Interview with Judge Gary Sept. 22, 1924

On Sept. 18 I wrote Mr. Sites a list of questions I wanted to take up with Judge Gary on Sept. 22, my next interview. Among other things I said, "Would it not be well to get together now the documents covering Pittsburgh plus?

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When I reached the office Sites turned over to me the Vallette letters - said the Judge was busy. After a half hour called me in. There were five questions ahead on my lettre agenda but he began immediately, with just a trace of both irritation and embarrassment, "About this Pittsburgh plus, - I have repeatedly told my directors for years that that thing would have to go." I gasped as this was the last thing I expected. "I have told them," he went on, "that I was opposed to defending that practice. When the Federal Commission gave its order the other day I said at once that we would yield. I did it without questioning the Independents as to what they were going to do and without consulting my financial committee. The thing had to happen. I have told them so for a long time."

He then started on what was to me a very interesting explanation of markets. "Every commodity," he said, "has a base market, a place for fixing prices. Liverpool fixes the price of cotton, Leipsic the price of furs. We have been trying in the last three or four years to make St. Louis a fur market, I don't know how we are getting on. These are not headquarters for retail, understand, but for basic wholesale prices. Chicag is the American market for meat and wheat. I believe Richmond is for tobacco, and perhaps New Orleans is for sugar, I don't know. It is reasonable and necessary that there should be such a basic market. It gives a stability and a regularity to busines.

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You have a wholesale market price fixed for the world. Wall St. fixes the basic price for securities in this country - Thread and Needle St., the basic price for English securities.

"Now, in this country, at the start of the iron and steel business, Philadelphia was the chief centre, and prices were fixed there. Everything was figured from that market. Later Pittsburgh developed as the chief iron and steel centre of the country. The coal was near there - it was nearer the Great Lakes, and Carnegie built a road from the Lakes to Pitts. to bring down ores, etc. The result was that Pitts. replaced Phil. as the country's iron and steel market. Now this market has nothing to do with retail business; that is, it does not fix the prices of materials which are gathered over the country into warehouses. It is a market headquarters for wholesale products. The practice in these basic markets is to set a general price and then to add freight. Pitts. became a basic point from 1879 about, "but" as time went on it became a principal point of consumption and Chicago began to be a point of production. Chicago later became a point of manufacturing as well as a point of production and we soon were producing as low in Gary, which is Chicago, as Pitts. and sometimes lower. We selected Chicago or Gary as the best point for a new plant. The cost of assembling there was as low as Pitts. costs more than Pitts. but taking everything into consideration we were producing there as low as we did in Pitts. As soon as this developed I began to understand that it was not fair to add to the price the consumer paid for a Chicago product the freight from Pitts."

As I understand this, Chicago had kept up with Pitts.

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as a point of production. It was a basic point as Pitts. had been, the two were parallel.

He threw in here, "This does not apply to rails, we have always sold rails at the same price everywhere because the roads come into the plants for them at their connections."

"During the War I proposed to the War Board that Pitts. plus should be dropped, but the Independents opposed it and the Board decided not to change. In June 1918 the Duluth people thought we ought to establish a mill there. They then adopted the same prices but they could not manufacture as low as Chicago. I went up and talked to them (Sites will furnish talk). The discussion spread, suit was threatened. It was charged that the Pitts. basic price was maintained as a means of establishing unfair prices. I suggested about this time that we get the lawyers of all the Independents together. I wanted to talk to them. I said, I don't think the practice quite fair. I suggested then that the thing was to take this matter before the Federal Trade Commission and let them decide. But it was not done. Finally, early in 1919 (?) Chicago people (rolled steel) began to take up and agitate the matter and I said again, I would see what I could do. Their lawyer (Miller) wrote me that certain of his clients had asked him to take the matter up, that he believed that the practice was illegal."

Judge Gary under date of March 4, 1919 wrote back that he did not think he was right about its being an illegal question, that it was an economic question and should be settled from the point of what was right and just. The Judge now sends Sites out and says, "I am going to show you the whole correspondence, and you can have it. He runs through

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it with great gusto, reading his own and Miller's telegrams and letters. He got Miller down here finally and told him that they ought to get a hearing before the Commission, but he didn't want another suit on this matter, he had had enough government suits, but if they could get a hearing let them decide it.

"Now," he said, "here is something that is strictly private. Miller and I talked this over. I advised him to write the government or the Federal Commission, asking for a hearing. He said, 'You write the letter for me.'" And the Judge reads a letter signed by Miller which he wrote and Miller was probably right in thinking that he could not have stated his own case as well as Judge Gary did it. He says that I must not tell this, but we will see about that - certainly will not do it without his consent.

The whole story is told now in the documents. One thing which the Judge evidently thinks was not fair was that the Federal Commission made out the case against the Steel Corporation only. This looks to me as a lack of understanding of what the basic market is. It is not a thing established by the Steel Corporation, it is a thing established by the industry - as old as the industry, and only shifts with the shifts of the importance of the centre of production. To handle this intelligently requires a better understanding of the growth of these basing points of delivery than I have. Looks as if the Government in this case had been put to its favorite device of making a scapegoat.

I asked him how his companies had taken his decision. "Well," he said, "they wanted to fight. Our lawyers believed that we should resist this, but I didn't give them a chance, and" he added, "they have been splendid in coming around."

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Evidently it was to bring them around, to make sure that they had come around that the meeting of Presidents was held last week when I saw Buffington. I think he is just a little sore. "Of course," he said, "they gave me a black eye about it, but you can see how I have been trying to correct this for a number of years."

John Gates

"Bet you a million" Gates, the Judge says he was called, says it was a fact that he used that expression constantly, and did bet heavily. Says that after he came down to New York as president of the Federal Steel, Gates bought, I think he said, 100,000 billets - maybe tons, I don't know, of them. He had taken out five to ten thousand tons - Gary seems to think it was about $500,000 worth when Gates came into the office one day - Gary says "It was here in this office, I have always been here - Gates' office was upstairs. He came in and says, 'Judge, we cannot take the rest of those billets - business has all gone to smash, we have closed our wire mills.'"

Judge puts in here, "So they had, and caused a panic in the Street. Gates had made a lot of money out of it." (This is a case to look up.

"Gates said, 'We cannot take the rest - and we cannot pay for what we have taken.' I said, 'Gates, you will have to pay for those billets.' He said, 'I can't do it.' I said, 'But you will have to do it. I don't believe you express the opinion of your committee.' He said, 'Well, I will show you that I do.' He went out and came back with two of the executive committee. They said they could not pay.

"I said, 'John, I don't believe you express the

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opinion of your directors.' Then Gates says, 'I will get them together and show you that I do.' I met 15 or 20 of them, and I put my case. Tom Dolan said, 'Mr. Gates, what have you to say?' Gates said, "Judge Gary states the facts, but I can't pay.' Then Dolan said, 'Imove that the committee direct Mr. Gates to make whatever terms of payment Judge Gary wants.' And it went through. You never saw anybody so surprised as Gates. I wrote down my terms and they signed the contract then and there.

"Further, Gates," I said, 'I am making you do the same thing for me that I made Buffington do for you!" And he tells how Buffington refused to take billets from Gates at one time because the market had gone to pieces. "Gates consulted me and I said, 'Ship them at once and let Buffington take them or not. He is under contract and will have to do it.' And he did. I told Rogers the story once, and he said, 'Well, that was the first time that John Gates was ever made to keep a contract.'"

Some rather miscellaneous talk about Wheaton and his boyhood, not much out of it. One story which should be used about how he and Noah and some little girl friends set fire to the prairie.

He says, "I gave you the impression that I studied Latin in the district school. Thinking about it, I am sure I didn't. It was not until I went to Wheaton College that I studied Latin, and then not very long; but I did study German in the district school."

He is evidently very sore because the Wheaton people tore down the home in which he lives for so many years. He gave this to his daughter and his daughter gave it to the

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town, and town tore it down. He thinks this was due to certain town officials who resented it that he would not allow them to put up his personal taxes after he left Wheaton, which they tried to do, he thinks, unjustly.

He seems in very good spirits and certainly looks remarkably well, spirited, positive, clear-headed. Think he has gotten a good deal of satisfaction out of the Pitts. plus though he does feel a little sore that all the odium is put on him.

I didn't get much from him in answer to my question in a letter of Sept. 18. He says that slavery had nothing to do, so far as he knows, with his father's coming to Ill., that when the question of the extension of slavery came up he was an ardent Abolitionist and a supporter of Frémont. He had been a Democrat before. He never took an active part in politics, but always voted - he was very conscientious about that.

He was not a subscriber to the stock of the Galena and Chicago so far as he knows. He gave the railroad the right of way over his farm. The railroad did not carry out its agreements with him and he was severe in his judgment on the way they handled things. It was pretty high-handed. They made promises and didn't keep them. Their house stood on a hill, the road running through a cut below. They promised to put a bridge over this but never did it. One of their hired men driving a team over the crossing just as an engineer blew his whistle frightened the horses. They ran away and the man was injured. They took this case up with the railroad and compelled them to settle.

He knows nothing about the religious situation

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in Conn., except that Noah Perrin says that religious intolerance was acute. I take it that this was the antagonism of the Puritans to the Methodists, parallel to their old feeling about the Baptists.

Asked him if he took part in the Naperville Raid. He says, with asperity, "I didn't get on that raid and I have been mad ever since. But I did serve as a guard in Wheaton every night and slept on my guns, so to speak."

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