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GREATEST COMPANIES · RESEARCH SHEET · The Scale Moat (Decayed)

United States Steel

The Giant the Law Could Not Break, and the Market Could Not Save

Delisted 2025 Nippon Steel · Steel · Founded 1901 · Pittsburgh, Pennsylvania, USA

Acquired 2025 · v1.0 · July 2026

At the end of 1900, Andrew Carnegie scrawled a number on a slip of paper: $480 million. J. P. Morgan glanced at it and accepted without negotiation, and the richest industrial empire on Earth changed hands in a sentence. That handshake created United States Steel, the world's first billion-dollar corporation. The deepest lesson is not how it was born, but how the apex of a civilization spent the next 120 years quietly becoming smaller.

Key Facts

Assembler	J. P. Morgan, the most powerful banker of the age
Core seller	Andrew Carnegie, bought out for about $480 million
First chairman	Elbert H. Gary, who ran it for a quarter century
Sector	Steel — the bloodstream of the industrial age
Moat	Scale and vertical integration — genuine in 1901, eroded over a century
The Twist	Survived the antitrust era intact (1920) — and survival became the curse
Status	Acquired by Nippon Steel in 2025; delisted from the NYSE

By the Numbers

Capitalized at $1.4 billion at birth — the world's first billion-dollar corporation
Made roughly two-thirds of America's steel at its 1901 founding
Share of US steel fell to about 12% by 2023
Acquired by Nippon Steel in 2025 at $55/share, ~$14.9 billion, and left the NYSE
Carnegie's price, written on a slip of paper: about $480 million
US federal spending in 1901 was only ~$517 million — the company was worth nearly 3x the national budget

The Moat

A Moat That Stopped Mattering

US Steel's advantage was scale and vertical integration, a genuine moat in 1901, when the company controlled roughly two-thirds of American steel and owned the ore, the coke, the lake shipping and the mills. But a moat is a snapshot, not a guarantee. The source of the advantage, sheer industrial scale, became less and less valuable as smaller, faster, cheaper minimills learned to melt scrap in small plants and changed what scale even meant. The vast integrated mill that was a fortress in 1901 became a burden of high fixed costs. The investor's job is not to admire the size of a moat today, but to ask whether the thing that creates it will still matter in twenty years.

The Victory That Became the Curse

The Monopoly the Law Could Not Break

For its first decade US Steel lived under the same shadow as Standard Oil, and in 1911 the government sued to break it apart under the Sherman Act. That same year the Supreme Court dissolved Standard Oil; surely the greatest trust of all would be next. It was not. In 1920 the Court ruled 4–3 that US Steel was not an illegal monopoly: size alone was no offense, only conduct, and its price-coordinating "Gary dinners" had already stopped. It was a stunning victory, and here begins the tragedy. After 1920 the company chose to protect rather than press, banked profits, kept the peace, and slowly decayed for a century, until in 2025 the federal government that once tried to break it up insisted on a "golden share" to keep it from being hollowed out by a foreign buyer.

> *" Comfort is the enemy that no competitor can inflict on you. Only you can do it to yourself. "*

The Legendary Scorecard

Category	Score	Notes
Founder Vision	7	Morgan's vision to end ruinous price wars with one great company
Innovation	4	Little product or process innovation; slow to modernize
Execution	5	Ran for cash and peace, not aggression, after it had won
Moat	7	Scale and vertical integration — real in 1901, obsolete by the minimill era
Capital Allocation	4	Cautious; diversified into oil (Marathon), later unwound
Wealth Creation	6	Vast at birth, steadily eroded over a century
Durability	4	Fell from two-thirds of US steel to ~12%; acquired in 2025
Historical Importance	10	Shaped the industrial age; its 1920 ruling rewrote antitrust law
Overall Legendary	**6.0 / 10**	The cautionary twin: perfect on history, undone by comfort after victory

Scores are an editorial verdict on the standard eight-category Greatest Companies scale. The overall is a judgment, not a weighted average.

Timeline

1892	Carnegie consolidates his mills into Carnegie Steel
1898	Morgan forms Federal Steel
1900	Schwab's dinner speech sets the merger in motion
1901	Morgan buys out Carnegie and incorporates US Steel at $1.4B; ~two-thirds of US steel
1911	The federal government files its antitrust suit
1920	The Supreme Court rules 4–3 that US Steel is not an illegal monopoly
1982	US Steel buys Marathon Oil and diversifies
1986	Renamed USX
2001	Spins off Marathon; becomes United States Steel again
2023	Nippon Steel offers $55 per share
2025	Biden blocks the deal, then a new administration approves it with a golden share; US Steel leaves the NYSE

Lessons — What This Means for You

THE MOVE · Study the source of the moat, not its size
US Steel's advantage was scale and integration, a real moat in 1901; once minimills could melt scrap cheaply, that advantage became a burden of high fixed costs. Identify what specifically makes a company hard to compete with, then ask what would have to change in the world for that specific thing to stop mattering.

THE MONEY · The spread is the politics
When Nippon offered $55 in late 2023, the stock traded well below that for a year and a half. That gap was the market pricing the odds the deal would be blocked. Anyone trading the spread was betting on Washington, not on steel. Event-driven returns are paid to whoever reads the politics most accurately.

THE MIND · Winning can be more dangerous than losing
US Steel's decline began the moment it won. After 1920 it chose to protect rather than press, and protection became decay. Comfort is the enemy no competitor can inflict on you. The hardest discipline is to keep attacking after you have already won the argument.

Related Reading

The twin that was broken and flourished: Standard Oil: The Empire That Grew Richer the Day It Died

Dominance done right: Berkshire Hathaway: The Dying Mill That Compounded for Sixty Years

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Sources & Further Reading

Ron Chernow, The House of Morgan (1990)

David Nasaw, Andrew Carnegie (2006)

How to cite: van Riet, L. (2026). "United States Steel" — Greatest Companies Research Sheet, v1.0. The Complete Trader's Edge, completetradersedge.com.

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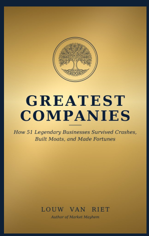

FROM THE BOOK

This company is one of **51** in **Greatest Companies** — every legendary business read through one lens: **Moat, Meltdown, Machine**. Eight kinds of moat, from Standard Oil to SpaceX.

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