

Monopoly

Detour Ahead

Business...

Big and Small...

Built America

A speech before the Baltimore Association of Commerce and a statement in Washington before the Subcommittee on the Study of Monopoly Power of the House Committee on the Judiciary

by **BENJAMIN F. FAIRLESS**

President

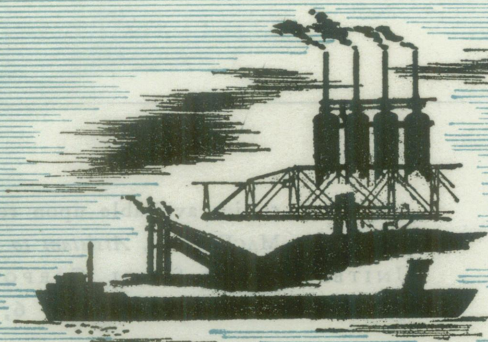
UNITED STATES STEEL CORPORATION

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Foreword

Detour Ahead, an address by Benjamin F. Fairless before the Baltimore Association of Commerce, and *Business . . . Big and Small . . . Built America*, a statement by Mr. Fairless before the Subcommittee on the Study of Monopoly Power of the House Committee on the Judiciary, were first re-printed separately for distribution by United States Steel Corporation. Both met with the immediate and enthusiastic acceptance of people in all walks of life. Because of thousands of requests which United States Steel continues to receive for these two booklets, it has been decided to combine them for the convenience of readers.

Additional copies available upon request to
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Detour Ahead

Gentlemen, I am about to deliver a critical speech, and at the outset I want to make it clear that I am neither attacking nor defending either political party as such. Neither am I attacking nor defending any individual or individuals of either political party. I am, however, attacking anyone who, in my opinion, is attempting to destroy the free competitive American industrial system which has made our country the greatest on earth. I offer this statement for clarification purposes only and it is not in any way to be construed as an apology for what I am about to say.

This visit to the Free State of Maryland is a pleasure which I have been promising myself for a long time. In fact, I had planned to be with you months ago, but unfortunately I hit a detour and wound up in a notorious suburb of yours, over near Bladensburg—a place called Washington, I believe.

I guess that's what always happens to people these days when they start heading for a free state. Some traffic cop shunts them off on a rough and bumpy road they did not want to travel, and they end up at an unhappy destination they never wanted to reach at all.

It is about detours that I want to talk to you today—and about Washington. I had expected, of course, to talk about the steel business, and some day I hope to get back to Pittsburgh long enough to find out what's happened to it. But during the past few months, I have been specializing in our National Capital, and our National Capital has certainly been specializing in me. Up to now, as you know, I've spent most of my time in O'Mahoney's dog-house; but next week I move to Emanuel's cellar.

So it is a pleasant relief indeed to escape for a few hours and to enjoy your hospitality here in Baltimore.

I have already spent a most interesting morning. Mr. Charles E. McManus took me over to the Crown Cork and Seal Company to see the fine new cold-reducing mill they have installed there. To me there is something really beautiful about machines like that. They have majesty, dignity and grace of motion; and I never cease to be fascinated by the miracles they perform.

The magician who first produced a live rabbit from a silk hat had a great deal of ingenuity and skill, and

An address before the Baltimore Association of Commerce, Baltimore, Maryland, April 21, 1950.

people of every age still marvel at the trick; but to me it is not nearly as mystifying or as breath-taking as the process by which modern American industry produces even such seemingly simple things as bottle caps.

My visit to this plant today, however, was not merely a pleasure; it was definitely a matter of business as well—not that I am thinking of going into the bottle-closing business; and not that Crown is a customer of ours, either. They are not. They buy their steel from one of our rivals. I hate to say that, because I know what a shock it will be to some of our Washington critics who insist that there is no competition in the steel industry. Apparently they never heard of Bethlehem—or a couple of hundred other competitors of ours who are doing very nicely, thank you. You know, sometimes I wish these critics could join our sales force for a few weeks and try to sell a little steel. I think they would find out for themselves what competition really is.

When I say that my visit was a matter of business, I mean that I think it is part of my job—and the biggest part of my job, perhaps—to know how American industry produces and engineers the millions of intricate things that it turns out—to study the ingenious processes that it has devised and to see how it meets and solves the hundreds of operating problems that it has to face.

I do not believe that any man who has not seen these things for himself can hope to understand our American industrial machine. I do not see how he can hope to discuss our American enterprise system intelligently, factually, or even honestly.

If you happen to detect a note of feeling in my voice as I say that, it is because of my recent experiences in Washington. From the time it was organized fifty years ago, U. S. Steel has been subjected to almost constant investigation by various agencies of the Government and for the past ten years and more, I myself, have been on the business end of most of these investigations. Gentlemen, I have been through so many Congressional inquisitions that no self-respecting skeleton would hide in my closet on a bet.

So far this year, Senator O'Mahoney has already had me on the griddle once, and Congressman Celler starts dissecting me next week. After that, O'Mahoney wants me back again, it seems; and Representative Macy is proposing that I become the permanent victim of a continuing investigation. I shall never know why.

What with the T.N.E.C. report, the voluminous

records which we file regularly with various Government agencies, the frequent Congressional inquiries we have faced, the proceedings before the Federal Trade Commission, and the evidence we have presented in numerous court actions, I don't suppose there is a single statistic about United States Steel which could possibly be of any real interest or significance to anyone, that is not already a matter of public record. And yet to this day, most of our inquisitors remain blissfully ignorant of the most important fact of all—how steel is made.

Among all the members of all the public bodies we have faced in the past dozen years, I don't suppose that more than two or three, at the outside, have ever been inside a steel plant, or have ever seen for themselves what a gigantic operation steel-making is. Yet, until he *has* seen these things for himself, I do not believe that anyone has any right to tell anybody how big a steel company should be; for any views he may hold on the subject can hardly be regarded as the reasoned opinion of a qualified and competent authority.

During the hearings next week, I intend to invite Mr. Celler and the members of his committee to visit our steel plants. I hope most earnestly that they will accept that invitation; for, by doing so, I believe they could add richly to public knowledge and public understanding of this whole controversial issue of "bigness."

I am aware, however, that such action by them would constitute a radical departure from established Congressional practice as I have seen it. So far as I can discover from personal experience, Congressional investigations of businessmen follow a standardized pattern that has not been in vogue in America since the old days of the western frontier, when the established procedure was to shoot first and ask questions afterwards.

Nowadays, the Chairman sends you a letter "inviting" you to appear before his committee on a certain date. Then he starts issuing a barrage of statements to the newspapers telling the world what a dangerous and nefarious character you are. When you no longer have a friend left in the world, the hearing begins, and the Chairman starts out by reading a statement in which he finds you guilty and pronounces sentence upon you. Then he announces that the committee will proceed to a full and "impartial" investigation of the facts, which seems to be a great waste of everybody's time, because when the evidence has been fully pre-

sented, the Chairman ignores it completely, writes a report setting forth all of his preconceived notions, and quotes at length from his opening statement to prove he was right all the time.

Throughout the proceedings, of course, there is a great deal of talk about the "public interest," but I cannot help wondering what "public interest" a committee is serving when it conceals, distorts, and openly mis-states the facts—the basic, all-important facts—which the American people must have if they are to plan their economic future intelligently and wisely.

Now, gentlemen, I am not an alarmist. I don't run around crying "wolf." I never see bogeys under the bed—and seldom see them on a golf course, these days. But I am gravely and sincerely disturbed by what I have seen in Washington.

In my opinion, our American economic system is in deadlier peril today than it has ever been in my lifetime. I say that knowing that it has always defended itself successfully against its enemies abroad; but I honestly do not know how it can be protected against its self-styled "friends" in Washington who would literally hack it to death on the pretext of saving its immortal soul. I am convinced that if these misguided planners and politically-ambitious office-holders have their way, three of our most precious liberties—freedom of opportunity, freedom of initiative, and freedom of enterprise, will vanish from this earth.

I have always had great faith in the plain, cracker-barrel common-sense of the American people, and so long as they are permitted to know the facts, I have no fear that they will ever allow their economic system to be engulfed by foreign "isms" and ideologies.

I do not fear Communism because every passing day proves its utter failure. The American people know that if Communism were really working successfully there would be no need for police state oppression, phony trials and slave labor camps behind the iron curtain.

I do not fear Fascism because it has killed the three great nations which adopted it. The American people want no part of any economic system that feeds only upon war and conquest.

I do not fear outright Socialism because, in Europe today, Socialism itself is living on the dole, and America is the only country on earth that is able to foot the bill for it. No American taxpayer is likely to fall for that kind of an economic system, at least until he has found some other nation that is rich enough

and generous enough to indulge him in his folly.

But when somebody in Washington starts telling me how much he loves the Free Enterprise system and how he proposes to save it from itself, I shake in my very shoes. I wonder why it is that these self-appointed saviours of our national welfare always seem to miss the point—the one magnificent lesson that should be apparent to anyone who looks about him at the world today.

The point is, gentlemen, that our American system of Free Competitive Enterprise is the only one left in the world that is NOT controlled by power-hungry politicians; and whether you call it the Square Deal, the Fair Deal, the New Deal or just plain Federal Regulation, the fact remains that once the dead hand of politics gets its convulsive grip on American business and industry, free competition will be strangled, and our economic system will be no different—and no more successful—than those noble experiments which are crumbling into dust in Europe.

Of one thing, I am convinced. The American people will never knowingly travel that foreign road to economic disaster. They have built the most magnificent industrial machine this world has ever seen and they are certainly not going to wreck it *that* way as long as the road itself is clearly marked by signposts which honestly reveal its destination.

But in Washington today there are theorists and bureaucrats and economists and Congressmen who are switching the signs. They are trying to take down all the honest guideposts and put up others reading: "Detour—to Utopia."

To my way of thinking, gentlemen, that is nothing less than economic murder; and it is hard for me to believe that all of these signpost-jugglers are so innocent and so credulous that they can sincerely suppose they are pointing the way to salvation.

We are all riding in the same machine, and we are all going to end up in the same place whether we like it or not. So I think it might be wise indeed to examine the signposts closely. Now it seems to me that the most dangerous deception which has been practiced upon us is the fallacy that our whole economy can be divided into two parts labelled "big" and "little" business. This deception has been used so long and has become so familiar to us that we have begun to accept it, unthinkingly, and without question. Because some statistician has arbitrarily drawn an entirely imaginary line between companies employing more

or less than 500 persons, we argue about big business and little business as though they were two hostile armies warring against each other. And so we fall into the trap that Washington has set for us, by creating class distinction in the industrial world.

How silly that concept is, if we stop to analyze it. There are 4,000,000 individual business units in this country and they are all part and parcel of one great industrial machine. They are very much like the parts of that cold-reducing mill I was watching this morning. Some of them were big and some of them were little. There were tiny electrical contacts and huge steel rolls that weighed several tons each. Some parts ran at high speed, while others ran slower; but all of them were intricately fitted together, and each had a particular job to do. So this mechanical giant went grinding along, rolling the hard, tough steel into strips, as smoothly and as easily as Grandmother used to roll pie crust.

But of what use would that machine be to anybody if our Washington theorists once went to work on it? Our economists would cut it up into half-a-dozen pieces because it is so big. Our statisticians would sort out all the parts into neat piles according to size. Some members of Congress would pass a law decreeing that all the parts must be the same size, or that all must run at exactly the same speed. And in the end, there would be no machine at all. All the parts—the big parts and the little parts—would be junk.

So before the jugglers start taking our American industrial machine apart, there is one simple question I want to address to them. I just want to know *who* is going to put Humpty-Dumpty together again.

Of course, no one *ought* to understand all of this better than our Government because never, probably has the complete interdependence of so-called “big” and “little” business been as clearly demonstrated as it was during the recent war when this great industrial machine of ours shattered all records, and when every part and gear and piston in it was running at break-neck speed.

That was the first time our jugglers had ever had any real opportunity to put their theories to the test and to try to drive the wedge of class distinction into the machinery. They did their best.

They persuaded Congress to set up a special agency whose job it was to funnel war contracts into the hands of “small business.” On many items, the Army and Navy agreed to pay small businessmen as much as

15 per cent more than they paid "big business" for the same work. And some Government planners so far forgot themselves as to look with favor upon the idea of a *merger*. Heresy of heresies! They proposed to consolidate the efforts of all the small machine shops in an entire region in the hope of creating an industrial establishment big enough to handle large prime contracts.

So what happened?

You gentlemen know the answer as well as I do. When the shooting was over, we found that in spite of all the futile efforts of all the theorists in Washington, 75 per cent of the prime contracts had gone—of necessity—to the 100 largest manufacturing companies in the land.

The theorists were terribly unhappy about it, of course, and great were their lamentations. They could only see it one way, and without bothering even to consult the facts, they jumped despondently to the conclusion that the big had gotten richer and the small had gotten poorer.

They were wrong.

Over in the Department of Commerce and in the Federal Reserve Board, research experts went quietly to work with their calculating machines and came up with some amazing facts.

It was true, they found, that "big business" had been handed the lion's share of the war contracts; but it was *small business* that ended up by scoring the greatest increase in sales, in profits, and in assets. Small business had gained in size and it had gained in wealth at a vastly greater rate than the so-called industrial giants.

The explanation, of course, was all very simple. Big business had merely succeeded in doing what the Government had failed to do. It had loaded up small business with contracts—just as it always does, in peace or in war.

It did the biggest jobs on its big machines in its own big plants; but it sub-contracted the other jobs that could be done on smaller machines in smaller plants. It took a big company to deliver a finished B-29, but it took hundreds of companies of every conceivable size to make it—to make all the parts and materials that went into it. Which of these companies did the most important part of the job? . . . The big ones? . . . The little ones? Gentlemen, you might as well ask which soldier won the war.

So let us beware of the dangerous and deceptive

signpost that would send big and little business down two separate and divergent roads. It is just as dishonest as the second of these fatal frauds that the jugglers would perpetrate upon us—the one they call “monopoly.”

Now “monopoly” is a common, and highly-un-savory word that all of us understand. Properly employed, it is a useful noun meaning the exact opposite of competition; but our jugglers do not use it as a noun—they use it as an epithet which they hurl freely and with great abandon at any large and successful enterprise on which they may hope to move in.

With impeccable logic, they declare that it is the inalienable right of any man to try to establish himself in any business he wants—even the steel business.

And that is undeniably true.

But then, with fallacious cunning, they insist that he can't go into the steel business because “the monopoly” won't let him.

And that is utterly, completely, absolutely and ridiculously false.

What is this “monopoly power” that big business is supposed to possess? What power does United States Steel have, for example, to prevent some intrepid small businessman from setting up shop in the steel business? How could we go about it? What could we do?

Those are questions which our Washington critics, I notice, conveniently ignore; and until somebody answers them for me, I frankly confess that I haven't the slightest idea how I can keep any would-be competitor out of the field. I know of no way to keep him from getting the raw materials he will need or from buying the furnaces, mills and plants he must have. And if he can beat us out on quality, price or service, I know of no power whatever that can keep him from taking our customers away from us.

No, gentlemen, it isn't “monopoly power” that keeps any small businessman from making steel today. It is simply a little matter of money.

A blast furnace alone will cost him about \$12 millions, and when he gets his coke ovens, open hearths, his mills, his power and fuel lines and all his auxiliary equipment, he might start turning out hot-rolled bars for an investment of \$50 millions or so. If he wants to make light plates and cold-reduced sheets, his plant will cost him something over \$200 millions at today's prices.

And if any businessman has that kind of money, there is nothing “small” about him—not in my book,

at least, for he would be one of the world's richest men, and his business would be one of the very largest manufacturing companies in the United States.

Even a large new corporation, with plenty of capital behind it, might hesitate prudently before venturing into the business of making steel—not because “monopoly” exists in the industry, but for exactly the opposite reason—because of the competition which prevails in it today.

In the face of this competition, any newcomer would be at a great disadvantage, because his plant and equipment will cost him from two to three times as much as his competitors had to pay for the same facilities ten years ago—before a quarter-trillion dollar national debt, and a governmental weakness for deficit spending, transformed the almighty dollar into the not-so-almighty sixty-cent piece.

But just because a small businessman may not be able to go into the business of *making* steel, that does not mean that he cannot go into the steel business. Not at all. He can set himself up in the business of *fabricating* steel whenever and wherever he wishes, and for a relatively small capital investment, he can turn out any one or more among thousands of useful, saleable, profitable products.

Sometimes I think our Washington theorists ought to turn back to their own governmental records and find out what has really been happening in the steel industry during the past generation. Thirty-three years ago, it is true, there were nearly twice as many establishments *making* steel as there are now, but their product was so crude by comparison with today's steels, that the opportunities for *fabricating* it were limited. Today fewer companies make the steel, but 12,000 more establishments are able to fabricate it. For every steel-making company that has disappeared, sixty new metal-fabricating plants have been successfully established. And for every wage earner who had a job in the industry thirty-three years ago, three are employed today.

Now, is that bad? Is that “monopoly?”

Well, let's look at another trick word the jugglers have been palming off on us—“giantism.” It's a beauty. It's effective. Nobody loves a giant, and why should they? From the earliest days of our childhood we have thought of giants as monstrous, wicked, bloodthirsty creatures. So, naturally, a giant corporation must be evil. It's all very simple; but what are the facts? How many big companies are there?

According to the Government's latest count there are nearly 7,500 of them in America today. A century ago there were none. But wait a minute! For every single company that has grown big in this country during the past hundred years, 440 healthy new enterprises have been born. And, gentlemen: That didn't just *happen*. The truth is that had it not been for the fact that there *are* giants, most of these small establishments could never have existed at all, and could not, today, survive.

No, there is nothing sinful about size, and there should be nothing unlawful about it either.

The *size* of any company depends, in the first instance, upon the product which it intends to manufacture—upon the amount of money it is going to take to buy the plants, machines and tools that will be necessary to produce that product efficiently and competitively. From that point on, the *growth* of the company depends on its customers. If they like the product and want to buy more of it, the company will have to expand in order to meet their demands. If they don't like the product there is no way on earth that the company can force them to buy, no matter how big and how powerful it may be.

That is why today's giant must be useful, helpful, and necessary or he simply goes out of business because he failed to serve his customers to their satisfaction, and therefore failed to serve the public interest.

So when our Washington theorists attempt to place an arbitrary limit on size, they are saying, in effect, that certain products shall not be manufactured at all—except, perhaps, by the Government. And when they try to put a limit on growth, they are denying to the American people the right to buy as much as they want of a particular company's product.

For my part, I don't believe that the American people will ever stand for that kind of a restricted, second-class economy.

Finally, there is one more treacherous signpost which we see everywhere these days and which menaces all of us far more seriously than many of us may suppose. The jugglers call it "concentration." It is based on the fallacy that there is something evil and dangerous about the fact that four, or eight, or sixteen, or fifty companies, do forty or sixty or eighty per cent of the business in their particular industry.

Well, of course they do—and they always will as long as free and honest competition exists in our American economy. In industry or in the field of

sports, concentration is the *result* of competition. If the top teams in any baseball league don't win the highest percentage of the games, how are they going to stay on top? And when the top companies in any industry win the highest percentage of the customers, they naturally are going to have the highest percentage of the business.

Any time you see any league or any industry where everybody has come out even, you can be reasonably sure that somehow and somewhere the boys got together in the back room, plugged up the keyhole, and indulged in a little high-handed conspiracy, otherwise known as the "fix." How else could it happen?

That's why there always is and always must be a certain amount of this so-called "concentration" in every American industry; but our inquisitors in Washington insist that "concentration" is especially marked in the steel industry. And gentlemen, I want to take that one apart right here and now, because I think the facts will amaze you.

In the first place, let me say that the steel industry has no special characteristics that could conceivably justify its classification as a public utility, or that could possibly warrant this feverish desire on the part of our Washington Bureaucrats to subject it to Federal regulation.

Now of *course* steel is vitally necessary to our people and our national economy. So are oil and coal and automobiles, and rubber and lumber and glass, and refrigerators and cookstoves and radios. But certainly steel is no more necessary than clothing, and it is even less necessary than food. If the Washington jugglers are going to regulate every product that is necessary to our national economy, *then, gentlemen, they are going to regulate every single business in America. Including yours!*

And if they are going to break up every industry which is as highly "concentrated" as the steel industry, *nearly half of the units in our American industrial machine will be torn apart.*

Yes. That is the exact, indisputable fact.

The United States Census Bureau has recently completed its latest count of more than 400 American industries, and has reported on the degree of so-called "concentration" in each. And remember, I am speaking of entire *industries*—not individual companies.

Now how many of these industries do you think are more highly "concentrated" than the steel industry. Three? . . . Ten? . . . Fifty?

Well, guess again. The Census Bureau's own report on "steel works and rolling mills" shows that this industry is not anywhere near the top at all. It is in the great middle, along with the great body of all American industries. In fact, it stands 174th on the list. *So there are 173 entire industries which are more highly concentrated than steel.*

Now what are some of these industries where the "concentration of power" in the hands of the "big four" is so great as to menace our national welfare and to arrest the pursuit of happiness?

You'd never guess.

There is the pretzel industry for one. Honestly, that's right. I mean it.

And there are the candle-makers too.

Then there are straw hats, and streetcars, breakfast foods and chewing tobacco, wallpaper and cigar boxes, lead pencils and pianos. Then we have women's neckwear and boys' underwear. And, oh yes—window shades and garters.

Now if every one of these—plus 159 other industries—is more highly "concentrated" than steel, and if "concentration" is really as wicked as our theorists tell us it is, I can't for the life of me, understand why all these high-priced Congressional committees are wasting their time on me.

Seriously, gentlemen, make no mistake about it. U. S. Steel has been singled out as the target for this present attack on "bigness"—but only temporarily, and if our Washington jugglers now succeed in placing U. S. Steel on trial before the court of public opinion, then they also will have managed to put every successful, growing business in America on trial beside it.

So I wonder if it isn't time to have an entirely new Congressional investigation—one that will hale before it all the other Government agencies and Congressional investigating committees which seem to be trying so desperately to destroy the finest and the only successful economic system that exists in the world today.

I wonder if it isn't time someone took these gentlemen aside and found out just what public interest *they* are serving—and why?

In short, I wonder if it isn't time to get back on our high-speed highway to progress and growth and production, before we get mired and lost forever on a detour to Utopia!

Business . . . Big and Small . . . Built America



United States Steel Corporation is successful; it is profitable; it is efficient, and it is a large enterprise. These are the simple facts and I am proud of them.

United States Steel is large because it has had to be, in order to do the big jobs that a big nation has demanded of it in war and in peace—and to do them well. It has grown as America has grown; and it has contributed at every step of the way towards the growth, prosperity, and security of America. I am proud of that, too.

United States Steel is successful because its customers have made it successful—because it has served their needs to their satisfaction and has continued accordingly to enjoy their favor. I submit that any enterprise which successfully serves the continuing interests of its customers is necessarily serving the public interest. Its customers are the public, and their interest is the public interest.

United States Steel is profitable because any enterprise must be profitable, over the years, in order to survive. Only by making a profit can we provide work and security for our employees, protect our investors, and do our part in producing the steel upon which 150 million Americans depend, in one way or another, throughout their entire life span. Be it large or small, a company that fails, benefits no one.

United States Steel is efficient because only by being efficient can it remain large and profitable and successful, in the face of the active competition it must meet in the steel industry.

Theorists Would Go Back to “Horseless Buggy” Days

But within our Government today there are powerful agencies and groups which hold that all this is wrong. They hold that there is something inherently vicious in bigness, and growth, and success.

Some of them would break up large and successful enterprises into pieces, even though the high quality of their service to the public is unquestioned. Others would place arbitrary limits upon industrial size, even though this might deprive the American people of the

A statement before the Subcommittee on the Study of Monopoly Power of the House Committee on the Judiciary in Washington, D. C., April 26, 1950.

right to purchase as much as they wished of a particular company's product. And still others would treat a large segment of American business as a public utility regardless of whether or not the attributes of a public utility are present. They would subject such companies to regulation by governmental bureaus, even though these bureaus know nothing at all about running the business, and would bear no direct responsibility whatever to the customers, the workers, and the investors in these enterprises.

To my way of thinking, the advocates of these theories are the most dangerous reactionaries of this Twentieth Century. By dismembering business, they would turn back the clock to the "horseless buggy" days of fifty years or more ago, and would try to squeeze a modern, dynamic, efficient America once more into the puny production patterns of its industrial childhood. Or, by subjecting American productive enterprise to the deadening hand of political regulation, they would borrow from the Old World the dismal economic philosophies that have led most of Europe to desolation and despair. They would substitute governmental regulation for competition, and political pressures for customer control.

With the unsound and dangerous notions of such reactionaries, I emphatically disagree.

We of United States Steel believe that there can be no real security without progress, and no true progress without growth. So long as America grows and develops, we shall strive to do likewise.

Big and Small Business Are Interdependent

We believe that there is one economic lesson which our Twentieth Century experience has demonstrated conclusively—that America can no more survive and grow without big business than it can survive and grow without small business. Every fact of our economic and industrial life proves that the two are interdependent. You cannot strengthen one by weakening the other; and you cannot add to the stature of a dwarf by cutting off the legs of a giant.

Let's look at this thing dispassionately, from a practical point of view.

Statistically-minded theorists have sought to create, in the world of business, a class distinction that never has existed and that never can exist. They have arbitrarily drawn a wholly-imaginary line through all of American industry and they declare that everything

on one side of the line is small business while everything on the other is big business—that one is East and the other is West and never the twain shall meet.

Now every practical businessman in America today knows that such a concept is ridiculous. The American industrial machine is a unit, just like an automobile. It is made up of big parts and little parts, each of which does its own particular job and all of which are intricately fitted together. You may think that it would be fun to sort them all out into neat piles according to size to please the statisticians. You could even pass a law declaring that all the parts must be the same size; and the theorists, no doubt, would be delighted. But when you get through, your automobile won't run—and neither will American industry.

So before you start taking it apart, I hope you will be very sure that you know how to put it together again.

For my part, I want to say here and now that no man in Congress is more anxious to encourage so-called small business than I am; for United States Steel could not exist without it.

U. S. Steel Cannot Exist Without Small Business

On the basis of assets, ours is the third largest manufacturing company in the nation. Furthermore, we are what is known as a “wholly integrated steel producer”—a company which owns most of its own raw materials, as well as its coke ovens, furnaces, plants, and fabricating mills, and some of its transportation. By means of these facilities, the raw materials are transformed into the more than 100,000 different finished products that we sell.

You would think therefore that U. S. Steel would come about as close to being completely self-sufficient as it is possible for any one company to be in this complicated industrial age. You would suppose that if any company could get along without small business, we could.

But we can't.

Selling to and Buying from Small Business

The startling fact is that nearly 40 per cent of all the money that we took in from all of our customers last year went to 54,000 suppliers from whom we had to purchase goods and services; and at least 50,000

of these suppliers were small businesses. The same is true every year.

Moreover we sold our finished products and materials to approximately 110,000 customers; some of whom were individuals, some of whom were large enterprises, but about 90,000 of whom we classify as small customers.

Certainly, I don't need to tell you gentlemen that these 90,000 small customers are very necessary to us—that their orders can make the difference between a high operating rate and a low operating rate; that they can make the difference between full employment and partial unemployment in our plants; and that they can make the difference between stable profits and financial losses. We know too that it is to many of them that we must look for the expanding market that represents our future security.

That is why it has long been the established policy of United States Steel to meet the needs of the small consumer to the fullest extent of its ability; and to help these small customers wherever and however we can, even when they are manufacturing finished products which compete directly with our own. We do this not as a matter of charity—not as a “handout” in the hope of earning political favor or heavenly reward; but merely as a matter of enlightened selfishness. There's a profit in it!

We want to see more small businesses established. We want to see more small businesses grow to be middle-sized businesses. We want to see more middle-sized businesses grow to be big businesses. And at every stage along the way we want to sell all of them more steel!

Helping to Win the Second World War

It is just as simple as that. Big business needs small business; small business needs big business; the nation needs both, and no one should know that better than our Government.

It was only a few years ago—in the war years—that the Government gloried in the size of its industrial giants and honored them for doing successfully the giant tasks—the almost impossible production tasks—that our national security demanded. It called upon United States Steel to outproduce, single-handed, all the Axis nations put together. We did so. It called upon our great research laboratories and our skilled technicians to design and to create such story-

book miracles as a "portable" landing field for aircraft. We did so. It called upon our management to use all of its experience, ingenuity, efficiency and know-how, to build, to man and to operate vast new steel-making plants for the Government. We did so. And the Government sang our praises.

But when the war was over, all this was conveniently forgotten in Washington. The Government no longer acclaimed us. It belabored us severely—not because we were too big—but *because we were not big enough*. It denounced us because we could not produce instantly all the steel that was needed to meet the pent-up demands of a world that had been starving for civilian goods for four long years. It urged us to expand our plants and facilities. And we did so.

Today, this too is forgotten, but the Government continues to attack us. It now appears that we are *too* big, and that we have been all the time. So history repeats itself. After World War I, those who had produced the weapons that defeated our enemies were denounced as "Merchants of Death." Today, after World War II, they are branded as "oligopolists."

Bigness: Necessary in War . . . Desirable in Peace

Now it seems to me that not even the Government can have it both ways. If bigness is necessary in war, it is certainly desirable in the uneasy peace of this atomic age. If bigness is a virtue in times of scarcity, it can hardly be a vice in times of plenty.

I believe that the whole reactionary attack upon bigness and growth and success is based upon a series of fallacies, the falsity of which has been clearly proved by the evidence already in the record of this Subcommittee.

The basic premise, of course, is that small business is indispensable to our national welfare, and that it must be encouraged and strengthened wherever possible. With that premise I most heartily agree.

But from this solid and serviceable springboard, our reactionary theorists take off into the blue upon jet-propelled flights of fancy. In the face of indisputable evidence to the contrary, they proceed on the blithe assumption that big business is not equally indispensable to a big country's welfare—that, indeed, it is somehow inimical to the establishment, growth and success of small new enterprises.

Now if that were true—if big business were really a malign obstacle blocking the door of opportunity

to new enterprises—there would be fewer businesses in the land today than there were ten, twenty or fifty years ago. But what are the facts?

Well here they are:

Fifty years ago there were 1,660,000 businesses in the United States. Today there are approximately 4,000,000.

In half a century there has been a net increase of more than 2,300,000 enterprises—an average of more than 40,000 per year.

In the same period the human population of the nation has grown 97 per cent; but the business population has grown about 140 per cent.

And in the first four years following the recent war, new businesses were starting up *at the rate of more than 30,000 per month.*

Clearly, the door of opportunity has not been barred by big business or by anyone!

But then our theorists charge that big business is a cannibal which eats small business alive. They say that unless mergers are stopped, small business—like the dodo—will become extinct.

Facts About “Concentration” in Steel Industry

Now that isn't true either. The Subcommittee's own records will show that for every single company that has disappeared through merger during the past eight years, *more than forty* new companies have been established successfully in the mining and manufacturing fields. The astonishing truth is that in ten years since 1939, the total number of these enterprises has increased by 49 per cent; and that mergers today are taking place at a rate less than half as great as that which prevailed in the 1920's.

Then our critics talk about “concentration of economic power.” They assume that it is increasing; that power and wealth are accumulating in the hands of big business at the expense of small enterprise, and that the war has greatly accentuated this trend.

Those assumptions are utterly false. Here are the facts as compiled from United States Census Bureau tabulations and inserted into the record by Secretary of Commerce Charles Sawyer. They show that, in the twelve years from 1935 to 1947, so-called “concentration”—even as measured by their own definition—increased in only 45 per cent of the 130 American industries covered by the study. *Conversely, it decreased in 55 per cent of them.*

Studies by the Federal Reserve Board and the Department of Commerce, moreover, prove conclusively that the concentration of power, wealth and profits in the hands of big business *declined* sharply during the war. Summarizing its findings, the Board reported:

"The small and middle-sized firms showed a markedly greater increase in sales, in profits, and in assets than did the larger companies."

Next, our theorists appear to have convinced themselves—and perhaps some others—that "concentration" especially prevails in the steel industry.

Well, that isn't true either.

The Census Bureau exhibits in the record of this Subcommittee cover more than four hundred industries, and calculate the degree of concentration in each. They show that the "steel works and rolling mills" industry—far from being on top of the pile—is in the great middle, and that the degree of concentration in the steel industry is approximately the average for all American industry.

Far more significantly: If the steel industry is to be broken up or subjected to special regulation on the ground that it is too highly concentrated, must not the same thing logically be done to no fewer than 173 other American industries wherein there is more concentration than in steel?

Competitors Grew Faster than U. S. Steel

A Federal Trade Commission report, moreover, shows that concentration in the steel industry is *well below the average* in the twenty-six industries that the Commission studied.

Finally, our critics charge that United States Steel itself possesses monopoly powers which it can use to restrict competition and to destroy deliberately its competitors. Now that—to put it politely—is a myth.

The fact is that when U. S. Steel was created in 1901, it produced 66 per cent of all the steel then made in America—twice as much as all of its competitors put together. Today it produces only 33 per cent of the nation's steel, and its competitors turn out twice as much as it does.

True, U. S. Steel's production has grown greatly during this half century; *but its competitors have grown nearly four times as much*. During the past fifteen years, our competitors have been expanding their capacity even more rapidly. Since 1935, U. S. Steel has built and bought more modern facilities, and

has discarded or sold older ones. The net result has been an increase of approximately 1,400,000 tons in our ingot capacity. But our competitors during this period have grown fourteen times as fast as we have.

Now our critics may call that "monopoly"; but my guess is that our competitors would welcome more of it.

No. It seems to me that if we are ever going to get down out of the clouds and face our economic problems seriously, we have to recognize a few very simple and very compelling facts:

We must recognize that we have some 4,000,000 individual business enterprises in our national economy. Each of these is free to decide what to do and how to do it. From there on it is up to 150,000,000 consumers to decide which of these enterprises shall be big, which shall be small, which shall succeed and which shall fail. That is what makes a free competitive system, and under it, the American people themselves—and not their politicians—make the millions of day to day decisions in the market place.

We must also recognize that in every sizeable, mass-production industry, there are *many* companies which are big by any standard of measurement. In manufacturing alone, there are 376 companies with assets of more than \$25,000,000; and about 25 of these companies are in the steel industry itself.

All of American Industry Is on Trial

The truth is, therefore, that although U. S. Steel has been singled out for attack, all American industry stands on trial with it. Industry stands on trial because it has served the American Public too well—because it has pleased too many customers and has built the greatest industrial nation on the face of the earth. Successful service to the nation now strangely seems to be the signal for the political punishment of those who performed it.

Industrial production has been achieved primarily because of our basic concept of competition in an atmosphere of freedom and vigorous incentive. For more than a third of a century, I have been in the business of producing and selling steel—and most of that time, I was connected with companies which were competitors of the allegedly "monstrous" U. S. Steel Corporation. My experience then and now convinces me more than ever that free competition is the priceless ingredient in this nation's industrial progress.

That is why I am opposed, unalterably, to any proposals—whether they come from members of a Congressional Committee or from any other source—which seek to substitute the stifling hand of a political agency for freedom to compete.

I hope that before this hearing is ended, someone will explain just one thing to me: What is wrong with a competitive system under which we in America have made more progress in fifty years than the rest of the world combined? What—short of sheer economic insanity—would prompt us to trade our streamlined, free-wheeling competitive system for some outmoded, old-world jalopy even if the idea comes from high places and is all dressed up in a new coat of paint?

I know of no issue confronting the American people today which will affect their future welfare so vitally. I know of **no decision** which calls for clearer thinking and **cooler reasoning** on their part, and I welcome **any effort** that will fully develop and widely publicize the plain, unvarnished facts upon which this decision must rest.

Telling the Story of United States Steel

If it is the purpose of this Subcommittee to develop and report these facts without distortion or prejudice and without reference to the preconceived opinions that have already been voiced publicly, then I feel that the time, money, and energy that has been spent on this investigation will not have been wasted; for informed public opinion is sound public opinion in America.

As our contribution to this end, we propose—if we are permitted to do so—to tell the story of United States Steel, its policies, its operations, and the part it has played in the growth of this country. It will be a story, too, of a few of the remarkable technical advances achieved through our modern research program. It will be a simple, factual and authentic story, told for the benefit of those who wish to know the facts.

