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ECONOMIC REPORT



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JOINT COMMITTEE ON THE ECONOMIC REPORT

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JANUARY 23, 1950.

LETTER OF TRANSMITTAL

TO MEMBERS OF THE JOINT COMMITTEE ON THE ECONOMIC REPORT:

The steel industry is basic to the American economy. Decisions made by steel executives on production, on expansion of facilities, and on prices have a profound effect on the entire Nation. Indeed, the strategic importance of steel makes it essential that steel management exercise a high degree of statesmanship in its policy judgments. The decision of the United States Steel Corp. to raise domestic prices and to reduce certain export prices as of December 16, 1949, has many consequences of importance to the American people, particularly since the decision was generally followed by a similar action of the other major domestic steel producers. The Joint Committee on the Economic Report is studying the factors involved in this action and its effect on the economy.

To assist this committee in its consideration of steel prices, the Legislative Reference Service of the Library of Congress has, at my request, prepared the following collection of pertinent basic factual material on steel prices and the steel industry. The committee acknowledges its appreciation to Dr. Ernest S. Griffith, Director of the Legislative Reference Service, for making available the services of Julius W. Allen to prepare the materials for this report. It also thanks the Federal Trade Commission, the Department of Commerce, and the Department of Labor for their assistance in supplying information.

The materials presented here do not necessarily represent the views of the committee, of its individual members, or of its staff.

JOSEPH C. O'MAHONEY,
Chairman, Joint Committee on the Economic Report.

I. THE IMPORTANCE OF THE STEEL INDUSTRY IN THE AMERICAN ECONOMY

CURRENT SIZE OF THE INDUSTRY

The steel industry of the United States is the largest producer of steel in the world. In 1949 the United States produced 77.6 million net tons of steel ingots and castings, or over 46 percent of the world total. The second largest producer, the U. S. S. R., is estimated to have produced about 20,000,000 net tons, or under 12 percent of the world total. Complete data on world production of steel ingots and castings are shown in table 1.

TABLE 1.—World production, steel ingot and castings output

(By countries, net tons)

	1949 ¹	1948	1947	1946	1945	1944	1943	1942
World total.....	167,431,000	167,356,400	147,200,111	120,881,060	120,583,828	163,586,576	174,888,688	167,849,275
United States.....	77,600,000	88,640,470	84,894,071	66,602,724	79,701,648	89,641,600	88,836,512	86,031,931
Canada.....	3,350,000	3,198,720	2,945,936	2,334,640	2,877,952	3,016,160	3,004,176	3,109,904
Great Britain.....	17,360,000	16,662,240	14,250,880	14,218,736	13,244,000	13,599,264	14,594,720	14,494,704
France ²	9,900,000	7,972,970	6,317,766	4,358,000	1,831,200	3,407,600	5,650,400	4,944,800
Saar.....	1,935,000	1,346,644	780,216	(3)	(3)	(3)	(3)	(3)
Belgium.....	4,300,000	4,316,534	3,179,270	2,517,200	812,000	685,440	1,841,280	1,518,720
Luxemburg.....	2,615,000	2,704,303	1,887,726	1,426,096	291,200	1,398,544	2,379,440	1,729,168
Italy.....	2,235,000	2,341,750	1,874,502	1,270,640	436,800	1,130,752	1,903,328	2,131,360
Spain.....	710,000	625,936	596,182	660,800	616,000	700,000	728,000	660,800
Sweden.....	1,495,000	1,384,320	1,312,482	1,324,624	1,316,000	1,316,000	1,344,000	1,355,200
Germany ³	10,450,000	6,323,276	3,490,034	3,318,448	1,705,984	20,187,888	22,877,008	22,570,576
Austria.....	880,000	714,096	394,516	206,080	189,504	1,116,416	1,160,992	988,736
Czechoslovakia.....	3,200,000	2,920,300	2,519,172	1,842,624	1,047,200	2,802,576	2,770,656	2,570,064
Poland.....	2,250,000	2,071,760	1,740,058	1,344,000	545,552	2,149,056	2,689,120	2,304,736
Hungary.....	800,000	771,400	662,302	392,000	141,904	573,888	855,680	864,628
Russia ⁴	20,000,000	18,153,000	14,300,000	13,440,000	10,080,000	8,960,000	8,960,000	8,960,000
Japan ⁵	3,000,000	1,895,040	1,070,042	700,000	1,173,700	8,090,168	10,061,968	8,704,192
India.....	1,500,000	1,350,000	1,389,732	1,457,120	1,515,136	1,533,168	1,570,464	1,504,496
Australia.....	1,100,000	1,424,640	1,511,328	1,124,144	1,573,600	1,784,048	1,912,064	1,903,776
South Africa.....	715,000	658,986	658,896	558,184	588,448	533,008	460,880	381,584
Brazil.....	578,000	508,000	426,900	378,015	226,530	241,235	202,758	175,576
Mexico.....	385,000	295,000	353,100	276,100	211,200	199,320	194,040	104,280
Miscellaneous.....	1,063,000	1,047,000	645,000	633,885	458,270	511,445	891,202	840,144

¹ Estimated.

² Without Alsace Lorraine until 1945.

³ Included in Germany.

⁴ All occupied zones of Germany proper since September 1945, but without Saar from 1947.

⁵ Including Korea and Manchuria until July 1945.

Source: Steel (magazine), Jan. 2, 1950.

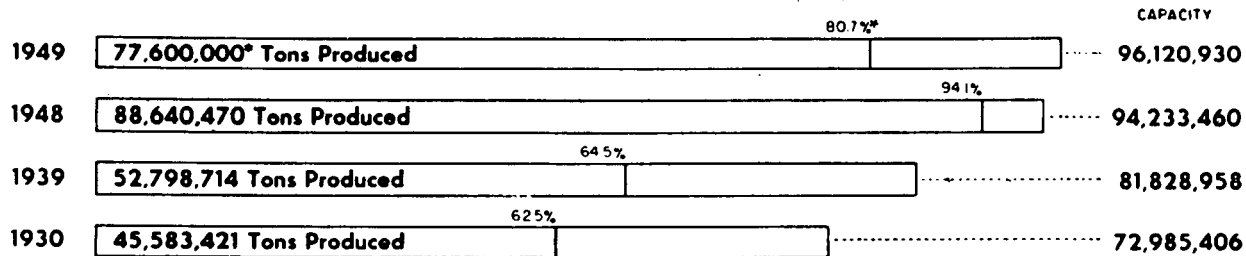
The steel industry is also the largest manufacturing industry in this country. In 1948 the steel industry broke all records for peacetime production, with a total production of steel ingots and steel for castings of 88.6 million tons, or 94.1 percent of total capacity of 94.2 million tons. In 1949 production dropped to 77.6 million tons or 80.7 percent of an increased capacity, totaling 96.1 million tons. The steel strike in the last quarter of 1949 of course was a major factor in preventing 1949 production from more nearly approaching that of 1948. Nevertheless, 1949 steel production was the third

CHART 1



Production and Capacity

Steel Ingots and Steel for Castings—Net Tons



highest of any peacetime year. Production as a percent of capacity has fluctuated violently in the past. In 1932 production was less than 20 percent of steel capacity of that date. The trend in capacity and production from 1930 to date is shown in table 2.

TABLE 2.—Annual steel capacity and production by processes

	Open-hearth		Bessemer		Crucible		
	Capacity	Production	Capacity	Production	Capacity	Production	
1949.....	84,817,040		5,191,000			20	(1)
1948.....	83,610,690	79,340,157	5,226,000	4,243,172		20	(1)
1947.....	81,010,990	76,873,793	5,154,000	4,232,543		20	(1)
1946.....	81,236,250	60,711,963	5,154,000	3,327,737		20	(1)
1945.....	84,171,590	71,939,602	5,874,000	4,305,318	3,800		24
1944.....	82,223,610	80,363,953	6,074,000	5,039,923	3,800		25
1943.....	79,180,880	78,621,804	6,553,000	5,625,492	3,800		146
1942.....	78,107,260	76,501,957	6,721,400	5,553,424	3,800		2,010
1941.....	74,565,510	74,389,619	6,996,520	5,578,071	3,942		2,313
1940.....	73,721,592	61,573,083	6,009,920	3,708,573	5,354		1,024
1939.....	72,959,638	48,409,800	7,138,880	3,358,916	5,354		931
1938.....	71,472,370	29,080,016	7,212,800	2,106,340	9,610		7
1937.....	69,725,736	51,824,979	7,084,000	3,863,918	11,850		1,046
1936.....	68,946,829	48,760,463	8,058,400	3,873,472	11,850		914
1935.....	68,544,310	34,401,280	8,842,400	3,175,235	11,850		719
1934.....	68,222,445	26,354,838	8,842,400	2,421,840	18,704		595
1933.....	68,241,286	22,827,473	8,872,668	2,720,246	23,684		763
1932.....	68,176,102	13,336,210	9,072,420	1,715,925	24,725		722
1931.....	66,642,430	25,210,714	9,080,820	3,386,259	30,891		1,733
1930.....	61,884,894	39,255,073	9,608,407	5,639,714	33,523		2,523

	Electric		Total		Percent of capacity
	Capacity	Production	Capacity	Production	
1949.....	6,112,870		96,120,930	377,600,000	80.7
1948.....	5,396,750	5,057,141	94,233,460	38,640,470	94.1
1947.....	5,076,240	3,787,735	91,241,250	84,894,071	93.0
1946.....	5,500,290	2,563,024	91,890,560	66,602,724	72.5
1945.....	5,455,890	3,456,704	95,505,280	79,701,648	83.5
1944.....	5,350,880	4,237,699	93,652,290	89,641,600	95.5
1943.....	4,554,980	4,589,070	90,292,660	88,836,512	98.1
1942.....	3,737,510	3,974,540	88,569,970	86,031,931	96.8
1941.....	2,586,320	2,869,256	84,152,292	82,839,259	97.3
1940.....	1,882,630	1,700,006	81,610,496	66,982,686	82.1
1939.....	1,725,086	1,029,067	81,828,958	52,798,714	64.5
1938.....	1,490,858	565,627	80,185,638	31,751,990	39.6
1937.....	1,326,788	947,002	78,148,374	56,636,945	72.5
1936.....	1,147,221	865,150	78,164,300	53,499,999	68.4
1935.....	1,053,370	606,471	78,451,930	38,183,705	48.7
1934.....	1,044,867	404,651	78,128,416	29,181,924	37.4
1933.....	1,476,765	471,747	78,614,403	26,020,229	33.1
1932.....	1,507,666	270,044	78,780,913	15,322,901	19.5
1931.....	1,503,662	460,255	77,257,803	29,058,961	37.6
1930.....	1,458,582	686,111	72,985,406	45,583,421	62.5

¹ Included with electric steel.

² Estimated by Steel.

Source: American Iron and Steel Institute, in Steel, Jan. 2, 1950.

In 1948 the steel industry employed directly 635,600 persons on the average, and an all-time high was reached in February 1949 when average employment was 652,800. Pay rolls totaled \$2,234,461,000 in 1948 and were running at slightly higher rates during the first 9 months of 1949. Pay rolls were 2.6 percent higher in the first 9 months of 1949 than they were for the first 9 months of 1948. Sales also reached a record high of \$24,134,000,000 in 1948 and were only slightly less, totaling an estimated \$22,157,000,000, in 1949. In 1947

there were 755 plants in the iron and steel industry.¹ Steel-finishing plants alone are located in 29 States, centered principally in Pennsylvania, Ohio, Illinois, and Indiana.

DIRECT USERS OF STEEL

The steel industry is the foundation upon which virtually the entire industrial economy is based. There appear to be at least 30,000 direct customers of steel from steel mills. An estimated 25,400 makers of machinery and other industrial and business equipment are customers of the steel companies, with 12,900 manufacturers of other articles made from iron and steel products. This total of 38,300 establishments served by the steel industry is reported by the United States Department of Commerce. The number of establishments processing iron and steel was 33,600 in 1946, or 13,200 larger than in 1939, according to the Department of Commerce. This number includes customers of warehouses as well as direct mill customers, and is only slightly larger than the above estimate of direct mill customers, owing to the fact that some mill customers and many warehouse customers are not processors. Indirect customers, buying from warehouses or distributors, are many times as numerous as direct customers. They are estimated at several hundred thousand, consisting mainly of small manufacturers and builders. One large steel warehouse firm alone estimates that it serves 50,000 customers.

INVESTMENT IN THE STEEL INDUSTRY

The ownership of the total investment in the steel industry, amounting to about \$4,500,000,000 can be described, as of 1946, as follows:

Sixty percent of the common and preferred stock of companies in the steel industry were owned by 468,200 individuals (235,700 men and 232,500 women). The remaining 40 percent was held by 47,900 institutions, businesses and other groups. Of this, 40 percent, 31 percent was owned by partnerships, corporations, investment trusts and other businesses, and 9 percent was held by institutions, including insurance companies, hospitals, colleges, churches, foundations, and estates.

USE OF STEEL IN THE UNITED STATES

The amounts of steel produced and in use in this country are practically beyond comprehension. More than 2 billion tons of steel have been made in this country in the last 75 years. The total amount of steel currently in use is estimated at more than 1½ billion tons, or about 23,400 pounds in use for every man, woman, and child in the country. This amount has been growing steadily. In 1900 the per capita use was estimated at 2,600 pounds; by 1930 it had increased to 15,940 pounds; now the amount is nearly 10 times the amount per capita that it was in 1900. In fact, during the first half of this century, the amount of steel in use has increased more than 400 pounds per person, on the average. New uses are constantly being developed.

In the borough of Manhattan in New York City, alone, it is estimated that the buildings contain 23,000,000 tons of steel, while 1.2

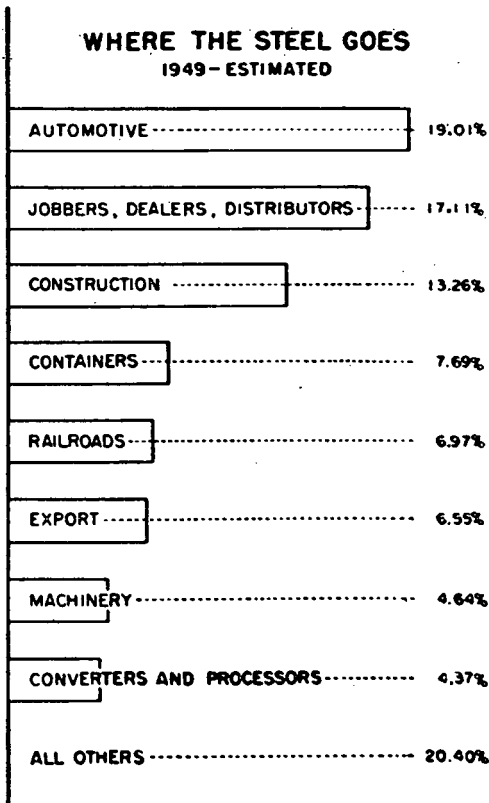
¹ Census Bureau classification of blast furnaces, steel works and rolling mills, steel foundries, and iron and steel forgings.

million more tons are in bridges, tunnels, subways and elevated structures.

Farmers purchase about 1,000,000 tons annually for barbed wire and fencing, farm implements, tractors, tools, and construction of farm buildings. This does not include the amount used in automobiles, household goods, and other articles purchased by farmers for personal use.

It is estimated that there are about 20,000,000 tons of steel rails in use in the United States at present. It may also be noted that it is

CHART 2



estimated that one-sixth of all railroad freight consists of materials shipped to steel plants or steel products shipped from them.

It has been estimated that in 1949 about 19 percent of the steel produced went into automobiles, while the construction industry was the second largest steel buyer, taking about 13 percent of total output. Railroads, which formerly were the No. 1 users of steel, took about 7 percent. Manufacturers of containers, principally tin-can manufacturers, took almost 8 percent, while the farm market used more than 2 percent of all the steel produced. Machinery makers took about 5 percent and another 5 percent went to manufacturers of appliances, utensils, cutlery, and other equipment. About 6½ percent was exported. The rest of the steel sold, about a third of the

total, goes into such a wide variety of products that it is difficult to determine just how much goes to each user. The following table shows how finished steel was distributed in 1946 through 1949:

TABLE 3.—*Finished steel distribution, by market classifications*

[All grades, net tons]

	1949 ¹	1948	1947	1946
Automotive.....	11,015,585	10,220,982	9,273,363	6,557,199
Jobbers, dealers, distributors.....	9,896,981	11,405,749	10,484,144	9,304,817
Construction, including maintenance.....	7,684,327	7,277,018	6,657,205	4,973,111
Containers.....	4,453,642	5,302,373	5,076,170	4,255,287
Rail transportation.....	4,023,831	5,225,535	4,879,879	3,806,746
Export.....	3,801,403	3,244,888	4,206,692	3,026,771
Machinery, industrial equipment, and tools.....	2,681,633	3,188,718	3,031,719	2,415,517
Converters and processors.....	2,519,410	3,348,414	2,772,163	1,882,561
Contractors' products.....	2,070,207	2,507,977	2,243,399	1,618,739
Unclassified.....	1,501,277	3,577,695	4,660,795	3,549,461
Agricultural.....	1,437,026	1,426,943	1,244,548	1,030,335
Other domestic and commercial equipment.....	1,270,702	1,713,806	1,680,259	1,398,055
Appliances, utensils, and cutlery.....	1,199,400	1,959,878	1,564,722	1,227,154
Electrical machinery and equipment.....	1,060,997	1,594,700	1,595,520	1,154,506
Bolts, nuts, rivets, screws.....	852,886	1,284,653	1,293,027	1,054,717
Forgings (other than automotive).....	699,371	938,838	741,044	651,706
Shipbuilding, marine equipment.....	660,048	649,613	337,961	283,803
Oil and gas drilling.....	607,399	684,478	930,731	316,366
Mining, quarrying, lumbering.....	280,738	329,090	287,670	209,758
Ordnance, other military.....	81,310	56,029	56,908	30,458
Aircraft.....	44,108	35,761	39,231	28,465
Total.....	57,844,281	65,973,138	63,057,150	48,775,532

¹ Estimated by Steel on basis of actual shipments in first 8 months.

Source: American Iron & Steel Institute, in Steel, Jan. 2, 1950.

It is of interest to note the amount of steel which various commonplace objects contain:

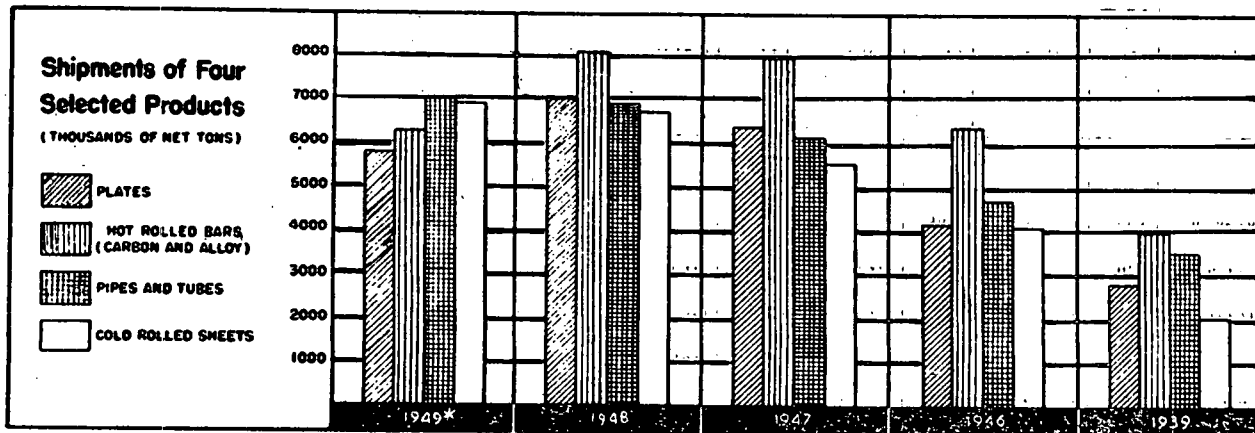
	Pounds
Refrigerator.....	172
Farm tractor.....	1,543
Typical passenger automobile.....	3,544
Turret lathe.....	8,056
Modern 6-room house.....	8,482
Railroad freight car (average).....	46,000
Diesel electric locomotive.....	¹ 200,700

¹ Iron and steel account for about 80 percent of the weight of materials purchased to make a 1,500-horsepower Diesel electric freight locomotive.

The kinds of steel products needed by all the various steel users seem limitless. To satisfy all demands, the steel industry is prepared to offer its 500 major products in as many as 100,000 different sizes, shapes, finishes, and compositions. The most important types of steel shipments are shown in chart 3 and table 4.

CHART 3

SHIPMENTS OF STEEL PRODUCTS



*Estimated.

TABLE 4.—Shipments of steel products, net tons

	1949*		1948		1947		1946		1939	
	Shipments	Percent	Shipments	Percent	Shipments	Percent	Shipments	Percent	Shipments	Percent
Ingot, blooms, slabs, billets, tube rounds, sheet and tin bars, etc.	2,131,691	3.7	3,150,754	4.8	2,966,748	4.7	1,949,624	4.0	1,305,866	3.7
Structural shapes (heavy)	3,624,462	6.3	4,255,355	6.5	4,436,129	7.0	3,474,284	7.1	2,544,515	7.3
Steel piling	320,330	.5	299,537	.5	324,224	.5	205,313	.4	171,428	.5
Plates (sheared and universal)	5,774,443	10.0	7,000,199	10.6	6,345,216	10.1	4,152,181	8.5	2,793,798	8.0
Skelp	121,431	.2	75,252	.1	160,989	.3	227,033	.5	226,508	.6
Rails, standard (over 60 pounds)	1,933,895	3.3	1,976,520	3.0	2,207,146	3.5	1,790,311	3.7	1,161,988	3.3
All other	121,602	.2	214,880	.3	211,900	.3	144,999	.3	125,109	.4
Joint bars and tie plates	513,151	.9	626,573	1.0	678,702	1.1	624,299	1.3	466,247	1.3
Track spikes	94,188	.2	145,830	.2	163,746	.3	146,194	.3	119,719	.3
Hot-rolled bars:										
Carbon			6,196,444	9.4	6,242,416	9.9	5,006,859	10.3	3,292,876	9.4
Alloy			1,927,309	2.9	1,741,432	2.8	1,390,278	2.8	702,322	2.0
Total carbon and alloy	6,285,358	10.9	8,123,753	12.3	7,983,848	12.7	6,397,137	13.1	3,995,198	11.4
Reinforcing:										
New billet			1,329,945	2.0	1,277,075	2.0	1,048,483	2.1	1,033,949	3.0
Rerolled			212,021	.3	175,833	.3	141,346	.3	175,253	.5
Total	1,583,650	2.7								
Cold-finished bars:										
Carbon			1,349,719	2.0	1,426,701	2.3	1,316,579	2.7	592,514	1.7
Alloy			244,248	.4	218,802	.3	196,237	.4	66,384	.2
Total carbon and alloy	1,205,066	2.1	1,593,967	2.4	1,645,503	2.6	1,512,816	3.1	658,898	1.9
Tool steel bars	57,135	.1	88,376	.1	87,279	.1	96,020	.2	45,117	.1
Pipes and tubes	7,010,699	12.1	6,881,549	10.4	6,117,884	9.7	4,655,505	9.5	3,605,682	10.0
Buttweld			2,045,361	3.1	1,706,415	2.7	1,276,289	2.6	952,974	2.7
Lapweld			339,633	.5	389,702	.6	305,516	.6	358,919	1.0
Electricweld			1,572,139	2.4	1,122,350	1.8	674,459	1.4	267,312	.8
Seamless			2,924,416	4.4	2,082,686	3.3	1,871,540	3.8	1,686,665	4.8
Conduit and miscellaneous	217,135	.4			155,335	.2	98,521	.2	78,850	.2
Mechanical and pressure tubing	623,478	1.1			661,336	1.1	429,180	.9	160,862	.5

Pipe:										
Standard.....	2,096,403	3.6								
Line.....	2,561,523	4.4								
Oil country goods.....	1,398,291	2.4								
Tubes, boiler.....	113,869	.2								
Wire rods.....	563,819	1.0	610,348	.9	667,282	1.1	679,998	1.4	550,040	1.6
Wire:										
Drawn.....	2,062,994	3.5	2,673,276	4.1	2,590,963	4.1	1,933,124	4.0	1,354,992	3.9
Nails and staples.....	703,921	1.2	859,540	1.3	799,436	1.3	636,632	1.3	678,786	1.9
Barbed and twisted.....	223,903	.4	254,629	.4	256,991	.4	207,610	.4	231,021	.7
Woven wire fence.....	354,565	.6	399,457	.6	407,295	.6	383,230	.8	273,506	.8
Bale ties.....	47,231	.1	113,892	.2	119,917	.2	99,993	.2	59,547	.1
All other wire products.....									5,766	
Fence posts.....									60,439	.1
Black plate.....	434,726	.7								
Ordinary.....			821,398	1.3	801,745	1.3	781,167	1.6		
Chemically treated.....			17,268		19,252		125,170	.3	269,341	.8
Tin and terne plate:										
Hot dipped.....	1,698,637	2.9	2,167,912	3.3	2,093,149	3.3	1,924,657	3.9		
Electrolytic.....	1,991,939	3.4	1,784,288	2.7	1,617,659	2.6	909,173	1.9	2,561,451	7.3
Sheets:										
Hot-rolled.....	6,103,351	10.5	7,786,056	11.8	7,891,798	12.5	5,956,633	12.2	5,087,886	14.6
Cold-rolled.....	6,882,063	11.9	6,867,775	10.4	5,504,578	8.7	4,075,554	8.4	2,021,859	6.1
Galvanized.....	1,749,165	3.0	1,643,337	2.5	1,609,881	2.5	1,462,053	3.0	1,394,922	4.0
Long terne.....	152,880	.5								
Enameling.....	153,469	.3								
Electrical.....	365,490	.6								
Strip:										
Hot-rolled.....	1,679,691	2.9	1,662,787	2.5	1,740,085	2.7	1,363,812	2.8	1,160,513	3.3
Cold-rolled.....	1,439,343	2.5	1,783,383	2.7	1,613,005	2.6	1,282,146	2.6	676,397	1.9
Wheels.....	284,558	.5	337,376	.5	356,873	.6	252,308	.5	150,750	.4
Axles.....	167,435	.3	215,905	.3	185,019	.3	130,461	.3	73,970	.2
All other.....	8,000						6,266		9,724	
Total steel products.....	57,844,281	100.0	65,973,138	100.0	63,057,150	100.0	48,775,532	100.0	34,955,175	100.0

*Estimated.

Source: American Iron & Steel Institute, in Steel, Jan. 2, 1950.

Chapter sources: United States Census Bureau, American Iron and Steel Institute, Steel (magazine).

II. STEEL PRICE TRENDS

The steel-price increase of December 1949 was the fifth major price increase since the beginning of 1946 and the first since August 1948. As of December 1949, the index of the composite of finished steel prices issued by Steel (magazine) showed a 55.2 percent increase over 1939. The monthly trend of steel prices, including those of major semifinished steel products, for 1939 and monthly for 1947 through 1949 is shown by table 6 and chart 4. As footnote 1 to table 5 points out, these prices are only the base prices, f. o. b. producing plants, and do not include extras. Therefore the price increases to many users have often been considerably higher than these figures, particularly when, as in the latest price increase, substantial changes in the schedules of extras were made.

TABLE 5.—Changes in the price of finished steel and selected semifinished products 1939-49

Based on 1939 as 100, the composite price of finished steel ¹ and the prices of semifinished products ² were as follows in December 1949:

Finished steel composite.....	155.2
Skelp.....	168.4
Rerolling billets and slabs.....	172.9
Forging billets.....	173.6
Wire rods.....	185.2

¹ This index is the Steel Magazine Finished Steel Weighted Price Composite Index. It covers only base prices, f. o. b. producing plants and does not include extras. It contains 14 products covering about 80 percent of the total tonnage produced by the industry. Since the index aims to show the trend and at the same time provide a measure of price fluctuation, independent of other variable factors, the "weighting" given each product classification is held constant. Product weights are based on average tonnages produced for sale in the base period as reported by the American Iron and Steel Institute, New York. The base quantities (weights) converted to a percentage basis are: Hot-rolled carbon bars, 12.87519; plates, 11.88400; pipe, 11.33423; hot-rolled sheets, 9.93547; tin plate, 9.10459; structurals, 8.87895; cold-rolled sheets, 7.92402; hot-rolled strip, 6.86266; galvanized sheets, 4.88860; wire, 4.80721; rails, 4.16611; cold-rolled strip, 2.71384; cold-finished bars, 2.24145; nails and staples, 2.28368.

² Iron Age data.

³ During the last week in December the index stood at 158.1.

Source: U. S. Department of Commerce.

TABLE 6.—Changes in the price of finished steel and selected semifinished products 1939 and 1947-49

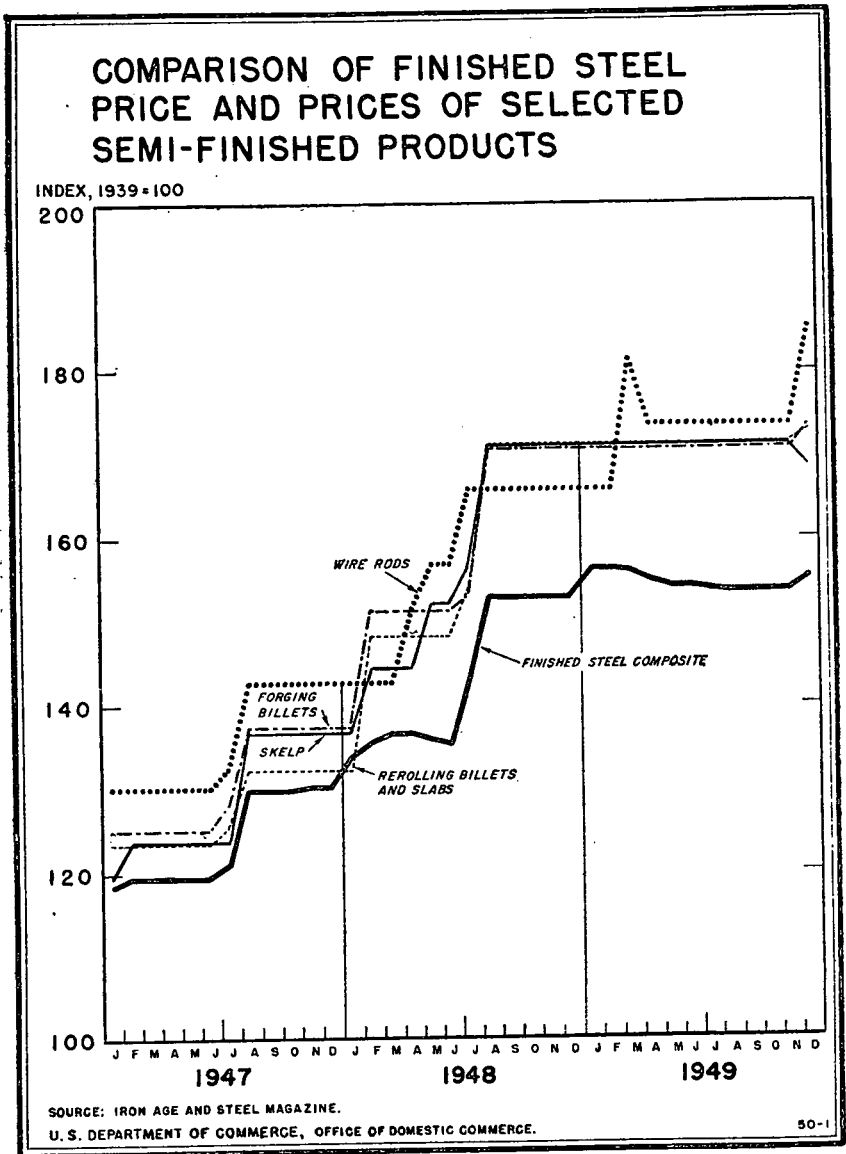
[Dollars per short ton]

	Steel magazine finished steel composite	Rerolling billets and slabs	Forging billets	Skelp	Wire rods
1939—Average.....	53.78	30.36	35.71	38.00	39.20
1947—January.....	63.88	37.49	44.64	45.40	51.00
February.....	64.30	37.49	44.64	47.00	51.00
March.....	64.30	37.49	44.64	47.00	51.00
April.....	64.30	37.49	44.64	47.00	51.00
May.....	64.30	37.49	44.64	47.00	51.00
June.....	64.30	37.49	44.64	47.00	51.00
July.....	65.22	38.16	45.74	47.00	52.00
August.....	69.88	40.17	49.10	52.00	56.00
September.....	69.88	40.17	49.10	52.00	56.00
October.....	69.88	40.17	49.10	52.00	56.00
November.....	70.04	40.17	49.10	52.00	56.00
December.....	70.04	40.17	49.10	52.00	56.00
1948—January.....	72.02	40.17	49.10	52.00	56.00
February.....	72.90	45.00	54.00	55.00	56.00
March.....	73.64	45.00	54.00	55.00	56.00
April.....	73.64	45.00	54.00	55.00	59.40
May.....	73.16	45.00	54.00	57.80	61.60
June.....	72.90	45.00	54.00	57.80	61.60
July.....	77.52	46.75	54.75	59.60	65.00
August.....	82.34	52.00	61.00	65.00	65.00
September.....	82.28	52.00	61.00	65.00	65.00
October.....	82.28	52.00	61.00	65.00	65.00
November.....	82.28	52.00	61.00	65.00	65.00
December.....	82.28	52.00	61.00	65.00	65.00
1949—January.....	84.00	52.00	61.00	65.00	65.00
February.....	84.00	52.00	61.00	65.00	65.00
March.....	83.90	52.00	61.00	65.00	71.20
April.....	83.44	52.00	61.00	65.00	68.00
May.....	82.84	52.00	61.00	65.00	68.00
June.....	82.84	52.00	61.00	65.00	68.00
July.....	82.78	52.00	61.00	65.00	68.00
August.....	82.64	52.00	61.00	65.00	68.00
September.....	82.64	52.00	61.00	65.00	68.00
October.....	82.64	52.00	61.00	65.00	68.00
November.....	82.64	52.00	61.00	65.00	68.00
December ¹	83.44	52.50	62.00	64.00	72.60

¹ Estimated.

Source: U. S. Department of Commerce. Finished steel composite obtained from Steel magazine; other prices from the Iron Age.

CHART 4



The specific chronology of the latest price increase is shown as follows:

1949

November 25: Sharon Steel Corp. advanced prices \$5 per ton on hot-rolled strip and semifinished steel.

November 28: Follansbee Steel Corp., Pittsburgh, raised prices of electrical silicon sheets by \$35 a ton.

December 4: Admiral Ben Moreell, chairman of the board and president of Jones & Laughlin Steel Corp., announced that prices of steel products would be increased by his company, barring a sharp reversal of rising costs of production.

December 12: Mahoning Valley Steel Co. (which is supplied by Sharon Steel Corp.) increased prices on finished steel sheets by \$10 a ton.

December 16: United States Steel Corp. subsidiaries raised prices "an average increase of approximately 4 percent in the present average selling price of our subsidiaries' steel products." National Supply Co. reported increases of its pipe products from \$5 to \$8 a ton. Youngstown Sheet & Tube Co. and Wheeling Steel Corp. announced they would make adjustments in their price structure, following the lead set by the United States Steel Corp.

December 19: Republic Steel Corp., Pittsburgh Steel Co., and Superior Steel Corp. announced an increase in steel prices.

December 20: Bethlehem Steel Corp., Jones & Laughlin Steel Corp., Allegheny Ludlum Steel Corp., Wheeling Steel Corp., and Armco Steel Corp. raised prices announced at an average of 4 percent.

December 21: National Steel Co. subsidiaries, Babcock & Wilcox Tube Co., and Timken Roller Bearing Co. revealed increases in line with those of the United States Steel Corp.

December 22: Youngstown Sheet & Tube Co. and Lukens Steel Co. announced increases averaging 4 percent.

December 23: Latrobe Electric Steel Co. announced a 10-percent increase in base prices and extras on high-speed steel, tool, and die steels and carbon tool steels.

December 26: Inland Steel Co. announced increases in steel prices which "follow pretty much the leading steel producers' price changes."

December 27: Wisconsin Steel Co. increased prices amounting to an average of \$6.46 per net ton. Granite City Steel Co. advanced prices about \$4 a ton.

1950

January 2: Laclede Steel Co. advanced pipe prices \$5-\$12 a ton.

January 3: Thomas Steel Co. announced a price advance of \$3 a ton on company's strip steel products, as of December 16, 1949. Allegheny Ludlum Steel Corp. raised prices of its tool steels 10 percent.

Sources for chronology: Journal of Commerce (New York), American Metal Markets, and Standard and Poor's Corporation Records.

III. STEEL COSTS

As can be seen from table 7 and chart 5, while postwar prices of steel have shown a series of increases, there has been a considerable fluctuation in the prices of major steel-making cost components. During the past year there has been a considerable downward trend in several of the more important items entering into steel costs. Using the data from table 7, the following changes from December 1948 to December 1949 may be noted:

Item	Price, December 1948	Price, December 1949 (preliminary or estimate)	Percent change
Steel-making scrap (dollars per long ton).....	43.25	28.50	-34.1
Coal (dollars per short ton).....	8.43	18.30	+116
Iron ore (dollars per long ton).....	6.20	7.20	+13.9
Tin (cents per pound).....	103.00	79.16	-23.2
Zinc (cents per pound).....	17.50	9.75	-44.3
Fuel oil (dollars per barrel).....	2.74	12.05	+25.2

¹ November 1949.

TABLE 7.—Changes in prices of selected steel-making cost components, 1939 and 1947-49

	Steel-making scrap ¹	Coal ²	Labor ³	Iron ore ⁴	Tin ⁵	Zinc ⁶	Fuel oil ⁷
	Long ton	Short ton	Per hour	Long ton	Cents per pound	Cents per pound	Per barrel
1939—Average.....	\$16.40	\$4.31	\$0.845	\$4.95	49.11	5.12	\$1.04
1947—January.....	31.20	6.23	1.329	5.55	70.00	10.50	1.92
February.....	33.50	6.24	1.317	5.55	70.00	10.50	2.00
March.....	37.25	6.27	1.329	5.55	70.00	10.50	2.10
April.....	33.94	6.35	1.347	5.55	80.00	10.50	2.22
May.....	29.75	6.36	1.449	5.55	80.00	10.50	2.22
June.....	32.48	6.38	1.472	5.55	80.00	10.50	2.22
July.....	37.23	7.13	1.481	5.55	80.00	10.50	2.22
August.....	39.00	7.42	1.486	5.55	80.00	10.50	2.22
September.....	37.83	7.45	1.512	5.55	80.00	10.50	2.22
October.....	39.85	7.53	1.500	5.55	80.00	10.50	2.22
November.....	40.42	7.55	1.508	5.55	80.00	10.50	2.46
December.....	40.13	7.58	1.517	5.55	85.38	10.50	2.63
1948—January.....	40.75	7.70	1.529	5.55	94.00	11.08	3.00
February.....	40.48	7.71	1.511	5.55	94.00	12.00	3.00
March.....	40.21	7.71	1.508	5.55	94.00	12.00	3.00
April.....	40.41	7.75	1.511	6.20	94.00	12.00	3.00
May.....	40.67	7.89	1.514	6.20	94.00	12.00	3.00
June.....	40.67	7.91	1.537	6.20	103.00	12.00	3.00
July.....	41.43	8.35	1.555	6.20	103.00	12.46	3.00
August.....	43.33	8.41	1.639	6.20	103.00	15.00	3.00
September.....	43.33	8.43	1.675	6.20	103.00	15.00	3.00
October.....	43.25	8.43	1.654	6.20	103.00	15.19	3.00
November.....	43.25	8.42	1.654	6.20	103.00	16.67	2.92
December.....	43.25	8.43	1.655	6.20	103.00	17.50	2.74
1949—January.....	41.54	8.49	1.656	7.20	103.00	17.50	2.41
February.....	38.48	8.51	1.645	7.20	103.00	17.50	2.01
March.....	34.60	8.46	1.643	7.20	103.00	17.06	1.93
April.....	24.06	8.25	1.642	7.20	103.00	14.09	1.33
May.....	22.29	8.22	1.634	7.20	103.00	11.88	1.67
June.....	20.85	8.20	1.650	7.20	103.00	9.55	1.60
July.....	19.21	8.21	1.645	7.20	103.00	9.35	1.60
August.....	20.86	8.20	1.631	7.20	103.00	10.00	1.63
September.....	26.07	8.26	1.675	7.20	101.65	10.06	1.80
October.....	26.71	8.28	1.646	7.20	95.51	9.32	1.96
November.....	28.96	8.30	1.644	7.20	89.82	9.76	2.05
December ⁸	28.50	(⁹)	(⁹)	7.20	79.16	9.75	(⁹)

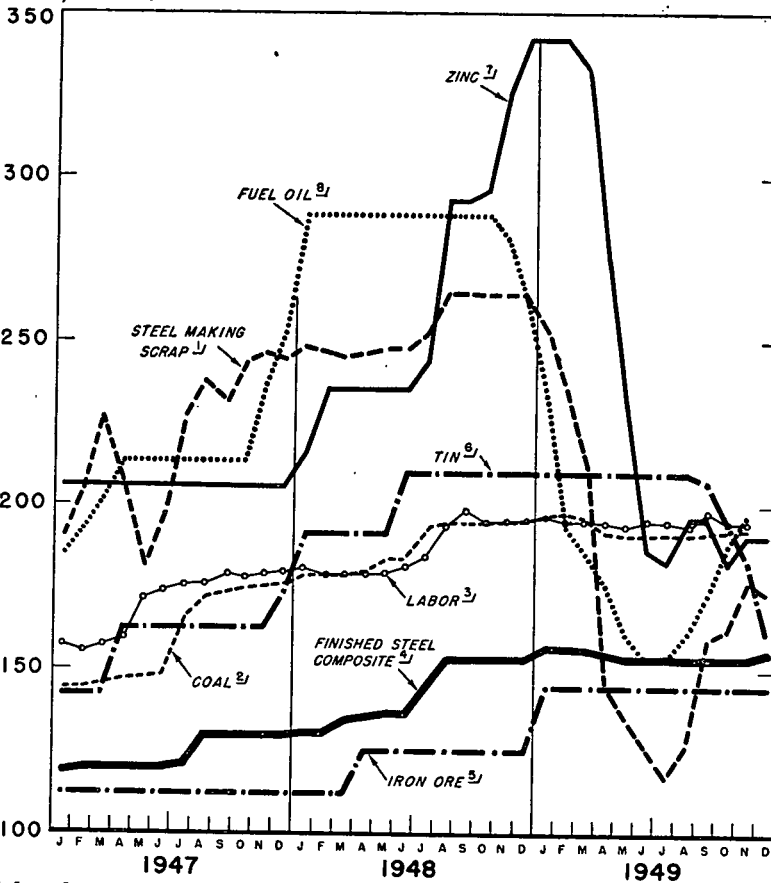
¹ Steel magazine composite.² Run-of-mine bituminous (f. o. b. mine price plus freight); from BLS except beginning with March 1948, which are not quoted prices but are calculated from indexes by Iron and Steel Division, ODC. Quoted prices are affected by coverage of reporting sources.³ BLS average hourly earnings in blast furnaces, steel works, and rolling mills.⁴ Mesabi non-Bessemer.⁵ Straits, tin, delivered at New York.⁶ Prime Western, delivered at St. Louis.⁷ Bunker C fuel, excluding all fees and taxes f. o. b. refineries or terminals, ship's bunkers, New York Harbor.⁸ Preliminary or estimate.⁹ Not available.

Source: U. S. Department of Commerce.

CHART 5

COMPARISON OF FINISHED STEEL PRICE AND SELECTED COST COMPONENTS

INDEX, 1939=100



1/ "STEEL" MAGAZINE COMPOSITE.
 2/ COMPOSITE RUN-OF-MINE.
 3/ B.L.S. AVERAGE HOURLY EARNINGS IN BLAST FURNACES, STEEL WORKS, AND ROLLING MILLS.
 4/ "STEEL" MAGAZINE WEIGHTED PRICE COMPOSITE.
 5/ MESABI NON-BESSEMER.

6/ STRAITS TIN, DEL. NEW YORK.
 7/ PRIME WESTERN, DEL. ST. LOUIS.
 8/ BUNKER "C" FUEL, EXCL. ALL FEES AND TAXES F.O.B. REFINERIES OR TERMINALS, SHIPS' BUNKERS NEW YORK HARBOR.

Table 8 shows, on a percentage and index basis, the extent of freight rate increases in 1948 and 1949:

TABLE 8.—*Estimates of freight rate increase authorizations for selected commodities, 1939-49.*¹

Commodities	Index (1939=100) ²		Percent Increase, Sept. 1, 1949, over Aug. 21, 1948
	Aug. 21, 1948 (ex parte No. 166)	Sept. 1, 1949 ³ (ex parte No. 168)	
Coal and coke	130.5	143.2	9.7
Iron ore	124.5	130.5	4.8
Limestone	145.2	158.6	9.2
Steel mill products, castings, forgings	151.0	165.3	9.5

¹ Carload shipments, via all rail.

² There were no permanent general freight rate increases authorized between Dec. 31, 1939 and July 1, 1946.

³ There were no general freight rate increases authorized between Sept. 1, 1949, and Dec. 31, 1949.

Source: Interstate Commerce Commission, Bureau of Transport Economics and Statistics, Monthly Comment on Transportation Statistics, October 1949 and October 1948, compiled by the U. S. Department of Commerce.

NOTE.—The cumulative increases shown above were published by the Bureau of Transport Economics and Statistics, in its monthly comment, and computed in the usual way by ratioing. The Bureau stated that its estimate was based upon "the assumption that increases on intrastate traffic follow the same pattern of increase as the interstate, which is not true in some cases." Moreover, the estimates of percentage increases given are for the country as a whole. Actually increases authorized varied considerably between districts. This shows up in the increases on iron ore, especially. In ex parte No. 168, no increase was allowed on movements of iron ore from the Minnesota and Wisconsin ranges to upper lake ports, 9 percent on all rail movements from the ranges to the East, and 10 percent on movements from lower lake ports to inland furnaces. The weighted average increase was only 4.8 percent, due to the preponderance of traffic taking no increase.

An interpretation of these cost data must account for the fact that major integrated companies own their principal sources of coal and iron ore and frequently their major transportation facilities. Market prices of such raw materials as coal and iron ore, as well as freight rates, do not have the same bearing on costs to these companies as they do to smaller companies which do not possess these raw materials and transportation facilities.

IV. PROFITS OF STEEL COMPANIES

The favorable profit situation within the steel industry at present is evident statistically as well as from statements of steel executives themselves. The following table, No. 9, shows how net income after taxes of the 10 major steel companies compared for the first 9 months of 1949 and the first 9 months of 1948.

TABLE 9.—Profits after taxes of 10 major steel companies, first 9 months, 1948 and 1949

Company	First 9 months 1948	First 9 months 1949	Percent change
United States Steel Corp.....	\$88,042,000	\$133,223,000	+51.3
Bethlehem Steel Corp.....	53,184,000	82,898,000	+55.9
Republic Steel Corp.....	29,813,000	35,348,000	+18.6
Jones & Laughlin Steel Corp.....	20,249,000	20,039,000	-1.0
National Steel Corp.....	27,201,000	35,917,000	+32.0
Youngstown Sheet & Tube Co.....	23,339,000	28,558,000	+22.4
Armco Steel Corp.....	20,372,000	22,693,000	+11.4
Inland Steel Corp.....	24,820,000	23,843,000	-3.9
Sharon Steel Corp.....	6,614,000	3,543,000	-46.4
Wheeling Steel Corp.....	9,692,000	8,278,000	-14.6

Source: Standard and Poor's Corporation Records.

Total net income of 50 companies within the steel industry has also increased substantially since the end of World War II. In 1946, these companies had a net income of \$264,525,016; in 1947, \$411,932,947; and in 1948, \$542,085,610.² These figures are compiled by the American Iron and Steel Institute.

Detailed statistics on net income of the 10 largest steel companies as related to total investment and stockholders' investment have been compiled by the Federal Trade Commission. Table 10 shows the average total investment and stockholders' investment of the 10 leading companies from 1917 through 1948. This shows that the rate of return on total investment was higher in 1948 than in any year since 1917, and on stockholders' investment higher in 1948 than in any year since 1918.

Similarly, as table 12 shows, individual companies show the same increase. The rate of return on total investment was higher for each of the 10 major steel companies in 1948 than in any other year since the end of World War I, with only the following few exceptions: For the United States Steel Corp. the rate was higher in 1929, 11.39 percent compared to 10.20 percent in 1948; the rate of return for Jones & Laughlin was higher in 1919 and in 1920 than in 1948; and the rate for the American Rolling Mill Co. and the Wheeling Steel Corp. was higher in 1920.

Tables 11 and 12 show the rate of return on total investment for each of the principal steel companies from 1917 to 1948, before and after provision for Federal and other income taxes, respectively. Tables 13 and 14 give the same information for stockholders' investment. As shown in the explanatory notes of the FTC on these tables, adjustments have been made for accelerated depreciation, etc.

² Some of the reporting companies are engaged in activities which are not limited to the steel industry. Hence net income as reported by such companies reflects the operation of activities other than those of the steel industry; for 1946, 52 companies are included.

TABLE 10.—Summary of investments, profits, and rates of return on total investment (invested and borrowed capital) and stockholders' investment for the leading steel companies, for each of the years 1917-48, after provision for Federal and other income taxes

Year	Number of companies	Average investment ¹		Net profit applicable to— ²		Rates of return on—	
		Total investment	Stockholders' investment	Total investment	Stockholders' investment	Total investment	Stockholders' investment
1917	9	\$2,042,551,602	\$1,265,850,481	\$396,116,501	\$356,222,077	19.49	28.14
1918	9	2,242,760,757	1,440,264,130	243,572,102	202,063,451	10.86	14.03
1919	10	2,312,348,618	1,523,231,794	179,545,014	138,394,983	7.76	9.09
1920	10	2,412,219,948	1,642,024,293	238,601,116	198,796,689	9.89	12.11
1921	10	2,496,924,140	1,720,094,844	77,860,533	37,239,686	3.12	2.16
1922	10	2,519,932,575	1,733,556,105	106,332,651	65,903,951	4.22	3.80
1923	10	2,741,762,013	1,884,815,663	224,946,492	178,492,080	8.20	9.47
1924	10	2,938,272,407	2,015,320,313	180,989,139	131,181,782	6.18	6.51
1925	10	2,984,256,274	2,059,399,971	206,034,003	156,386,415	6.90	7.59
1926	10	3,100,238,026	2,196,255,696	252,331,826	203,316,032	8.14	9.26
1927	10	3,193,323,052	2,316,395,855	200,713,846	153,669,441	6.29	6.63
1928	10	3,283,061,412	2,394,884,960	250,399,763	201,795,997	7.63	8.43
1929	10	3,446,178,873	2,732,668,474	369,574,133	331,437,479	10.72	12.13
1930	11	3,713,236,277	3,169,432,222	188,655,305	160,581,647	5.08	5.07
1931	11	3,764,442,747	3,209,168,505	21,381,238	³ 9,492,148	.57	³ 1.30
1932	11	3,627,597,981	3,050,296,801	³ 107,795,706	³ 137,777,981	³ 2.97	³ 4.52
1933	11	3,465,457,893	2,914,733,182	³ 36,274,943	³ 64,935,051	³ 1.05	³ 2.23
1934	11	3,393,171,634	2,854,600,668	8,487,239	³ 19,639,252	.25	³ 4.69
1935	11	3,300,519,165	2,733,564,210	69,085,520	40,153,557	2.09	1.47
1936	11	3,283,372,373	2,658,733,919	156,511,449	127,201,440	4.77	4.78
1937	11	3,418,807,906	2,774,387,013	228,502,056	200,099,661	6.68	7.21
1938	11	3,548,049,985	2,832,283,643	24,534,886	³ 7,001,449	.69	³ 2.25
1939	11	3,625,443,598	2,838,230,305	152,174,130	118,531,820	4.20	4.18
1940	11	3,679,186,513	2,904,190,420	275,054,841	238,251,605	7.48	8.20
1941	11	3,765,404,934	3,003,318,162	292,309,441	266,294,428	7.76	8.87
1942	10	3,771,502,529	3,068,750,763	206,744,775	180,957,006	5.48	5.90
1943	10	3,757,062,350	3,123,045,473	192,381,021	168,053,090	5.12	5.38
1944	10	3,741,720,423	3,163,069,540	185,148,736	162,058,770	4.97	5.12
1945	10	3,690,165,133	3,192,973,127	172,551,438	151,734,378	4.68	4.75
1946	10	3,707,660,922	3,240,545,867	246,903,424	231,487,448	6.66	7.14
1947	10	3,906,094,272	3,339,104,658	402,337,994	385,930,813	10.30	11.39
1948	10	4,396,056,850	3,833,544,355	553,274,625	536,523,543	12.59	14.00
Average		3,369,125,563	2,648,099,698	199,161,760	164,562,276	5.91	6.21

¹ Average of investments at beginning and end of year for each company.

² Net profit (or loss) after provisions for Federal and other income taxes.

³ Denotes loss.

TABLE 11.—Rates of return on total investment (invested and borrowed capital) for each of the principal steel companies, 1917 to 1948, inclusive, before provision for Federal and other income taxes

[Percent]

Year	United States Steel Corp.	Bethlehem Steel Corp.	Republic Steel Corp.	Jones & Laughlin Steel Corp.	Youngstown Sheet & Tube Co.	National Steel Corp.	Inland Steel Co.	American Rolling Mill Co.	Wheeling Steel Corp.	Otis Steel Co.	Pittsburgh Steel Co.	Combined
1917	30.94	20.89	40.74	33.69	55.62	(¹)	52.79	28.65	53.49	(²)	36.00	31.86
1918	24.60	9.52	18.75	13.55	18.09	(¹)	26.05	42.50	27.40	(²)	25.49	21.95
1919	9.28	11.00	4.34	14.90	9.40	(¹)	10.41	13.61	9.28	8.63	9.49	9.76
1920	10.65	7.52	13.83	18.49	10.26	(¹)	11.86	19.89	38.70	7.47	7.98	11.52
1921	4.39	6.13	6.75	1.44	1.17	(¹)	1.95	8.00	2.89	22.20	5.92	3.12
1922	4.65	3.69	2.04	3.87	5.13	(¹)	.44	8.02	1.33	1.02	2.05	4.20
1923	9.32	5.69	11.32	7.78	11.26	(¹)	10.95	10.82	7.57	5.90	7.63	8.68
1924	7.55	3.88	4.26	6.20	6.83	(¹)	9.67	8.78	2.70	2.43	6.08	6.45
1925	7.84	5.07	6.80	6.20	10.23	(¹)	8.43	8.83	6.63	7.36	3.65	7.34
1926	9.23	6.05	8.56	9.74	11.03	(¹)	10.40	11.98	7.62	8.67	8.55	8.77
1927	7.25	4.90	5.82	7.10	5.49	(¹)	9.96	9.97	6.33	7.23	5.66	6.72
1928	8.71	5.48	7.29	9.26	7.69	(¹)	13.88	13.96	8.78	13.12	3.87	8.27
1929	12.18	8.93	11.52	11.56	12.92	(¹)	16.63	10.46	9.61	13.06	10.93	11.53
1930	6.16	4.71	.24	5.06	5.19	9.85	8.95	2.37	4.05	4.61	4.90	5.47
1931	.95	1.10	2.21	1.84	1.22	5.78	3.44	1.81	1.61	2.44	2.09	.58
1932	3.52	2.03	3.90	3.89	4.07	2.83	1.39	.24	2.80	6.77	3.86	2.96
1933	1.75	1.41	1.53	2.24	1.93	3.85	2.40	1.78	.77	2.79	3.89	1.03
1934	1.81	1.21	1.08	1.34	.90	6.66	6.73	4.04	2.13	4.92	1.84	.41
1935	.63	1.97	3.75	.06	3.12	10.33	12.82	7.93	5.46	11.24	2.85	2.42
1936	4.56	3.72	6.35	2.95	7.50	11.38	14.20	9.68	6.06	10.95	.50	5.52
1937	8.64	0.92	5.65	3.47	8.49	15.44	13.15	9.37	5.84	10.44	5.18	8.16
1938	.22	1.97	1.95	1.79	1.33	5.98	5.37	1.99	1.60	1.60	.57	.90
1939	4.02	5.79	5.47	2.85	4.23	8.86	10.19	3.78	7.18	2.78	2.69	4.95
1940	8.89	11.66	9.85	7.29	7.02	12.40	14.33	7.58	7.56	4.78	5.80	9.52
1941	14.54	17.21	19.91	15.00	16.78	18.18	23.03	16.25	14.09	14.54	15.08	16.22
1942	13.18	22.37	22.10	14.64	14.86	19.18	21.07	13.46	9.58	(³)	17.87	16.53
1943	8.95	21.17	13.92	12.42	11.62	16.84	18.26	9.65	7.08	(²)	9.97	12.91
1944	7.94	19.62	12.34	7.28	9.04	12.73	16.45	7.92	8.19	(²)	2.04	11.18
1945	5.74	7.48	7.69	3.83	7.58	12.80	11.50	11.68	6.72	(²)	1.33	7.11
1946	7.91	8.97	7.66	6.93	11.14	15.98	14.56	16.69	6.84	(²)	1.17	9.29
1947	14.77	12.25	16.31	12.84	19.78	21.01	23.53	20.71	14.90	-----	15.22	15.76
1948	15.30	19.60	21.11	16.52	24.59	30.17	25.64	21.95	16.23	-----	18.64	18.98
Average	8.22	8.51	9.26	7.67	8.94	14.01	14.37	10.67	7.71	4.67	6.47	8.85

¹ Data are not available prior to 1930.

² Data are not available prior to 1919; absorbed by Jones & Laughlin June 30, 1942.

³ Rate of return for 12 months, due to change from fiscal year, June 30, to calendar year, Dec. 31.

⁴ Denotes loss.

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DECEMBER 1949 DATA ON STEEL PRICE INCREASES

TABLE 12.—Rates of return on total investment (invested and borrowed capital) for each of the principal steel companies, 1917 to 1948, inclusive, after provision for Federal and other income taxes

[Percent]

Year	United States Steel Corp.	Bethlehem Steel Corp.	Republic Steel Corp.	Jones & Laughlin Steel Corp.	Youngstown Sheet & Tube Co.	National Steel Corp.	Inland Steel Co.	American Rolling Mill Co.	Wheeling Steel Corp.	Otis Steel Co.	Pittsburgh Steel Co.	Combined
1917.....	17.86	16.13	27.50	21.23	37.53	(1)	34.11	28.65	36.02	(2)	29.92	19.49
1918.....	11.32	8.29	12.42	5.96	8.59	(1)	17.21	26.51	14.98	(2)	15.94	10.86
1919.....	7.24	8.11	4.12	12.47	8.94	(1)	9.35	11.08	9.29	8.00	8.72	7.76
1920.....	9.08	7.27	11.67	14.53	9.06	(1)	10.71	17.36	33.60	7.06	6.20	9.89
1921.....	4.49	6.03	4 6.94	4 1.56	4 1.17	(1)	4 1.00	4 8.19	4 2.96	4 22.24	5.49	3.12
1922.....	4.72	3.71	1.97	3.84	4.63	(1)	.46	8.02	1.33	4.02	2.05	4.22
1923.....	8.84	5.51	10.41	6.98	10.20	(1)	10.53	10.23	7.57	5.91	6.89	8.20
1924.....	7.26	3.88	3.93	5.60	6.50	(1)	8.99	8.07	2.63	4 2.43	5.26	6.18
1925.....	7.46	4.79	6.48	6.17	9.39	(1)	7.73	8.13	6.05	7.36	3.31	6.90
1926.....	8.62	5.68	7.94	8.76	10.02	(1)	9.68	10.82	6.92	8.56	7.45	8.14
1927.....	6.80	4.61	5.29	6.39	5.53	(1)	9.21	9.07	5.81	6.59	5.06	6.29
1928.....	8.04	5.07	6.79	8.39	7.01	(1)	13.08	12.82	8.26	11.91	3.56	7.63
1929.....	11.39	8.18	10.58	10.60	11.97	(1)	15.84	9.76	8.98	11.97	9.82	10.72
1930.....	5.67	4.51	.24	4.64	4.93	8.86	8.50	2.23	4.05	4.33	4.49	5.08
1931.....	.95	1.10	4 2.24	4.87	4 1.22	5.38	3.55	4 8.1	4 1.61	4 2.44	4 2.10	.57
1932.....	4 3.54	4 2.04	4 3.90	4 3.89	4 4.07	2.73	4 1.42	.23	4 2.80	4 6.77	4 3.89	4 2.97
1933.....	4 1.76	4 4.41	4 4.53	4 1.93	4 1.93	3.51	2.42	1.71	4 2.77	4 2.79	4 3.92	4 1.05
1934.....	4 4.96	1.14	4 4.08	4 1.36	.88	5.81	6.06	3.71	2.09	4 4.56	4 1.85	.25
1935.....	.39	1.82	3.48	4.07	3.06	9.09	11.19	7.31	5.03	10.00	4 2.86	2.09
1936.....	3.82	3.24	5.34	2.78	7.25	9.35	12.61	8.39	5.77	8.59	.50	4.77
1937.....	6.78	6.01	4.66	3.07	7.44	12.08	10.86	8.16	5.34	9.19	4.60	6.68
1938.....	.04	1.84	4 96	4 1.83	1.18	5.12	4.68	4 98	1.91	4 1.61	.57	.69
1939.....	3.21	4.88	4.73	2.58	3.87	8.08	8.60	3.16	6.33	2.31	4.20	4.20
1940.....	7.34	8.50	7.61	5.69	6.29	8.80	10.68	5.81	6.23	4.06	4.66	7.48
1941.....	7.60	6.07	8.18	8.70	8.22	9.49	10.35	8.49	8.25	8.24	7.75	7.76
1942.....	4.80	5.29	6.16	5.40	5.56	6.74	9.04	6.27	4.66	(2)	8.36	5.48
1943.....	4.32	6.48	4.59	5.30	4.59	6.47	8.39	4.89	4.53	(2)	4.44	5.12
1944.....	4.18	7.06	4.37	4.24	4.54	5.90	7.19	4.97	4.53	(2)	2.91	4.97
1945.....	3.98	6.25	3.50	3.83	4.87	6.09	7.22	5.97	4.11	(2)	4.33	4.68
1946.....	6.01	6.78	5.29	4.99	7.01	10.46	10.12	10.90	5.24	(2)	.96	6.66
1947.....	9.68	8.08	10.51	8.18	13.02	14.01	15.82	13.62	9.52	-----	9.14	10.30
1948.....	10.20	12.92	13.96	11.06	15.82	20.26	17.75	14.89	10.52	-----	11.67	12.59
Average.....	5.76	5.25	5.08	5.19	6.15	8.80	9.78	7.25	5.72	3.85	4.42	5.91

1 Data are not available prior to 1930.

2 Data are not available prior to 1919; absorbed by Jones & Laughlin, June 30, 1942.

3 Rate of return for 18 months, due to change from fiscal year, June 30, to calendar year, Dec. 31.

4 Denotes loss.

TABLE 13.—Rates of return on stockholders' investment for each of the principal steel companies, 1917 to 1948, inclusive, before provision for Federal and other income taxes

[Percent]

Year	United States Steel Corp.	Bethlehem Steel Corp.	Republic Steel Corp.	Jones & Laughlin Steel Corp.	Youngstown Sheet & Tube Co.	National Steel Corp.	Inland Steel Co.	American Rolling Mill Co.	Wheeling Steel Corp.	Otis Steel Co.	Pittsburgh Steel Co.	Combined
1917	47.58	30.85	52.58	39.06	55.69	(1)	60.05	32.05	60.03	(2)	38.67	46.17
1918	34.68	12.27	22.11	14.83	18.13	(1)	(1)	28.40	29.51	(2)	25.49	29.51
1919	11.50	14.20	4.15	16.28	9.41	(1)	10.85	13.85	9.69	8.63	10.00	11.74
1920	13.62	8.68	15.79	20.08	10.27	(1)	12.48	19.99	41.70	7.47	8.25	14.26
1921	4.13	5.95	4 9.67	4 2.22	4 2.21	(1)	4 1.84	4 8.56	4 4.11	4 25.72	5.96	2.23
1922	4.50	2.24	.90	3.67	5.13	(1)	4 2.27	8.97	.39	4 2.21	1.91	3.78
1923	11.41	5.13	12.47	8.12	13.04	(1)	11.18	12.29	8.02	6.33	7.75	10.09
1924	8.70	2.62	3.91	6.31	7.07	(1)	9.62	9.19	1.38	4 6.87	6.10	6.91
1925	9.03	4.69	7.40	7.03	12.30	(1)	9.07	9.23	6.73	6.56	3.67	8.18
1926	10.88	6.32	9.75	10.17	13.27	(1)	11.17	12.93	8.09	8.95	8.29	10.10
1927	8.04	4.57	5.95	7.25	5.33	(1)	10.61	10.83	6.31	7.31	5.55	7.22
1928	9.90	5.44	7.62	9.55	9.12	(1)	16.31	17.03	9.47	15.90	3.68	0.20
1929	13.57	10.25	13.68	11.96	17.04	(1)	21.95	13.20	11.27	15.46	12.11	13.17
1930	6.29	4.71	4 2.55	5.06	5.25	10.07	10.55	.45	3.38	3.65	4.41	5.50
1931	.71	.03	4 5.24	4 1.15	4 5.11	5.02	2.10	4 5.69	4 4.50	4 6.41	4 4.08	4 .27
1932	4 4.06	4 3.92	4 7.50	4 4.35	4 10.77	1.86	4 5.86	4 4.07	4 6.11	4 13.52	4 6.35	4 4.50
1933	4 2.18	4 1.85	4 2.88	4 2.58	4 7.48	3.40	4 4.44	4 1.27	4 1.09	4 8.36	4 6.31	4 2.21
1934	4 1.17	4 .20	4 2.27	4 1.61	4 2.48	7.31	7.78	2.63	.87	3.67	4 3.77	4 .50
1935	.34	1.11	3.14	4 .11	4 1.61	12.53	16.76	9.65	5.64	13.61	4 4.97	1.86
1936	4.57	3.55	6.88	3.33	9.67	14.94	18.87	11.98	6.57	12.98	4 .76	5.72
1937	8.99	7.82	5.93	3.33	10.92	21.35	18.09	9.75	6.55	12.55	4.78	9.02
1938	4 .35	1.26	4 3.26	4 3.49	4 .01	6.96	6.32	4 .70	.79	4 5.75	4 .58	.02
1939	4.01	6.42	5.61	2.71	4.09	11.40	13.55	3.77	8.17	1.33	2.07	5.17
1940	9.25	14.58	11.74	8.01	8.56	16.76	19.27	7.78	8.61	4.67	5.70	10.78
1941	15.78	22.03	25.17	17.43	22.97	24.11	30.71	17.84	17.77	19.88	17.12	19.25
1942	14.17	27.82	26.88	16.98	9.17	24.55	26.34	15.09	11.75	(2)	20.29	19.12
1943	9.33	25.69	16.11	14.19	14.23	21.06	22.10	10.53	8.29	(2)	10.76	14.53
1944	8.21	23.67	13.68	7.89	10.49	15.63	19.61	8.38	9.70	(2)	1.30	12.36
1945	5.84	8.25	8.75	3.88	7.75	15.32	13.02	12.41	7.67	(2)	4 1.75	7.54
1946	8.01	10.52	9.21	3.88	12.98	18.69	17.62	18.91	7.82	-----	.37	10.12
1947	15.34	14.26	19.28	14.27	22.45	24.42	30.93	24.72	18.98	-----	16.72	17.58
1948	15.78	22.72	24.94	19.67	27.55	34.50	33.58	27.02	21.50	-----	19.97	21.16
Average	8.92	9.83	10.57	8.12	10.65	17.38	17.81	12.08	8.70	3.83	6.48	9.90

¹ Data are not available prior to 1930.

² Data are not available prior to 1919; absorbed by Jones & Laughlin June 30, 1942.

³ Rate of return for 18 months, due to change from fiscal year, June 30, to calendar year, December 31.

⁴ Denotes loss.

TABLE 14.—Rates of return on stockholders' investment for each of the principal steel companies, 1917-48, inclusive, after provision for Federal and other income taxes

[Percent]

Year	United States Steel Corp.	Bethlehem Steel Corp.	Republic Steel Corp.	Jones & Laughlin Steel Corp.	Youngs-town Sheet & Tube Co.	National Steel Corp.	Inland Steel Co.	American Rolling Mill Co.	Wheeling Steel Corp.	Otis Steel Co.	Pittsburgh Steel Co.	Combined
1917	27.45	22.67	35.77	24.59	37.58	(1)	38.98	32.05	40.78	(2)	31.35	28.14
1918	15.55	10.15	14.48	6.11	8.60	(1)	18.79	27.98	16.12	(2)	15.94	14.03
1919	8.66	9.25	3.85	13.61	8.95	(1)	10.90	11.23	9.74	7.95	9.19	9.09
1920	11.48	8.33	13.18	15.73	9.06	(1)	11.23	³ 17.44	36.13	7.06	6.31	12.11
1921	4.25	5.76	⁴ 10.01	⁴ 2.38	⁴ 2.21	(1)	⁴ 1.95	⁴ 8.79	4.21	⁴ 25.77	5.50	2.16
1922	4.59	2.22	.80	3.64	4.63	(1)	⁴ 2.29	8.97	.39	⁴ 2.21	2.79	3.80
1923	10.85	4.83	11.55	7.22	11.63	(1)	10.75	11.61	8.02	6.35	6.98	9.47
1924	8.36	2.59	3.45	5.64	6.54	(1)	8.93	8.34	1.29	⁴ 6.87	5.27	6.51
1925	8.57	4.21	6.83	6.28	11.03	(1)	8.32	8.40	5.94	6.56	3.32	7.59
1926	10.11	5.72	8.91	9.11	11.80	(1)	10.34	11.58	7.14	8.77	7.11	9.26
1927	7.44	4.11	5.25	6.48	5.39	(1)	9.76	9.77	5.62	6.36	4.87	6.63
1928	9.03	4.82	6.93	8.63	8.07	(1)	15.38	15.40	8.77	14.17	3.31	8.43
1929	12.64	9.21	12.36	10.95	15.64	(1)	21.13	12.16	10.41	13.97	10.75	12.13
1930	5.76	4.45	⁴ 2.66	⁴ 4.62	⁴ 4.87	8.97	9.99	.20	3.39	3.26	3.90	5.07
1931	.71	.02	⁴ 5.24	⁴ 1.18	⁴ 5.12	⁴ 5.32	2.19	⁴ 5.70	⁴ 4.50	⁴ 6.42	⁴ 4.11	⁴ 3.30
1932	⁴ 4.08	⁴ 3.92	⁴ 7.50	⁴ 4.34	⁴ 10.77	1.71	⁴ 6.08	⁴ 4.07	⁴ 6.11	⁴ 13.52	⁴ 6.39	⁴ 4.52
1933	⁴ 2.19	⁴ 1.83	⁴ 2.88	⁴ 2.58	⁴ 7.48	2.92	⁴ 4.44	⁴ 1.40	⁴ 1.09	⁴ 8.36	⁴ 6.35	⁴ 2.23
1934	⁴ 1.33	.11	⁴ 2.27	⁴ 1.63	⁴ 2.52	6.14	6.66	2.02	.81	3.19	⁴ 3.77	⁴ 4.69
1935	.08	.92	2.73	⁴ 2.24	1.50	10.78	14.32	8.54	5.06	11.71	⁴ 4.99	1.47
1936	3.77	2.93	5.36	2.46	9.25	11.93	16.62	10.04	6.16	9.50	⁴ 4.77	4.78
1937	6.99	6.63	4.48	2.85	9.35	16.28	14.70	8.38	5.83	10.68	4.10	7.21
1938	⁴ 4.57	1.08	3.28	⁴ 3.54	⁴ 2.26	5.67	5.27	⁴ 1.09	.67	⁴ 5.83	⁴ 4.58	⁴ 1.25
1939	3.07	5.18	4.59	1.93	3.51	10.25	11.19	3.17	6.99	1.06	1.63	4.18
1940	7.47	10.29	8.70	6.01	7.43	11.59	13.96	5.94	6.80	3.47	4.38	8.20
1941	8.20	7.20	9.53	9.84	10.60	12.26	13.57	9.18	9.91	10.17	8.42	8.87
1942	4.92	6.02	6.62	5.86	6.46	8.12	11.02	6.72	5.09	-----	8.97	5.90
1943	4.30	7.51	4.53	5.68	4.90	9.99	9.99	5.70	4.87	-----	4.23	5.38
1944	4.17	8.12	3.78	4.35	4.29	6.85	8.33	5.07	4.83	-----	1.23	5.12
1945	3.98	6.77	3.56	3.88	4.29	6.93	7.82	6.20	4.30	-----	⁴ 1.75	4.75
1946	6.01	7.87	5.90	5.20	8.22	12.13	11.90	12.25	5.80	-----	.12	7.14
1947	10.02	9.25	12.24	8.76	14.75	16.26	20.95	16.26	11.97	-----	9.71	11.39
1948	10.50	14.93	16.50	13.07	17.78	23.33	23.65	18.35	13.99	-----	12.06	14.00
Average.....	5.95	5.39	5.08	5.30	6.74	10.52	11.84	7.85	6.03	2.63	4.14	6.21

¹ Data not available prior to 1930.² Data not available prior to 1919; absorbed by Jones & Laughlin June 30, 1942.³ Rate of return for 18 months, due to change from fiscal year, June 30, to calendar year December 31.⁴ Denotes loss.

JANUARY 10, 1950.

EXPLANATORY NOTES TO TABLES 10 TO 14 ON RATES OF RETURN FOR LEADING STEEL COMPANIES

The rates of return for the leading steel companies that are presented in the tables prepared by the Federal Trade Commission were computed from published sources. The returns for the years 1917-38 were computed from information obtained from the companies by the Commission in a study of long-term profits in the steel industry for the Temporary National Economic Committee.¹ The returns for the subsequent years were computed from information in the companies' annual reports to stockholders.

These tables present rates of return on the stockholder's investment and the total investment (invested and borrowed capital), before and after provisions for the payment of Federal income and profits taxes.

The stockholders' investment includes the common and preferred stocks outstanding and the surplus and surplus reserves. The total investment includes in addition long-term debt of the companies under review.

In computing the rates of return on each basis of investment, all known amounts of appreciation or other intangibles were deducted from investments. The maximum of appreciation for which deductions were made was \$580,098,176 in 1917. Of this amount, \$522,609,129 applied to United States Steel Corp., \$32,996,728 to Republic Steel Corp., \$14,083,793 to Bethlehem Steel Corp., and \$10,408,526 to other companies. Practically all of these amounts, however, were written off the books of the companies in succeeding years. The amounts applicable to Bethlehem and Republic were written off by those companies by 1936 and 1937, respectively. The amount applicable to United States Steel was reduced each year from \$522,609,129 in 1917, to \$249,583,149 in 1937. In the following year the company wrote off all but \$1 of the latter amount.

According to the Report of the Commissioner of Corporations on the Steel Industry,² the amount of appreciation originally included in the assets of United States Steel Corp. at its formation in 1901 was \$720,846,817, or slightly more than one-half of the initial capitalization of \$1,400,000,000. Recognition was given to the accuracy of this estimate of intangibles as evidenced by the following statement appearing in the annual report of the United States Steel Corp. to its stockholders for the year 1938:

"As far back as 1917 when the wartime excess-profits tax laws were in force, the Internal Revenue Department in its calculations to determine and verify invested capital for intangibles accepted a plan designed to fix such investment values at the date of the formation of the corporations on April 1, 1901. This plan was based upon values appraised some years prior to 1917 by the United States Department of Commerce and Labor, Bureau of Corporations. With the enactment of the Federal Securities Exchange Act of 1934 and the regulations promulgated thereunder, the necessity developed for a segregation in the accounts of the intangible values. Accordingly, the plan accepted by the Internal Revenue Department, as above outlined, was utilized as the initial basis from which to obtain this separation of intangible values."

By the end of 1938, the United States Steel Corp. had written down to a nominal value of \$1, all of the \$720,846,817 of intangible values included in its assets at time of organization in 1901, together with \$47,824,205 of additional appreciation resulting from subsequent acquisitions.

Profits were also adjusted in computing rates of return for the various companies in order to reflect properly the results of their operations during the years under review. Income and expenses of significant amount that were applicable to prior years' operations, gains and losses on sale of capital assets, special reserves of a contingent nature, and provisions for higher replacement values of fixed assets were treated as surplus additions or deductions, and the reported net income of the companies was increased or decreased accordingly. In addition, the net income of three of the companies was adjusted to exclude provisions for accelerated depreciation on facilities constructed since the war. These companies were United States Steel Corp., Republic Steel Corp., and National Steel Corp.

In 1948, these companies adopted a policy, retroactive to January 1, 1947, of computing depreciation on postwar facilities at an accelerated rate. This accelerated depreciation is in addition to normal depreciation on all depreciable property and is not deductible for tax purposes. The amount charged to net

¹ Federal Trade Commission's report to the Temporary National Economic Committee, pt. 31. Investments, Profits and Rates of Return for Selected Industries.

² Pt. 1, 1911.

income in 1948 for accelerated depreciation amounted to \$55,335,444 for United States Steel Corp., \$7,000,000 for Republic Steel Corp., and \$10,500,000 for National Steel Corp. The amounts stated to be applicable to 1947 operations were \$28,975,094 for United States Steel Corp., \$4,000,000 for Republic Steel Corp., and \$3,500,000 for National Steel Corp.

These latter amounts are substantially equal to the amounts charged against net income by these companies in 1947 to provide for higher property-replacement costs and were excluded by the Commission in computing rates of return for these companies in that year. The accounting profession, supported by the Securities and Exchange Commission, regards as unsound accounting the practice of including for depreciation amounts based on estimates of present or future replacement costs instead of original costs.

In its Accounting Research Bulletin No. 33, issued by its committee on accounting procedure in December 1947, the American institute took the position that, "It believes that accounting and financial reporting for general use will best serve their purposes by adhering to the generally accepted concept of depreciation on cost, at least until the dollar is stabilized at some level. An attempt to recognize current prices in providing depreciation, to be consistent, would require the serious step of formally recording appraised current values for all properties, and continuous and consistent depreciation charges based on the new values. Without such formal steps, there would be no objective standard by which to judge the propriety of the amounts of depreciation charges against current income, and the significance of recorded amounts of profit might be seriously impaired."

In view of this position, the three companies sought to justify even larger deductions from earnings by adopting a method of accelerated depreciation on original cost instead of one based on estimated higher replacement cost. For this reason the propriety of the amounts charged to income as accelerated depreciation is open to question. Such accelerated depreciation is not allowable for Federal income-tax purposes, and is contrary to sound accounting practice if it includes a factor of amortization which is not susceptible of objective measurement and is therefore arbitrarily apportioned over the useful life of the property.

Under these circumstances, the reported net income of United States Steel Corp., Republic Steel Corp., and National Steel Corp. was adjusted by the elimination of accelerated depreciation in order to provide a satisfactory basis of comparing their earnings with those of the other companies which, though similarly situated, did not adopt the "accelerated depreciation policy." The effect on the rates of return of the three companies by the inclusion or exclusion of amounts for accelerated depreciation is as follows:

	Rates of return			
	Including deduction for accelerated depreciation		Excluding deduction for accelerated depreciation	
	Before Federal income taxes	After Federal income taxes	Before Federal income taxes	After Federal income taxes
United States Steel Corp.:	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
On stockholders' investment.....	13.20	7.59	15.78	10.50
On total investment.....	12.80	7.41	15.30	10.20
Republic Steel Corp.:				
On stockholders' investment.....	23.43	14.64	24.94	16.50
On total investment.....	19.79	12.41	21.11	13.96
National Steel Corp.:				
On stockholders' investment.....	31.31	19.27	34.50	23.33
On total investment.....	27.29	16.73	30.17	20.26

Table 15 gives the data on stockholders' investment for the first 9 months of 1949, compared to the first 9 months of 1948. Return on stockholders' investment after taxes was higher in 1949 for four of the five largest companies, but lower for four out of the next five largest companies. In contrast to Tables 10-14, figures are not adjusted, but are based entirely on the companies' quarterly reports of earnings. No adjustments have been made for accelerated depreciation, etc.

TABLE 15.—Stockholders' investment, profits, and rates of return for the principal steel companies

(A) FOR THE FIRST, SECOND, AND THIRD QUARTERS OF 1949

	United States Steel	Bethlehem Steel	Republic Steel	Jones & Laughlin Steel	Youngs-town Sheet & Tube	National Steel	Inland Steel	Armco ¹	Wheeling Steel	Pittsburgh Steel	Combined
Stockholders' investment ²	\$1,870,517,099	\$645,171,287	\$328,163,691	\$251,167,816	\$214,562,729	\$222,731,829	\$175,197,444	\$186,518,366	\$113,443,704	\$47,820,389	\$4,055,294,414
Income applicable to stockholders' investment (before provision for Federal income taxes):											
First quarter.....	91,928,670	56,929,574	27,698,628	16,252,895	19,955,660	25,603,775	15,104,385	14,407,499	6,965,137	3,775,508	278,621,731
Second quarter.....	81,123,595	45,949,029	18,228,544	8,335,004	14,918,705	20,535,132	11,472,949	13,117,513	3,901,432	457,934	218,039,837
Third quarter.....	70,171,144	39,819,799	18,170,703	7,862,019	12,028,626	18,982,905	12,498,803	10,615,433	3,850,664	* 818,157	193,181,939
Total, 3 quarters.....	243,223,409	142,698,402	64,097,875	32,449,918	46,902,991	65,121,812	39,076,137	38,140,445	14,717,233	3,415,285	689,843,507
Income applicable to stockholders' investment (after provision for Federal income taxes):											
First quarter.....	49,928,670	33,129,574	15,298,628	9,868,895	12,022,660	14,753,775	9,254,230	8,404,861	4,010,137	2,185,508	158,856,938
Second quarter.....	44,123,595	26,749,029	10,178,544	5,300,004	9,020,705	11,115,132	7,033,304	7,703,772	2,128,432	252,934	123,605,451
Third quarter.....	39,171,144	23,019,799	9,870,703	4,870,019	7,514,626	10,047,905	7,555,103	6,584,411	2,139,604	* 466,157	110,307,217
Total, 3 quarters.....	133,223,409	82,898,402	35,347,875	20,038,918	28,557,991	35,916,812	23,842,637	22,693,044	8,278,233	1,972,285	392,760,600
Rate of return on stockholders' investment (before provision for Federal income taxes):	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
First quarter.....	4.91	8.82	8.44	6.47	9.30	11.50	8.62	7.72	6.14	7.89	6.87
Second quarter.....	4.34	7.12	5.55	3.32	6.95	9.22	6.55	7.03	3.44	.96	5.38
Third quarter.....	3.75	6.17	5.54	3.13	5.61	8.52	7.13	5.69	3.39	4.71	4.76
Total, 3 quarters.....	13.00	22.11	19.53	12.92	21.86	29.24	22.30	20.44	12.97	7.14	17.01
Rate of return on stockholders' investment (after provision for Federal income taxes):											
First quarter.....	2.67	5.13	4.66	3.93	5.61	6.62	5.29	4.51	3.53	4.57	3.92
Second quarter.....	2.36	4.15	3.10	2.11	4.20	4.99	4.01	4.13	1.88	.53	3.05
Third quarter.....	2.09	3.57	3.01	1.94	3.50	4.51	4.31	3.53	1.89	4.97	2.72
Total, 3 quarters.....	7.12	12.85	10.77	7.98	13.31	16.12	13.61	12.17	7.30	4.13	9.60

See footnotes at end of table, p. 26.

TABLE 15.—*Stockholders' investment, profits, and rates of return for the principal steel companies—Continued*

(B) FOR FIRST 3 QUARTERS OF 1948

	United States Steel	Bethlehem Steel	Republic Steel	Jones & Laughlin Steel	Youngstown Sheet & Tube	National Steel	Inland Steel	Armco ¹	Wheeling Steel	Pittsburgh Steel	Combined
Stockholders' investment ²	\$1,546,287,718	\$565,422,892	\$293,114,789	\$226,737,684	\$187,226,037	\$193,764,363	\$151,298,872	\$162,570,603	\$101,775,836	\$43,160,059	\$3,471,358,853
Income applicable to stockholders' investment for 3 quarters to Sept. 30, 1948 (before provision for Federal income taxes).....	164,242,150	90,113,858	51,812,788	32,285,317	38,029,330	48,866,435	40,439,691	33,142,892	16,737,645	6,743,030	522,413,136
Income applicable to stockholders' investment for 3 quarters to Sept. 30, 1948 (after provision for Federal income taxes).....	88,042,150	53,183,858	29,812,788	20,249,317	23,339,330	27,201,435	24,819,526	20,372,369	9,691,645	3,892,780	300,605,198
Rate of return on stockholders' investment for 3 quarters to Sept. 30, 1948 (before provision for Federal income taxes).....	Percent 10.62	Percent 15.94	Percent 17.68	Percent 14.24	Percent 20.31	Percent 25.22	Percent 26.73	Percent 20.39	Percent 16.45	Percent 15.62	Percent 15.05
Rate of return on stockholders' investment for 3 quarters to Sept. 30, 1948 (after provision for Federal income taxes).....	5.69	9.41	10.17	8.93	12.47	14.04	16.40	12.53	9.52	9.02	8.66

¹ Includes United States and Canadian subsidiaries only, 1949.² As of Dec. 31, 1948.³ Difference of \$352,000 in losses before and after Federal income taxes reflects adjustment of taxes reserved in previous quarters, before losses were sustained.⁴ Denotes loss.⁵ As of Dec. 31, 1947.

Source: Moody's Industrials Cumulative 1949.

V. PRODUCTIVITY WITHIN THE IRON AND STEEL INDUSTRY

There has been much discussion as to the changes in productivity within the steel industry and within industry generally and the effects that increases in productivity would have in reducing production costs, and therefore how these productivity increases could benefit labor, consumers, or stockholders. No definitive data, however, are available.

A rough measure of productivity within the steel industry can be computed by calculating the total output of hot-rolled iron and steel products produced in relation to the man-hours worked in blast furnaces, steel works, and rolling mills. Table 16, prepared by the United States Department of Commerce, shows this relationship during the past decade.

TABLE 16.—*Productivity of labor in iron and steel industry, 1939-48*¹

[Index (1939=100)]

Year:		Year—Continued	
1948.....	117.1	1943.....	97.1
1947.....	120.1	1942.....	101.3
1946.....	108.5	1941.....	106.2
1945.....	103.9	1940.....	102.3
1944.....	103.3	1939.....	100.0

¹ The above table reflects the total output of hot-rolled iron and steel products produced per man-hour worked in blast furnaces, steel works, and rolling mills. Because no recognition whatever is given to product mix, the index presented makes no pretense to show accurately changes in productivity.

Source: U. S. Department of Commerce, based on production data of the American Iron and Steel Institute and man-hour data of the Bureau of Labor Statistics.

As the footnote in this table points out, the index presented "makes no pretense to show accurately changes in productivity." The subject of productivity within the steel industry was considered in some detail in the course of hearings before the President's Steel Industry Board in August 1949. As the Steel Industry Board report of September 10, 1949, states:

The union (United Steelworkers of America, CIO) asserted that from 1939 to 1948 labor productivity in the steel industry had risen 44 percent and, by the first quarter of 1949, almost 50 percent, while over the same periods the real average hourly earnings of steel workers had increased, respectively, only 9 percent and 14 percent. The union concluded that, since the prices of steel products had not been reduced but had risen during the period, most of the gains of productivity went to the owners of the industry through higher profits.³

The position of the steel companies is summarized as follows:

The union's estimates of the increases in average man-hour productivity since 1939 were said to be much too high * * *. A properly weighted index of finished steel output would have shown, it was asserted, an increase of less than 20 percent from 1939 to 1949. In respect to the interpretation of the labor-productivity data, the companies took the position that, whatever series of index numbers is used, it is improper to compare the 1948 and 1949 figures with the one for 1939. This is because, it was asserted, one of the most important determinants of output per man-hour in any given period is the volume of production, i. e., the extent to which productive capacity is utilized in the period. Much of the labor in steel plants was said to be almost fixed in amount, no matter what the rate of operations. Therefore, when output is high, these man-hours are spread much more thinly than when it is low. Man-hour output can thus rise considerably from a low-output to a high-output period without a single technological improvement being made. Consequently it was said to be inequitable to compare labor

³ U. S. Steel Industry Board. Report to the President of the United States on the Labor Dispute in the Basic Steel Industry, p. 27.

productivity in 1939, a year of low capacity utilization, with that for a high-utilization year like 1948 or early 1949. A much more valid comparison, it was said, would be one based on 1941, a peacetime year, when the defense program had started the steel industry toward a high rate of operation. In this case, even the union's own index numbers would show a rise of only 20 percent by 1949. And a properly constructed series would show a labor-productivity increase of less than 10 percent.⁴

The Steel Industry Board itself reached the following conclusion:

The union's estimates of the trend in man-hour productivity seem to be overstated. The companies' attack on the union's method of calculating the rise in productivity succeeded in raising considerable doubt in our minds in respect to the accuracy of the union's estimates.

The companies' estimates, on the other hand, were also far from being definitive. There are no accurate estimates. * * * It does appear, however, that there has been some rise in productivity per labor-hour.

The evidence before us suggested that in the whole economy man-hour output rose from 1899 to 1939 at an annual rate of about 2 percent, but in the following decade the increase was at a lower rate, perhaps 1.5 percent. On this basis the apparent growth in labor productivity for the 8 years 1941-48 would have been about 12 percent, or about the same as the 11-percent rise in steel workers' real average hourly earnings.

If the productivity gains in a particular industry are higher than for the economy as a whole, the board believes that, with reasonable allowance for the needs of the industry for modernization and expansion in the public interest, the consumers at large should be the chief beneficiaries through lower prices for the industry's products.⁵

Although it is apparent that no accurate productivity data in the steel industry are available, it may be reasonably concluded that productivity will continue to rise with technological improvements and better production methods, so long as production remains high; Consumers should share in the form of lower prices the benefits of any productivity increases.

VI. CONCENTRATION WITHIN THE STEEL INDUSTRY

In its study on the concentration of productive facilities, the Federal Trade Commission pointed out that the primary steel industry "ranks among the Nation's more concentrated fields." The section of this report on primary steel follows:

PRIMARY STEEL

Because of the magnitude of the steel industry, the leading corporations, while of giant size, do not account for as large a proportion of the industry's facilities as is true of many other industries. Nonetheless, the industry ranks among the Nation's more concentrated fields.

The leading company, United States Steel Corp., owns 29 percent of the industry's net capital assets, with the second firm, Bethlehem Steel Corp., holding 13 percent, or a total for the two companies of 42 percent. Thereafter, the concentration curve, as shown in the bottom of the chart, rises less rapidly as the so-called Little Steel corporations are added, which are indeed little only in comparison with United States Steel. Republic Steel Corp., one-fourth the size of United States Steel, but still among the Nation's largest 25 industrial corporations, owns 7 percent of the industry's facilities; and the next five companies, led by Jones & Laughlin Steel Corp., have an average of 5 percent each. The eight leading corporations thus account for some 70 percent of the industry's total net capital assets.

⁴ *Ibid.*, pp. 32-34, *passim*.

⁵ *Ibid.*, pp. 44, 45.

It should again be emphasized that these figures represent the concentration of the total net capital assets of all corporations whose principal line of activity is the production of steel. This means, of course, that those productive facilities of the steel corporations which are actually engaged in other fields are included here in the steel industry. Nonetheless, as was pointed out above, it is not believed that this factor results in any serious overstatement of concentration for the industries included in this report.

The steel industry presents an opportunity to test that supposition, since it is one of the few fields, if not the only one, for which recent data are available showing the degree of concentration on the basis of actual physical capacity. The product generally used to measure concentration on this basis is steel ingots, which reflects what is generally referred to as "basic steel" operations. The following table shows the degree of concentration in the steel industry, as measured, first, by net capital assets and, second, by steel ingot capacity.

	Percent of primary steel industry's total	
	Net capital assets ¹	Ingot capacity ²
1. United States Steel Corp.....	28.6	35.2
2. Bethlehem Steel Corp.....	13.4	13.5
3. Republic Steel Corp.....	7.2	10.2
4. Jones & Laughlin Steel Corp.....	5.3	5.3
5. National Steel Corp.....	5.3	4.1
6. American Rolling Mill.....	3.6	3.4
7. Inland Steel Corp.....	3.0	3.6
8. Youngstown Sheet & Tube Co.....	2.9	4.2
Total.....	69.3	79.5

¹ Year 1947.² Year 1945.

Most of the discrepancy between the two sets of figures is accounted for by United States Steel Corp. and Republic Steel Corp., each of which shows a higher percentage for ingot capacity than for net capital assets. This is to be expected, since both of these companies are known to be somewhat more important factors as basic steel producers than as producers of some of the industry's more highly finished products.⁶

Similar conclusions may be seen from the release of the Secretary of Commerce of December 5, 1949, based on data of the Census of Manufactures of 1947, from which the following table is compiled:

TABLE 17.—Concentration of output in the largest steel-producing companies

Industry (census classification)	Number of companies	Value of shipments (thousands of dollars)	1947 concentration ratios				1935 concentration ratio	
			First 4 companies	First 8 companies	First 20 companies	First 50 companies	First 4 companies	First 8 companies
Steel works and rolling mills	111	(¹)	44.7	62.8	81.1	94.2	(¹)	(¹)
Blast furnaces.....	33	1,713,945	67.3	82.1	95.5	-----	66.0	82.8

¹ Not available.

Source: U. S. Department of Commerce, release of Secretary of Commerce, Dec. 5, 1949, based on data of the Census of Manufactures of 1947.

⁶ U. S. Federal Trade Commission, Report * * * on the Concentration of Productive Facilities, 1947; Washington, 1949; pp. 23-24.

VII. EFFECTS OF THE DECEMBER 1949 STEEL PRICE INCREASE ON THE DIRECT CONSUMERS

The effects of the December 1949 steel price increase on the rest of the economy have not yet crystallized despite considerable discussion. While according to some observers the 4-percent increase did not immediately appear to add significantly to the costs of steel users, many have since found out that the cost increase in their particular case was substantial. Major changes took place in the schedules of extras, so much so that many companies are making considerable changes in their purchasing plans. As pointed out in the December 29, 1949, issue of *Iron Age*:

The December 16 price change by United States Steel is drastic. The base price increase is nominal, but the changes in extras were substantial, both ways—up and down. Raises and reductions in extras run as high as \$14 a ton on some items, with a few changing as much as \$35. * * * Sheet prices have been revised to the extent that buyers must completely change their thinking as to what types and sizes of steel are the most economical to use.¹

The steel committee of the National Association of Purchasing Agents, in a report released on December 28, 1949, analyzed the reaction to the steel price increase as follows:

Substantially higher material costs face fabricators and consumers of steel as a result of the price increases announced December 16 by United States Steel Corp. subsidiaries and followed by other steel producers last week. First announcements of increases averaging \$4 per ton were accepted as the inevitable result of higher freight and labor costs and of very strong demand for most steel-mill products. Most manufacturers using steel to make standard products and whose selling prices are established by competitive forces were prepared for moderately higher steel prices and were reconciled to the necessity of absorbing them. But they were not prepared for the cumulative increases in extras received several days after the effective date. Now comes the question, Will manufacturers' prices be forced up and, if so, will the higher prices speed the coming of receding business in general? In any event, many buyers look for downward pressure against the new steel prices to develop in the second quarter.

One of the first of the larger firms which announced that steel-price increases might cause increases in the prices of the products they manufacture was the Oliver Corp., manufacturer of farm equipment. Alva W. Phelps, president of the company, announced to the dealers and distributors of Oliver farm and industrial equipment:

By December 20, 1949, the company had been advised by important steel suppliers of price increases ranging from 5.6 percent to more than 19 percent on certain products. The management anticipates that the average of such increase on all steel and steel products purchased will approximate 8 percent. * * * It is difficult for me to see, at this time, how a general increase in the price of Oliver farm and industrial equipment can be avoided.

Manufacturers of bolts and screws appear to be severely affected. Mr. George P. Byrne, managing director of the United States Cap Screw Service Bureau, stated that the "widely publicized average price advance of \$4 per ton, or 4 percent, does not nearly represent the true picture." Increases applying to materials used by this industry range from 8.4 to 26 percent, Mr. Byrne stated. A similar viewpoint was expressed by Lamson & Sessions, manufacturers of bolts, nuts, cotters, cap screws, and screw-machine products in Cleveland, Ohio, in a letter to customers, as follows:

¹ Brown, D. C., Study Shows Strip and Bar Extra Changes, *Iron Age*, December 29, 1949, p. 61.

With great regret we feel an obligation to advise you that severe advances on the steel used in our production have just been made on current shipments rather than the modest figures which have been mentioned up to date (December 21, 1949) in the newspapers. The price increases on rods and wire such as used in our production range upward to \$22 per ton, amounting to 27 percent in some instances, and we understand there are additional increases on extras for size.

Obviously, on low-priced products such as ours, where steel involves both a high percentage of the cost and selling price of the finished products, the steel price advances will require of necessity substantial price increases on our products.

What the effect of the price increase will be on the automobile industry, the largest user of steel, is not yet clear. The trade journal, *Steel*, has considered the problem in an article, *How Much Will Auto-Making Costs Go Up?* from which the following information is quoted:

As a starter for determining the result of higher steel prices, weights of various types of steel used in making the average automobile may be related to the increase in base price and extras in this way:

Product	Weight required (in pounds)	Increased cost
Hot-rolled bars.....	535	\$1.47
Cold-rolled bars.....	80	.22
Hot-rolled sheets.....	1,650	5.97
Cold-rolled sheets.....	960	2.88
Wire products.....	185	.69
Terne plate.....	45	.32
Other plate.....	45	.09
Pipe and tubing.....	10	.09
Structurals.....	30	.07
All steel.....	3,540	11.79

The weights on the different products are estimates developed by the American Iron and Steel Institute. They represent "purchased" weights, including material that is machined off or otherwise removed in making the finished component.

Much of the steel represented comes from parts sources, and in some cases the tier of sources for a single part may be two or three deep. Take the case of a cold-headed part that starts at the steel mill in, say, the form of wire rods, then goes to a cold-drawing plant, then to the cold-heading source, and finally gets in the hands of the automotive buyer. By that time wire rods have been kicked up a minimum of \$16 per ton, base and extras.

B. E. Hutchinson, chairman of Chrysler's finance committee, has said that his people figure a \$3-per-ton increase in raw steel would mean a \$50 to \$75 increase in the retail price of the average car by the time all the inflationary factors along the devious supply road are taken into account. And that includes not only steel, but glass, rubber, textiles, etc.

Mr. Hutchinson admittedly is not one to wax too enthusiastic over the economic outlook; few financial experts are. But even if you discount his figures by 25 percent, auto buyers seem to be faced with prospects of paying \$40 to \$60 more for the cars being built today. Such a development might throw the market into a stall. Then everyone concerned would be in the soup.¹

While other sources suggest that competitive pressures may be strong enough to prevent automobile price increases to the extent suggested above, there is more agreement that at least any downward trend in automobile prices would be halted.

At the Merchandise Mart in Chicago in mid-January 1950, the effect of the steel price increase was extensively considered. Mr. W. A. Bles, vice president and general manager of the Crosley division, Avco Manufacturing Co., declared that in many instances the cost

¹ "How Much Will Automaking Costs Go Up?" *Steel*, December 26, 1949, p. 19.

of specially fabricated steel used in refrigerators and other major products has far exceeded the \$4-a-ton advance generally associated with the recent steel price increase. He stated:

There is a universal misconception on the increase of steel costs to users. The average increase is \$4 a ton, but extras have gone up much more than that in many cases.²

Within the steel industry itself, it appears that the extras schedule may create hardships for independent converters. As Iron Age points out, while there were many changes in the extras on hot-rolled strip, principally increases apparently, cold-rolled strip extras were not changed and probably won't be in the immediate future.

Therefore the converters who buy hot-rolled strip and make and sell cold-rolled strip are squeezed. The base price on hot-rolled was not raised but the \$3 base differential between hot- and cold-rolled strip is not much of a margin in view of the higher extras on hot-rolled.³

VIII. SELECTED DATA ON FOREIGN TRADE IN STEEL

Table 18 shows the monthly exports and imports of steel during 1948 and the first 9 months of 1949. Exports have long been far more significant than imports of steel and have tended to show less fluctuation.

TABLE 18.—United States exports and imports of steel products excluding advanced manufactures, 1948-49

	Exports (net tons)	Imports (net tons)		Exports (net tons)	Imports (net tons)
1948—January.....	542,751	21,323	1949—January.....	436,255	284,142
February.....	486,956	15,234	February.....	386,939	293,209
March.....	494,766	45,621	March.....	455,940	298,844
April.....	438,560	48,798	April.....	565,140	184,289
May.....	381,707	27,982	May.....	553,950	161,729
June.....	380,391	55,263	June.....	599,093	109,133
July.....	366,149	50,754	July.....	668,053	56,133
August.....	343,673	67,741	August.....	509,644	50,667
September.....	326,221	129,400	September.....	521,553	19,327
October.....	377,496	162,035			
November.....	281,097	119,611			
December.....	463,376	181,716			

Source: Steel (magazine), Jan. 2, 1950, from U. S. Office of Business Economics.

Table 19 indicates the extent of the exports of steel to Europe under the European recovery program.

TABLE 19.—Paid shipments of steel from the United States under the European recovery plan, Apr. 3, 1948, through Nov. 30, 1949

PAID SHIPMENTS OF IRON AND STEEL MILL MATERIALS AND PRODUCTS, INCLUDING FERROALLOYS

Country of destination:		Country of destination—Continued	
Netherlands.....	\$29,581,000	Sweden.....	\$2,172,000
United Kingdom....	27,092,000	Germany.....	1,521,000
France.....	22,668,000	Ireland.....	875,000
Norway.....	13,782,000	Turkey.....	297,000
Belgium-Luxemburg-	8,425,000	Trieste.....	264,000
Denmark.....	6,110,000	Iceland.....	72,000
Italy.....	4,987,000		
Greece.....	3,138,000	Total.....	123,250,000
Austria.....	2,268,000		

Source: Economic Cooperation Administration. Division of Statistics and Reports, paid shipments, Nov. 30, 1949.

² New York Times, January 13, 1950, p. 30.

³ Iron Age, December 29, 1949, p. 62.

Table 20, taken from a recent study of the Steel Division of the Economic Commission of Europe and published by the United Nations gives the comparative domestic and export prices of selected steel products in the United States Great Britain, and Belgium, as of January 1949.

TABLE 20.—Home market and export prices in the United Kingdom, Belgium, and the United States, January 1949

[United States dollars per metric ton]

Product	United Kingdom		Belgium			United States	
	Home-market prices ¹	Export prices ²	Home-market prices ³	Organized market export prices ⁴	Free-market export prices ⁵	Home-market prices ⁶	Export prices ⁶
Heavy steel:							
Joists.....	71	91	67	98	127	72	90
Plates (10 mm. and over).....	74	94	76	109	148	75	93
Light steel:							
Rounds and squares (under 76 mm.).....	80	⁶ 104	69	100	119	74	93
Wire rods.....	77	-----	72	107	131	80	92
Sheets (1 mm.).....	⁷ 99	⁸ 110	105	136	191	⁸ 95	⁸ 112

¹ Delivered to consumer.

² Delivered to port nearest works.

³ F. o. b. Antwerp.

⁴ Average domestic price, f. o. r. for 5 main producing points.

⁵ Delivered New York, Philadelphia, or Baltimore.

⁶ Minimum export price.

⁷ Cold-rolled.

⁸ Quoted by the Metal Bulletin.

Source: Economic Commission for Europe. Steel Division. European Steel Trends in the Setting of the World Market. Geneva, United Nations Department of Economic Affairs, 1949, p. 46.

IX. UNITED STATES STEEL CORP.: SELECTED INFORMATION

The United States Steel Corp., through its subsidiaries, is the world's largest producer of iron and steel, having an annual rated capacity for raw steel and castings on January 1, 1949, of 31,300,000 net tons, or about a third of our domestic steel-making capacity. One of the company's subsidiaries, the Universal Atlas Cement Co., is also the largest domestic producer of cement, with an annual producing capacity of 33,590,000 barrels as of December 31, 1940.

OPERATIONS OF THE COMPANY

Its principal products include numerous items within the following general commodity classifications: Rolled and forged steel, flat-rolled products, welded and seamless steel tubular products, oil-field equipment, wire and wire products, high-tensile and stainless steel, transportation equipment (railroad cars, rails, barges, lighters, etc.), steel drums and containers, cement, raw and semifinished materials, merchant pig iron and slag, and coke-plant chemicals. The company has become an increasingly important factor in the fabricating field. It has engaged extensively in fabrication and erection of steel structures such as bridges and buildings. It produces substantially all of the iron ore and limestone, most of the coal and some of the other raw materials used in its operations. It operates steamships, barges and docks on the Great Lakes, common carrier railroad lines trans-

porting shipments between the properties of the mining and manufacturing subsidiaries, and steamships in intercoastal and foreign service which carry products of outside shippers as well as its own. Its total sales and revenues for 1948 amounted to \$2,473,000,000, the highest sales figure in its history.

ORGANIZATION OF THE COMPANY

United States Steel Corp., a holding company, was incorporated in New Jersey on February 25, 1901, under a charter of perpetual duration and immediately acquired practically the entire capital stock of the Carnegie Co., the Federal Steel Co., the National Tube Co., the American Steel & Wire Co. (New Jersey), the National Steel Co., the American Steel Hoop Co., the American Sheet Steel Co., the American Tin Plate Co., the American Bridge Co., the Lake Superior Consolidated Iron Mines, the Shelby Steel Tube Co., and also the entire issue of bonds of the Carnegie Co. and a one-sixth interest in the capital stock of the Oliver Iron Mining Co. and of the Pittsburgh Steamship Co. The other five-sixths interest in the stocks of the last-named two companies was owned by the Carnegie Co., thus giving the United States Steel Corp. 100 percent control.

From time to time the United States Steel Corp. or its subsidiaries acquired other independent enterprises until on December 31, 1944, it controlled about 132 subsidiary companies. As of December 31, 1948, United States Steel Corp. listed with the Securities and Exchange Commission a total of 92 subsidiaries, listed as table 22 on page 35.

ACQUISITIONS BY THE COMPANY

From January 1, 1915, through 1947 the United States Steel Corp. acquired control of about 25 independent enterprises. The Federal Trade Commission estimates, on the basis of information on 12 of these enterprises, that about 6.9 percent of the growth of the corporation during this period was derived from external expansion through the acquisition of other concerns.

A chronology of some of the more important acquisitions follows. Chart 6 shows the acquisitions of United States Steel Corp. since 1939 including war plants bought from the War Assets Administration.

1901:

Bessemer Steamship Co.

Aragon Iron Mines.

1902. Union Steel Co. This company was the result of a merger between the Union Steel Co. and the Sharon Steel Co. only a few months before it was acquired by United States Steel.

1903:

Troy Steel Products Co.

Trenton Iron Co.

1904. Clairton Steel Co.

1907:

Great Northern Iron Ore properties (lease).

Tennessee Coal, Iron & Railroad Co.

1908. Schoen Steel Wheel Co.

1920. Michigan Limestone & Chemical Co.

1924. Cyclone Fence Co.

1926. Compania de Maestranzas y Galvanizacion (Chile).

1928. Northwest Fence & Wire Works.

ACQUISITIONS OF UNITED STATES STEEL CORP. SINCE 1939

ACQUISITIONS

STEEL DRUMS

BOYLE MFG. CO., INC.,
California
July, 1939

PETROLEUM IRON WORKS
New York
1943 A.

BENNETT MFG. CO.
1944 A.

OIL WELL MACHINERY

WITTE ENGINE WORKS
Kansas City, Mo.
1944

NEILSON PUMP CO.,
Long Beach, Calif.
1945 A.

OTHER STEEL PRODUCTS

SAVANNAH WIRE CLOTH MILLS
Savannah, Ga.
1940

MOISE STEEL CO.,
Milwaukee, Wis.
1943 A.

PREFABRICATED HOUSING

GUNNISON HOUSING CORP.,
New Albany, Ind.
1944 (Substantial Interest) S.

CEMENT

WABASH PORTLAND CEMENT CO.,
Osborn, Ohio
1945 A.

STRUCTURAL STEEL PRODUCTS

CONSOLIDATED STEEL CORP.
Los Angeles, Calif. 1947 S

WAR PLANTS BOUGHT From

WAR ASSETS ADMINISTRATION

GENEVA, UTAH
Fully integrated iron ore, coal,
limestone, blast furnaces, steel
works, and rolling mills.
May, 1946
Cost \$300.6 million
Sale Price \$ 47.5 million

HOMESTEAD, PA.
June, 1946
Steel Works, Rolling Mills
(Plate)
Cost \$66.5 million
Sale Price \$44.1 million

BRADDOCK, PA.
June, 1946
Blast Furnaces
Cost \$22.8 million
Sale Price \$14.4 million

DUQUESNE, PA.
June, 1946
Electric Steel, Heat Treating
works
Cost \$10.8 million
Sale Price \$ 6.5 million

DULUTH, MINN.
June, 1946
Blast Furnace
Cost \$7.6 million
Sale Price \$1.8 million

DRAGERTON, UTAH
March, 1947
Township at Coal Mines
Cost \$4.2 million
Sale Price \$1.6 million

TORRANCE, CALIF.
January, 1946
Aluminum reduction plant
Cost \$13.9 million
Sale price 4.3 million

A = Assets
S = Stock

Source: Based upon actions reported by Moody's Investors Service and Poor's Corporation in U. S. Federal Trade Commission Report
— on the Merger Movement, a summary report (1948), opposite page 42.

- 1930:
 - Atlas Portland Cement Co.
 - Washington Coal & Coke Co.
 - Columbia Steel Co.
 - Oil Well Supply Co.
- 1934. Jackson Fence Co.
- 1935. Virginia Bridge & Iron Co.
- 1936. Gerrard Co., Inc.
- 1937. Potter Ore Co.
- 1939. Boyle Manufacturing Co., Inc., California.
- 1940. Savannah Wire Cloth Mills, Savannah, Ga.
- 1943:
 - Moise Steel Co., Milwaukee, Wis.
 - Petroleum Iron Works, New York, N. Y.
- 1944:
 - Gunnison Housing Corp., New Albany, Ind.
 - Witte Engine Works, Kansas City, Mo.
 - Bennett Manufacturing Co.
- 1945:
 - Neilson Pump Co., Long Beach, Calif.
 - Wabash Portland Cement Co., Osborn, Ohio.
- 1946. Geneva Steel Works (Utah), purchased from the United States Government.
- 1947. Consolidated Steel Corp., Los Angeles, Calif.

The following table shows the basic information on the war plants bought by United States Steel from the United States Government:

TABLE 21.—Purchases of war plants from the War Assets Administration

Place and description	Date	Cost (in millions)	Sale price (in millions)	Sale price as percent of cost
Geneva, Utah: Fully integrated, iron ore, coal, limestone; blast furnaces, steel works, and rolling mills.	May 1946...	\$200.6	\$47.5	23.7
Homestead, Pa.: Steel works, rolling mills (plate).....	June 1946....	86.5	44.1	51.0
Braddock, Pa.: Blast furnaces.....	do.....	22.8	14.4	63.2
Duquesne, Pa.: Electric steel: heat treating.....	do.....	10.8	6.5	60.2
Duluth, Minn.: Blast furnace.....	do.....	7.6	1.8	23.7
Dragerton, Utah: Townsite at coal mines.....	March 1947..	4.2	1.6	38.1
Torrance, Calif.: Aluminum reduction plant.....	January 1948.	12.9	4.2	32.6
Total.....		345.4	120.1	34.8

TABLE 22.—Subsidiaries of United States Steel Corp., as of Dec. 31, 1948

	Percentage of voting power including directors' qualifying shares where applicable
Agawam Iron Mining Co.....	100
American Bridge Co.....	100
The American Steel & Wire Co. of New Jersey.....	100
Standard Fence Co.....	¹ 100
Washburn & Moen Manufacturing Co.....	² 100
Angus Land Co.....	³ 100
Apollo Gas Co.....	100
Bessemer & Lake Erie R. R. Co.....	100
Bessemer-Union Improvement Co. (balance of shares owned by Union R. R. Co.).....	1 50
The Meadville, Conneaut Lake & Linesville R. R. Co.....	⁴ 100
Birmingham Southern R. R. Co.....	100
Bradley Transportation Co.....	100
Central Radio Telegraph Co.....	100
Carbon County Ry. Co.....	100

See footnotes at end of table, p. 37.

TABLE 22.—Subsidiaries of United States Steel Corp., as of Dec. 31, 1948—Con.

	Percentage of voting power including directors' qualifying shares where applicable
Carnegie-Illinois Steel Corp.....	100
Bessemer Electric Power Co.....	4 100
Carnegie Natural Gas Co.....	100
Chapin Mining Co.....	4 100
Columbia Iron Mining Co.....	100
Columbia Steel Co.....	100
Companhia Meridional de Mineração (United States Steel Corp. owns 99.83 percent of the voting power and 0.04 percent is owned by each of the following wholly owned subsidiary companies: The American Steel & Wire Co. of New Jersey, Carnegie-Illinois Steel Corp., and Tennessee Coal, Iron & R. R. Co.).....	5 99.95
Connellsville & Monongahela Ry. Co.....	6 100
Consolidated Western Steel Corp.....	100
Consolidated Steel Corp. of Texas.....	100
Consolidated Western Constructors, Inc.....	100
Consolidated Western Steel Corp., Philippines.....	5 100
Cyclone Fence Co.....	1 100
Donora Southern R. R. Co.....	100
Duluth, Missabe & Iron Range Ry. Co.....	100
Elgin, Joliet & Eastern Ry. Co.....	100
Essex Iron Co.....	3 100
Etna & Montrose R. R. Co.....	100
Federal Shipbuilding & Dry Dock Co.....	100
H. C. Frick Coke Co.....	100
Gary Land Co.....	100
Geneva Steel Co.....	100
Gerrard Steel Strapping Co.....	100
The Gerrard Co., Inc.....	1 100
Gerrard Pan-American, Ltd.....	5 70
Gunnison Homes, Inc.....	100
Hannibal Connecting R. R. Co.....	100
Hemlock Land Co.....	3 100
Illinois Steel Co.....	100
Isthmian Steamship Co.....	100
Johnstown & Stony Creek R. R. Co.....	100
The Lake Terminal R. R. Co.....	100
McKeesport Connecting R. R. Co.....	100
Michigan Limestone & Chemical Co.....	100
National Tube Co.....	100
The Newburgh & South Shore Ry. Co.....	100
Northampton & Bath R. R. Co.....	100
Ohio Barge Line, Inc.....	100
Oil Well Supply Co.....	100
Oil Well Supply Co., Ltd.....	1 5 100
Oliver Iron Mining Co.....	100
The Cartier Mining Co., Ltd.....	1 5 100
Pennsylvania & Lake Erie Dock Co.....	3 88.03
Piloto Mining Co.....	3 85
The Pittsburgh, Bessemer & Lake Erie R. R. Co.....	4 82.64
The Pittsburgh & Conneaut Dock Co.....	100
Pittsburgh Limestone Corp.....	100
Pittsburgh Steamship Co.....	100
Scully Steel Products Co.....	1 100
Seventy-one Broadway Corp.....	100
Tennessee Coal, Iron & R. R. Co.....	100
Trotter Water Co.....	100
Union Railroad Co.....	100
Bessemer-Union Improvement Co. (balance of shares owned by Bessemer & Lake Erie R. R. Co.).....	1 50
Union Supply Co.....	100

See footnotes at end of table, p. 37.

TABLE 22.—Subsidiaries of United States Steel Corp., as of Dec. 31, 1948—Con.

	<i>Percentage of voting power including directors' qualifying shares where applicable</i>
United States Coal & Coke Co.....	100
United States Steel Corp. of Delaware.....	100
United States Steel Export Co.....	100
Brazaço S. A.....	⁵ 100
Compania de Acero:	
United States Steel Export Co. (Chile), S. A.....	⁵ 100
United States Steel Export Co. (Peru), S. A.....	⁵ 100
Compania de Representaciones Mercantiles, Cubaçero S. A.....	⁵ 100
Isthmian Steamship Co., Ltd.....	⁵ 100
Metalurgica Exportadora Estadoundidense de la Argentina, S. A.....	⁵ 100
United States Steel Export Co. de Mexico, S. A.....	⁵ 100
United States Steel Export Co. of China, Inc.....	⁵ 100
United States Steel Export Co. (Puerto Rico), Inc.....	⁵ 100
United States Steel Products Co.....	100
Bennett Manufacturing Co., Inc.....	¹ 100
Boyle Manufacturing Co.....	¹ 100
The Petroleum Iron Works Co. (Ohio).....	¹ 100
The Petroleum Iron Works Co. (Texas).....	¹ 100
United States Steel Supply Co.....	100
Universal Atlas Cement Co.....	100
Universal Exploration Co.....	100
Virginia Bridge Co.....	100
Warrier & Gulf Navigation Co.....	100
The Youngstown & Northern R. R. Co.....	100

¹ Conducts no business; owns assets of no material significance.

² Conducts no business; owns no property.

³ Conducts no business; owns property not presently operated.

⁴ Conducts no business other than the ownership of property leased to, or subject to operation under agreement by, subsidiaries of the Corporation.

⁵ Not consolidated in the corporation's consolidated statement of financial position and no separate financial statements are filed or to be filed as the aggregate investments in these companies are not significant in respect of (1) the assets they represent, and (2) the sales or operating revenues of such companies. With these exceptions, all companies in foregoing schedule are included in the consolidated financial statements.

⁶ Conducts no business other than the ownership of property leased to a nonaffiliated company.

The corporation or some one of its subsidiaries also owns a substantial percentage, but not exceeding 50 percent in any case, of the voting stock of each of 8 other corporations, 4 of which own or operate iron ore properties. The corporation does not possess, directly or indirectly, the power to direct or cause the direction of the management or policies of any one of such 8 other corporations, whether through the ownership of voting securities, by contract or otherwise; and the corporation therefore disclaims any admission of the actual existence of effective control by it, directly or indirectly, of any one of such 8 other corporations and, when the term "subsidiaries" is used in this annual report it shall not be deemed to include any one of such 8 other corporations.

X. BETHLEHEM STEEL CORP. PRESS RELEASE ON AMENDMENTS TO ITS PENSION PLAN, DECEMBER 21, 1949

Bethlehem Steel Corp. has called a special meeting of its stockholders at noon on February 7, 1950, at Wilmington, Del., to vote on certain amendments to the long-established Bethlehem pension plan which was called for by the strike-settlement agreement dated October 31, 1949, between Bethlehem and the steelworkers' union.

Reasons favoring the settlement; statements concerning the estimated cost to the corporation, and a description of the changes proposed in the pension plan, are set forth in a covering letter by E. G. Grace, chairman of Bethlehem Steel, and in further detail in a proxy statement, both of which are currently being mailed to stockholders.

The agreement with the union, Mr. Grace's letter points out, settles the pension question until the end of 1951 and further until October 31, 1954, if Bethlehem continues the agreement in effect.

Under the agreement old-age benefits under the Federal Social Security Act are deductible from Bethlehem's pension obligations, and any increases in such benefits will also be deductible.

The pension plan is a noncontributory plan and Mr. Grace states in his letter that Bethlehem has always believed in a noncontributory pension plan. The strike-settlement agreement requires a contributory social-insurance plan which covers insurance against sickness and hospitalization.

ESTIMATED COSTS

Mr. Grace's letter estimates that the proposed increases in the Bethlehem pension plan will cost the corporation between \$2,000,000 and \$2,500,000 per year for the next 5 years. He estimates that "if the above-described amendments were not made," the cost would be between \$5,500,000 and \$7,500,000 per year. But assuming that the proposed amendments are approved by the stockholders the estimated average annual cost for the next 5 years "will be between \$7,500,000 and \$10,000,000."

In pointing to the reasonableness of the amounts of pensions as proposed, Mr. Grace said: "It should be noted that they are small when compared with the total pay roll of Bethlehem—approximately \$490,000,000 in 1948."

It is expected that in 1950 there will be a nonrecurring cost resulting from the transfer to the pension plan of a number of men now receiving benefits under the Bethlehem relief plan. That cost "may be as much as \$10,000,000, most or all of which may be provided in 1950."

It is Bethlehem's practice—

when an employee becomes entitled to a pension, to charge to current earnings and to pay into the pension trust fund which has been established pursuant to the plan an amount, determined on an actuarial basis, which is estimated to be sufficient to provide for the payment to him of the amounts that he will become entitled to receive as a pension during the remainder of his life. As shown in the proxy statement, the amount charged in 1948 to current earnings of the corporation and its subsidiaries in accordance with that practice to provide for the payment of pensions that were granted under the plan in that year is \$3,544,738 and the amount that would have been so charged in that year, if the above-described amendments had then been in effect and had been applicable to the persons who became pensioners in that year, is \$4,507,163, and the corresponding figures for the first 10 months of 1949 are \$4,468,402 and \$5,585,125.

BENEFITS UNDER THE PLAN

The principal amendment to the pension plan, which is subject to stockholders' approval, will provide that the present minimum pension of \$50 per month will be increased to \$100 per month for pensions to be granted to employees with 25 or more years of service at age 65 or over. Pensions payable under the plan are reduced by amounts payable under the Federal Social Security Act. Other amendments provide for retirement after 15 years of service under certain circumstances, and for increases in certain pensions granted under the present plan if old-age insurance benefits shall be increased under the Federal Social Security Act.

Mr. Grace's letter and the proxy statement also refer to a resolution by three stockholders proposing a maximum limit on annual pensions which is substantially the same as one disapproved by a large majority of the stockholders at each of the last two annual meetings.

XI. INFORMATION CONCERNING REMUNERATION AND PENSIONS OF EXECUTIVES IN THE UNITED STATES STEEL CORP. AND BETHLEHEM STEEL CORP.

A. UNITED STATES STEEL CORP.

The following table contains information with respect to remuneration paid during the last fiscal year of the United States Steel Corp. to each of its directors who received in excess of \$25,000, to each of its three highest-paid officers, to its directors and officers as a group and to "associates" of directors who received in excess of \$25,000:

Name of person or identity of group	Capacity in which remuneration was received	Remuneration paid by corporation and subsidiaries, 1948 (accrual basis)	Benefits under pension plan (3)		
			1948 contributions		Estimated annual pension after retirement at age 65 (3)
			By corporation and subsidiaries	By the individual	
Irving S. Olds (1).....	Director, member of finance committee, and chairman of board. Net after taxes.....	¹ \$161,300	\$7,350	\$4,410	\$13,815
Enders M. Voorhees (1).....	Director, chairman of finance committee, and comptroller. Net after taxes.....	(2) 69,449 ² 160,700	7,350	4,410	20,323
Benjamin F. Fairless (1).....	Director, member of finance committee, and president. Net after taxes.....	(2) 69,290 ³ 207,900	9,850	5,910	26,537
Nathan L. Miller.....	Director, member of finance committee, and general counsel.	(2) 84,075 109,300	None	None	None
Myron C. Taylor.....	Director, member of finance committee, and advisory counsel.	54,900	None	None	None
			Payments for pensions by corporation and subsidiaries during 1948		
All directors and officers.....	As directors and officers.....	⁴ 863,533	\$54,769		
White & Case ⁵	Legal services.....	77,750	-----		

¹ Exceeded remuneration for 1947 by \$22,367.

² Exceeded remuneration for 1947 by \$21,587.

³ Exceeded remuneration for 1947 by \$20,167.

⁴ Exceeded remuneration for 1947 by \$103,717.

⁵ Mr. Irving S. Olds, a member of the firm of White & Case, does not participate in this remuneration.

(1) About May 6, 1941, the Corporation entered into a contract with this individual, which provides in substance that in the event of his continued service on behalf of the corporation for a continuous period of at least 5 years after May 6, 1941, and his attaining the age of 60 years (unless this age requirement is subsequently reduced by the board of directors), he shall be entitled upon retirement to receive annually from the corporation during his life a sum equal to \$5,000 for each year of such continuous service after May 6, 1941, with a proportionate part thereof for any fraction of a year of such service, but not more than \$50,000 annually; the full annual sum thus computed to be paid in the year of his death to him or his estate.

(2) These amounts are the estimated net remuneration of the three highest-paid officers after paying income taxes. The estimates are based on the assumption that each individual's remuneration from the corporation is his only income, and that he is entitled to no deduction therefrom other than as a married person and, in computing Federal income tax, a deduction of New York State income tax.

(3) The estimated annual pensions set forth in the foregoing table will become payable only upon certain conditions being fulfilled. For the purpose of estimating these annual pensions, it is assumed that (a) the named individuals will continue in the employ of the corporation or its subsidiaries until they respectively reach 65 years of age, will retire at that age, and during the period up to the date

of their retirement will continue to make their contributions under the contributory part of the plan; (b) the combined contributions of participating employees and employing companies under the contributory part of the plan will be sufficient to permit payment of the "normal retirement pensions" therein specified; (c) the remuneration of the individuals will continue at the 1948 rates until they respectively reach 65 years of age; and (d) the present rules under the plan will continue in force during the lives of the respective individuals. Their ages on December 31, 1948, were as follows: Irving S. Olds, 61; Enders M. Voorhees, 57, Benjamin F. Fairless, 58.

GENERAL INFORMATION CONCERNING PENSION PLAN

Officers and employees of the corporation's subsidiaries are entitled to benefits under the corporation's pension plan on the same basis as officers and employees of the corporation. During the year 1948, pensions were granted under the plan to 1,371 retiring employees and 1,677 pensions were terminated by the death of pensioned employees, or for other reasons; at the end of the year pensions were in force with respect to 15,422 retired employees.

Employees do not contribute to the noncontributory part of the corporation's pension plan. They are eligible for pensions thereunder with respect to service prior to January 1, 1940, subject to adjustment for public pensions. This part of the plan also permits pensions under special retirement conditions, including total and permanent incapacity. This part states that it is voluntary and constitutes no contract and confers no legal rights upon any active or retired employees or any pensioner thereunder.

During the year 1948, the corporation and subsidiaries made payments of \$5,900,698 under the noncontributory part of the pension plan.

The contributory part of the corporation's pension plan provides for contributory pensions with respect to employees' earnings in excess of the maximum amounts specified in the Federal old-age benefit laws as the basis for taxes payable by employer and employee. Employees who elect to participate contribute 3 percent of their compensation in excess of these specified amounts, and the employing companies contribute such additional amount as may be sufficient, according to the determination of an actuary, to cover present and prospective benefits and expenses under this part of the plan. Contributions of the employing companies are restricted, however, to 5 percent of the compensation, in excess of these specified amounts, paid to all employees eligible to participate. Participation by employees is voluntary. No contributions are made by the corporation or subsidiaries for the benefit of employees who do not themselves contribute. This part of the plan provides that it may be terminated on certain conditions and that all payments by the corporation and subsidiaries are voluntary.

During the year 1948, the corporation and subsidiaries paid a total of \$4,291,150 to a trustee for the benefit of all employees participating in the contributory part of the pension plan. The total of the payments by participating employees was \$2,574,755.

Source: United States Steel Corp., proxy statement, May 2, 1949.

B. BETHLEHEM STEEL CORP.

In the following table are set forth with respect to each person who was a director of the Bethlehem Steel Corp. at any time during the year 1948 (including each person who was one of the three highest paid officers of the corporation during that year) and whose aggregate remuneration from the corporation and its subsidiaries during that year exceeded \$25,000 (a) the aggregate remuneration (fixed salary and incentive compensation) directly or indirectly paid to him by the corporation and its subsidiaries during that year for services in all capacities and (b) the estimated amount of the annual pension that would be payable to him under the pension plan, as at present in effect, upon retirement under the conditions stated in footnote (3) below:

Name of person	Capacities in which remuneration was received	Fixed salary ¹	Incentive compensation ^{1 2}	Estimated amount of annual pension payable under the pension plan on retirement ³
Donald T. Aikenhead....	Director, treasurer and assistant secretary of the corporation and director and officer or employee of 1 or more subsidiaries.	\$27, 500	\$42, 984	\$9, 122
James P. Bender.....	Director and assistant treasurer of the corporation and officer or employee of 1 or more subsidiaries.	27, 500	42, 984	23, 427
Norborne Berkeley.....	Director of the corporation and director and officer of 1 or more subsidiaries.	60, 000	114, 624	48, 400
Stewart J. Cort.....	do.....	90, 000	114, 624	29, 298
Harry C. Crawford.....	do.....	45, 000	57, 312	18, 487
Eugene G. Grace.....	Director and chairman of the corporation and director and officer of 1 or more subsidiaries.	150, 000	171, 932	None
Charles R. Holton ⁴	Director of the corporation and director and officer or employee of 1 or more subsidiaries.	60, 000	114, 624	None
Arthur B. Homer.....	Director and president of the corporation and director and officer of 1 or more subsidiaries.	120, 000	143, 280	67, 087
Myrl L. Jacobs ⁵	Director of the corporation and director and officer of 1 or more subsidiaries.	52, 275	85, 968	None
Joseph M. Larkin.....	do.....	60, 000	114, 624	58, 944
Paul Mackall.....	do.....	90, 000	114, 624	76, 802
Robert E. McMath.....	Director, vice president and secretary of the corporation and director and officer of 1 or more subsidiaries.	75, 000	114, 624	60, 592
Arthur F. Peterson ⁶	Director of the corporation and director and officer or employee of 1 or more subsidiaries.	27, 601	43, 111	10, 827
Frederick A. Shick.....	Director and comptroller of the corporation and director and officer of 1 or more subsidiaries.	75, 000	114, 624	61, 731
Daniel D. Strohmeier.....	Director of the corporation and director and officer or employee of 1 or more subsidiaries.	50, 000	64, 476	9, 391

¹ The amounts by which the aggregate remuneration that was paid by the corporation and its subsidiaries to the following named officers and directors during the year 1948 exceeded the aggregate remuneration that was so paid to them, respectively, during the year 1947 are as follows: Mr. Aikenhead, \$47,304; Mr. Bender \$7,164; Mr. Berkeley, \$31,044; Mr. Cort, \$109,924; Mr. Crawford, \$19,552; Mr. Holton, \$31,044; Mr. Larkin, \$31,044; Mr. Mackall, \$19,104; Mr. McMath, \$19,104; Mr. Peterson, \$24,718; Mr. Shick, \$19,104; and Mr. Strohmeier, \$94,994.

² All the amounts shown in this column (except \$21,619 of the amount shown opposite the name of Mr. Peterson) are amounts that were paid out of the special incentive compensation fund of the corporation. Such amounts (except such \$21,619) aggregate \$1,432,796, the total amount that was paid out of said fund in 1948.

³ The amount set forth in this column opposite the name of each person is the amount of the pension to which he would be entitled under such plan (before deducting any amount the deduction of which is required by such plan), if (a) he shall continue to be an employee under such plan until he shall attain the age of 65 years or, in the case of a person who will have attained that age prior to Jan. 1, 1950, until that date, (b) he shall retire on the date when he shall attain the age of 65 years or, in the case of a person who will have attained that age prior to Jan. 1, 1950, on that date (which the provisions of such plan do not require him to do in either case), (c) such plan in its present form shall continue in effect until he shall so retire and (d) he shall receive compensation for the period from Jan. 1, 1949, to the date when he shall so retire at an average rate equal to the average rate of his compensation for the years 1939 to 1948, inclusive.

⁴ Mr. Holton died on July 16, 1949.

⁵ Mr. Jacobs died on Nov. 13, 1948, and on Nov. 26, 1948, Mr. Peterson was elected a director of the corporation to fill the vacancy thereby caused.

⁶ The aggregate remuneration (\$2,517,011) directly or indirectly paid by the corporation and its subsidiaries during the year 1948 to all persons, as a group who were directors and/or officers of the corporation at any time during that year for services in all capacities consisted of fixed salaries in the aggregate amount of \$1,047,092 and incentive compensation in the aggregate amount of \$1,469,919. The amount by which such aggregate remuneration exceeded the aggregate remuneration that was so paid to the corresponding group during the year 1947 is \$316,828.

Source: Bethlehem Steel Corp., proxy statement, Dec. 19, 1949.

XII. STATEMENTS BY THE PRESIDENT'S STEEL INDUSTRY BOARD AND THE COUNCIL OF ECONOMIC ADVISERS ON STEEL PRICES

A. By the President's Steel Industry Board:

The plant modernization and expansion program should result in efficiencies which, other things being equal, will better enable the companies to meet the cost of the insurance and pension plans recommended, and also to look toward a lower level of prices for their products. * * *

With increased efficiency and lowered costs resulting from the plant-modernization program, and with no great decrease in the demand for steel, there should be continued and higher profits. If these profits do not result in benefit to the consumer in the form of lower prices, there would be justification for the union to renew its demand for increase of wage rates in order better to participate in the industry's prosperity.¹

The Board has found that the use of a substantial portion of recent profits for plant modernization and expansion was of benefit to the economy and the Nation. The only question in our minds is whether a larger fraction of the expansion should not have been financed by long-term borrowing, thus enabling the payment of higher dividends to stockholders and the creation of reserves for the payment of retirement benefits to the industry's workers. The steelworkers were found to have suffered no inequity from these uses. But it is to be expected that the modernization and expansion of steel-making capacity will substantially lower costs and thereby increase profits considerably, given no decrease in the demand for steel. If and when this development occurs, the consumers of the country will receive measurable benefit, the Board believes, in the form of lower prices for steel products. And if this does not happen, and if business conditions continue to be generally favorable, there would appear to be justification for the union to renew its demand for larger participation in the industry's income.

The words "present conditions" above, however, do not have the same force when applied to the subjects of social insurance and pensions.

As to these there are two main items to be considered. The first is the employers' ability to pay; the second involves certain definite social obligations which are owed to workers in all industries. By a collective bargaining which recognizes both of these considerations, we think that fair and equitable conclusions can be reached.

As to the first consideration, we believe that the steelworkers are in an inequitable position now vis-à-vis workers in other industries who have systems of social insurance and pensions. They are also in an inequitable position vis-à-vis managerial employees in many of the steel companies which have provided substantial pensions for their officers and top executives. And we believe that the steel companies do now have the ability to provide a system of social insurance and pensions. Although their extraordinary reported profits of recent years have to be materially discounted for all the reasons mentioned above, they are still substantial. Measured by any standard they appear able to bear the comparatively slight increase of labor costs involved in the program we recommend.

What do those costs come to? On the basis of a 2,000-hour work year, which is a high employment year, the gross cost of the program, * * * would come to an additional 4 cents per hour per worker for social insurance and an additional 6 cents per hour per worker for pensions—a total of 10 cents per hour for the program. However, some of the companies now have some kind of social-insurance plans, and a few have some kind of retirement plans. The present cost to the companies of these existing plans should be deducted from the 10 cents. Our very rough estimate is that the net result would be about 8 cents per hour. Since the steelworkers' present average earnings come conservatively to \$1.60 per hour, this cost of 8 cents will cause about a 5-percent increase in direct labor cost.

On the liberal assumption that labor costs average 50 percent of total cost (they more likely come closer to 40 percent) this increase in total cost would be only about 2½ percent at an operation rate of 2,000 work hours per year.

The steel companies, under present conditions and under presently foreseeable conditions (which include cost reductions because of plant improvements), appear able to afford this and still put into effect the price reductions mentioned above.²

¹ United States Steel Industry Board, Report to the President of the United States on the Labor Dispute in the Basic Steel Industry, September 10, 1949, p. 6.

² *Ibid.*, pp. 53-55.

B. By the Council of Economic Advisers:

The fact that we are not now threatened with general inflation does not justify price increases at any vital points in the industrial structure. Such price increases, instead of being called inflationary, should be regarded as fundamentally retarding in that they will reduce our likelihood of gaining maximum production and employment by imposing further restrictions upon a level of demand which is not yet sufficiently high. If there is any room for price change in some vital industrial areas, it is in a downward and not in an upward direction. Earnings are generally rewarding, though not so high as a year ago, and they can best be protected and advanced by those policies which will maintain and expand volume.

Steel prices are a case in point. Steel affects the whole economy, and some reduction in steel prices would favorably influence the whole economic situation. A stable and expanding economy requires a growing volume of steel output and of those other basic products which use steel. Some of these other products, whose prices are affected by steel prices, are also priced at a level where sustained and growing output seems uncertain at current prices. The statements of the steel industry accompanying the recent price increases did not in our judgment impair the shortly prior findings of the Steel Industry Board. These findings were to the effect that the price-profit-cost situation in the steel industry, allowing for pensions, did not justify price increases and in fact left room for price decreases in view of no wage-rate increases.³

³The Economic Report of the President, January 1950, pp. 72-73.

