costs were low enough, but the furnaces and mills were not numerous enough, to enable that country to indulge in a big export trade. Now that America has any amount of furnaces and mills in excess of home demands,—enough idle plants to do nearly the whole of the world's export trade,—she finds her manufacturing costs so far above those of her British and German rivals that she cannot obtain more

than a very small amount of export business, and so, perforce, her costly plants must stand unemployed. Between two and three years ago, in their evidence before the Ways and Means Committee, leading American iron and steel producers had to admit that within ten years—namely, between 1899 and 1908—the cost of making pig-iron for the steel mills had increased from about eight to fourteen dollars a ton; the cost of rail-manufacture, despite mechanical improvements, had advanced more than five dollars per ton; and that of other steel products in proportion. How is this?

The Steel Trust directors, in their efforts to absorb all the best plants in the United States, paid extravagant prices for some of them. They piled upon their industry an enormous load of bonds. They tried to buy, or lease, all the best iron-ore reserves in the country; and their efforts in that direction resulted in mining royalties being forced to a ridiculous height. They boasted of their huge profits, and that created an unanswerable demand for artificially high wages and salaries. From the moment that the Steel Trust got to work, the American iron and steel industry was diverted from natural to unnatural developments; costs and prices of raw materials were inflated, progress toward economy was arrested, retrogression set in, and America's rosy chances of annexing the world's export trade were shattered. The Steel Trust, while spending large amounts of money on new plants and extensions, preparing for the conduct of an almost fabulous business, at the same time forced up capital charges, rents, royalties, costs of raw material, wages, and general manufacturing expenses, to such a height as to render a big, or profitable, export business in competition with other countries impossible.

Thus it comes about that the Steel Trust has justified neither the hopes that it raised at home, nor the fears it inspired abroad. It has not strengthened the American iron and steel industry. It has done nothing to increase the United States' share of the world's business. It has in no way reduced British exports, or prevented the growth of those of Germany. The Trust has not secured a monopoly in its own country, in respect either of manufacturing plants or supplies of raw material. Contrary to all the high anticipations and loud boastings with which it was launched, it has proved neither a strong competitor in the world's mar-

kets, nor even a good dividend-earner for its shareholders. Spread over the full ten years of its existence, its Common and Preferred shareholders, between them, have had only an average of four and a half per cent per annum on their capital. A considerable proportion of the profits realized has gone in building new plants which are not required; and now, with manufacturing costs so much higher, and selling prices so much lower, than in the early years, — with the real profits of the Trust, both per ton of work and per unit of capital, diminishing, — there is no prospect of this concern paying large dividends in the future.

THE HIT-AND-MISS METHOD OF NATURE

BY JOHN BURROUGHS

THE method of nature seems to be an all-around-the-horizon one, without specific direction or discrimination. Or we may say that, whereas man's activity is in right lines toward definite predetermined ends, nature's activity is in circles; her impetus goes out in all directions, so that she is sure, sooner or later, to reach her goal, because she covers all the ground. This method involves delay, waste, failures, — or what would be such to ourselves, but are a matter of indifference to the Infinite. Man plans and builds and plants by method, order, system; he has eyes to see, and hands to guide, and wit to devise; nature builds and plants blindly, haphazard, all around the circle; her hand-maidens are industrious but undirected.

See the jays, the crows, the squirrels, planting acorns and chestnuts here and there, in the grass or amid the leaves, thinking only of their own wants, and not knowing that they are the gardeners of nature. The seeds of many plants are deftly concealed in tempting fruit which some creature will eat, and thus the hard-coated seeds will get disseminated. How many apple trees and red-thorn trees the cow plants; the seeds which her teeth do not crush escape from her body and are planted. It is a chance hit, but nature takes it, and wins often enough for her purpose. The seeds which the winds carry travel to all points of the compass and fall blindly here and there; a hundred or a thousand fail where one finds the spot it

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