

proval of the seller's credit department, and that in case of doubt arising as to the buyer's responsibility, further shipments may be suspended until satisfactory assurance as to responsibility is given.

(8) Specifications in detail should be furnished in substantially equal monthly quantities not later than the 15th of the month preceding the month in which delivery is desired; all material to which the buyer is entitled under the contract to be specified at least thirty days prior to the expiration of the contract. Buyer's failure to furnish specifications as aforesaid to be treated at seller's option, and without notice to buyer, as a refusal to accept and receive the unspecified portion of the goods.

(9) The seller should promptly acknowledge receipt of specifications and at the same time advise buyer of the date on which it is expected to begin deliveries against such specifications, and the approximate date at which it is expected to complete the same; such deliveries to begin as soon after receipt of specifications as condition of seller's mill and of its previous sales obligations will permit.

(10) There should be a clause defining the seller's liability for non-performance, and the following is suggested as fair:—"The seller shall not be liable for non-performance of this contract in whole or in part, if such non-performance is the result of fires, strikes, differences with employes, casualties, delays in transportation, shortage of cars or other causes beyond the seller's reasonable control; nor shall these exemptions be limited or waived by any other terms of this contract, whether printed or written; but in the event of unavoidable delay due to fires, strikes or other causes beyond the control of the seller, the buyer may, subject to previously obtaining consent of the seller, cancel the portion of the goods not manufactured or in process of manufacture at the time his request to cancel reaches seller's works. The seller is hereby given the right to have any company in the United States furnish material of the same kind and quality at the same cost to the buyer, in whole or part performance of this contract; and it is agreed that shipments and billing of material by or in the name of such company, as well as any payments made to such company therefor, shall be as effective and binding as if made by or to the seller direct."

(11) The seller's guarantee in regard to defective steel should be clearly stated, and the time and manner in which claims for shortages or other errors, deficiencies or imperfections must be made.

(12) All tests by buyer for physical or chemical requirements and all surface inspection, should be made at seller's mills before shipment, and should be final.

(13) There should be a statement that the contract is made and executed in the State in which the seller's works are located, so that in case of disputes the laws of that State shall govern.

(14) There should be a statement that there are no understandings or agreements relative to the contract that are not fully expressed therein, and that no changes shall be made unless reduced to writing and signed by both parties.

Contracts drawn to embody the above conditions if they are made known to the buyer at the time the quotation is made, should leave little chance for dispute, and should be perfectly valid and enforceable; but they can be enforced only if the principal manufacturers of steel believe in so doing and insist upon their enforcement even at the risk of losing a customer. No mere form or set of conditions will make a contract binding unless the conditions are to be enforced, and one of the conditions which must be lived up to scrupulously by the seller is that covering deliveries and shipments; and the seller must stand willing to be penalized if

he does not make the deliveries agreed to, just as he expects to penalize the buyer for breach of any of his covenants.

Differentials and Extras.—One custom among European steel manufacturers which has struck the writer as being of great value, is that of publishing very complete lists of differentials and extras, covering not only sizes and quality, but also the quantity of one size or section in an individual specification. From these the buyer can tell just what his material will cost him, and is thus enabled to so design his work as to utilize the lowest priced material. The writer believes that a proper differential in price, for quantity of one size specified at one time, would prove a satisfactory solution to all concerned on the question whether large consumers are entitled to a better price than small consumers. Such a basis of differentials is logical because the extra price is charged on account of extra cost. In other words, the buyer, if he requires more expensive service, has to pay correspondingly for it. The writer believes that if a properly prepared schedule of differentials and extras for size, quality and quantity of individual specification were in force, the base price of steel could be considerably lower than under present conditions, without reducing the profits of the seller.

Mr. J. A. Farrell (President of the United States Steel Corporation) in the discussion remarked that contracts for future delivery of material were in a certain sense a means of insurance accorded by custom from sellers to regular consumers to enable buyers to make provision against the future and resell or consume the material at a profit. It was essential that merchants and consumers should be able to calculate precisely the cost of material, to enable them to manufacture and sell over a fixed period. But this period should be a reasonable one and should be limited, so far as possible, in the case of the merchant trade for re-sale to three months from date of contract, and in the case of manufacturing consumers to six months. It was self-evident that in insisting upon buyers carrying out their contract obligations with the same due regard as they expect from sellers, there should be no guarantees against declines. But if any modification of this rule should at any time be permitted, particularly if any deviation was made in contracting for longer than the recognized period, it should be solely against seller's own decline. And there should be a reasonably compensating provision to the effect that if prices should subsequently advance, contract prices should be correspondingly adjusted. It was a distinctly unbusinesslike proceeding to permit buyers to reap any advantage that might accrue from a reduction in the contract price without allowing sellers a similar advantage when there was an advance in price. If contracts were to be made on a fluctuating basis, they should provide for advances during the life of the contract as well as for declines. In other words, the contract should be in all respects mutual. At the time of the formation of the United States Steel Products Company it was found necessary to formulate general conditions of sale. These conditions were made necessary by reason of many practices in vogue in export markets. It might be said that they were acceptable to buyers throughout the world, as an ordinary matter of course, because they clearly defined the obligations of both seller and buyer. Mr. Clarke's suggestion of a uniform sales contract was excellent. The stipulations in such contracts as had been devised by foreign manufacturers and by a number of American manufacturers need only be those which conformed to authenticated legal decisions and which were fair alike to buyers and sellers. If material was sold on contract forms which clearly indicated the obligations of both buyers and sellers even though the provisions must necessarily be of considerable length, they would form a recognized standard, serviceable alike to both buyers and sellers. And they could in turn be made effective