

Mem. on Holding Companies.

Gary in testimony before the industrial commission explains relation of subsidiaries, or what he calls constituent companies, to Federal Steel. It holds stock of constituents, says (p.994) that it has no direct control:

"It has the same control indirectly that any stockholder of any company has. If, for instance, you were the holder of all the stock or a majority of the capital stock of any corporation you would ultimately have control of that company. If your directors were elected for a term you could not get control until the term expired, and if their action was not satisfactory to you, naturally when the time of election came you would place in position a power, a directory, that was satisfactory to you, so that indirectly, or ultimately, you would have the control of the affairs of the company. The Federal Steel Company has that control over all these constituent companies."

The question was asked why necessary of apparent companies if they did not control operations. Gary replied:

"I have already said they do ultimately control these other companies, because, owning the stock, they have the right at election time to select the directory. It is for the interest of the Federal Steel Company to own the capital stock of these companies just as it would be for our interest if you had a wagon and I had a horse to form a partnership so that we both should have a wagon and a horse."

"There is no arrangement whereby the Federal Steel Company is to hold that stock for the benefit of any corporation; it is absolute owner and controls that stock just as much as you would if you as an individual owned it; no difference; no secret arrangement about it; no private understanding about it; no pool

or any division in any way of business, business interests, or profits. That is strictly correct."