

THE GANG BEHIND THE STEEL TRUST*

ON December 26th, 1920, speaking in the Co-operative Hall, Wishaw, with Bailie Taylor in the chair, I made the statement, heard with considerable surprise and scepticism at the time, that there was a large steel works in the burgh at the time in difficulties. At the end of the week, on the eve of New Year, the men employed at the Lanarkshire Steel Works were paid off and, for many months, that establishment was closed down. Gradually, in the interval, parts of it have been re-opened, certain furnaces have been re-lit, some of the employees have been re-engaged. Rumours have, from time to time, been current that things were looking up and that, soon, the place would again be going full blast. These rumours have, however, never materialised, and this once abundantly prosperous establishment, to be working at which was an open sesame to continuous employment, has become a monument of misfortune. Time and again I have made reference to it, knowing from my brokers how unhappy were the finances of the group to which it belongs. For the last year it has only been a matter of time watching for the crack to come. Hence, the announcement made in the financial columns of the newspapers that Workman, Clark and Co., Ltd., who "control" the Lanarkshire Steel Company and who also have the dubious credit of being the proprietors of the salubrious garden suburb of Watsonville, could no longer meet either the interest or the sinking fund on their debentures, let alone pay any dividend on their other shares, came as no surprise to me. Neither did the announcement that the Northumberland Shipbuilding Company could not at present make good its guarantee. What has happened has only been the inevitable and the precursor of a series of crashes which will in the next few months involve in catastrophe many other undertakings in this same bunch of highly inflated industrial "securities." Some eighteen months ago I undertook an investigation for a certain big trade union into the development of a number of great shipping and shipbuilding groups and in the course of this inquiry my advisers and myself unearthed a mass of very interesting facts, ranging over years, affecting, amongst many others, the three big local steel masters.

In the "boom" that followed upon the war when, for a period of two years, the shipbuilding yards of this country were making

*This article appeared in *Motherwell Times*, 25/8/23.—ED.

good the destruction of the German submarine campaign against merchant ships and, at the same time, producing other vessels for shipowners who, like all their fellow capitalists, entertained the common delusion that because they had all standing to their accounts enormous new promises to pay (which were, in reality, paper claims upon a moonshine future), all kinds of persons and companies with money to invest sought to purchase shipbuilding establishments. Particularly was this the aim of those who had been making profits out of coal export from South Wales and Durham, out of munitions and out of war insurance "risks." In addition, shipping companies directly and indirectly bought up shipyards and their shipyard subsidiaries, in addition to acquiring new yards, bought up steel works to supply themselves with their own materials and to make extra profits by general trade in iron, steel and coal. The great P. and O. Steamship Company, for instance, bought up Alex. Stephens of Linthouse and, then, this shipbuilding company, together with a number of others, bought the Steel Company of Scotland at Newton. Another case in point was the taking over by Harland and Wolff of a majority of the ordinary shares of David Colvilles' and by Swan, Hunter and Wigham Richardson—itself largely dominated by the multi-millionaire shipowner, Ellerman—of half the shares in the Glasgow Iron and Steel Co., Ltd., of Wishaw.

"THE LANARKSHIRE."

In 1920, by a series of curious and intricate operations, the Northumberland Shipbuilding Company, possessed of an average sized shipyard opposite Jarrow-on-Tyne, and heavily backed by the Furness Withy coal, iron, steel, shipping and miscellaneous interests, began to buy up shipyards at Belfast, Govan and Sunderland and so to arrange affairs that it owned Workman Clark, and Workman Clark largely owned it. This group bought "the Lanarkshire," paying £23 or so for each £10 of shares. The Northumberland Shipbuilding Company then, having had this sequence of transactions executed for itself by a firm of investment bankers, i.e., a kind of syndicate of company promoters, called Sperling and Co., which made a whole series of small profits on each of many manipulations, proceeded to issue a bonus to its shareholders in the form of shares, valued at 1s. apiece. Such shares, of course, originally taken up by stockbrokers, investment banks and the big banks, could easily be traded to thrifty workmen and shopkeepers who, excited by prospectuses drawn up in picturesque language and in a perfectly legal manner—do not the company promoters and their relatives make the laws, enforce the laws, and interpret the laws, e.g., Rufus Isaacs, M.P., Law Officer and Lord Chief Justice?—hastened to purchase such exquisite title deeds to immeasurable prosperity.

Most people in the business would think that Sperling and Co. are the real controllers of the Northumberland-Workman Clark-Watson-Lanarkshire group of concerns. So did I, till I found a majority of the shares held by two gentlemen who, on further investigation, turned out to be holding them for yet another and infinitely more powerful group, viz., Kleinwort, Sons and Co., exchange bankers. Now, Messrs. Kleinwort, Sons and Co. buy and sell foreign currency. They are also very big cotton merchants. They are heavily interested in West Indian produce. Most instructive and informative of all, they are the London agents of the German State Bank, the Reichsbank, and they have been very heavily financing Krupp.

Consequently, one wonders whether the collapse of the Northumberland-Lanarkshire group is not in a very close manner connected with the catastrophic collapse of the German exchange, i.e., of the value of the mark. If so, what does it mean?

It means, probably, that this group has been delivering coal and other raw materials to its German clients who have promised to pay later on. They have promised to pay in sterling and now, with the collapse of the mark, cannot afford to buy sterling with marks so as to pay this group. Either the industrialists or their bankers or, probably, both have no ready money. There is, simultaneously, a catastrophic "slump" in the cotton trade. Raw cotton is dear and cotton goods will not sell.

BANKRUPTCY BOOM.

There is going to be a frightful mess in the world of finance and industry. Collapse in finance reacts on industry and industry on finance. Collapse in industry means less Government assistance to alleviate unemployment.

What is at the back of it all?

The tendency within capitalism in every country is, and has for years been, to increase the amount of production which takes the form not of articles of consumption but of new means of production or of means of transport. This is due to several causes, important amongst them being the endeavour to cheapen output by introducing labour-saving devices. This did not have such a bad effect until the war threw out of gear the markets for the ever increased production. Prior to the war it was only by means of ever increased orders for war material and a continuous endeavour to extend largely unwanted and therefore unprofitable railways in distant countries and continents that the great steel producing and engineering areas of Britain, France, Belgium and Germany were able to ward off a chronic condition of crisis in the above-named industries. During the war, instead of supply exceeding demand, the process was

reversed and demand clamoured for an ever greater supply, more especially in the coal, iron, steel and other heavy industries. In all the belligerent countries, first, and then in as many others as could hasten to make good their own temporary deficiency of vital commodities and afterwards to supply the belligerents, the coal, iron, steel, engineering and chemical industries had a hot house rise and development. The prodigious shipbuilding and engineering establishments of the Clyde, Tyne, Wear, Sheffield and Birmingham are paralleled by immense factories, steel works, blast furnaces, etc., in Lorraine, in Luxemburg, on the Ruhr. As it is here and there so is it, also, in Czecho-Slovakia, Italy, Japan and the U.S.A.

When the war was over, instead of seeking at once to write off these vast establishments as undertakings which had lost their value, their owners, on the contrary, accounted them as new capital and even spent money embodied in raw material in still further extending these establishments.

Bankers, insurance companies, shipowners, capitalists of all kinds drew their available liquid capital out of the banks where it lay, the equivalent of all kinds of embodiments, command over the purchase, transfer and making-up of every kind of raw material and labour service, and spent it in erecting new shipyards, building new ships, making all kinds of things that would not sell at a profit, would not sell to cover cost and could not be broken up or transformed into anything but "scrap." In France, in Germany, in Britain, everywhere they were doing the same thing.

WHAT I SAW IN LORRAINE.

I have just returned from a short holiday in Northern and Eastern France, spending a part of that time in the area lying upon the old frontier which, before the Armistice parted the Meurthe-et-Moselle provinces of France from the Lorraine province of Germany, and across the other frontier which divides both these from the Grand Duchy of Luxemburg. The week-end I spent in and around the city of Nancy, the centre of the older iron-ore and steel-producing area of the Meurthe Valley and, on the Saturday night, when the guards were off duty, I was carefully smuggled through the huge steelworks of the third armament company of France, the Chatillon-Commentry Works at Neuves Maisons. I was greatly impressed by the excellent lay-out of the plant, situated in open country, near to the mines, with a canal capable of taking very heavy barges, bringing these into a basin between the five old and the three new blast furnaces, with a big cement and slag making works and magnificent Siemens furnaces, and the most up-to-date rolling mills, all hard at work upon rails, girders and ship plates. The Sunday afternoon we went down to see the relatively old blast fur-

naces of Fould Bros. at Pompey, and observed, lacing the hill sides, emerging from the forests, great conveyors bringing iron-ore from the mines to the canal whence it can be taken away to the more immediate works of Lorraine or the more remote furnaces of the Rhineland. The following day I went by rail, winding up the hill slopes on to the high table-land of Briey, twenty miles to the west and south-west of which I saw on the sky-line the hills about Verdun and St. Mihiel. Here and, of course, well to the back of the front, already grass grown and abandoned, were the sidings in which the Germans had organised the assembly and despatch of men and munitions, by specially laid roads and railways, to the assault and bombardment of that former fortress which will, for ever, remain famous for the bloodiest expenditure of men and the most furious barrage of metal that the whole annals of warfare have hitherto recorded. But it was not Verdun or St. Mihiel, by the capture of which the Americans brought the war to a speedy conclusion, that I had come to see but Briey, the place which had given to them both such stupendous strategic significance, the area which to-day counts for so much in the relations of Britain and France.

Briey and the valleys which open out from it eastwards to Hazondange and to Thionville, and northward fall away across the Luxemburg frontier, veritably bulge with iron-ore. It is estimated—and I am sure the estimate errs in moderation—that here there are 2,000,000,000 tons of iron-ore. It is, beyond question, the richest ore-field in Europe, the richest accessible ore-field in the world. In and around it there are fully 140 gigantic blast furnaces, and I saw, at least, twenty-three steel plants as I made my way, during two days, down one valley and up another. The number of blast furnaces per establishment averages about six, but in some cases rises as high as ten. The number of men normally employed in the works of Lorraine and Luxemburg runs from 3,000 to 5,000.

I was fortunate in the references that I carried from the trade union headquarters in Paris and also in getting into conversation at a roadside cafe in Luxemburg with an employer who spoke sufficiently fluent English to enable us to go over a map I had of the area and to tick off the furnaces in and out of operation.

Of 95 furnaces whose condition he knew there were only 54 actually in blast. This was, however, a figure higher than it was before the Ruhr began to supply, at least, some coke. Prior to the occupation of the Ruhr, it seems that things had been very bad, that many of the works—now owned by syndicates of French and Belgians, sometimes in conjunction with the Germans and sometimes alone—were closing down, the companies and their banking creditors in a very unhappy plight. When the occupation of the Ruhr is lifted or alleviated, when the Germans capitulate or the

French give way—it matters not which wins—there will become available for renewed export an enormous accumulation of coal, iron and steel, raised and produced at starvation wages. This will bring closure in Lorraine and Luxemburg and catastrophe in Middlesbrough and Motherwell. These Lorraine establishments are better situated, more efficient in almost every respect and can produce much more cheaply than can those of Lanarkshire and other metal areas of Britain. They are not so big or so admirably served with machinery and cheap labour as the Ruhr but they are in advance of ours.

RINGING THE CHANGES

When, therefore, the Ruhr capacity becomes available, when the Ruhr works pass into the control of either French and Belgian, or French, Belgian and German, or French, Belgian, British and German syndicates, the less advantageously situated, equipped and staffed plants are going to be closed down.

The collapse already beginning here is going to become more pronounced. Other and more formidable concerns are going to follow in the wake of the Workman Clark group. It matters not whether the German output is sold to the account of reparations, to that of an international syndicate, to that of French or Germans. It matters not whether it is sent to France, or Britain, to Russia or to some other part of the world. The result will be the same. It will undercut, it will spoil the market for British coal, British iron, British steel.

What Kleinworts lose on “the Lanarkshire” and what Lloyds Bank lose on their British investments in the heavy industries, they may recoup themselves at the Rheinhausen Steel Works and by dealings with Stinnes. The Hornes and Baldwins, the Pirries and Ellermans can transfer their interests, but their employees at Briton Ferry and Cwmbran, at Wishaw and Motherwell, at Middlesbrough and Sheffield cannot betake themselves to more advantageous surroundings. Some, many of them, may and will emigrate, but the “boom” in the United States will not continue. Once German production becomes normal, German steel and engineering material will inundate the markets of America, supplied as yet by materials made by higher paid labour. All the world is in the vicious circle. All the world is staggering down the road which has been taken by “the Lanarkshire.”

J. T. WALTON NEWBOLD.