seas and navigable waters of the United States and in Alaska; the prevention of smuggling; patrol of the North Pacific Ocean and Mering Sea to regulate the taking of fur-bearing sea mammals and fish; aid during flood and hurricanes; maintenance of the International Ice Patrol to report the amount of iceberg drift for the benefit of vessels crossing the North Atlantic; maintaining ocean weather stations.

Those are just a few of the many peace-time duties of the Coast Guard. We in Panama City know the United States Coast Guard cutter *Boutwell*. Some of us remember the cutter *Dix*. Many of us were here during the war years when the beaches and port facilities of the Gulf coast were carefully guarded from possible sabotage by aliens, guard work performed primarily by the Coast Guard or subsidiary units of the Coast Guard.

Those who served overseas during World War II know that the Coast Guard manned LST's, troop transports, patrol boats, and many other floating units. The Coast Guard also participated in assault landings during practically all major operations in the Pacific and European theaters of war.

During World War II, the Coast Guard also maintained air and surface submarine patrols off both major coast lines of the United States.

In every daily newspaper, almost every day, the Coast Guard figures in at least one rescue, one distress call answer, one errand of mercy, one more task in the continuous performance of peacetime duties.

How much is $4,000,000?

Compared with our national budget of $[illegible],000,000,000, it is only $1 out of each $12,-[illegible]. Compared with the total (and reduced) [de]fense budget $13,000,000,000, it is only $1 [ou]t of each $3,250. Compared to the current [N]SLI dividend, it is only 50 cents out of every $350.

President Truman, Secretary of Defense Louis Johnson, Admiral Forrest Sherman, Chief of Naval Operations; Secretary of the Treasury Snyder, and the United States Senate all have approved the Coast Guard Reserve training program.

The Bureau of the Budget has approved the $4,000,000 appropriation, but the House has rejected it.

An organization that has proven its value in peace and war should not be rendered impotent because of an inadequate training program for its reserves.

The several thousand officers and enlisted men who are holding on to commissions and enlistments in the Coast Guard Reserve should be given an opportunity to maintain peak efficiency.

Congress should see that the needed funds are made available at the earliest possible moment.

Commissioner Mead's Testimony Before Celler Committee

EXTENSION OF REMARKS
OF

HON. EMANUEL CELLER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, April 3, 1950

Mr. CELLER. Mr. Speaker, under unanimous consent, I include in the Appendix of the RECORD part of a statement given before the Subcommittee on Monopoly Power of the House Judiciary Committee by Commissioner James Mead of the Federal Trade Commission on April 18, 1950.

In this statement Commissioner Mead indicated that in addition to the matter of pricing practices the Federal Trade Commission is concerned with three other problems raised by the steel industry—the problem of iron-ore supply, the problem of forward integration through acquisitions of customers, and the problem of the adequacy of steel capacity. Commissioner Mead indicated that each of these problems may well result in a substantial lessening of competition not only in the steel industry itself but in the much broader area of metal fabrication.

A legislative means to deal with the second of these problems is now before the Congress in the form of H. R. 2734 (Celler bill), a bill to amend section 7 of the Clayton Act. This bill, which bears my name, has already passed the House but is awaiting action by the Senate. This bill will close the wide-open loophole in the Clayton Act whereby large corporations easily evade the original intent of Congress and acquire other firms by the simple means of purchasing their assets rather than or in addition to their capital stock. Although all of Commissioner Mead's statement should be of interest to every Member of Congress, that part of his statement dealing with this problem of acquisitions and mergers should be of particular interest in view of the present state of legislation on this matter.

The statement follows:

Although steel producers have been engaged in this practice (i. e., buying up their own customers) since the earliest days of the industry, this form of expansion was rather limited in scope until around 1930. Prior to that time the energies of the steel producers in promoting mergers had largely been expended in bringing together other steel companies, i. e., horizontal mergers; and in acquiring their own sources of iron ore, coal, and related products—i. e., backward vertical acquisitions. In commenting on the apparent disinclination of the steel companies to enter the fabricating fields, E. S. Mead, a prominent writer on corporate finance, stated in 1930 that:

"Vertical consolidation in the steel industry stopped with the raw material of other industries. The steel corporation sells its products to machine tool builders, building erectors, automobile manufacturers, manufacturers of agricultural machinery, railroads, public utilities, and a variety of other industries which use steel as raw material of their operations. The steel corporation has not, however, gone into these industries either to own or operate. It stops short at the line of rails, sheets, plates, billets, wire, and structural shapes." (Corporate Finance, D. Appleton & Co., 1930, p. 460.)

I would like now to list briefly the acquisitions of fabricated and finished goods producers which have been made since 1930 by just two of the large steel companies—United States Steel and Bethlehem Steel.

During this period the United States Steel Corp. has acquired:

1. Oil Well Supply Co., one of the largest manufacturers of supplies for drilling oil and gas wells in the United States.
2. Witte Engine Works, another producer in the same field.
3. Neilson Pump Co., a third producer of oil-well machinery.
4. Boyle Manufacturing Co., a leading manufacturer of steel drums and barrels.
5. Petroleum Iron Works, another steel-drum manufacturer.
6. Bennett Manufacturing Co., a third steel-drum producer.
7. Virginia Bridge & Iron Co., a large firm with fabricating plants in Virginia, Alabama, and Tennessee, having an annual productive capacity of approximately 100,000 tons of finished structural work.
8. Gerrard Co., Inc., a manufacturer of oil strapping machines.
9. Jackson Fence Co., a manufacturer of fences.
10. Gunnison Housing Corp., a leading producer of prefabricated houses.
11. Consolidated Steel Corp., the largest steel fabricator on the west coast.
12. Savannah Wire Cloth Mills.
13. Moise Steel Co.

The acquisitions by Bethlehem Steel during this period followed somewhat this same pattern, with the exception that Bethlehem has been more active in purchasing firms engaged in the fabrication of structural steel. Since 1930 Bethlehem Steel has acquired the following producers of fabricated and finished goods:

1. McClintic-Marshall Corp., a large firm engaged in the fabrication of bridges, buildings, tanks, river barges, etc.
2. Levering and Garrigues Co., another firm engaged in the fabrication of structural steel and the erection of buildings.
3. Hay Foundry and Iron Works, a third firm engaged in the fabrication and erection of iron and steel.
4. Hedden Iron Construction Co., a fourth firm engaged in the same field.
5. Taubman Supply Co., a firm engaged in manufacturing and selling oil-company supplies.
6. International Supply Co., another producer of oil-well equipment.
7. American Well & Prospecting Co., a third firm engaged in the same field.
8. The Buffalo Tank Corp., a manufacturer of steel storage tanks and other welded plate products.
9. Rheem Manufacturing Corp., one of the Nation's largest manufacturers of steel drums.
10. Atlas Steel Barrel Corp., another producer in the same field.
11. United Shipyards, Inc., a large firm engaged in the business of building, repairing, and drydocking vessels in New York harbor.
12. Union Shipbuilding Corp., another company in the same field.
13. Pennsylvania Shipyards, Inc., a third shipbuilding company.
14. Pacific Coast Forge Co., a manufacturer of bolts, nuts, spikes, rivets, and similar products.
15. Shoemaker Bridge Co.

In some industries the effect of these forward acquisitions has been to give the steel companies almost complete dominance over the fabricating field. Such is the case of steel drums, which, since the war, has been absorbed almost in its entirety by the large steel producers, a movement which was succinctly described by Iron Age as follows:

"Long, long ago, in 1939, before the words postwar and planning were wedded, the manufacture of heavy steel barrels and drums was a rather volatile business firmly in the hands of a large number of highly individualistic enterpreneurs. Most of these fabricators had started on a precarious shoestring and were justifiably vocal in their pride of success in the classical Horatio Alger pluck and luck tradition.

"A few weeks ago, the purchase of Benett Mfg., Chicago, by the United States Steel Corp. pretty well completed the capture of the entire barrel and drum business by major steel producers. Some 87 percent of the business, representing about 435,500 tons of steel consumption yearly has been corralled by the mills and the remaining 64,500 tons of independent capacity will probably remain so for a variety of reasons" (September 21, 1944, p. 103).

Today, the country's leading steel producer is also the leading steel drum producer. In the steel drum industry, U. S. Steel shares the Pacific coast region on a 50–50 basis with Bethlehem Steel. It is the leading steel drum producer in the Houston-New Orleans area; and it is one of the leading producers in the Chicago-Cleveland-Pittsburgh region. Bethlehem, through Rheem Manufacturing Co., (of which it owns 28.9 percent of the stock) not only divides the Pacific coast region with U. S. Steel, but also is a leading producer in the important Atlantic coast region, where it accounts for more than 40 percent of the steel drum industry. In addition, it is an important factor in the Houston-New Orleans region. All told, six leading steel companies now own more than 80 percent of the heavy steel drum capacity of the United States.

There are, of course, many other fabricating fields in which the effect of the forward acquisitions by the steel firms has not been as complete as in the steel drum industry. Among these is the steel stamping industry in which the steel companies have also entered to a significant though lesser extent. The steel stamping industry provides an example of what might be called "partial absorption" by the steel companies, as compared to virtually "complete absorption," represented by the steel drum industry. But even in these areas, the competitive position of the smaller firms which continue to operate has been seriously undermined by the effect of the acquisitions.

The steel stamping industry, which produces a great variety of parts for other industries such as automobiles, farm machinery, refrigerators, radios, and even kitchen utensils and toys, developed almost entirely in the hands of independent stampers. In recent years, however, the large steel companies have entered the field through forward acquisitions. In speaking before a meeting of the Cleveland District Pressed Metal Institute, Mr. Tom Smith, president of the Pressed Metal Institute was reported in Iron Age (April 29, 1948) to have stated that "the most serious problem facing the stamping industry is the accelerated encroachment through subsidiary organizations of a majority of metal producers into the stamping business." And a year later, on May 5, 1949, Iron Age, after noting that there was a general slump in the buying of stampings, stated that some captive plants of steel producers were reverting to the "prewar practice of letting out the tough jobs (to independent stampers hungry for business) and keeping simple work that takes a lot of steel."

The effect of this policy on the small independent stamper is obvious. His field of operation tends to be narrowed to the difficult jobs and even there he must compete sharply with the large stamper, perhaps becoming only a subcontractor dependent on such scraps of business as his larger competitors may turn over to him.

This problem of forward expansion by the steel companies becomes particularly acute when supplies are short. During such periods it is only to be expected that the steel companies will channel supplies of steel to their fabricating subsidiaries, which are in competition with independent fabricators who frequently are unable to obtain steel. During the recent postwar period when steel has been in tight supply, many independent fabricators have complained that there has been an increasing flow of steel to the fabricating subsidiaries of the steel companies; that, consequently, the proportion of the total steel supply available for small business has been correspondingly reduced; and that this development has been one of the principal factors behind the inability of small business to obtain steel. Typical of these complaints was the statement made by Mr. Frank A. Duerr, general manager, Troop Water Heater Co., Pittsburgh, Pa., who testified before the Senate Small Business Committee of the Eightieth Congress as follows:

"Senator MARTIN. You state that you were informed by Jones & Laughlin last fall that they could not retain their contract with you?

"Mr. DUERR. Yes, sir. That was in their office, in their sales department.

"Senator MARTIN. And you state that it later developed, you learned, that the steel was to go to one of their own subsidiaries?

"Mr. DUERR. That is correct.

"Senator MARTIN. When did they acquire this subsidiary?

"Mr. DUERR. As far as I know—they told me during that conversation that they had acquired some of these plants in 1939 and others in the last year or two.

"Senator MARTIN. What does this particular plant produce?

"Mr. DUERR. Steel drums." (Hearings, pt. 7, p. 909.)

Similar testimony was offered by Mr. Arthur Boehm, secretary-treasurer, the Boehm Pressed Steel Co., Cleveland, Ohio, who stated:

"While I was talking to Mr. Boyd, of Jones & Laughlin, I inquired whether it has been a matter of policy with Jones & Laughlin, and the other big mills, not Jones & Laughlin exclusively, to limit production capacity. During the war, I recall that there was quite a bit of pressure from the Senate and the Government for increased capacity of the mills. In other words, steel capacity had been critical all through the war years, and the Government wanted the steel mills to put in additional production facilities.

"The answer then, by the big basic producers, was to the effect that no additional production facilities were needed. Existing capacity sufficed before the war. Why increase capacity now and have it idle after the war? Boyd said, at that time, Jones & Laughlin didn't anticipate the fact that it would take on additional subsidiaries of its own to supply. Jones & Laughlin had purchased the Draper Barrel Works at Cleveland, and a good bit of their hot-rolled pickled is going into the barrel works." (Hearings, pt. 6, p. 846.)

Mr. Frank R. Nichols, president, Nichols Wire & Steel Co., Davenport, Iowa, implied that the steel companies have shipped steel to their own subsidiaries in excess of the amounts permitted by the use of the so-called historical quota method:

"Mr. WIMER. Have you had any indication that the large integrated companies favor their own subsidiaries who produce wire and nails?

"Mr. NICHOLS. They most naturally would do so.

"Mr. WIMER. As far as tonnage quotas go?

"Mr. NICHOLS. Naturally.

"Mr. DICKEY. In other words, Mr. Nichols, you mean that the historical quota that there has been testimony about here, agreed to by the steel companies when allocations were lifted, hasn't necessarily held true in the wire and nail business?

"Mr. NICHOLS. It hasn't held true at all.

"Mr. DICKEY. And is it your opinion, or is it a fact, as far as you know, that they are channeling more into their own subsidiaries?

"Mr. NICHOLS. It is a definite fact, into their own subsidiaries and into their own finishing departments.

"Mr. DICKEY. Either a subsidiary or part of their own business?

"Mr. NICHOLS. Yes." (Hearings, pt. 17, p. 1897.)

The facts revealed in a report of the Senate Small Business Committee completely corroborate this type of complaint by small business. The facts clearly indicate that the proportion of steel output which was channeled to the fabricating subsidiaries definitely increased between 1940 and 1947. In the case of hot-rolled sheets, which is the principal steel product consumed by the fabricating companies that have been acquired, the share of the output going into the fabricating subsidiaries rose from 5. percent in 1940 to 10.5 percent in 1947 (Changes in the Distribution of Steel, p. 10.)

But even in so-called normal times, when steel is not tight, the expansion by the steel companies into fabricating fields constitutes a serious, potential danger to the maintenance of competition. It is only to be expected that the fabricating subsidiaries will be able to secure their steel at a lower price than their independent competitors. This would be particularly true in the event that vigorous price competition broke out between the independents and the fabricating subsidiaries.

Thus, whether steel is in tight or in normal supply, a serious problem is presented by the expansion of the steel producers into the fabricating fields. If the loophole is plugged in section 7 of the Clayton Act, that is, if H. R. 2734, which has already passed the House and is now before the Senate Judiciary Committee, is finally enacted into law, the Commission will be able to prevent certain types of acquisitions. Whether it will be able to prevent all of the types which create the particular problem that I have been discussing remains to be seen. At any event, however, as a result of the acquisitions which have already taken place, a problem now exists which must be regarded as a serious danger to the competitive system.

Who Is the Real Patriot—McCarthy or Tydings?

EXTENSION OF REMARKS

OF

HON. LAWRENCE H. SMITH

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, April 18, 1950

Mr. SMITH of Wisconsin. Mr. Speaker, a fearless editor, one Richard Lloyd Jones, of the Tulsa Tribune, has written an important editorial on the current investigation into charges made by Senator MCCARTHY against the State Department. The American people now realize that every effort will be made to white-wash the investigation by the partisan efforts of the Democrats on the committee. I include the editorial of April 15 at this point:

MORE PARTISAN THAN PATRIOT

(By Richard Lloyd Jones)

What's the matter with our country? Mr. TYDINGS, of Baltimore, is a good example of what's the matter with our country. The people of Maryland elected him to be a United States Senator. But in Washington he is just a Democratic Senator. He isn't working for his country. He is working for his party.

In the Hiss case we learned that our Secretary of State, most responsible position in the President's Cabinet, is not only a friend of a traitor but sympathetic with the fellow who operated with treachery against our country.

The Hiss case opened the people's eyes. Something is rotten in our State Department. So rotten they are desperate. They are trying to hide something.

One United States Senator, JOE MCCARTHY, of Wisconsin, had the courage to demand