49.

In Equity, No. 624.

In the District Court of the United States District of Minnesota, Third Division.

THE UNITED STATES OF AMERICA, PETITIONER,

v.

INTERNATIONAL HARVESTER COMPANY, ET AL.,

DEFENDANTS.

SUPPLEMENTAL PETITION.

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Special Assistants to the Attorney General.

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In the District Court of the United States, District of Minnesota, Third Division.

THE UNITED STATES OF AMERICA, petitioner,
v.
INTERNATIONAL HARVESTER COMPANY, International Harvester Company of America, International Flax Twine Company, Wisconsin Steel Company, The Wisconsin Lumber Company, Illinois Northern Railway, The Chicago, West Pullman & Southern Railroad Company, Cyrus H. McCormick, Charles Deering, James Deering, John J. Glessner, William H. Jones, Harold F. McCormick, Richard F. Howe, Edgar A. Bancroft, George F. Baker, William J. Louderback, Norman B. Ream, Charles Steel, John A. Chapman, Elbert H. Gary, Thomas D. Jones, John P. Wilson, William L. Saunders, George W. Perkins, defendants.

In Equity, No. 624.

SUPPLEMENTAL PETITION.

To the honorable judges of the above-named court, sitting in equity:

Comes now the United States of America, petitioner in the above entitled cause, by Lafayette French, Jr., its attorney in and for the District of Minnesota,

acting under the direction of the Attorney General of the United States, and files this supplemental petition in equity in accordance with paragraph (*e*) of the final decree entered herein November 2, 1918, for the purpose of securing such further relief in this cause as shall be necessary to restore competitive conditions in the interstate business in harvesting machines and other agricultural implements and bring about a situation in harmony with the law.

I.

SUMMARY OF THE ORIGINAL PETITION.

On April 30, 1912, the petitioner filed in this court its original petition against the above-named defendants, charging that said defendants were engaged in a combination and conspiracy in restraint of interstate trade and commerce in agricultural implements and machines, more especially harvesting machines and binder twine, and were attempting to monopolize and had monopolized such interstate trade and commerce, in violation of the Act of Congress approved July 2, 1890, entitled "An Act to protect trade and commerce against unlawful restraints and monopolies."

So far as pertinent, said original petition may be summarized as follows:

Before 1902 the aggregate output of five separate concerns manufacturing and selling harvesting machinery and twine, including binders, mowers, reapers, rakes, etc., amounted to over 85 per cent of all the harvesting machinery and more than 50 per cent of all the binder twine produced and sold in the United States. These concerns were McCormick Harvesting Machine Company, an Illinois corporation, with plants located at Chicago, Illinois; the Deering Company, a copartnership, with factories at Chicago, Illinois; the Plano Manufacturing Company, an Illinois corporation, with factories at West Pullman, Illinois; Warder, Bushnell & Glessner Company, an Ohio corporation, with factory at Springfield, Ohio; and Milwaukee Harvester Company, a Wisconsin corporation, with factory at Milwaukee, Wisconsin.

Each of the five—independent and in unrestrained competition with all others likewise engaged—had established a successful, profitable, and expanding business. All these companies sold and shipped their machines generally throughout the United States, and so were engaged in commerce among the several states in harvesting machinery and twine within the meaning of the Act of July 2, 1890, known as the Sherman Law.

In July, 1902, defendants Cyrus H. McCormick, Charles Deering, John J. Glessner, William H. Jones, George W. Perkins, and others, nearly all of whom were owners, officers, directors, stockholders, and agents of the five concerns above named, believing combination would yield large profits, determined to bring it about, destroy existing competition among the five concerns, and through combinations and agreements in restraint of trade to exclude all others, secure control of and monopolize interstate trade and commerce in harvesting machinery and twine. They further determined that when they had accomplished the purpose just mentioned they should expand into other lines of agricultural machinery and finally monopolize interstate trade and commerce in agricultural machinery of all kinds, their purpose being

to use the power obtained by a monopoly of trade in harvesting machinery in such a way as to acquire a similar monopoly in other classes of agricultural machinery.

The combination was to take the form of a corporation to be created under the law of such State as permitted to its corporations the widest powers, to which corporation the five concerns named above were to transfer all their property and business as going concerns; the individuals who owned and controlled these concerns were to receive as the consideration for such transfer shares of the capital stock of the new corporation and no other consideration. Thereafter this corporation was to carry on as one business the business of the five concerns which had theretofore been competing.

Accordingly in July, 1902, with the unlawful objects and purposes just mentioned, the McCormick Harvester Company, The Deering Company, the Plano Manufacturing Company, and Warder, Bushnell & Glessner Company executed with one W. C. Lane identical preliminary agreements to transfer their properties to Lane, selected by the parties as a mere conduit to the corporation which was to be the ultimate purchaser.

About the same time certain of the defendants, or others acting for the defendants, secured an option to purchase the plant, business as going concern, and capital stock of the Milwaukee Harvester Company.

The preliminary agreements referred to provided, among other things, that W. C. Lane, upon the acquisition of the properties, should sell them to a corporation thereafter to be organized; that the

purchase price to be paid by Lane to each of the four vendor companies was to be payable in full-paid and nonassessable shares of the capital stock of the purchasing company, taken at par; that the new company was to have such corporate title, capital stock, organization, by-laws, directors, and committees as should be approved by J. P. Morgan & Company; that the amount of the capital stock was to be dedetermined after the ascertainment of the aggregate value of all its assets; that the purchase was to take effect some day in September, 1902, and the performance of the contract completed prior to January 1, 1903; that the charter was to provide that the stockholders might enter into a voting trust; that the vendors should deposit with three trustees in a voting trust the stock of the purchasing company received as consideration for the conveyances, the trust to continue 10 years and the voting trustees to issue stock trust certificates to the real owners of the shares.

Accordingly, on August 12, 1902, the individuals and companies named caused to be incorporated the International Harvester Company under the laws of New Jersey with $120,000,000 capital stock, all the certificates of which were issued to W. C. Lane, who, on August 13, 1902, delivered them to three voting trustees, George W. Perkins, Cyrus H. McCormick, and Charles Deering, in trust for the individuals who had owned and transferred the properties of the four concerns to Lane, which properties were immediately conveyed to the new company. Meanwhile the option on the property and business of the Milwaukee Harvester Company was exercised, that property was

conveyed to Lane on July 28, 1902, and subsequently by him transferred to the International Harvester Company, the new company.

The stock of the new company was allotted and received as follows (the same, however, being delivered to the voting trustees and the real ownership thereof thereafter evidenced by stock trust certificates):

The total stock issued was $120,000,000. Of this stock, $53,400,000 was apportioned among the owners of the McCormick, Deering, Warder, Bushnell & Glessner, and Plano companies, in consideration of the transfer by each company of all its real estate, factories, plants, buildings, improvements, machinery, patterns, tools, apparatus, fixtures, patents, inventions, devices, patent rights, licenses, trademarks, trade names, and good will of all and singular said property as a going concern, and supplies, products, and materials on hand, pending contracts, railroad equipment, as well as all other property of the vendor appertaining to the vendor's business, except bills and accounts receivable.

Stock in the amount of $40,000,000 was apportioned among the owners of the McCormick, Deering, Plano, and Warder, Bushnell & Glessner companies in consideration of the assignment by the vendor companies to the purchasing company of bills and accounts receivable, of like amounts, guaranteed by the vendors, or for cash.

Stock in the amount of $3,148,196.66 was issued to J. P. Morgan & Company, of New York, who had paid that amount in cash to secure the property of the Milwaukee Harvester Company, which was conveyed to the International Harvester Company, as stated above.

Stock in the amount of $3,451,803.34 was issued to J. P. Morgan & Company for services rendered and for legal expenses.

Stock in the amount of $20,000,000 was issued at par for cash, the subscribers being in large part owners of or persons interested in the four conveyor concerns named above.

In January, 1907, after an amendment of the articles of incorporation, the capital stock of the International Harvester Company was divided into two classes, $60,000,000 cumulative 7 per cent preferred and $60,000,000 common. In 1910, the issued capital stock was increased to $140,000,000 by the declaration of a stock dividend of $20,000,000 on the common stock, this being a dividend of 33⅓ per cent.

Practically all of the officers and directors of the newly formed International Harvester Company formerly owned an interest in and participated in managing one of the merged companies and were selected according to a prearranged plan.

The International Harvester Company was incorporated as an instrumentality to effect the unlawful purposes of defendants, as a means of destroying competition, or unlawfully combining and confederating a number of independent manufacturers, dealers in and distributors of harvesting machinery, tools, and implements, and binder twine, and of creating a monopoly in interstate commerce therein.

Having in the ways and for the purposes described acquired the five old concerns, the International Harvester Company began and has continued to

operate and control all their affairs in concert and agreement; and that corporation then became and with added acquisitions has ever since been itself a combination in restraint of trade and commerce between the States.

After the Milwaukee Harvester Company had conveyed its properties to the International Harvester Company, its capital stock was transferred to the three voting trustees in trust for the stockholders of the International Harvester Company, and its name was changed to International Harvester Company of America. Said International Harvester Company of America then concluded with the International Harvester Company an exclusive contract for the sale in the United States of the entire output of the latter. The America company thereupon became the mere selling agent of the Harvester Company. It buys and sells at prices fixed by the parent company. In fact, the America company is a mere bookkeeping arrangement, given the form of a corporate entity, with a small capitalization, for the purpose of enabling the parent company to do business in States from which it is debarred by reason of its huge capitalization.

In January, 1903, in pursuance of the general purpose of defendants, the International Harvester Company acquired the capital stock and plant of the D. M. Osborne & Company, a New York corporation, with a plant at Auburn, New York. Among the assets of the Osborne Company defendants acquired the plant and business of the Columbian Cordage Company. The Osborne Company was the largest competitor of the International Harvester Company, manufacturing, selling, and distributing harvesting

machines, twine and tillage implements in competition with it. For two years after said acquisition the International Harvester Company concealed and denied its association with the Osborne Company. This was in pursuance of defendants' policy, by disguising ownership, to use controlled companies to break down competition and secure for themselves the benefit of public sentiment against combinations.

In the early part of 1903, in pursuance of their general purpose, defendants, through the International Harvester Company, acquired control of the Aultman Miller Company, engaged at Akron, Ohio, in interstate commerce in harvesters, mowers, and twine, selling and distributing its products through the United States. By agreement of the defendants and the parties interested, a new company, the Aultman Miller Buckeye Company, an Ohio corporation, was organized, which took over the plants and business as a going concern of the Aultman Miller Co. This company, by agreement with defendants, for a long time concealed and denied association with them and advertised itself as independent and was used by defendants as an instrument to cripple opponents, with the view of driving them out of business and of destroying competition. In 1906 the International Harvester Company acquired from the Aultman Miller Buckeye Company all its business, paying therefor cash. Defendants long since abandoned the manufacture of harvesting machinery at the plant at Akron, Ohio, which was closed. Thereafter the International Harvester Company entered upon the manufacture of new lines at that plant, namely, autobuggies and tractors. The making of the "Buckeye" mowers and harvesting machinery formerly

made by the Aultman Miller Company was discontinued.

In the early part of 1903, in pursuance of their general purpose, defendants, through the International Harvester Company, acquired, by purchase of the Grass Twine Company, control of the stock and business of the Minnie Harvester Company, successor of the Minneapolis Harvester Company, long engaged at St. Paul, Minn., in the manufacture of harvesters and twine, selling and distributing its products in interstate commerce throughout the United States. Thereafter by agreement of the defendants, the Minnie Harvester Company for a long time concealed and denied association with them and advertised itself as independent, in pursuance of the policy of defendants, by disguising ownership to use controlled companies to break down opposition and secure for themselves the benefit of the sentiment against combinations. In the latter part of 1905 the International Harvester Company acquired by conveyance the business as going concerns of the companies named above, and thereupon the plant of the Minnie company was dismantled as a manufactory of binders and mowers and subsequently converted into a manufactory of twine; defendants discontinued the manufacture and sale of the "Minnie" binders and mowers.

In the early part of 1903, in pursuance of the general purpose of defendants, the International Harvester Company acquired control of the Keystone Company, an Illinois corporation with a plant at Sterling, Ill., long engaged in the manufacture and sale of harvesting machinery, and particularly hay tools and mowers, shipping and distributing

these articles throughout the United States. At that time, by agreement of defendants, certain officers of the International Harvester Company purchased for cash all but a few shares of the stock of the Keystone Company and thereafter operated that company as an independent company, falsely advertising and holding it out to be independent of any trust or combine, in order that by disguising ownership defendants might use it as an instrument to cripple opponents, with the view of driving them out of business and of destroying competition.

In September, 1905, the International Harvester Company acquired, by conveyance from the Keystone Company, all the business of the latter as a going concern. The plant of the Keystone Company was at once abandoned and dismantled as a manufactory of hay tools and mowers. It was subsequently utilized for the manufacture of tillage implements and new lines. The making of the "Keystone" binders and mowers was discontinued by defendants.

Prior to August, 1902, the five concerns which combined in the formation of the International Harvester Company, as hereinbefore described, and the other companies thereafter acquired by defendants, were buying their necessary raw materials, iron, steel, lumber, etc., in interstate commerce in competition with each other. Thereafter all such necessary raw materials were purchased by a single organization in different places in the United States and then shipped to the several plants or works of the International Harvester Company, located as hereinafter described.

In 1905, in pursuance of their general purpose, defendants, through the International Harvester Company, organized the Wisconsin Steel Company, a Wisconsin corporation, with capital stock of $1,000,000, all of which is owned by the International Harvester Company. This company preserves a separate organization, but its directors have at all times been elected by defendants, and its policy is controlled and directed by them. It operates under leases iron-ore lands in Wisconsin, Minnesota, and Michigan, owns and operates coal lands and mines in Kentucky, blast furnaces for the production of pig iron at South Chicago, Ill., and steel mills and rolling mills at South Chicago and Chicago, where it produces ingots, billets, blooms, finished bars and shapes. It is engaged in interstate commerce, selling its products above mentioned to defendants and others and shipping the same from the places of production to the plants and works of defendants hereinafter enumerated under paragraph IX.

In 1905, in pursuance of their general purposes, defendants, through the International Harvester Company, organized the Wisconsin Lumber Company, a Wisconsin corporation, capital stock $250,000, all of which is held by the International Harvester Company. This company preserves a separate organization, but its directors have at all times been elected by defendants, and its policy is controlled and directed by them. It is engaged in interstate commerce, selling lumber and the products thereof to defendants and shipping the same from Missouri and Mississippi to the plants and works of defendants hereinafter enumerated under paragraph IX.

The defendants, Wisconsin Steel Company and Wisconsin Lumber Company, are used by defendants as means and instrumentalities to eliminate competition and in pursuance of the general purposes hereinabove described.

In pursuance of their general purposes, defendants, in 1902, through the International Harvester Company, acquired all the capital stock, $500,000, of the Illinois Northern Railway, an Illinois corporation. The Illinois Railway is a switching company, organized in 1901 by the McCormick Harvesting Machine Company, owning or leasing some twenty-five miles of trackage upon which are situated the plants of the International Harvester Company and other industries at Chicago.

In pursuance of their general purposes, defendants in 1903, through the International Harvester Company, acquired all the capital stock, $400,000, of the Chicago, West Pullman & Southern Railroad Company, an Illinois corporation. This railroad company is a switching company operating some twenty-four miles of tracks, owned or leased, upon which are situated plants and works of the Wisconsin Steel Company and the International Harvester Company at West Pullman, Illinois, and other industries.

Prior to 1904 these railroads were used by defendants as a means to obtain undue preferences from trunk lines connecting therewith, among other ways, by persuading and inducing such connecting railroads to allow to these switching companies excessive divisions on through rates on traffic, principally harvesting machines.

In August, 1905, defendants, in pursuance of their general purpose, through the International Harvester

Company, organized defendant, the International Flax Twine Company, a Minnesota corporation, capital stock $250,000, and thereafter, by means of said Minnesota corporation, engaged in a further extension of the business of the defendants of manufacturing and selling binder twine. To it was conveyed the plant of the Grass Twine Company at St. Paul—purchased by the defendants in the manner hereinbefore described—all the products of defendant, the International Harvester Company of America, which then sells them throughout the United States in the same manner that it sells and distributes the products of the International Harvester Company. Defendant, International Flax Twine Company, is being used by defendants as an instrumentality in accomplishing the unlawful purposes of monopolization previously described.

In the beginning the only business of the International Harvester Company was the manufacture and sale of grain harvesters or binders, and mowers, reapers, rakes, and twine, and corn harvesters, corn huskers, shredders and shockers, the principal lines being grain binders, mowers and rakes—the same as that carried on by the companies whose plants, business, and assets it acquired upon its formation; but from year to year many other agricultural machines, implements, and tools have been added, so that to-day it is manufacturing and selling all classes—tillage implements, seeding implements, harvesting machines, threshing machines, and wagons, manure spreaders, gasoline engines, cream separators, autobuggies, automobiles, tractors, cultivators, drills, tedders, seeders, hay loaders, hay presses, sweep rakes, stackers, trucks, etc., all in pursuance of the

unlawful purpose to monopolize trade hereinbefore described.

At least 90 per cent of the harvesters or grain binders and 75 per cent of the mowers and over 50 per cent of the binder twine annually produced and sold in the United States are the product of the International Harvester Company and are sold through the International Harvester Company of America as herein described. There are only three or four manufacturers of harvesting machinery in the United States other than the International Harvester Company. These, in comparison with it, are small, and as their business does not embrace the entire United States, in many sections of the country the International Harvester Company has a complete monopoly of harvesting machinery. In other lines of agricultural implements the percentage controlled by it is less, but the varieties and relative quantities of these have increased rapidly, so that, considering agricultural implements of every kind, other than harvesting lines, its output amounts to over 30 per cent of the whole.

The opportunities for any new competitors are constantly being closed by defendants in all lines of agricultural implements; the agencies for distribution, the retail implement dealers, and others are rapidly coming under their undisputed control, and unless prevented and restrained, their complete unchallenged dominion of every branch of trade and commerce in agricultural implements of all kinds may be confidently expected at an early date.

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Said original petition prayed that the combination and each of the elements composing it be adjudged illegal under the Sherman Law; that the court adjudge the International Harvester Company to be a combination in restraint of trade in harvesting and agricultural machinery, a restraint, and an attempt to monopolize and a monopolization thereof; that the International Harvester Company be adjudged an unlawful instrumentality operated and maintained for the purpose of carrying into effect the illegal purposes of the combination; that the court by way of injunction restrain the movement of the products of the International Harvester Company of America in interstate commerce, or, if the court should be of opinion that the public interests will be better subserved thereby, that receivers be appointed to take possession of all the property, assets, business, and affairs of said combinations, and wind up the same, and otherwise take such course in regard thereto as will bring about conditions in harmony with law; that the holding of stock by the International Harvester Company in other corporation defendants under the circumstances shown be declared illegal and that it be enjoined from continuing to own such shares and from exercising any right in connection therewith; that petitioner have general relief.

The foregoing is a summary of the averments of said original petition so far as deemed pertinent to this supplemental petition. The right is reserved at any time to refer to other provisions of said original petition as if the same were fully set forth herein.

II.

DECISION OF THIS COURT, FINAL DECREE DATED AUGUST 15, 1914, AND ORDER AMENDING IT.

The defendants having filed a joint and several answer, an examiner was appointed and evidence was taken. A certificate was filed by the Attorney General pursuant to the Act of Congress approved February 11, 1903 (32 Stat. 823), as amended by the Act approved June 25, 1910 (36 Stat. 854). In accordance therewith the case came on for hearing in November, 1913, before a specially constituted District Court composed of Circuit Judges Sanborn, Hook, and Smith. On August 12, 1914, this court handed down its decision holding that the International Harvester Company was organized to eliminate competition between the combining companies and was from the beginning a combination in restraint of interstate commerce, and a monopolization of such commerce in harvesting machinery, and illegal, as in violation of the Sherman Antitrust Act. The opinion of the court, by Judge Smith, concludes as follows:

> We conclude that the International Harvester Co. was from the beginning in violation of the first and second sections of the Sherman law, and that this condition was accentuated by the reorganization of the American Co. and by the subsequent acquisitions of competing plants, and that all the defendant subsidiary companies became from time to time parties to the illegal combination, and the defendant companies are combined to monopolize a part of the interstate and foreign trade. It will therefore be ordered that the entire combina-

tion and monopoly be dissolved, that the defendants have 90 days in which to report to the court a plan for the dissolution of the entire unlawful business into at least three substantially equal, separate, distinct, and independent corporations with wholly separate owners and stockholders, or in the event this case is appealed and this decree superseded, then within 90 days from the filing of the procedendo or mandate from the supreme court, the defendants shall file such plan, and in case the defendants fail to file such plan within the time limit the court will entertain an application for the appointment of a receiver for all the properties of the corporate defendants, and jurisdiction is retained to make such additional decrees as may become necessary to secure the final winding up and dissolution of the combination and monopoly complained of and as to costs.

On August 15, 1914, this court entered a final decree herein reading as follows:

On this 15th day of August, 1914, this cause came on for decree upon the submission heretofore had, and the court being well advised in the premises finds that the defendant the International Harvester Company was as originally organized and now is a combination in restraint of trade and commerce among the several States, and with foreign nations in agricultural implements, and did from its inception monopolize and attempt to monopolize a part of the trade and commerce among the several States and with foreign nations in agricultural implements, and the International Harvester Company of America, the International Flax Twine Company, the Wisconsin Steel Company, the Wisconsin Lumber Company, the Illinois Northern Railway, and the Chicago, West Pullman and Southern Railroad Company are subsidiary companies of the International Harvester Company and are confederated with it in the unlawful purposes aforesaid, and that the defendants Cyrus H. McCormick, Charles Deering, James Deering, John J. Glessner, William H. Jones, Harold F. McCormick, Richard F. Howe, Edgar A. Bancroft, George F. Baker, William J. Louderback, Norman B. Ream, Charles Steele, John A. Chapman, Elbert H. Gary, Thomas D. Jones, John P. Wilson, William L. Saunders, and George W. Perkins are officers of said International Harvester Company and are aiding and assisting it in the unlawful business mentioned:

It is adjudged and decreed that said combination and monopoly be forever dissolved, and to that end that the business and assets of the International Harvester Company be separated and divided among at least three substantially equal, separate, distinct, and independent corporations, with wholly separate owners and stockholders, and that the defendants file with the clerk within ninety days a plan for such separation and division for the consideration of this court. In the event this case is appealed and decree superseded, then the time in which the defendant shall file said plan is hereby extended to ninety days from the filing of the procedendo or mandate of the Supreme Court with the clerk of this court.

In case the defendants fail to file such plan in the time limited this court will entertain an application for the appointment of a receiver for all the property of the corporate defendants.

Jurisdiction is retained by the court to make such additional decrees as may be deemed necessary to secure the final winding up and dissolution of the combination and monopoly complained of and as to costs.

In case the defendants or any of them see fit to appeal from this decree the supersedeas bond is fixed at $50,000, and the same may be approved by any one of the circuit judges of this circuit who sat upon the trial.

The defendants having moved the court to modify its decree in certain particulars, the following order was entered on October 3, 1914:

On this third day of October, 1914, this cause came on for hearing on the motion of the defendants filed on August 17, 1914, to amend the decree of this court entered herein on the 15th day of August, 1914, and the parties being present by their respective counsel, and the court having considered the same,

It is hereby ordered, That said decree be, and the same is hereby, amended by striking out the words "and with foreign nations" wherever they appear in the decree, but the power and duty of the court in dealing with all the property and business of every character of the defendant corporations, at the commencement of this suit or since, so far as lawful and necessary to effect a dissolution of the combination, are not renounced but expressly reserved, and by striking out, pursuant to an agreement between the Attorney General and counsel for the defendants evidenced by the written consent of the Attorney General signed by the United States Attorney for Minnesota, presented to the court this day, the first sentence in the second paragraph of said decree reading as follows:

"It is adjudged and decreed that said combination and monopoly be forever dissolved, and to the end that the business and assets of the International Harvester Company be separated and divided among at least three substantially equal, separate, distinct, and independent corporations with wholly separate owners and stockholders and that the defendant file with the clerk within ninety days a plan for such separation and division for the consideration of this court,"

And substituting in place thereof the following:

"It is adjudged and decreed that said combination and monopoly be forever dissolved, and to that end that the business and assets of the International Harvester Company be divided in such manner and into such number of parts of separate and distinct ownership as may be necessary to restore competitive conditions and bring about a new situation in harmony with law; and that the defendants file with the clerk within ninety (90) days a plan for such separation and division for the consideration of this court."

Thereafter the defendants appealed the case to the Supreme Court of the United States, where it was heard at the October Term, 1914, and was by the court restored to the docket for reargument. The case was reargued at the October Term, 1916, and was restored to the docket to be again argued. In October, 1918, the defendants dismissed their appeal, and the cause was remanded to this court for the working out of a plan of dissolution under the decree August 15, 1914, as amended.

III.

THE FINAL DECREE OF THIS COURT DATED NOVEMBER 2, 1918.

Following the dismissal by the defendants of their said appeal and the coming down of the mandate of the Supreme Court, there was entered by this court on November 2, 1918, a final decree which, after reciting, by way of preamble, all former proceedings in the case, and setting forth the hereinafter-described merger of the International Harvester Company of New Jersey and the International Harvester Corporation into the present International Harvester, provided as follows:

> *It is therefore ordered,* That the decree hereinabove set forth [dated August 15, 1914] be reinstated as the final decree in this cause; and the name International Harvester Company wherever hereinafter used includes both the original and the successor corporation of that name.
>
> And the parties having agreed upon and submitted to the court a plan for carrying into effect the order contained in said decree that the combination and monopoly therein adjudged unlawful be dissolved, and the court having considered and approved the plan, it is further ordered, in accordance therewith, as follows:
>
> (*a*) The defendants, International Harvester Company and International Harvester Company of America, their officers, directors, and agents, are hereby prohibited and enjoined, from and after December 31, 1919, from having more than one representative or agent in any city or town in the United States for the sale of their harvesting machines and other agricultural implements;
>
> (*b*) The International Harvester Company shall, with all due diligence, offer for sale, at

> fair and reasonable prices, the harvesting machine lines now made and sold by the International Harvester Company under the trade names of "Osborne," "Milwaukee," and "Champion," respectively, including the exclusive right to use such trade names, and all patterns, drawings, blue prints, dies, jigs, and other machines and equipment specially used by the International Harvesting Company in the manufacture of said three harvesting machine lines, respectively; and each purchaser must be a responsible manufacturer of agricultural implements in the United States, and, if a corporation, none of the defendants shall have any substantial stock interest in such purchaser, nor shall any defendant be such purchaser. The International Harvester Company, from and after the date of the entry of this decree, shall be required to accept a reasonable price from any purchaser approved by the United States for any of said lines of harvesting machines; and in the event of a disagreement between the United States and the Harvester Company as to what shall be or constitute a reasonable price for the property proposed to be purchased, such price shall be fixed by this court.
>
> (*c*) The International Harvester Company shall also presently offer and endeavor to sell in connection with said harvester lines the "Champion" harvester plant and works at Springfield, Ohio, and the "Osborne" harvester No. 1 plant and works at Auburn, New York, and shall stand ready to accept a fair and reasonable price for either of said plants from any purchaser of either of the harvester lines hereinbefore mentioned; and in the event that the parties are unable to agree as to what is a fair price for either of said plants, the question at issue shall be submitted

without formal pleadings, under the supervision and direction of the United States, to this court for decision, and the finding of this court as to said question of a fair price shall be accepted by and be binding upon the International Harvester Company.

(*d*) In the event that any one or more of said three lines of harvesting machines, including plants, patterns, etc., as aforesaid, shall not have been sold by the International Harvester Company in pursuance of the terms and provisions of this decree within one year after the close of the existing war in which the United States is engaged, then, upon the request of the United States, the same shall be sold at public auction to the highest bidder therefor, in such manner, time, and place as may be agreed upon between the United States and the International Harvester Company; and in default of such agreement then under the order and direction of this court.

(*e*) The object to be attained under the terms of this decree is to restore competitive conditions in the United States in the interstate business in harvesting machines and other agricultural implements, and in the event that such competitive conditions shall not have been established at the expiration of eighteen months after the termination of the existing war in which the United States is engaged (or at the expiration of two years from the date of the entry of this decree in the event that said war shall be terminated within less than six months after the entry of this decree), then and in that case the United States shall have the right to such further relief herein as shall be necessary to restore said competitive conditions and to bring about a situation in harmony with law; and

this court reserves all necessary jurisdiction and power to carry into effect the provisions of the decrees herein entered.

By a Joint Resolution of Congress approved by the President on July 2, 1921, the war between the Imperial German Government and the United States of America was declared at an end. A treaty to restore friendly relations between the two nations was signed at Berlin on August 25, 1921, ratifications of the treaty were exchanged at Berlin on November 11, 1921, and said treaty was proclaimed by the President of the United States on November 14, 1921. The test period set up by paragraph (*e*) of said final decree, within which to judge the effect of the decree in establishing competitive conditions in interstate trade and commerce in harvesting and other agricultural implements has expired, and the court now has jurisdiction under said paragraph to entertain this supplemental petition and to grant the additional relief prayed for herein.

IV.

REARRANGEMENTS OF DEFENDANTS' BUSINESS SINCE FILING OF ORIGINAL PETITION.

In January, 1913, the International Harvester Corporation was organized under the laws of New Jersey to take over approximately one-half of the net assets of the International Harvester Company, the principal defendant. To this new corporation the International Harvester Company sold its plants in the United States, six in number, used for the manufacture of the so-called new lines, viz, gasoline and oil engines, tractors, autowagons, cream separators, wagons, manure spreaders, tillage and planting implements. The International Harvester Company also sold to this new company the capital stocks of

its subsidiary companies owning foreign plants. In return for these properties and securities the International Harvester Company received 300,000 shares (entire issue) of the 7 per cent cumulative preferred stock and 399,964 shares (total 400,000) of the common stock of the International Harvester Corporation. The company offered the preferred stock for pro rata distribution among the holders of its own preferred stock and the common stock for pro rata distribution among the holders of its own common stock, each shareholder being given the privilege of taking cash to the amount of the par value of the stock so offered. The capital stock of the International Harvester Company was thereupon reduced from $80,000,000 common and $60,000,000 preferred to $40,000,000 common and $30,000,000 preferred.

In February, 1913, the International Harvester Company changed its name to International Harvester Company of New Jersey.

On September 19, 1918, the present International Harvester Company was organized in New Jersey, being a merger of the International Harvester Company of New Jersey and the International Harvester Corporation. The merger agreement, dated July 26, 1918, was ratified by stockholders of the merging corporations on September 19, 1918. The agreement provided that the new corporation should have a capital stock equal to the capital stock of the two merging companies, namely, $140,000,000 in all, divided into $60,000,000 7 per cent cumulative preferred stock and $80,000,000 common stock, each share being of the par value of $100. The shares of the new corporation were issued to the shareholders

of the merged companies in exchange for their shares in such companies upon an agreed basis.

In July, 1920, the authorized common stock was increased from $80,000,000 to $130,000,000 and the authorized 7 per cent cumulative preferred stock was increased from $60,000,000 to $100,000,000, of which there is at present outstanding $94,116,114 of common and $60,223,900 of preferred, a total of $154,340,014. The company has no funded debt.

Said new International Harvester Company by appearance duly entered has become and is the principal defendant in this cause.

In pursuance of the final decree herein dated November 2, 1918, the defendant, the International Harvester Company, has sold to the Emerson-Brantingham Company, at Rockford, Illinois, its line of harvesting machines sold under the trade name "Osborne." The sale took place in 1918, but the International Company manufactured the Emerson-Brantingham Company's requirements for the Osborne line for the 1919 and 1920 trade. In the same year, the International Harvester Company sold the line of harvesting machines known as "Champion" to B. F. Avery & Son of Louisville, Ky., and manufactured the purchaser's requirements for these lines for the 1919 and 1920 trade. In 1920, the defendant filed an application to the court representing that the purchasers of these lines were already engaged in manufacture of harvesting machines; that they each had plants adequate to manufacture the newly acquired lines; that neither desired to acquire the plants of the International Harvester Company at which those lines had theretofore been produced, and asking that it be per-

mitted to sell the lines without the necessity of disposing of the physical properties. The application was granted.

The Milwaukee line of harvesting machines, a negligible line constituting less than two per cent of the total domestic sales of the International Harvester Company, has not been disposed of under the decree.

The present arrangement of the International Harvester Company's plants in the United States is as follows:

McCormick Works, Chicago, Ill., binders, reapers, harvester threshers, mowers, rakes, hay stackers, corn machines, ensilage cutters.

Deering Works, Chicago, Ill., binders, reapers, harvester threshers, mowers, rakes, corn machines, potato diggers, cultipackers.

Milwaukee Works, Milwaukee, Wis., engines, cream separators, tractors.

Tractor Works, Chicago, Ill., tractors.

Akron Works, Akron, Ohio, commercial cars, motor trucks.

Auburn Works (formerly Osborne), Auburn, N. Y., tillage implements.

Chattanooga Plow Works, Chattanooga, Tenn., plows, cane mills, evaporators, and kettles.

Ft. Wayne Works, Fort Wayne, Ind., motor trucks.

P. & O. Plow Works, Canton, Ill., plows, listers, beet pullers, cultivators, corn planters.

Richmond Works, Richmond, Ind., seeding machines.

Rock Falls Works, Rock Falls, Ill., corn shellers, harrows, hay loaders, side rakes and tedders.

Springfield Works (formerly Champion), Springfield, Ohio, speed trucks, hay presses.

Springfield Spring Works, Springfield, Ohio, coiled springs.

Weber Works, Chicago, Ill., wagons.

West Pullman Works (formerly Plano), Chicago, Ill., corn planters, corn cultivators, threshers, manure spreaders.

Twine Works, two located in Chicago, one in Auburn, N. Y., and one at St. Paul, Minn.

Subsidiary companies:

Wisconsin Steel Co., capital stock $1,000,000, the business and properties of which are described in the summary of the original petition.

Wisconsin Lumber Company, capital stock $250,000, the business and properties of which are described in the summary of the original petition.

International Harvester Company of America, described in the summary of the original petition. This company has branch houses in 94 cities and towns in the United States.

Chicago, West Pullman & Southern R. R. Co., described in the summary of the original petition.

Illinois Northern Railway, described in the summary of the original petition.

Deering Southwestern Railway, organized June 24, 1903, under the laws of Missouri. Capital stock, authorized and issued, $400,000. Operates between Caruthersville and Hornersville, Mo., and in addition to serving the properties of the defendant, the Wisconsin Lumber Company, does a general passenger and freight business.

V.

INADEQUACY OF THE DECREE OF NOVEMBER 2, 1918, TO RESTORE COMPETITIVE CONDITIONS.

At the time of the formation of the International Harvester Company in 1902 certificates representing

the capital stock of that company were exchanged for the business and assets of the companies acquired, as follows: to the McCormick Company, $46,262,514; to the Deering Company, $37,314,555; to the Plano Company, $6,268,603; to the Champion Company, $3,447,185. The stock, assets, and business of the Milwaukee Company were acquired for $3,123,691 in cash; and the stock, business, and assets of the Osborne Company and the Columbian Cordage Company were acquired for $6,000,000. The original investment in the Champion, Osborne, and Milwaukee lines, ordered separated under the decree of November 2, 1918, was negligible as compared with the other lines acquired, more especially the McCormick and Deering.

From its formation and the acquisition of the several lines mentioned, the policy of the International Harvester Company has been to develop and increase the output and sales of the McCormick and Deering brands of harvesting machines and to smother and suppress the manufacture and sales of the other brands. Thus during the period from the acquisition of said lines to the entry of the aforesaid, the proportion of the investment in the Champion, Osborne, and Milwaukee lines to the combined investment in McCormick and Deering lines has steadily decreased; and the proportion of the output and sales of the Champion, Osborne, and Milwaukee lines to the output and sales of the McCormick and Deering lines has likewise diminished.

The proportion of the investment in the Champion and Osborne plants to the total investment in all the company's plants was 12.9 per cent in 1910 and 8.9 per cent in 1918. The proportion of the number

of Champion, Osborne, and Milwaukee harvesting machines manufactured to the total number of harvesting machines of all International brands manufactured in 1910 and 1918 were: grain binders, 13.4 per cent in 1910 and 4.9 per cent in 1918; mowers, 16 per cent in 1910 and 10 per cent in 1918; rakes, 26.6 per cent in 1910 and 15 per cent in 1918; corn binders, 13 per cent in 1910 and 14.9 per cent in 1918. The proportion of the lines to be disposed of, always small, has shown a marked decrease, except as to corn binders.

The book investment of the International Harvester Company in domestic implements plants on December 31, 1910, is shown in the following table:

Plants.	Dollars.	Per cent.
Champion	1,400,547	4.5
Osborne [1]	2,588,936	8.4
Osborne and Champion combined	3,989,483	12.9
McCormick	12,471,857	40.3
Deering	7,002,204	22.6
Other implement plants	7,479,087	24.2
Total implement plants	30,942,631	100.0

[1] Includes tillage works at Osborne plant.

The book investment in such plants on December 31, 1918, was as follows:

Plants.	Dollars.	Per cent.
Champion	1,201,906	3.5
Osborne [1]	1,870,822	5.4
Champion and Osborne combined	3,072,728	8.9
McCormick	10,937,652	31.5
Deering	6,146,296	17.7
Other implement plants	14,525,673	41.9
Total implement plants	34,682,349	100.0

[1] Includes tillage plant also.

The following table shows the total output of harvesting machines by the International Harvester Company, by lines, during the manufacturing season ending September 30, 1910, with percentages:

Brand.	Grain binders.		Mowers.		Rakes.[1]		Corn binders.	
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
Champion	3,142	2.5	8,863	3.4	11,917	7.5	5	.....
Osborne	6,409	5.1	19,338	7.4	23,672	14.9	565	3.0
Milwaukee [2]	7,196	5.8	13,439	5.2	6,722	4.2	1,888	10.0
Total	16,747	13.4	41,640	16.0	42,311	26.6	2,458	13.0
McCormick	55,095	43.9	115,076	44.2	67,864	42.6	8,761	46.0
Deering	52,083	41.6	96,104	36.9	45,650	28.7	7,812	41.0
Other brands [3]	1,457	1.1	7,706	2.9	3,401	2.1	.....	.....
Total	125,382	100.0	260,526	100.0	159,226	100.0	19,031	100.0

[1] Exclusive of side-delivery and sweep rakes.
[2] Manufactured at McCormick works.
[3] Includes Plano brand manufactured at Deering works and Keystone brand manufactured at McCormick works.

The following table shows the same for the manufacturing season ending September 30, 1918:

Brand.	Grain binders.		Mowers.		Rakes.		Corn binders.	
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
Champion	2	.....	2,061	1.9	817	1.7	.....	.....
Osborne	1,351	2.6	5,39$_4$	4.8	5,080	10.7	1,044	3.9
Milwaukee [1]	1,244	2.3	3,64$_6$	3.3	1,215	2.6	2,978	11.0
Total	2,597	4.9	11,101	10.0	7,112	15.0	4,022	14.9
McCormick	27,305	51.2	55,871	50.1	22,680	47.8	12,572	46.6
Deering	23,379	43.9	44,529	39.9	17,610	37.2	10,408	38.5
Total	53,281	100.0	111,501	100.0	47,402	100.0	27,002	100.0

[1] Manufactured at McCormick works.

The output and sales of the lines disposed of and to be disposed of under the decree constitute such a small part of the total output and sales of the defendant, the International Harvester Company, and such a negligible part of the total trade and commerce in harvesting machines in the United States that said decree is inadequate to accomplish its declared purpose, namely, to restore competitive conditions in the interstate business in harvesting machines and other agricultural implements and bring about a situation in harmony with the law. Petitioner alleges that it has not requested a sale of the Milwaukee line of harvesting machines at public auction, under paragraph (*d*) of the decree, for the reason that said line constitutes so small a part of the total production and sales of the International Harvester Company, and such an infinitesimal part of the total production and sales of harvesting machines in the United States that the separation thereof from the International Company could have no appreciable effect on competitive conditions.

VI.

THE DOMINANT POSITION OF THE INTERNATIONAL HARVESTER COMPANY HAS NOT BEEN AFFECTED.

In 1911, the year preceding the filing of the original petition, the International Harvester Company controlled approximately 77 per cent of the interstate trade and commerce in harvesting machines. The remaining trade and commerce in such machines was divided among nineteen competitors, the largest of which, the Acme Company, had but 4.85 per cent. The competitive situation in that year is shown by the following tabulation, compiled from the record in this cause:

Sales of harvesting machines in the United States in 1911, with percentages.

Name of manufacturer.	Grain binders.		Mowers.		Rakes.		Corn binders.		Reapers.		Headers and push binders.		All machines.	
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
I. H. Co.	97,335	87.20	141,330	73.90	89,912	67.79	39,007	91.79	2,485	78.24	4,321	83.72	374,390	76.96
Acme Co.	7,829	7.01	6,092	3.18	8,888	6.70					794	15.38	23,603	4.85
Johnston Co.	3,027	2.71	7,026	3.68	5,200	3.92	3,150	7.41	235	7.40	46	.90	18,684	3.84
Deere Co.	10	.01	7,314	3.83	9,562	7.21							16,886	3.47
Emerson-Brant'm Co.			9,553	4.99	4,927	3.71							14,480	2.98
W. A. Wood Co.	1,043	.94	6,612	3.46	5,173	3.90			189	5.96			13,017	2.67
Adriance-Platt Co.	1,056	.95	4,763	2.50	1,792	1.35	330	.79	252	7.93			8,193	1.69
Thomas Mfg. Co.			3,400	1.78	2,400	1.80							5,800	1.19
Richardson Mfg. Co.			1,695	.89	1,200	.90							2,895	.59
Independent Co.	560	.50	1,121	.59			6	.01					1,687	.35
Minnesota Prison.	685	.62	958	.51	23	.02							1,666	.35
C. G. Allen Co.					1,411	1.07							1,411	.29
Bateman Mfg. Co.					1,198	.90							1,198	.25
Montgomery Ward Co.			543	.29	309	.25							852	.18
Platt'ner Co.			542	.28									542	.12
Sears-Roebuck Co.					500	.38							500	.11
Sieberling-Miller Co.	75	.06	200	.10					15	.47			290	.06
Belcher & Taylor Co.					125	.09							125	.03
Messinger Mfg. Co.			34	.01	15	.01							49	.01
Eureka Mower Co.			38	.01									38	.01
Total.	111,620	100.00	191,221	100.00	132,635	100.00	42,493	100.00	3,176	100.00	5,161	100.00	486,306	100.00

By 1918, the year in which the decree was entered, the International Harvester Company's control had declined to approximately 64 per cent. Its proportions of the total production in the several lines for that year were: grain binders, 65 per cent; mowers, 60 per cent; rakes, 58 per cent; corn binders, 73 per cent. This decline was due largely to the marked increase in the production and sales of Deere & Company, which formerly manufactured only tillage implements, and began making harvesting machines in about 1911.

In 1921, which marked the termination of the war, the International Harvester Company's proportion had further decreased to 59 per cent. The principal falling off in its control was in the lower-priced machines, such as rakes and tedders, rather than in the more important and expensive machines, such as binders. By this time the number of competitors of the International Company was reduced from 19 to 11. The situation for the year is shown by the following table:

Sales of harvesting machines in the United States, 1921, with percentages.

	Binders.		Mowers.		Corn binders.		Reapers.		Headers, push binders.		Rakes.[1]		Tedders.[2]		Total.	
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
I. H. Co.	20,336	68.15	38,997	57.48	5,862	65.71	517	77.98	2,711	74.34	23,010	54.30	1,415	36.20	92,848	59.07
Avery	1,448	4.85	4,261	6.28	.....	.....	52	7.84	781	21.41	3,149	7.43	145	3.71	9,836	6.26
Massey-Harris	1,053	3.52	1,726	2.54	668	7.49	26	3.92	155	4.25	2,031	4.79	156	3.99	5,815	3.70
W. A. Wood	50	.16	1,516	2.23	.....	.....	42	6.34	.....	.....	893	2.11	302	7.73	2,803	1.78
Acme	6	.02	52	.08	3	.03	.....	.....	.....	.....	24	.06	.....	.....	85	.05
Ohio Rake Co	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	716	1.69	88	2.25	804	.51
Deere & Co	3,565	11.98	8,630	12.72	1,644	18.43	.....	.....	.....	.....	4,371	10.32	524	13.41	18,734	11.92
Emerson-Brantingham	762	2.55	4,910	7.24	474	5.31	.....	.....	.....	.....	3,137	7.40	855	21.87	10,138	6.45
Sears-Roebuck	.....	.....	362	.53	.....	.....	.....	.....	.....	.....	397	.94	.....	.....	759	.48
Minn. Prison	1,550	5.19	2,666	3.93	.....	.....	.....	.....	.....	.....	1,764	4.16	.....	.....	5,980	3.80
Moline Plow	1,070	3.58	3,404	5.02	270	3.03	26	3.92	.....	.....	1,882	4.44	393	10.05	7,045	4.48
Thomas	.....	.....	1,325	1.95	.....	.....	.....	.....	.....	.....	1,000	2.36	31	.79	2,356	1.50
Total	29,840	100.00	67,849	100.00	8,921	100.00	663	100.00	3,647	100.00	42,374	100.00	3,909	100.00	157,203	100.00

[1] Includes side delivery rakes.
[2] Includes combination rakes and tedders.

In 1922, which is included in the 18 month's test period provided in paragraph (*e*) of the decree, the International Company's percentage advanced to 66.57. Its largest competitor, Deere & Company, had only 11 per cent, and the remainder was divided among 10 competitors, no one of which had as much as 5 per cent. The competitive situation in that year was as follows:

Sales of harvesting machines in the United States, 1922, with percentages.

	Binders.		Mowers.		Corn binders.		Reapers.		Headers, push binders.		Rakes.[1]		Tedders.[2]		Total.	
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
I. H. Co.	30,644	75.37	63,062	66.74	9,257	70.46	452	54.59	1,747	70.90	31,602	59.72	1,937	50.39	138,701	66.57
Avery	794	1.95	2,867	3.04			266	32.13	538	21.83	4,533	8.57	62	1.61	9,060	4.35
Massey-Harris	1,549	3.81	3,058	3.24	1,159	8.82	56	6.76	179	7.27	2,704	5.22	234	6.09	8,999	4.32
W. A. Wood	41	.10	2,625	2.78			38	4.59			1,241	2.34	55	1.43	4,000	1.92
Acme			8		1						11	.02			15	.01
Ohio Rake Co											671	1.27	41	1.07	712	.34
Deere & Co	5,005	12.31	10,553	11.17	2,020	15.37					5,217	9.86	477	12.41	23,272	11.17
Emerson-Brantingham	844	2.08	5,488	5.81	472	3.60					2,784	5.26	586	15.24	10,174	4.88
Sears-Roebuck			399	.42							474	.89			873	.42
Minn. Prison	1,117	2.75	2,128	2.25							1,205	2.23			4,450	2.14
Moline Plow	663	1.63	2,705	2.86	229	1.75	16	1.93			1,751	3.31	379	9.86	5,743	2.76
Thomas			1,599	1.69							667	1.26	73	1.90	2,339	1.12
Total	40,657	100.00	94,487	100.00	13,138	100.00	828	100.00	2,464	100.00	52,920	100.00	3,844	100.00	208,338	100.00

[1] Includes side delivery rakes.
[2] Includes combination rakes and tedders.

The foregoing tables make it plain that the sale by the International Harvester Company of its Osborne and Champion lines has had little or no effect upon competitive conditions. While during the test period provided in the decree the International Company's percentage has increased sharply, the percentages of the purchasers of those lines have shown a marked falling off. Thus the Emerson-Brantingham Company, purchaser of the Osborne line, had 6.45 per cent of the harvesting machine business in 1921 and only 4.88 per cent in 1922; and B. F. Avery & Sons, purchaser of the Champion line, had 6.26 per cent of the business in 1921 and only 4.35 per cent in 1922.

Moreover, the number of independent manufacturers of harvesting machines is steadily shrinking, due to the inability of those companies to compete with the International Harvester Company. The latter, with its enormous capital, credit, and resources, its profitable side lines and lumber, steel, and coal subsidiaries, is enabled, particularly in times of depression, to sell its harvesting machines at cost, which cost is generally lower than that of its competitors, and thus effectively eliminate competition and monopolize the business.

Upon information and belief, petitioner alleges that since the institution of this suit, and particularly since the entry of the decree of November 2, 1918, the International Harvester Company has used its great power in the manner just alleged for the purpose and with the effect of restraining interstate trade and commerce in harvesting machines and monopolizing the same by compelling its competitors to cease and desist from the manufacture and sale of harvesting machines.

As shown by a comparison of the 1911 table with the table for 1921, a number of the International Harvester Company's competitors abandoned the field during the intervening years.

In addition, the Acme Harvesting Machine Company, Peoria, Illinois, which in 1911 was the International Company's principal competitor, suspended active operations in 1919. Since then it has manufactured only a few machines from spare parts on hand. In 1911 this company sold approximately 8,000 binders, 6,000 mowers, and 9,000 rakes. In 1922 it sold only 3 mowers, 1 corn binder, and 11 rakes.

The Walter A. Wood Mowing and Reaping Machine Company, Hoosick Falls, New York, one of the oldest independent harvesting machine companies, has recently discontinued the manufacture of harvesting machines and is now making only a few parts for machines already sold, its principal business being the manufacture of malleable iron and gray iron. In 1911 this company sold over 1,000 binders, 6,500 mowers, 5,000 rakes, and 189 reapers. In 1922 the company sold only 41 binders, 2,625 mowers, 38 reapers, 1,241 rakes, and 55 tedders.

Because of the falling off in their harvesting machine business, due to their inability to compete with the International Harvester Company, the Moline Plow Company, Moline, Illinois, Thomas Manufacturing Company, Springfield, Ohio, and Massey-Harris Company, Batavia, New York, are contemplating the discontinuance of their harvesting lines.

Wherefore petitioner alleges that the unlawful combination in restraint of interstate trade and commerce in harvesting machines, and the unlawful

attempt to monopolize and monopolization of such trade and commerce, found by this court to exist by and through the defendant, International Harvester Company, has not been dissolved or affected by the decree of this court, and that unless such combination and monopoly shall be effectively dissolved by a division of the business and assets of the International Harvester Company into at least three concerns with separate ownership, management, and control, the monopolistic control already exerted by the defendants over the interstate trade and commerce in harvesting machines will increase, the vision of complete monopoly which the organizers of the International Harvester Company had in 1902 will be fully realized, and the farmers of the United States will be deprived of the benefit of free and open competition in the manufacture and sale of harvesting machines which is their protection and right.

VII.

REPORT AND FINDINGS OF THE FEDERAL TRADE COMMISSION WITH RESPECT TO THE INADEQUACY OF THE DECREE OF NOVEMBER 2, 1918.

On May 13, 1918, the Senate of the United States adopted Resolution No. 223, directing the Federal Trade Commission, under authority of the act entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," approved September 26, 1914, to investigate and report to the Senate the cause or causes for the high prices of agricultural implements and machinery. By section 6, paragraph (c) of said act of September 26, 1914, the Federal Trade Commission has power—

> Whenever a final decree has been entered against any defendant corporation in any

suit brought by the United States to prevent and restrain any violation of the Antitrust Acts, to make investigation, upon its own initiative, of the manner in which the decree has been or is being carried out, and upon the application of the Attorney General it shall be its duty to make such investigation. It shall transmit to the Attorney General a report embodying its findings and recommendations as a result of any such investigation, and the report shall be made public in the discretion of the Commission.

Thereupon the Commission proceeded to make a painstaking and exhaustive investigation of the entire subject of the cost of farm machinery. On May 4, 1920, the Commission made its report to the Senate, containing the most explicit findings on all phases of the subject, including the effect of the decree of this court dated November 2, 1918, on competitive conditions in the harvesting machine industry. A copy of said report was duly transmitted to the Attorney General, as provided by the statute.

The Commission found (and petitioner hereby adopts said findings and alleges them to be true) that the separation of the Osborne, Champion, and Milwaukee lines can have little effect upon the dominating position of the International Harvester Company in the harvesting-machine industry. This finding was based on three principal factors (1) the small and constantly decreasing importance of those brands and plants as compared with other brands and plants to be retained by the company; (2) the large and increasing factory costs of the two or three brands surrendered as compared with the factory

costs of the two brands retained; and (3) the low total cost of the two brands retained—McCormick and Deering—as compared with the total cost of the harvesting machines manufactured by other companies.

The Commission further found that in order to achieve the purpose of the decree of November 2, 1918, and restore competitive conditions in interstate trade and commerce in harvesting machines, it would be necessary to separate the McCormick and Deering lines from each other, and from the steel-making business of the company. Accordingly, the Commission recommended that this cause be reopened as provided in paragraph (*e*) of the decree so that a plan of dissolution may be arrived at that will in fact restore competitive conditions in the harvesting-machine business.

The Commission suggested the division of the business and assets of the International Harvester Company into three companies, as follows:

IMPLEMENT COMPANY A.	IMPLEMENT COMPANY B.	STEEL COMPANY.
Deering.	McCormick.	Steel works.
Milwaukee.	McCormick tractor.	Ore mines.
Osborne tillage.	Akron.	Coal mines.
Plano.	Weber.	
Keystone.	Parlin & Orendorff.	
Chattanooga.	St. Paul.	
Chatham (Canada).	Hamilton (Canada).	
Lubertzy (Russia).	Neuss (Germany).	
Croix (France).	Norrkoping (Sweden).	

A copy of the Commission's letter to the President of the Senate, dated May 4, 1920, transmitting said report, and a copy of Chapter X of the report, dealing with the inadequacy of said decree to restore competitive conditions, are attached hereto as a part of this supplemental petition, marked "Exhibit A."

VIII.

PRAYER.

Wherefore petitioner prays that this honorable court order, adjudge, and decree as follows:

1. That the defendant, the International Harvester Company, still is a combination in restraint of interstate trade and commerce in harvesting machinery, and still is monopolizing and attempting to monopolize said trade and commerce, in violation of the Act of Congress approved July 2, 1890, commonly called the Sherman Act, and contrary to the several opinions, orders and decrees of this court.

2. That the provisions of the decree, dated November 2, 1918, for the disposition by the defendant, the International Harvester Company, of its Osborne, Champion, and Milwaukee lines of harvesting machines are inadequate to achieve the declared purpose of said decree, namely, to restore competitive conditions in the United States in the interstate business in harvesting machines and other agricultural implements.

3. That although eighteen months have elapsed since the termination of the war in which the United States was engaged at the entry of said decree dated November 2, 1918, the declared purpose of said decree has not been achieved, and that the United States now has the right to such further relief herein as may be necessary to restore competitive conditions in interstate trade and commerce in harvesting machines and other agricultural implements and to bring about a situation in harmony with law.

4. That the business and assets of the defendant, the International Harvester Company, be separated

and divided among at least three separate, distinct, and independent corporations, with wholly separate owners, stockholders, and managers, substantially as suggested by the Federal Trade Commission in its report to the Senate dated May 4, 1920.

5. That petitioner have such other and further relief as to the court may seem just.

6. That petitioner have its costs in this behalf expended.

UNITED STATES OF AMERICA,
By LAFAYETTE FRENCH, Jr.,
United States Attorney.

ABRAM F. MYERS,
Special Assistant to the Attorney General.

H. M. DAUGHERTY,
Attorney General.

A. T. SEYMOUR,
Assistant to the Attorney General.

GUY D. GOFF,

J. A. FOWLER,

W. F. MARTIN,
Special Assistants to the Attorney General.

EXHIBIT A.

REPORT OF FEDERAL TRADE COMMISSION ON THE CAUSES OF HIGH PRICES OF FARM IMPLEMENTS, DATED MAY 4, 1920.

LETTER OF SUBMITTAL.

FEDERAL TRADE COMMISSION,
Washington, May 4, 1920.

To the President of the Senate:

This report is made in response to the resolution of the Senate[1] directing the Commission to report the causes for the high prices of farm implements, including any facts relating to restraints of trade or unfair methods of competition in the industry, and whether by reason of such prices the farmers have been prevented from making fair profits. This inquiry involved, therefore, a determination of the costs, prices, and profits of implement manufacturers, the prices and profits of implement dealers, the question of restraints of trade or unfair methods of competition among manufacturers or dealers, and the situation of the farmer with respect to the prices paid for implements and his general economic position.

PRINCIPAL FINDINGS OF FACT.

The Commission finds that the prices of farm implements purchased by the farmers increased on the average 73 per cent during the period 1914 to 1918, and that this increase was due to the following causes:

1. The costs of manufacturers and the expenses of dealers showed a marked increase.

2. The prices of manufacturers and of dealers increased more than their costs or expenses, respectively, and resulted in increased profits, which were unusually large for both manufacturers and dealers in 1917 and 1918.

3. The large increase in the prices and profits of manufacturers in 1917 and 1918 was due in part to price understandings or agreements among manufacturers, and to a more limited extent the increase in the profits of dealers seems to have been due to similar activities.

The increase in the prices of farm products was generally greater than the increase in the prices of implements and this increase in implement prices formed but a small percentage of the total operating expenses of the farmer, so it would appear that the farmer was not prevented from making fair profits on account of the increased prices of farm implements.

[1] S. Res. 223, 65th Cong., 2d sess.

There was no general shortage in the supply of farm implements, nor was there any unusual demand, especially because of the decrease in the number of machines exported and of the more extensive repairing of old machines to meet the increase in domestic requirements.

INCREASE IN PRICES.

Manufacturers' prices of farm implements to dealers increased 82 per cent during the period 1916 to 1918, while dealers' prices to farmers increased 62 per cent during the same period. While the dealers' increase in percentage was smaller than that for manufacturers, their increase expressed in dollars was not greatly different, due to the higher prices upon which their increase was figured.

As already stated, the increase in the prices to farmers during the five-year period 1914 to 1918 averaged 73 per cent. The greater part of this increase occurred in 1918, although there was a considerable increase in 1917. The increases in 1915 and 1916 were quite small.

PROFITS OF DEALERS.

The financial results for implement dealers in 1918 as compared with 1915, based on data from more than 200 concerns, most of which handled other articles as well as implements, were as follows:

The net sales increased 60 per cent, the gross profits 75 per cent, the total expenses 38 per cent, the net income 152 per cent, the investment 28 per cent, while the rate of profit on investment increased from 9 per cent in 1915 to 17.7 per cent in 1918, which is an increase of 97 per cent.

PROFITS OF MANUFACTURERS.

Twenty-two farm implement manufacturers, embracing over 85 per cent of the industry, showed for 1918 compared with 1916 the following results from their implement business:

The net sales increased 63 per cent, the cost of sales 67 per cent, the selling, general, and administrative expenses 17 per cent, the net operating income from the implement business 106 per cent, the investment 1 per cent, while the rate of return on investment in the implement business increased from 9.7 per cent in 1916 to 19.9 per cent in 1918, which is an increase of 105 per cent. The comparison in this case is made between 1916 and 1918 because the rates of profit in both 1914 and 1915 seem to have been unduly low. In 1913 the rate of profit was nearly the same as in 1916, namely, 9.8 per cent; in 1917 it was a little lower than in 1918, namely, 16.6 per cent.

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CONCERTED ACTION AMONG MANUFACTURERS.

Practically all important manufacturers of farm implements are members of the National Implement and Vehicle Association, which was formed in 1911 by the union of several existing farm-implement associations. The present association has 13 departments covering the more important lines of farm implements. The general offices are in Chicago. The association and each department has its own president, secretary, and executive committee. These officers and committeemen carry on most of the active work of the association. All of them, except the secretary of the main association, are officers or employees of the member companies. There are two other associations of some importance—the Southern Wagon Manufacturers Association and the Carriage Builders National Association. The membership of the three above-mentioned associations overlap to a certain extent.

Under cover of bringing about uniform cost accounting, uniform terms of sale, and standardization of product the manufacturers who are members of these associations repeatedly advanced prices of farm implements by concerted action during the period 1916 to 1918, inclusive.

The associations received assistance in maintaining prices after the armistice from the implement trade journals and from the Agricultural Publishers' Association, an organization of farm papers.

METHODS OF ADVANCING PRICES.

The methods used by officers and members of the manufacturers' associations in bringing about concerted price advances and in maintaining prices were as follows:

Price comparison meetings at which advances in prices recently made or intended to be made were discussed.

Cost comparison meetings at which inflated costs were compared with the tacit understanding that prices would be advanced the same percentage shown by the inflated costs.

Terms meetings at which agreements were made respecting uniform terms, thus making the prices of the different members more comparable.

Standardization meetings at which agreements were made respecting the standardization of implements and the equipment to be furnished, thus making the costs and prices of the different members more comparable.

Frequent exchange of price lists by mail, so that members could check up each other's prices, terms, and equipment furnished.

Frequent exchange by letters of what advances had been made recently and asking for other members' recent price advances.

Exchange of letters stating what advances were contemplated in the future and when effective and asking for similar data.

Letters urging low-price members to increase their prices.

Price tabulation showing in parallel columns the prices of various members, a copy being sent to each member furnishing information for the tabulation.

Complaints of price cutting, the complaints frequently showing that the price cutting member was held as not keeping faith in maintaining the prices agreed upon.

When a branch house or a salesman sold under prices shown in the company's price list, other members frequently wrote the company's main office advising them of the facts.

By these methods, beginning with meetings held in February, 1916, and continuing through 1918, the manufacturers often arrived at uniform percentages of increase to be applied first to one and then to another line of implements.

That the officers and members of the manufacturers' associations realized that they were engaged in illegal activities is indicated by the attempted secrecy they sought to throw over all price activities. It is also more directly shown in a number of letters obtained by the Commission, copies of which are printed in this report.

CONCERTED ACTION AMONG DEALERS.

The farm implement dealers of the United States are united into about 25 State and sectional associations, most of which in turn are united under two federations, the National Federation of Implement and Vehicle Dealers' Associations with offices at Abilene, Kans., and the Eastern Federation of Farm Machinery Dealers, with offices at Philadelphia, Pa. There are also a large number of local clubs which have been organized by the larger associations.

The federations and their constituent associations have attempted to increase the profits of members and protect them from competition in many ways, the following being the more important:

They have fostered local price agreements between dealers of the same town.

They have induced manufacturers not to sell to dealers who do not maintain prices locally agreed upon.

They have induced manufacturers not to sell to concerns considered as irregular by the dealers, especially cooperative stores and small mail-order concerns.

By means of so-called cost education they have urged dealers to maintain a high and uniform percentage of gross profit.

EFFECT OF HIGH PRICES ON FARM PROFITS.

Although the prices of farm implements were advanced more rapidly than the increases in the actual costs of manufacture and distribution warranted, they did not increase so rapidly as did the prices of farm products. In 1918, as compared with 1913, the prices of farm products increased 118 per cent, while the prices of farm implements increased 72 per cent. Consequently, the product of an acre of farm land would buy a larger quantity of farm implements in 1918 than in 1914 or in preceding years. Furthermore, the expense attributable to farm implements represents only a small part—less than 10 per cent—of the farmers' total expense.

No comprehensive data are available regarding the profits of farmers, but all the available evidence indicates that they were higher in 1917 and 1918 than in the four years preceding, notwithstanding the higher prices of farm implements.

However, if implement prices prevailing at the present time are maintained and the prices of farm products decrease, this expense may well become a factor in preventing the farmer from making a fair profit.

INTERNATIONAL HARVESTER DISSOLUTION.

The Commission is by law empowered to investigate the manner in which a final decree in any antitrust suit is being carried out. As the final decree in the International Harvester case was filed while this inquiry into the implement industry was in progress, the Commission has incorporated in the present report the results of its inquiry into this matter.

By a consent decree filed November 2, 1918, in the United States District Court at St. Paul the International Harvester Co. was ordered to sell its Champion and Osborne harvester plants and its Champion, Osborne, and Milwaukee harvesting lines, and was furthermore restricted to one dealer-agent in each town.

The proportion of the investment in the Champion and Osborne plants to the total investment in all the company's plants was 12.9 per cent in 1910 and 8.9 per cent in 1918, which shows the small and decreasing importance of the plants which are to be sold.

The proportions of the number of Champion, Osborne, and Milwaukee harvesting machines manufactured to the total number of harvesting machines of all International brands manufactured in 1910 and in 1918 were as follows:

Grain binders, 13.4 per cent in 1910 and 4.9 per cent in 1918; mowers, 16 per cent in 1910 and 10 per cent in 1918; rakes, 26.6 per cent in 1910 and 15 per cent in 1918; corn binders, 13 per cent in 1910 and 14.9 per cent in 1918.

As is shown by the above figures, the brands to be sold were of decreasing importance, except in the case of corn binders.

The factory costs of two of the brands to be sold—the Champion and Osborne—were much higher than the factory costs of either of the two brands to be retained, being in 1918 over $20 higher on binders, over $5 on mowers, over $1 on rakes, and over $10 on corn binders. The third brand to be sold—Milwaukee—has costs that compare more favorably with those of the brands retained, but this brand is manufactured at the McCormick works.

The costs of the two brands to be retained are also much lower than the costs of the harvesting machines of other manufacturers.

The proportions of the total production of the principal harvesting machines which the International Harvester Co. had in 1911, before the Government suit was brought, and the proportions it had in 1918 were as follows:

Grain binders, 87 per cent in 1911 and 65 per cent in 1918; mowers, 77 per cent in 1911 and 60 per cent in 1918; rakes, 72 per cent in 1911 and 58 per cent in 1918; and corn binders, 76 per cent in 1911 and 73 per cent in 1918.

While the International's proportion has decreased for each of the machines shown, the company still retains a sufficient proportion of the business to give it a dominating position in the industry, especially as it has additional advantages in low costs of manufacture and in the reputation in the trade of the brands retained.

After it has complied with the decree by disposing of the Osborne, Champion, and Milwaukee lines its percentage of the total business will be reduced in only a comparatively small degree on the present basis of output.

The separation of the Champion, Osborne, and Milwaukee brands and the Champion and Osborne harvester works from the International Harvester Co. can have little effect, therefore, upon the dominating position of that company in the harvesting-machine line, especially as regards grain binders. This results from three factors: (1) the small and constantly decreasing importance of those brands and plants as compared with other brands and plants to be retained by the company; (2) the large and constantly increasing factory costs of two of the three brands surrendered as compared with the factory costs of the two brands retained; and (3) the low total cost of the two brands retained—McCormick and Deering—as compared with the total cost of the harvesting machines manufactured by other companies.

It is indicative of the dominating position of the International Harvester Co. in the harvesting-machine business that it refused to cooperate with other harvesting-machine manufacturers in associa-

tion activities, although it did so cooperate with respect to other lines of implements which it did not dominate. (See p. 548.)

The Commission is of the opinion that the final decree of November 2, 1918, will fail in its purpose to "restore competitive conditions in the United States in the interstate business in harvesting machines." The court, however, provided in the final decree that in the event such competitive conditions were not restored "at the expiration of 18 months after the termination of the existing war" the Government should have the right to such further relief as shall be necessary to bring about a condition in harmony with the law.

The Commission believes that further steps are necessary to secure the objects aimed at by the decree.

The dominating position of the International Harvester Co. is chiefly with respect to the harvesting-machine lines and particularly with respect to grain binders. The maintenance of this position is aided by the steel-making business of the company, which furnishes it either with large profits or with steel at cost, thereby further increasing the International Harvester Co.'s dominating position by reducing its already low costs of manufacture.

The division of the business of the International Harvester Co., therefore, should be in such a way as to divide effectively the harvesting-machine lines and to separate therefrom the steel business, less than half of the products of which have been utilized by its implement factories and is therefore much too large to be left with any one of them. To make any such division of the harvesting-machine lines effective in restoring competition it would be absolutely essential to separate the McCormick and Deering plants and the McCormick and Deering brands. It would also be necessary, of course, to enforce the absolute separation of ownership of the stock in the new companies to be organized.

It is necessary to separate the McCormick and Deering plants and brands because according to judicial decision they were illegally combined in 1902 and because it is these that have given the International Harvester Co. its dominating position in the harvesting-machine line. By their volume of output, their low cost of production, and reputation in the trade, the possession of these two plants and brands makes effective competition from other implement manufacturers illusory.

CONCLUSIONS.

Farm-implement manufacturers and dealers by concerted action advanced prices in 1917 and 1918 by amounts that were larger than were warranted by the increase in their costs and expenses, and this resulted in unusually large profits for those years.

In spite of the great increase in farm-implement prices, the farmers were not prevented from making as much profit as before because the prices of farm products increased to an even greater extent.

The partial dissolution of the International Harvester Co. in 1918 did not change the dominating position of that company in the harvesting-machine line and will not do so while the McCormick and Deering plants and the steel business remain united under its control either directly or by common ownership of stock.

RECOMMENDATIONS

The Commission believes that judicial proceedings should be instituted against associations who have been active in restraining trade in the farm-implement industry.

The Commission also believes that the International Harvester case should be reopened as provided for in the final decree, so that a plan of dissolution be arrived at that will restore competitive conditions in the harvesting-machine business.

Respectfully,

VICTOR MURDOCK, *Chairman.*
HUSTON THOMPSON.
NELSON B. GASKILL.
JOHN GARLAND POLLARD.
WILLIAM B. COLVER.

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CHAPTER X.

THE INTERNATIONAL HARVESTER DISSOLUTION, 1912–1918.

Section 1.—Introductory.

The final decree in the International Harvester case was filed on November 2, 1918. This was a consent decree, agreed to by Attorney General Gregory and the International Harvester Co. It was the outcome of the Government's suit for the dissolution of the International Harvester Co., which had begun in 1912.

The decree ordered the company to sell three of its minor harvesting-machine lines and two of its smaller plants. It also provided that the company should retain only one dealer in each town.

In this chapter is shown the effect this partial dissolution will have on competitive conditions in the harvesting-machine line.

Section 2.—Formation and subsequent development of the International Harvester Co., 1902–1911.

The International Harvester Co. was organized in 1902 as a consolidation of the five principal manufacturers of harvesting ma-

chines in the United States—namely, the McCormick Harvesting Machine Co., Chicago, Ill.; Deering Harvester Co., Chicago, Ill.; Plano Manufacturing Co., Chicago, Ill.; the Warder, Bushnell & Glessner Co., Springfield, Ohio; and the Milwaukee Harvester Co., Milwaukee, Wis. The companies thus consolidated had in 1902 about 90 per cent of the total production of grain binders in the United States, and about 80 per cent of the total production of mowers, the two chief kinds of harvesting machines. The other principal manufacturers of harvesting machines in the United States were located in New York State, and their market was mainly confined to the North Atlantic States and to the export trade, so that they did not come into severe competition with the machines of the combination in the chief domestic markets, the Mississippi Valley and the western prairies.

Almost immediately after its organization, the International Harvester Co. commenced the acquisition of competing manufacturers of harvesting machines. In January, 1903, it secretly acquired control of D. M. Osborne & Co., Auburn, N. Y., its chief remaining competitor. This secret control was maintained for nearly two years. In 1903 and 1904 the combination secretly acquired and so operated for a time several other competing harvesting machine companies, namely, the Minnie Harvester Co., St. Paul, Minn.; the Aultman-Miller Co., Akron, Ohio; and the Keystone Co., Sterling, Ill.

The company's acquisition of competitive harvesting-machine concerns was followed by the extension of its manufacture into numerous other lines, partly by converting certain of its harvesting-machine plants and partly by the purchase of established concerns already manufacturing other lines. Among the more important of such lines were tillage implements, manure spreaders, farm wagons, gasoline engines, tractors, and cream separators. The extension of the company into these lines was facilitated by its substantially monopolistic control of the harvesting-machine business, as control in the most important branch of the farm-implement business afforded a powerful lever for forcing the sale of its other lines.

As a result of the development just described, the position of the company changed from that of a maker of harvesting machines only, until by 1911 it was an important factor in several other branches of the farm-implement business. In manure spreaders it had come to have 50 per cent or over of the business, and in disk harrows about 37 per cent, and was increasing its proportion in several other lines, such as wagons and gasoline engines.

In 1911 the company still maintained its supremacy in harvesting machines, in spite of new competition from certain large plow and tillage implement manufacturers, who were endeavoring to establish a full line by beginning the manufacture of harvesting machines.

The combination still had in 1911 about 87 per cent of the total production of binders, 77 per cent of the mowers, and 72 per cent of the rakes.[1]

Section 3.—Negotiations for a voluntary dissolution and the acquisition of seeding-machine lines, 1911–12.

In the autumn of 1911, Attorney General Wickersham was preparing to file a petition asking for the dissolution of the International Harvester Co., as a combination in restraint of trade. The officials of the company were advised of this contemplated action, and entered into negotiations with the Attorney General with the object of bringing about a voluntary dissolution. The Attorney General sought information and advice from the Bureau of Corporations, which was then conducting a comprehensive investigation of the International Harvester Co. The Bureau of Corporations in response to a request of the Attorney General submitted a number of different plans for a dissolution into three or four substantially equal companies, which it was believed would restore competitive conditions in the harvesting-machine lines. In each of these plans an analysis was given of the investment and profits of each company which would result from the dissolution based on the business done in 1910.

The analysis of each of these plans showed that two things were absolutely essential to any adequate scheme of dissolution: (1) That the Deering and McCormick plants and brands be separated; and (2) that there be absolute separation of ownership through an injunction against common stockholding.

The International Harvester Co. would not agree to any of the plans submitted nor would they agree to any plan that involved separating the McCormick and Deering plants. The company, however, advanced a counter proposition, which was as follows:

The International would agree to sell to independent companies its Champion plant at Springfield, Ohio, its Osborne harvester plant at Auburn, N. Y., and all its lines of harvesting machines except the McCormick and the Deering. This proposal was made to the Attorney General in March, 1912.

The Bureau of Corporations' report to the Attorney General, however, showed that the dissolution proposed by the company would not materially affect its monopolistic position in the harvesting machine lines.

Attorney General Wickersham refused to agree to the scheme suggested by the company and, finding it impossible to secure a satisfactory voluntary dissolution, he filed a petition in April, 1912, in the

[1] For a full description of the organization and subsequent development of the International Harvester Co., see Report of the Commissioner of Corporations on the International Harvester Co., 1913.

United States District Court for the District of Minnesota, asking for a decree of dissolution that would restore competitive conditions.

While negotiations were still going on between the attorney general and the International Harvester Co., the combination acquired a large proportion of the seeding machine business by a contract dated March 1, 1912, whereby it agreed to purchase the entire output of the Richmond plant of the American Seeding Machine Co., and the latter company agreed to give the International the exclusive right to sell the Hoosier, Kentucky, and Empire lines of drills, seeders, sowers, and corn planters in the United States and foreign countries. The first contract was for five years, but it was renewed from time to time and now runs until November 1, 1920.[2]

Section 5 of this contract, which is apparently still in force, has a provision in which the International agrees not to sell in a large section of the United States any seeding machines except those manufactured by the American Seeding Machine Co.

Section 4.—The Government suit for dissolution, 1912–1918.

The original petition in the suit of the United States of America *v.* The International Harvester Co. and others was filed April 30, 1912, in the District Court of the United States for the District of Minnesota. An examiner was appointed, voluminous evidence was taken, the attorney general certified the importance of the case under the expediting act, and the case came up for argument before the court during the October, 1913, term.

Attorney General McReynolds asked in the brief for the United States that a decree be entered adjudging that all the defendants were parties to an unlawful combination and monopoly and enjoining the continuance of the combination. He stated that the decree should provide that unless the defendants submitted to the court a plan for restoring bona fide competitive conditions and for bringing about a situation in harmony with the true intent and purposes of the law within 60 days, a receiver should be appointed to take possession of the properties and business of the defendant corporations, who would then bring about such results under the direction of the court. He further stated:

> In order that the plan may establish a condition of honest harmony with the law, it is imperative that it shall disintegrate the business of the principal defendant in such a manner that no two of the disintegrated parts should be acquired by or come under the control of companies having common stockholders or companies otherwise under common control or influence.[3]

SEPARATION OF FOREIGN BUSINESS IN 1913.—During and on account of the suit for the dissolution of the International Harvester

[2] In June, 1920, the Richmond plant of the American Seeding Machine Co. was purchased by the International Harvester Co.

[3] Brief for the United States in the District Court of the United States for the District of Minnesota, October term, 1913, p. 176.

Co., a new company was organized on January 27, 1913. This was the International Harvester Corporation, to which were transferred all the foreign plants and business of the International Harvester Co., together with certain domestic plants exclusively engaged in the manufacture of so-called "new lines." The new company had a capital stock of $70,000,000, of which $30,000,000 was preferred and $40,000,000 common. This was exactly one-half of the stock of the old International Harvester Co. and was divided in the same proportion of preferred and common. The stock of the International Harvester Co. was reduced to one-half the former amount, and the title of this company was changed to International Harvester Co. of New Jersey. The stockholders of the old International Harvester Co. were allowed to turn in their stock and receive in exchange therefor new stock certificates of the International Harvester Co. of New Jersey and the International Harvester Corporation for one-half the amount of preferred and common stock so turned in.[4]

DECISION OF DISTRICT COURT IN 1914.—On August 12, 1914, the district court handed down its decision adjudging the International Harvester Co. to be in violation of the first and second sections of the Sherman law. The court ordered that the International Harvester Co. be divided into at least three substantially equal and independent corporations. This part of the decision reads as follows:

> It will, therefore, be ordered that the entire combination and monopoly be dissolved; that the defendants have 90 days in which to report to the court a plan for the dissolution of the entire unlawful business into at least three substantially equal, separate, distinct, and independent corporations, with wholly separate owners and stockholders * * * and in case the defendants fail to file such plan within the time limit the court will entertain an application for the appointment of a receiver for all the properties of the corporate defendants, and jurisdiction is retained to make such additional decrees as may become necessary to secure the final winding up and dissolution of the combination and monopoly complained of and as to costs.[5]

DECREES FILED IN 1914.—On the 15th day of August the court entered a decree containing substantially the same provisions as those quoted above from the decision.

On August 17, 1914, the International Harvester Co. filed a motion to amend this decree.

On October 3, 1914, the court modified the foregoing decree by striking out the following paragraph:

> It is adjudged and decreed that said combination and monopoly be forever dissolved, and to the end that the business and assets of the International Harvester Co. be separated and divided among at least three substantially equal, separate, distinct, and independent corporations, with wholly separate owners and stockholders, and that the defendants file with the clerk within 90 days a plan for such separation and division for the consideration of this court.

[4] Report of the Commissioner of Corporations on International Harvester Co., 1913. p. 169.

[5] 214 Fed., 1001.

and substituting in its place the following:

It is adjudged and decreed that said combination and monopoly be forever dissolved, and to that end that the business and assets of the International Harvester Co. be divided in such manner and into such number of parts of separate and distinct ownership as may be necessary to restore competitive conditions and bring about a new situation in harmony with law; and that the defendants file with the clerk within ninety (90) days a plan for such separation and division for the consideration of this court.[6]

Practically the only change made in the amended decree was that the division be in such manner and into such number of parts as might be necessary to restore competitive conditions, instead of specifying that the division be into three substantially equal and independent corporations, as in the first decree.

APPEAL TO THE SUPREME COURT, 1915–1918.—The International Harvester Co. took an appeal to the Supreme Court of the United States. The case was argued twice before the Supreme Court, in 1915 and in 1917, after which it was again placed on the calendar for reargument. In both his briefs Attorney General Gregory asked that the decree of the district court be affirmed.[7]

In January, 1918, the International Harvester case, along with several other antitrust cases, was continued on motion of the Attorney General on account of war conditions making it inadvisable to push the dissolution of these large corporations, which would require extensive financing in competition with the Government's own financial operations and flotation of loans.[8]

Section 5.—Agreement for voluntary dissolution and final decree, 1918.

On July 11, 1918, an agreement was entered into between the International Harvester Co. and Attorney General Gregory whereby the latter agreed to the dismissal of the case provided the International Harvester Co. would consent to a final decree which would provide (1) for the sale of the Osborne, Milwaukee, and Champion lines of harvesting machines to other implement manufacturers; (2) for the sale of the Champion plant at Springfield, Ohio, and the Osborne harvester plant at Auburn, N. Y.; and (3) for the International to have only one representative or agent in any city or town in the United States after December 31, 1919.

It will be noted that except for the restrictions as to dealers, this is substantially the same as the plan suggested by the International Harvester Co. six years before, to which Attorney General Wickersham refused to accede and which the Bureau of Corporations had regarded as inadequate.

[6] Final Decree of District Court in the International Harvester case, p. 4.
[7] Briefs for the United States, 1915, p. 157, and 1917, p. 205.
[8] Motion to Continue, pp. 2-3; and Annual Report of the International Harvester Co., for 1917.

The Federal Trade Commission had no opportunity at that time to express its opinion regarding the decree because it was not advised that such action was contemplated. The Commission was at that time just beginning an investigation of the farm-implement industry which, of course, included the International Harvester Co.

In compliance with the agreement of July 11, and on motion of the International Harvester Co., the appeal was dismissed by the Supreme Court in October, 1918, and the case was remanded to the district court at St. Paul for a final decree.

The final decree of the district court was filed November 2, 1918. In this decree the court reinstated the decree of October 3, 1914, as the final decree and added thereto the following provisions:

It is therefore ordered that the decree hereinbefore set forth be reinstated as the final decree in this cause; and the name International Harvester Co. wherever hereinafter used includes both the original and the successor corporation of that name.

And the parties having agreed upon and submitted to the court a plan for carrying into effect the order contained in said decree that the combination and monopoly therein adjudged unlawful be dissolved, and the court having considered and approved the plan, it is further ordered, in accordance therewith, as follows:

(*a*) The defendants, International Harvester Co. and International Harvester Co. of America, their officers, directors, and agents, are hereby prohibited and enjoined, from and after December 31, 1919, from having more than one representative or agent in any city or town in the United States for the sale of their harvesting machines and other agricultural implements.

(*b*) The International Harvester Co. shall, with all due diligence, offer for sale, at fair and reasonable prices, the harvesting-machine lines now made and sold by the International Harvester Co. under the trade names of "Osborne," "Milwaukee," and "Champion," respectively, including the exclusive right to use such trade names, and all patterns, drawings, blue prints, dies, jigs, and other machines and equipment specially used by the International Harvester Co. in the manufacture of said three harvesting-machine lines, respectively; and each purchaser must be a responsible manufacturer of agricultural implements in the United States, and, if a corporation, none of the defendants shall have any substantial stock interest in such purchaser, nor shall any defendant be such purchaser. The International Harvester Co., from and after the date of the entry of this decree, shall be required to accept a reasonable price from any purchaser approved by the United States for any of said lines of harvesting machines; and, in the event of a disagreement between the United States and the Harvester Co. as to what shall be or constitute a reasonable price for the property proposed to be purchased, such price shall be fixed by this court.

(*c*) The International Harvester Co. shall also presently offer and endeavor to sell in connection with said harvester lines the "Champion" harvester plant and works at Springfield, Ohio, and the "Osborne" harvester No. 1 plant and works at Auburn, N. Y., and shall stand ready to accept a fair and reasonable price for either of said plants from any purchaser of either of the harvester lines hereinbefore mentioned; and in the event that the parties are unable to agree as to what is a fair price for either of said plants, the question at issue shall be submitted without formal pleadings, under the supervision and direction of the United States, to this court for decision and the finding of this court as to said question of a fair price shall be accepted by and be binding upon the International Harvester Co.

(*d*) In the event that any one or more of said three lines of harvesting machines, including plants, patterns, etc., as aforesaid, shall not have been sold by the Inter-

national Harvester Co. in pursuance of the terms and provisions of this decree within one year after the close of the existing war in which the United States is engaged then, upon the request of the United States, the same shall be sold at public auction to the highest bidder therefor, in such manner, time, and place as may be agreed upon between the United States and the International Harvester Co.; and in default of such agreement then under the order and direction of this court.

(c) The object to be attained under the terms of this decree is to restore competitive conditions in the United States in the interstate business in harvesting machines and other agricultural implements, and, in the event that such competitive conditions shall not have been established at the expiration of 18 months after the termination of the existing war in which the United States is engaged (or at the expiration of 2 years from the date of the entry of this decree in the event that said war shall be terminated within less than 6 months after the entry of this decree) then and in that case the United States shall have the right to such further relief herein as shall be necessary to restore said competitive conditions and to bring about a situation in harmony with law; and this court reserves all necessary jurisdiction and power to carry into effect the provisions of the decrees herein entered.[9]

It will be noted in the last paragraph above that in the event competitive conditions in interstate business in harvesting machines and other agricultural implements are not restored within eighteen months after the termination of the war, the United States shall have the right to such further relief as shall be necessary to restore competitive conditions.

MERGER OF FOREIGN AND DOMESTIC BUSINESS IN 1918.—In July, 1918, following the agreement between the International Harvester Co. and the Attorney General in regard to the terms of a consent decree, the directors of the two companies made an agreement of merger between the International Harvester Co., of New Jersey, and the International Harvester Corporation. This agreement was adopted by a substantially unanimous vote of the stockholders of each company at a special stockholders' meeting held September 10, 1918. The merger and consolidation was approved by the public utilities commission of New Jersey, September 18, 1918, and the two companies on September 19, 1918, became merged and consolidated into a new company—the International Harvester Co.—with a capital stock equal to the sum of the capital stocks of the two merged companies.[10]

PURCHASE OF PLOW COMPANIES IN 1919.—In April, 1919, the International Harvester Co. purchased the Parlin & Orendorff Co., of Canton, Ill., manufacturers of a long established and favorably known line of plows. This was followed in May, 1919, by the purchase of the Chattanooga Plow Co., of Chattanooga, Tenn. The purchase of these two plow companies gave the International Harvester Co. for the first time factories for the manufacture of plows in the United States.

[9] Final Decree, International Harvester case, District Court of the United States for the District of Minnesota, pp. 5, 6, and 7.

[10] Annual Report of the International Harvester Co., 1918, pp. 9, 15, and 16.

Section 6.—Comparison of business disposed of and business retained.

The final decree of November 2, 1918, ordered the International Harvester Co. to dispose of its Osborne, Milwaukee, and Champion lines of harvesting machines and its Champion plant at Springfield, Ohio, and its Osborne harvester plant at Auburn, N. Y. In compliance with this decree and the agreement of July 11, 1918, the company sold its Osborne line of harvesting machines in July, 1918, to Emerson-Brantingham Co., of Rockford, Ill., and its Champion line in December, 1918, to B. F. Avery & Sons, of Louisville, Ky. The contracts provided, however, that the International should manufacture the machines during the 1919 season, or longer if desired, and sell them to the Emerson-Brantingham Co. and B. F. Avery & Sons, at certain agreed prices. So far as the Commission is at present informed the Milwaukee line of harvesting machines, and the Champion and Osborne plants have not yet been disposed of. In this connection, it should be stated that the International Harvester Co. was given until "one year after the close of the existing war" to dispose of these lines and plants.

The Federal Trade Commission act provides that the Commission shall have power—

> Whenever a final decree has been entered against any defendant corporation in any suit brought by the United States to prevent and restrain any violation of the antitrust acts, to make investigation, upon its own initiative, of the manner in which the decree has been or is being carried out * * *.

The Commission has, therefore, considered what effect the separation of the three lines and the two plants would have on the business of the International Harvester Co. In examining this question it is pertinent to consider the situation just before the suit was brought and also at the time of the final decree in 1918. It will be sufficient to give a few salient facts to make the matter clear.

INVESTMENT IN DOMESTIC IMPLEMENT PLANTS.—The investment of the company in implement plants has been obtained for each of the years 1902 to 1918, inclusive. It is given below for 1910 and 1918 in order to show the situation at about the time the suit was brought and also at the time of the final decree. The effect of the separation

of the Osborne and Champion plants on the company's investment in domestic implement plants in 1910 is shown in the following table:

TABLE 162.—*Book investment of International Harvester Co. in domestic implement plants on Dec. 31, 1910.*

Implement plants in United States.	Plant and equipment.	
	Dollars.	Per cent.
Champion	1,400,547	4.5
Osborne [1]	2,588,936	8.4
Osborne and Champion combined	3,989,483	12.9
McCormick	12,471,857	40.3
Deering	7,002,204	22.6
Other implement plants	7,479,087	24.2
Total implement plants	30,942,631	100.0

[1] Includes tillage works at Osborne plant.

The figures for the Osborne plant, as shown in the table, include the investment in the tillage plant, which is to be retained by the International Harvester Co. The investment in the tillage plant is included, because it could not be separated from that in the harvester works with the information at present available. But, even including this tillage plant investment, the proportion which the investment of the Osborne and Champion plants combined bore to all domestic implement plants was only 12.9 per cent, while the combined investment of the McCormick and Deering plants was about 63 per cent of the total.

The investment of the International Harvester Co. in various domestic implement plants in 1918 is shown in the following table:

TABLE 163.—*Book investment of the International Harvester Co. in domestic implement plants on Dec. 31, 1918, as reported by the company.*

Implement plants in United States.	Plant and equipment.	
	Dollars.	Per cent.
Champion	1,201,906	3.5
Osborne [1]	1,870,822	5.4
Champion and Osborne combined	3,072,728	8.9
McCormick	10,937,652	31.5
Deering	6,146,296	17.7
Other implement plants	14,525,673	41.9
Total implement plants	34,682,349	100.0

[1] Includes tillage plant also.

The above table shows that the investment in the Champion and Osborne plants combined was only 8.9 per cent of the International's total investment in domestic implement plants, while the investment in the McCormick and Deering plants combined was nearly 50 per cent. The development of new line plants had increased the investment in the other domestic implement plants shown in the table. In 1910 these other implement plants had only 24.2 per cent of the total investment in domestic implement plants, while in 1918 they had 41.9 per cent.

POSITION IN THE HARVESTING MACHINE INDUSTRY.—The number of harvesting machines manufactured in the United States during the manufacturing seasons 1910 and 1918 was also obtained. The following table shows the number of these machines manufactured by the several domestic plants during the manufacturing season of 1910:

TABLE 164.—*Number of harvesting machines manufactured by the International Harvester Co. in the United States, by lines, during the manufacturing season ending Sept. 30, 1910.*

Brand.	Grain binders.		Mowers.		Rakes.[1]		Corn binders.	
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
Champion	3,142	2.5	8,863	3.4	11,917	7.5	5	.....
Osborne	6,409	5.1	19,338	7.4	23,672	14.9	565	3.0
Milwaukee [2]	7,196	5.8	13,439	5.2	6,722	4.2	1,888	10.0
Total	16,747	13.4	41,640	16.0	42,311	26.6	2,458	13.0
McCormick	55,095	43.9	115,076	44.2	67,364	42.6	8,761	46.0
Deering	52,083	41.6	96,104	36.9	45,650	28.7	7,812	41.0
Other brands [3]	1,457	1.1	7,706	2.9	3,401	2.1	.....	.....
Total	125,382	100.0	260,526	100.0	159,226	100.0	19,031	100.0

[1] Exclusive of side-delivery and sweep rakes.
[2] Manufactured at McCormick works.
[3] Includes Plano brand manufactured at Deering works and Keystone brand manufactured at McCormick works.

The proportion the Osborne, Milwaukee, and Champion brands bore to all brands in 1910 did not exceed 16 per cent for any of the harvesting machines shown except rakes, where the proportion was 26.6 per cent of the total. Of the other harvesting machines, their proportion for mowers was highest, being 16 per cent, and their proportion for corn binders was lowest, being 13 per cent. Their proportion for grain binders was 13.4 per cent. The proportion the McCormick and Deering brands combined bore to all brands was 85.5 per cent for grain binders, 81.1 per cent for mowers, 71.3 per cent for rakes and 87 per cent for corn binders.

Of the different brands shown, the Champion brand had the smallest number of machines, except for rakes, and the McCormick brand had the largest number.

The number of different harvesting machines manufactured at domestic plants in 1918 is shown in the following table:

TABLE 165.—*Number of harvesting machines manufactured by the International Harvester Co. in the United States, by lines, during the manufacturing season ending Sept. 30, 1918.*

Brand.	Grain binders.		Mowers.		Rakes.		Corn binders.	
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
Champion	2	.....	2,061	1.9	817	1.7	.....	.....
Osborne	1,351	2.6	5,394	4.8	5,080	10.7	1,044	3.9
Milwaukee [1]	1,244	2.3	3,646	3.3	1,215	2.6	2,978	11.0
Total	2,597	4.9	11,101	10.0	7,112	15.0	4,022	14.9
McCormick	27,305	51.2	55,871	50.1	22,680	47.8	12,572	46.6
Deering	23,379	43.9	44,529	39.9	17,610	37.2	10,408	38.5
Total	53,281	100.0	111,501	100.0	47,402	100.0	27,002	100.0

[1] Manufactured at McCormick works.

The above table shows that the Champion, Osborne, and Milwaukee brands combined had decreased in 1918 as compared with 1910, not only in number but also in percentage of the total, and that the McCormick and Deering brands combined, while they had decreased in number, had increased in percentage of the total. A comparison of the percentage for the two groups of companies is shown in the following tabulation:

Kind of machine.	Percentage of machines manufactured in the United States.	
	Champion, Osborne, and Milwaukee brands combined.	McCormick and Deering brands combined.[1]
Grain binders:		
1910	13.4	85.5
1913	4.9	95.1
Mowers:		
1910	16.0	81.1
1918	10.0	90.0
Rakes:		
1910	26.6	71.3
1918	15.0	85.0
Corn binders:		
1910	13.0	87.0
1918	14.9	85.1

[1] In 1910 the Plano and Keystone brands had the following percentages of the totals: For grain binders 1.1 per cent; for mowers, 2.9 per cent; and for rakes, 2.1 per cent. In 1918 no Plano or Keystone harvesting machines were manufactured.

The above statement shows an extensive decline in the Champion, Osborne, and Milwaukee combined percentage for all the implements shown except corn binders, where there was a slight increase. On the other hand, the percentage of the McCormick and Deering brands combined made large increases for each implement except corn binders, where there was a slight decrease.

The tables above show the number of machines manufactured by plants of the International in the United States. Tables have also been prepared showing the number of machines sold in the United States and Canada that were manufactured by plants of the International in the United States. Of course the number of machines sold, as shown in the latter tables, is smaller in most cases than the number of machines manufactured, as shown in the former tables, as the machines made in the United States but sold in foreign countries, other than Canada, are omitted from the latter tables.

The following table shows the number of harvesting machines sold in the United States and Canada in 1910 of domestic manufacture at the plants of the International:

TABLE 166.—*Number of harvesting machines sold in the United States and Canada from domestic plants of the International Harvester Co. during the selling season of 1910.*

Brand.	Grain binders.		Mowers.		Rakes.[1]		Corn binders.	
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
Champion	2,551	2.7	6,673	4.0	6,335	6.0	64	0.2
Osborne	4,217	4.5	10,010	6.0	11,250	10.7	1,295	4.8
Milwaukee [2]	5,360	5.7	6,746	4.1	3,275	3.1	2,881	10.8
Total	12,128	12.9	23,429	14.1	20,860	19.8	4,240	15.8
McCormick	38,849	41.3	79,998	48.2	48,782	46.2	12,794	47.8
Deering	42,315	45.0	61,125	36.8	34,824	32.9	9,745	36.4
All other brands	702	.8	1,482	.9	1,145	1.1	.....	.....
Total	93,994	100.0	166,034	100.0	105,611	100.0	26,779	100.0

[1] Exclusive of side-delivery and sweep rakes. [2] Manufactured at McCormick works.

The proportion of the Champion, Osborne, and Milwaukee brands combined was smaller for all the machines except corn binders for the number sold in 1910, as shown in the above table, than was their proportion for the number manufactured in 1910 as shown in Table 164. For corn binders their proportion of the number sold was slightly higher than was their proportion of the number manufactured, being 15.8 per cent and 13 per cent, respectively.

The following table shows the number sold in 1918:

TABLE 167.—*Number of harvesting machines sold in the United States and Canada from domestic plants of the International Harvester Co. during the selling season of 1918.*

Brand.	Grain binders.		Mowers.		Rakes.		Corn binders.	
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
Champion	418	0.7	701	1.0	475	1.3	.....	.....
Osborne	1,087	2.0	3,166	4.3	3,753	10.6	381	2.2
Milwaukee	1,046	1.9	1,407	1.9	586	1.7	1,196	6.8
Total	2,551	4.6	5,274	7.2	4,814	13.6	1,577	9.0
McCormick	26,837	48.1	37,742	51.6	17,782	50.3	8,899	50.9
Deering	26,373	47.3	30,149	41.2	12,773	36.1	7,021	40.1
Total	55,761	100.0	73,165	100.0	35,369	100.0	17,497	100.0

In 1918 the proportion of the Champion, Osborne, and Milwaukee brands combined was smaller for the number sold in the case of every one of the machines shown than was their proportion for the number manufactured in 1918, as shown in Table 165.

A comparison of the percentages of machines sold under the Champion, Osborne, and Milwaukee brands combined and under the McCormick and Deering brands combined is shown in the following table:

Kind of machine.	Percentage of machines of domestic manufacture sold in United States and Canada.	
	Champion, Osborne, and Milwaukee brands combined.	McCormick and Deering brands combined.[1]
Grain binders:		
1910	12.9	86.3
1918	4.6	95.4
Mowers:		
1910	14.1	85.0
1918	7.2	92.8
Rakes:		
1910	19.8	79.1
1918	13.6	86.4
Corn binders:		
1910	15.8	84.2
1918	9.0	91.0

[1] The Plano and Keystone brands in 1910 had the following percentages of the total: For grain binders, 0.8 per cent; for mowers, 0.9 per cent; and for rakes, 1.1 per cent. In 1918 these two brands were not sold in the United States or Canada.

The above tabulation shows that the percentage of the Champion, Osborne, and Milwaukee machines sold in the United States and Canada decreased in every case between 1910 and 1918, while the percentage of the McCormick and Deering machines sold in the United States and Canada increased in every case. The Champion, Osborne, and Milwaukee percentage had decreased to such an extent by 1918 that it was less than 10 per cent of the total, except for rakes, where it was 13.6 per cent.

The above tabulations for number manufactured and number sold both show that there was a great decline between 1910 and 1918 in the importance of these minor brands of harvesting machines as compared with the McCormick and Deering brands.

FACTORY COSTS.—The Commission obtained the factory costs as reported by the company for the different brands of machines for each of the years 1910, 1916, and 1918.

The following table shows the factory costs, by brands, of machines made in 1910 as reported by the company:

TABLE 168.—*Factory costs*[1] *of harvesting machines sold in the United States and Canada by the International Harvester Co. in 1910.*

Brand.	Grain binder.		Mower.	Rake.	Corn binder.
	5, 6, and 7 foot.	8-foot.			
Champion	$66.72	$72.22	$26.70	$11.68	$47.12
Osborne	60.39	68.02	22.17	10.39	47.12
Milwaukee[2]	51.70	63.01	16.64	11.06	47.12
McCormick	51.78	58.74	17.95	9.74	44.21
Deering	49.73	55.14	18.75	10.12	47.43
Excess cost—Champion over Deering	16.99	17.08	7.95	1.56	[3] .31
Excess cost—Osborne over Deering	10.66	12.88	3.42	.27	[3] .31

[1] Do not include selling expense. [2] Manufactured at McCormick plant. [3] Less than Deering.

The foregoing table shows the high factory costs of the Champion and Osborne harvesting machines in 1910 as compared with the McCormick and Deering machines. The Milwaukee machines are made in the McCormick plant, and their factory costs were not very different from those of the McCormick machines, except for the 8-foot grain binder and the corn binder.

Comparing the cost of Champion and Osborne machines with the Deering machines it would appear that the former were of little direct value to the International Harvester Co. For example, the 5, 6, and 7 foot Champion grain binder had factory costs $16.99 higher than the Deering binders, and the Osborne binders of the same size were $10.66 higher than the Deering binders. There were comparatively small differences for rakes, while the Champion and Osborne corn binder costs were both $0.31 less than the Deering costs.

The Deering and McCormick costs did not differ much, McCormick costs being slightly higher on grain binders but lower on mowers, rakes, and corn binders.

The following table shows the costs of the different machines shipped in 1916:

TABLE 169.—*Factory costs*[1] *of the International Harvester Co. for machines shipped in the domestic trade Oct. 31, 1915, to Oct. 31, 1916, as reported by the company.*

Brand.	Grain binder.		Mower.	Rake.	Corn binder.
	5, 6, and 7 foot.	8-foot.			
Champion	$74.21	$84.93	$26.93	$11.68	
Osborne	69.32	78.17	23.82	11.71	$59.62
McCormick [2]	56.80	62.54	20.32	10.58	49.58
Deering	54.44	60.23	20.40	11.52	52.56
Excess cost—Champion over Deering	19.77	24.70	6.53	.16	
Excess cost—Osborne over Deering	14.88	17.94	3.42	.19	7.06

[1] Do not include selling expense.
[2] Includes Milwaukee brand, which is manufactured at the McCormick plant.

The McCormick and Milwaukee machines could not be separated for the above table, the figures shown for McCormick being average costs of the McCormick and Milwaukee machines combined.

The table shows that while the costs of all the different brands had advanced, the Champion and Osborne machines still labored under an immense handicap, the Champion costs on 5, 6, and 7-foot grain binders being $19.77 higher than Deering costs and Osborne costs $14.88 higher than Deering. On mowers the differences were smaller, while there was little difference in the cost of rakes of the different brands. The Osborne corn binder had costs in 1916 that were $7.06 higher than the Deering costs.

The following table shows the factory costs of machines manufactured in 1918:

TABLE 170.—*Factory costs*[1] *of domestic harvesting machines made by the International Harvester Co. in 1918, as reported by the company.*

Brand.	Grain binder, 6-foot, with bundle carriers.	Grain binder, 8-foot, with bundle carriers.	Mower.	Rake.	Corn binder with bundle carrier.
Champion	[2] $126.82		$50.97	$22.83	
Osborne	121.67	$140.19	44.74	23.62	$112.05
Milwaukee [3]	109.05	124.40	36.95	19.89	99.56
McCormick	101.16	116.05	39.29	20.52	91.11
Deering	98.37	115.58	39.69	21.38	101.38
Excess cost—Champion over Deering	[4] 28.45		11.28	1.45	
Excess cost—Osborne over Deering	23.30	24.61	5.05	2.24	10.67

[1] Do not include selling expense.
[2] Five-foot size.
[3] Manufactured at McCormick plant.
[4] Excess cost of 5-foot Champion binder over 6-foot Deering binder.

The factory costs of all the brands in 1918 show large advances over the 1916 costs.

The Champion and Osborne brands advanced more than the other brands, which increased the spread between their costs and the costs of the other brands.

As shown in the table of 1918 costs above, the excess costs of the Champion and Osborne brands over the Deering brand were $28.45 and $23.30, respectively, for 6-foot binders; $11.28 and $5.05, respectively, for mowers; and $1.45 and $2.24, respectively, for rakes. No Champion 8-foot grain binders or corn binders were manufactured in 1918. The Osborne 8-foot grain binder cost was $24.61 greater than the Deering cost, and the Osborne corn binder cost was $10.67 greater than that for the Deering.

The McCormick brand showed somewhat higher cost on the grain binders than the Deering brand, and somewhat lower cost on mowers and rakes, while its costs on corn binders were much lower than the Deering.

The Milwaukee brand, which is made at the McCormick plant, was considerably higher than the McCormick brand on grain binders and corn binders, and a little lower on mowers and rakes.

The table shows the extremely unfavorable position of the Champion and Osborne brands in regard to costs as compared with the McCormick and Deering brands. The Milwaukee brand, which compares more favorably with the Deering and McCormick brands, it will be remembered, is manufactured at the McCormick plant and has not yet been sold.

COMPARISON OF TOTAL COST OF SIX COMPANIES.—A comparison of the total cost sold of the McCormick harvesting machines with the harvesting machines of five other manufacturers is shown in the following table:

TABLE 171.—*Comparison of total costs sold of McCormick harvesting machines and the harvesting machines of five other manufacturers, 1916 and 1918.*

Manufacturer.	Grain binder, 6-foot.	Mower, 5-foot.	Dump hayrake, 10-foot.	Corn binder.
1916.				
McCormick	$76.71	$27.72	$14.79	$72.10
1	87.81	31.34	15.44	88.87
2	[1] 103.21	33.23	18.62	94.66
3	[2] 108.93	33.10	[3] 14.76	
4	[1] 115.26	36.69	[4] 18.33	100.51
5	[3] 131.89	40.92	21.08	135.53
1918.				
McCormick	119.77	45.09	24.54	112.02
1	151.23	56.03	29.05	152.78
2	[1] 147.85	48.50	28.23	129.71
3	[2] 164.24	52.65	[3] 25.44	
4	[1] 161.65	56.56	[4] 32.07	151.36
5	[3] 202.73	65.35	34.43	215.65

[1] 7-foot size. [2] With transportation truck. [3] 8-foot size [4] 9-foot size.

Total cost sold includes factory cost and selling, general, and administrative expense.

The total costs of the International for the McCormick machine were lower in both 1916 and 1918 than the machines of any other manufacturer, especially for the grain binder and corn binder. The McCormick costs would be even lower were the intercompany profits of several dollars per machine in the steel furnished by the subsidiary steel plant eliminated.

EFFECT OF FINAL DECREE.—It is apparent from the facts given in the preceding part of this section that the separation of the Champion, Osborne, and Milwaukee brands and the Champion and Osborne harvester works from the International Harvester Co. will have little effect on the dominating position of that company in the harvesting-machine line, especially as regards grain binders. This results from three factors: (1) The small and constantly decreasing importance of those brands and plants as compared with the other brands and plants retained by the company; (2) the large and constantly increasing excess factory costs of two of the three brands surrendered as compared with the factory costs of the two brands retained; and (3) the low total cost of the McCormick and Deering harvesting machines as compared with the total costs of the harvesting machines manufactured by other companies.

This indicates that the International Harvester Co. need not fear the competition of any company to which it sells the above-named plants and brands, nor of any company already manufacturing harvesting machines. As a matter of fact, the International is still manufacturing the Osborne and Champion lines and selling the machines to the Emerson-Brantingham Co. and B. F. Avery & Sons at certain prices mutually agreed upon. And, as already stated, it has not yet sold the Milwaukee line nor the Champion or Osborne plants. It would appear, therefore, that up to the present the final decree has not much affected the harvesting machine lines of the International Harvester Co., nor will it do so when the decree has been complied with completely.

Section 7.—Profits of the Wisconsin Steel Co.

The final decree did not touch upon one of the strongest elements in the competitive power of the International Harvester Co. This is the profit which that company derives through its ownership of the Wisconsin Steel Co. property. In fact, the large profits derived from this property further reduce the already low costs of the International's implements so that other companies are at greater disadvantage than appears in Table 171. That the ownership of the steel plants is not necessary to the implement business is indicated by the fact that no other implement manufacturer owns any. Indeed

a steel plant which embraces, as this one does, ore mines, ore vessels, coal mines, coke ovens, and blast furnaces, in addition to the steel works and rolling mills, in order to be efficient requires such a large output that no farm implement manufacturer could use its entire product. As a matter of fact, the International, although its sales are larger than the combined sales of the other 25 companies that are covered by the investigation, now uses in its implement plants less than half of the product of its steel plants.

The large profits of the Wisconsin Steel Co. are shown in the following table:

TABLE 172.—*Profits of the Wisconsin Steel Co., 1913–1918, as revised by the Commission.*

Year.	Net sales.	Net income before charging interest.	Invested capital, including borrowings.[1]	Per cent of net income to invested capital.
1913	$10,596,361	$3,346,735	$10,403,896	32
1914	5,188,640	1,202,525	10,658,372	11
1915	8,187,369	2,675,142	11,413,088	23
1916	17,111,390	7,401,381	10,287,054	72
1917	26,464,267	12,055,620	10,171,133	119
1918	27,443,400	9,703,433	12,065,434	80
Average	15,831,905	6,064,139	10,833,163	56

[1] The investment shown here is about $5,500,000 less than the investment shown on the company's books. The reduction made by the Commission was mainly in the excessive ore mine values. (See Report of the Commissioner of Corporations on the International Harvester Co., pp. 111–117, 224.)

The above table shows that the Wisconsin Steel Co. made an average annual return on investment of 56 per cent for the six-year period, 1913–1918, inclusive. The highest return was 119 per cent in 1917, and the lowest was 11 per cent in 1914.

The average annual net income for the six-year period was $6,064,-139, which was made on average annual net sales amounting to $15,831,905. The greatest annual net income was $12,055,620 in 1917, which was made on annual net sales amounting to $26,464,267.

During normal times in 1913 the Wisconsin Steel Co. made 32 per cent on investment. During the two years the United States was engaged in the war the profit averaged 98 per cent on the investment.

The following table shows the sales and profits of the raw-material companies, the railroad properties, and the implement companies of the International Harvester combination, by years, from 1913 to 1918, inclusive:

TABLE 173.—*Sales, net income, and investment of the International Harvester Co. International Harvester Co. of New Jersey, and International Harvester Corporation separated as between the subsidiary raw material, railroad, and implement and twine companies, 1913–1918, as revised by the Commission.*

Company.	Net sales.[1]	Net income before charging interest.[2]	Capital invested, including borrowings and outside investments.	Per cent of net income to capital invested.[3]
1913.				
Wisconsin Steel Co.	$10,596,361	$3,346,735	$10,403,896	32.17
Wisconsin Lumber Co.	401,287	[4] 67,087	1,461,231	[4] 4.59
McLeod & Co.	6,014,228	[4] 27,263	3,300,609	[4] .83
Total, raw-material companies	17,011,876	3,252,385	15,165,736	21.45
Railroad companies		140,587	1,778,102	7.91
Implement and twine companies.	114,185,560	19,752,137	192,171,405	10.28
Total.	131,197,436	23,145,109	209,115,243	11.07
1914.				
Wisconsin Steel Co.	5,188,640	1,202,525	10,658,372	11.28
Wisconsin Lumber Co.	143,831	[4] 101,678	1,536,312	[4] 6.62
McLeod & Co.	5,066,638	65,027	1,761,353	3.69
Total.	10,399,109	1,165,874	13,956,037	8.35
Railroad companies		51,700	1,846,284	2.80
Implement and twine companies.	104,083,375	16,883,528	222,949,636	7.57
Total.	114,482,484	18,101,102	238,751,957	7.58
1915.				
Wisconsin Steel Co.	8,187,369	2,675,142	11,413,088	23.44
Wisconsin Lumber Co.	198,642	[4] 119,981	1,758,844	[4] 6.82
McLeod & Co.	4,830,826	153,563	1,137,857	13.50
Total.	13,216,837	2,708,724	14,309,789	18.93
Railroad companies		111,760	1,855,595	6.02
Implement and twine companies.	100,873,578	17,288,201	224,336,314	7.71
Total.	114,090,415	20,108,685	240,501,698	8.36
1916.				
Wisconsin Steel Co.	17,111,390	7,401,381	10,287,054	71.95
Wisconsin Lumber Co.	385,312	[4] 89,786	1,749,915	[4] 5.14
McLeod & Co.	6,689,671	232,045	1,825,196	12.71
Total.	24,186,373	7,543,640	13,862,165	54.42
Railroad companies		169,992	1,927,966	8.82
Implement and twine companies.	105,641,351	20,576,997	219,564,552	9.37
Total.	129,827,724	28,290,629	235,354,683	12.02
1917.				
Wisconsin Steel Co. and steel department [5]	26,464,267	12,055,620	10,171,133	118.53
Wisconsin Lumber Co.	623,343	93,155	1,751,627	5.32
McLeod & Co.	11,469,805	635,246	2,657,874	23.90
Total.	38,557,415	12,784,021	14,580,634	87.68
Railroad companies		58,418	2,015,603	2.90
Implement and twine companies.	136,378,828	29,775,664	224,195,049	13.28
Total.	174,936,243	42,618,103	240,791,286	17.70

[1] Sales and net income of the three raw-material companies include sales and profits on sales to the implement companies of the International as well as those to outside companies.

[2] Total net income of all companies before charging interest as shown in the above tables is before adjusting the profits in the steel from Wisconsin Steel Co. works in inventories of the International Harvester Co.

[3] The percentage of total net income to invested capital is for the International Harvester Co. and International Harvester Corporation and their subsidiaries *combined* and not *consolidated* as given in Chap. III.

[4] Loss.

[5] The ore mines in Minnesota and the blast furnaces and steel mills at Chicago of the Wisconsin Steel Co. were transferred to the International Harvester Co. of New Jersey on Dec. 31, 1916. The Wisconsin Steel Co. still retained the coal mines and coke ovens in Kentucky.

TABLE 173.—*Sales, net income, and investment of the International Harvester Co., International Harvester Co. of New Jersey, and International Harvester Corporation, separated as between the subsidiary r8w material, railroad, and implement and twine companies, 1913–1918, as revised by the Commission*—Continued.

Company.	Net sales.	Net income before charging interest.	Capital invested, including borrowings and outside investments.	Per cent of net income to capital invested.
1918.				
Wisconsin Steel Co. and steel department [5]	$27,443,400	$9,703,433	$12,065,434	80.43
Wisconsin Lumber Co.	559,765	135,581	1,518,186	8.93
McLeod & Co.	10,344,509	336,462	4,101,789	8.20
Total.	38,347,674	10,175,476	17,685,409	57.54
Railroad companies		[5] 105,580	1,835,146	[5] 5.75
Implement and twine companies.	168,171,518	35,988,743	235,833,131	15.26
Total.	206,519,192	46,058,639	255,353,686	18.04

[5] The ore mines in Minnesota and the blast furnaces and steel mills at Chicago of the Wisconsin Steel Co. were transferred to the International Harvester Co. of New Jersey on Dec. 31, 1916. The Wisconsin Steel Co. still retained the coal mines and coke ovens in Kentucky.

It is necessary to point out that the total amounts of the annual sales shown in the preceding tables do not agree with the amounts of the net sales of the International Harvester Co. shown in Chapter III. The difference is due to the fact that in the tables given in this chapter the subsidiary companies of the International Harvester Co. and International Harvester Corporation are treated as separate companies, inter-company sales between them and their subsidiaries not being eliminated, whereas in Chapter III the International Harvester Co. and the International Harvester Corporation and their subsidiaries have been consolidated and considered as one company, consequently eliminating such inter-company sales.

The table shows the financial results for the raw-material companies as though they were independent concerns—that is, their net sales and net income include the sales and income from sales to the implement companies of the International as well as on those to the outside concerns. The purpose of this is to indicate the real profits obtained by the International through its ownership of its steel properties.

The rate of return on investment for the steel business was very large every year, ranging from 11.28 per cent in 1914 to 118.53 per cent in 1917.

The lumber company was unprofitable, showing losses in the first four years and moderate profits only in the last two years.

The fiber company, McLeod & Co., showed a small loss in 1913, small profits in 1914, fairly high profits in 1915 and 1916, high profits in 1917—about 24 per cent—and moderate profits in 1918.

The railroads averaged fair profits for such property during the period 1913 to 1917, inclusive, and showed a loss of about 6 per cent in 1918.

The implement and twine companies showed generally only fair profits during the period 1913 to 1916, inclusive, but showed profits for 1917 and 1918 that may be considered large for a company of such size with such a variety of product and with such an extensive control of the industry, and consequently with such small risk or hazard.

The important point, however, is that the excessive profits made on steel had the effect of further increasing the total profits of all companies combined, and this in spite of the low profits and even losses of the lumber, fiber, and railroad concerns. The following tabulation shows the rate of profit on investment made by implement and twine companies and by the steel company:

Year.	Implement and twine companies.[1]	Steel company.
1913	10.28	32.17
1914	7.57	11.28
1915	7.71	23.44
1916	9.37	71.95
1917	13.28	118.53
1918	15.26	80.43

[1] Before the adjustment of inter-company profit in the steel purchased from the Wisconsin Steel Co. in the inventories of the International Harvester Co.

The above tabulation shows why the steel profits enhanced the profits of the International Harvester Co. as an entirety to a rate higher than was earned by the implement and twine companies, although the steel investment was less than 5 per cent of the total investment of the International Harvester Co.

In so far as the steel company sold its products to the implement companies of the combination, it charged such companies the market prices. If it had not done so, the costs of the implements manufactured by the implement companies would be largely reduced. But whichever way the combination chose to charge these materials, it is evident that the net result to the combination as a whole was the same. From a competitive point of view, however, it greatly increased the combination's power to dictate prices because of lower net costs.

Section 8.—Character of dissolution that would restore competition.

In view of the facts set forth in the preceding sections of this chapter, the Commission is of the opinion that the final decree of November 2, 1918, will fail in its purpose to "restore competitive conditions in the United States in the interstate business in harvesting machines and other agricultural implements." The court, however, stated in the final decree that in the event such competitive conditions were not restored "at the expiration of 18 months after the termination of the existing war" the United States should have the right to such further relief as shall be necessary to bring about a condition in harmony with the law.

The Commission is of the opinion that further steps are necessary to secure the objects aimed at by the decree.

The monopolistic power of the International Harvester Co. is chiefly with respect to harvesting machine lines, and particularly with respect to grain binders. The maintenance of this monopolistic power is aided by the steel-making business of the company.

The division of the business of the International Harvester Co., therefore, should be in such a way as to divide effectively the harvesting machine lines and to separate therefrom the steel business, which is obviously too large to be left with either of them. To make any such division of the harvesting machine lines effective in restoring competition it is absolutely essential to separate the McCormick and Deering plants and the McCormick and Deering brands. It would also be necessary, of course, to enforce absolute separation of ownership of the stock in the new companies to be organized.

On this basis it is suggested that the plants and business of the International Harvester Co. be so divided that there shall be at least two implement companies and a steel company, the Deering and McCormick plants being in different companies. It is not very important what is done with the lumber company or the fiber company. Merely as a concrete illustration of this idea the following division is suggested:

Implement company A.	*Implement company B.*	*Steel company.*
Deering.	McCormick.	Steel works.
Milwaukee.	McCormick tractor.	Ore mines.
Osborne tillage.	Akron.	Coal mines.
Plano.	Weber.	
Keystone.	Parlin & Orendorff.	
Chattanooga.	St. Paul.	
Chatham (Canada).	Hamilton (Canada).	
Lubertzy (Russia).	Neuss (Germany).	
Croix (France).	Norrkoping (Sweden).	

The plan of dissolution as outlined above assumes that the decree of the district court of November 2, 1918, is to remain in force so far as it requires the sale by the International Harvester Co. of its Osborne, Champion, and Milwaukee harvesting lines and its Osborne harvester plant and Champion plant. If such a dissolution as that suggested above were effected it would appear no longer necessary to make any restriction with respect to the number of dealers handling the implements of either of the proposed new companies in any town.

It is necessary to separate the McCormick and Deering plants and brands because it is these that, illegally combined in 1902, have given the International Harvester Co. its monopolistic position in the harvesting-machine lines. By their volume of output, their low cost of production, and their reputation in the trade, the possession of these two plants and brands makes effective competition from any other implement manufacturer illusory.

The ownership of iron and steel works and ore and coal mines by the International Harvester Co., apart from the foundry equipment, which is not a part of the steel property, is not a necessary feature in the successful operation of a concern manufacturing agricultural implements. Such ownership, however, especially of the steel interests, increases the monopolistic position of the International Harvester Co. by furnishing it either with large profits from the steel business or with materials at cost, which, in view of the International's already low cost of manufacture, makes effective competition from other companies on harvesting machines impossible.

One of the most important considerations in connection with the proposed division of the International Harvester Co. is the enforcement of absolute separation in the ownership of the stock in the several new companies to be organized, which was demanded by the Attorney General in 1912. Community of interest established by pro rata distribution of the stocks of the new companies among the stockholders of the old companies would prevent the development of real competition between them. This danger is especially to be feared as a single family group of stockholders would apparently have an effective control and perhaps a majority interest in the stock of each of the new companies.

The specious objection formerly raised that any such division as outlined above would jeopardize the foreign business and exports of the company is certainly no longer of any force whatever. Each of the two implement companies in such a division of the implement business would have plants in the United States, Canada, and Europe, and, in regard to the export business from the United States plants, these two companies, and other implement companies also, if they so desired, could now form a company under the Webb-Pomerene Act for the export of implements.

In the above dissolution plan for the separation of the McCormick and Deering plants and the steel business, the other plants are arranged in such a way as to furnish a practically full line to each of the two implement companies resulting from the division. A full line is one of the most striking developments of the implement business and one that is apparently bound to be an even more conspicuous feature in the future. It represents opportunities for greater advantages in the sale of goods, greater security in the risk

element, and better facilities for securing the best retail dealers. Expansion of business in the direction of the full line, whether by growth of a single concern or the consolidation of several concerns, when confined to normally related lines, does not present the objectionable and monopolistic features of a combination of competing producers. Expansion of business in this direction does not have a tendency to destroy competition, but rather to increase it. Therefore, the plan suggested above for the division of the business of the International Harvester Co. has been made on the basis of establishing for each of the new implement companies, so far as possible, a full line of implements.

That the two companies into which it is proposed to divide the combination would have a comparatively full line at the domestic plants is shown in the following table:

TABLE 174.—*Distribution between proposed companies "A" and "B" of number of machines shipped from United States factories of the International Harvester Co., season of 1916.*[1]

Kind of machine.	United States plants.	
	Company A.	Company B.
	Number.	*Number.*
Grain machines:		
Grain binders	50,173	53,511
Reapers	9,758	9,898
Headers	4,160	4,033
Harvester thresher	503	169
Strippers	500	----
Grass machines:		
Mowers	76,415	89,801
Rakes	29,761	36,790
Rakes, side-delivery	7,023	----
Rakes, sweep	----	10,846
Tedders	97	----
Stackers	----	2,422
Hay loaders	12,949	----
Corn machines:		
Corn binders	8,790	11,733
Shredders, small	324	460
Shredders, large	6	125
Ensilage cutters	----	2,156
Corn planters	9,739	4,601
Corn pickers	264	106
Shellers, hand	6,282	----
Shellers, power	772	----
Tillage improvements:		
Cultivators, 1-horse	30,736	----
Cultivators, 2-horse	15,136	23,571
Disk harrows	57,639	8,849
Harrows, peg-tooth section	72,681	8,835
Harrows, spring-tooth	34,714	----
Plows	----	33,704
Seeding machines:		
Seeders, broadcast	25	----
Drills	228	----
Wagons and spreaders:		
Wagons, 1-horse	229	251
Wagons, 2-horse	9,732	12,032
Gears, 1-horse	3	1,918
Gears, 2-horse	3,564	7,990
Manure spreaders	14,296	----
Cream separators	18,012	----

[1] Implements manufactured by the Chattanooga Plow Co. are not included, but those of the Parlin & Orendorff Co. are included in the table.

TABLE 174.—*Distribution between proposed companies "A" and "B" of number of machines shipped from United States factories of the International Harvester Co., season of 1916*—Continued.

Kind of machine.	United States plants.	
	Company A.	Company B.
Engines and motors:	*Number.*	*Number.*
Engines, 1-horse	4,320	7,877
Engines, all others	5,184	4,936
Tractors, 8–16 and 10–20	2,127	8,168
Tractors, all others	611	354
Motor trucks	.....	2,070
Motor-truck chassis	.....	370
Miscellaneous:		
Knife grinders	8,663	16,719
Feed grinders	4,493	.....
Twine.....pounds	114,400,353	101,673,742
Approximate factory cost	$24,300,000	$26,100,000

As shown by the above table company B has practically a full line of implements, as has also company A, except for plows. But the Chattanooga Plow Co., which is not included in the above table, has been assigned to company A according to the plan on page 674, and this would give this company a line of plows, thus completing full lines for both companies. Both companies would be substantially equal in size also, as is shown by the number of implements shipped by each and by the approximate total factory cost given at the end of the table.

That the two companies would be substantially equal in size is also indicated by the following table, which shows the manufacturing costs at domestic and foreign plants for company A and company B in 1918:

TABLE 175.—*Factory costs of machines manufactured by plants of proposed "A" and "B" companies for year ending Oct. 1, 1918.*

Plant.	Machines.	Repairs.	Twine.	Total.
A company:				
Domestic—				
Deering	$9,684,649	$1,713,101	$13,870,084	$25,267,834
Milwaukee	16,103,257	1,046,836	.....	17,150,093
Osborne tillage and twine [1]	2,039,393	120,301	6,079,415	8,239,609
Plano	2,901,607	302,609	.....	3,204,216
Keystone	2,417,992	60,798	.....	2,478,790
Chattanooga [2]	.....	.....	.....	400,000
Total, domestic	33,147,398	3,243,645	19,949,499	56,740,542
Foreign—				
Chatham (Canada)	710,117	10,769	.....	720,886
Lubertzy (Russia) [3]	2,866,444	98,815	.....	2,965,259
Croix (France) [3]	1,493,891	65,385	730,948	2,290,224
Total, foreign	5,070,452	174,969	730,948	5,976,369
Total, domestic and foreign	38,217,850	3,418,614	20,680,447	62,716,911

[1] Cost of Osborne tillage implements and repairs estimated at half the total cost of all machines and repairs manufactured at that plant.
[2] Estimated and not divided as between machines and repairs.
[3] European plants for year ending Oct. 1, 1914.

TABLE 175.—*Factory costs of machines manufactured by plants of proposed "A" and "B" companies for year ending Oct. 1, 1918*—Continued.

Plant.	Machines.	Repairs.	Twine.	Total.
B company:				
Domestic—				
McCormick harvester	$12,216,090	$2,021,080	$15,885,526	$30,122,696
McCormick tractor	8,056,802	919,125	.....	8,975,927
Akron	9,968,658	750,438	.....	10,719,096
Weber	2,582,230	60,067	.....	2,642,297
Parlin & Orendorff [2]	.....	.....	.....	2,372,785
St. Paul	.....	.....	4,052,817	4,052,817
Total, domestic	32,823,780	3,750,710	19,938,343	58,885,618
Foreign—				
Hamilton (Canada)	5,140,511	411,358	.....	5,551,869
Norrkoping (Sweden) [3]	594,608	37,023	255,105	886,736
Neuss (Germany) [3]	1,383,297	73,950	1,240,495	2,697,742
Total, foreign	7,118,416	522,331	1,495,600	9,136,347
Total, domestic and foreign	39,942,196	4,273,041	21,433,943	68,021,965
Grand total, A and B	78,160,046	7,691,655	42,114,390	130,738,876

[2] Estimated and not divided as between machines and repairs.
[3] European plants for year ending Oct. 1, 1914.

In making the division along the lines described above the object in view should be the establishment of a number of efficient competitors, and this number depends largely on the character of the independent companies with which these separated parts of the combination will have to compete.

The competitors of the International Harvester Co. vary greatly in size and also in respect to the extent in which they are engaged in the manufacture of different lines of implements. There are, however, several large concerns, each of which is engaged in the production of a great variety of implements; such, for example, are Deere & Co., the Emerson-Brantingham Co., the Moline Plow Co., and the Rock Island Plow Co., besides others which are already important or in the process of extending their operations. There is no reason, of course, for making such a division of the International Harvester Co.'s business as would make the several parts weaker than the existing independent concerns, but the division should be of such a character that the larger of these independent concerns will be put in the position of being reasonably effective competitors.

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That the International Harvester Co. now overshadows the other implement companies is shown by the following table:

TABLE 176.—*Investment and net sales of International Harvester Co. and the five next largest farm-implement companies, 1918.*

Manufacturer.	Investment.	Net sales.
1	$46,319,600	$39,949,172
2	22,915,853	19,562,316
3	20,660,426	11,890,258
4	10,658,890	11,751,707
5	8,368,381	9,655,623
Total	108,923,150	92,809,076
International Harvester Co.	238,903,066	193,604,388

Now, as formerly, the strongest hold of the International Harvester Co. on the implement trade is its predominant position in harvesting machines, which again indicates the importance of separating the ownership of the McCormick and Deering plants. A comparison of the production of harvesting machines by the International Harvester Co. and by the independents is shown in the following table for 1911, just before the suit was brought, and also for 1918, the last year for which figures are available:

TABLE 177.—*Proportion of the total production of specified harvesting machines in the United States made by the International Harvester Co. in 1911 and 1918.*

Machine.	1911			1918		
	Total number.	International Harvester Co.		Total number.	International Harvester Co.	
		Number.	Per cent.		Number.	Per cent.
Grain binder	168,904	146,981	87.0	[1] 81,593	53,281	65.3
Corn binder	[2] 19,693	[2] 14,874	75.5	37,268	27,002	72.5
Mowers	315,171	241,235	76.6	[1] 187,310	111,501	59.5
Side-delivery and dump hay rakes	[3] 228,271	164,246	72.0	99,842	[4] 57,402	57.5

[1] Including estimated production for one small company.
[2] Production for 1909; figures for 1911 not available.
[3] Of these, 14,400 are estimated.
[4] Including estimated production for side-delivery rakes.

The foregoing table indicates a considerable decrease in the proportion of harvesting machines made by the International Harvester Co. in 1918 as compared with 1911, which was partly due to the growth of several of its largest competitors and partly to the cutting off of export trade in 1918, in which the International Harvester Co. was by far the largest factor.

Broadly speaking, the control of the International Harvester Co. in the harvesting machine trade declined from roughly 80 per cent in 1911 (taking account of quantity and value of machines) to about 64 per cent in 1918. While there was, therefore, a considerable decline

in its proportion of this business the percentage remaining in its hands is so great that it still retains its dominating position in the industry, on the basis of the quantity produced. Furthermore when consideration is also given to the costs of production of its two great harvesting machine plants, the McCormick and Deering works, it is evident that the independents are unable to offer any serious competition in harvesting machines.

In conclusion, therefore, it may be stated that the division of the International Harvester Co. in the manner recommended above (see p. 674), while safeguarding the legitimate interests of the stockholders of the International Harvester Co., would bring about a competitive situation more in conformity with the law and at the same time give each of the implement companies into which the combination is to be divided a substantially full line and a larger implement business than any present independent company. It would also separate the Wisconsin Steel properties from any implement company, thereby removing one of the present great artificial competitive advantages of the International Harvester Co. In other words, the Commission believes that any plan for the dissolution of the International Harvester Co. which will be adequate in bringing about a condition of competition in the harvesting machine lines must provide: (1) For giving the McCormick plant and brand and the Deering plant and brand to two independent implement companies; (2) the separation of the steel business from both of these companies; and (3) an absolutely distinct and separate stock ownership for each of these three divisions.

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