Lacking 11, 13-14

GARY

Interview of May 19, '24

Go down at Sites' request - says the Judge wants to know when I am coming down. Evidence that the letters of inquiry were a wise move, keeping his interest.

GENEALOGY: Question of his family comes up, and he tells me what I have not realized that his mother, a Vallette, descended from the Vallettes on Lafayette's staff, and thinks her father was born in Stockbridge. They are to get this for me.

To get under way I asked him if he was at the Simmons dinner, I having spotted the Simmons dinner in a hasty look at Cotter's book before I went down.

His smile is ironic. "That dinner," he said, "was held in the interest of Carnegie. Carnegie wanted to sell. I knew this and I had already spoken to Morgan about buying. Morgan was cool, thought it was too big. Simmons, a banker here in New York, connected with Clearing House, got up that dinner and persuaded Mr. Morgan to come. Schwab was there and made a speech, which really must have been a wonder. Any way, it fired Mr. Morgan's imagination."
I had already remarked that I thought it important because it seemed to have stirred Morgan's imagination. I think that in connection with this there ought to be a little study of J.P.M's imagination. His elephant house, etc., account for much, I think.

He says that on Saturday afternoon, after the dinner, of which I have not the date, Robert Bacon came to the Plaza where Gary was staying. He says I will see in the testimony that Gates says he was with him. "But if he was," Gary said, "I do not remember it. Bacon doesn't speak of it in his testimony. He wanted to know if I thought there

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anything practical in buying out Carnegie. I said, 'I don't know that it could be done.' He said, "Yes, it could, that Schwab had a proposition from Carnegie ready for Morgan, and that Morgan had seen it. I said to bring it to me, and I spent all the afternoon and until one o'clock in the morning over it, blocking out a plan.

"In the morning I met Morgan, who, after listening to my ideas, asked how we should start.

"I said, 'Start with the Federal Steel.' I got Rogers, Porter, H Norman B. Ream in N.Y. (and ~~another name that I didn't get~~) and Marshall Field in Chicago on the phone. They all said, 'Whatever you say - go ahead.'

"Morgan said, 'Now, there's one thing I want understood, that if I go into this you are to go in with me not only as my lawyer but my friend, thatis, you are to stand by me." Gary says repeatedly, read all the testimony on this.

At this point I bring up the conversion of the bonds. He was aroused and says more quickly than he has ever spoken before, "I never approved of that - a bad thing. Somebody made money out of that should not have done so."

I say, "It is obvious that the Morgans must have made a good deal."

He says nothing, but I take it as an assent.

Recalls with more feeling than is usual with him the early days. Says that the impression that Schwab had made on Morgan at the Simmons dinner seemed to make Morgan and his partners - and I take it that he means the partners particularly - think that Schwab was the whole thing. I take it that Schwab must have antagonized Gary constantly for the first six months. At any rate, at the end of six months Gary went to Morgan and told him, "I think that my

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day of usefulness is over."

"What do you mean?" Morgan asked. "You promised to stand by me, to be my friend as well as my lawyer."

"Yes, Mr Morgan, I did, but that implied that you would stand by me."

"Haven't I don it?" Morgan asked. "I couldn't do a thing without you."

"Well," said Gary, "If you feel that way I of course could not leave you, but the corporation if it is to succeed must be run in a certain way. The directors have not got my idea. This is not a personal question, it is a matter of the life of the corporation, whether it survives or not."

"At that time," Gary says, "I had made up my mind that if I left I would drop out of business. This company is drifting, you will find it will drift more andmore."

The upshot was that Gary promised to stay and Morgan seems to have realized that if he was to keep him he must give him substantial backing, which, as I gather, though Gary did not explicitly say, Morgan from that time did.

Gary digresses to say that there were big questions at stake, that most of the directors had wrong notions at the start, they believed public interests had nothing to do with business, that the corporation could be run regardless of the public interest. "You cannot separate them," he emphasized. "Moral principles are at the base of all permanent business success. They go together."

He repeats that he had no idea of abandoning Morgan if he would stand by him. Soon after this Schwab wentout, the executive committee went out, there was a reorganization. All of this of course is told in the records.

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He discussed the way his idea of moral principles in business affected the different directors. I got an opportunity to put in the question which has interested me, whether or no the elder Rockefeller made to him (Gary) the remark which he quoted to me in our last interview, to the effect that he believed in Sunday School but he didn't believe in turning business into a Sunday School.

Gary looked rather grim. "That is what they told me," he said, "when he retired. Of course he didn't believe in my ways."

Very interesting in his talk about the Standard Oil. "When I came to New York," he said, "I thought that they were fine, honest, fair business men. I never had had any chance to learn anything else in Chicago. I remember how angry I was at our minister because he attacked them once in the pulpit. When I went to him with a protest he could not give me the facts to prove he was right, he was laboring under an impression. If he had been able to give facts as you did in your book I should have believed him. After I came to New York I was at a dinner one night at which there were various business men, and I said that the talk about the Standard Oil was entirely wrong, mistaken. One of the younger men at the dinner said, 'Judge Gary, have you ever studied the methods of the Standard Oil Company?' I said, 'No, but I don't know of their doing anything unfair." He referred me to your book. But where I got most of my information was from Kellogg when he was conducting the case. He was one of our lawyers and I used to have him come in here and tell me what he was finding out. I went over nearly all the testimony with him and I knew you were right. You did a good thing for yourself and a good thing for the

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Standard Oil Co. if they only knew it, by writing that book."

Then he drops a point. "You know, they could have warded off that suit if they had been willing to give up something - pay enough."

I said, "Why, Judge Gary, what do you mean?"

He said, "I know it. That suit would not have been brought if they had been willing to release their monopolistic control at certain points. The Government thought they were too powerful in certain particulars."

I didn't ask him if this was in the matter of transportation. Think it must have been.

"They refused. They brought this on themselves. They could have been alive today if they had been willing to act within the spirit of the law, and it would have been much better for them."

I said, "They are dissolved into thirty-three - "

He thinks I say three and jumps at me. I don't know, but I think he takes considerable satisfaction in the way the thing has worked out. The fact is he is disgusted with them, that they have not grasped the part that the moral law has in business. "If they don't observe morals for the sake of the morals they should do it because it pays," he says. "That is where I always got my Board. When I could not move them because a thing was right I would insist they should do it because it paid, and they were willing to do anything that would pay."

He says that he thinks that Rogers and Frick were the ones that first gave some credit to moral principles. Rogers was the first to perceive it, he said. Frick followed, but he thinks he never converted Widener or Beam.

SCHWAB:

He talks a good deal of what he calls Schwab's

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immense fortune. Says the genesis of that fortune was in Carnegie's hatred of Frick, that Carnegie told Schwab that if he would sstand by him, win over the board of directors to him, he would give him a million dollars a year for five years. This contract must have been made shortly before the sale.

When the sale was made Schwab came to Gary with the contract. "What are you going to do about this?" he said. "The first thing you must do," Gary told him "is to get rid of this contract." Schwab went back to Carnegie, and according to Gary, made him see - pay the $5,000,000. Schwab gaveout to the public, or at least the public got the idea that the steel corporation was paying him one million dollars a year salary. As a matter of fact Gary claims he never had but $10,000 a year salary with a percentage of the profits and he declares he doesn't believe he ever made in the steel corporation over $20,000 a year. However, through his stockholdings which came from Carnegie, he got a fortune of about $15,000,000.

He speaks several times of Schwab as a great self-advertiser, says he lost his head completely, became very dissolute - or at least confirms my question, "Didn't he become dissolute?"

Schwab said to Gary once, "I am no use unless I can have my own way." Gary responded "You can never have your own way in this company."

He makes the remark that Schwab was a gambler. This gives me a chance to take up stock gambling.

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STOCK GAMBLING

I say, "Judge Gary, I never understood how you could prevent gambling in the steel corporation stocks."

"Well," he says, "of course when we went in many of them expected to make money out of our stocks by their inside information. We had four gamblers on our board, Frick, Rogers, Widener and Ream. They became very angry at me once because I would not give them figures which they knew I had in a drawer to enable them to speculate. I felt obligated to protect all the stockholders."

"Frick was very indignant because once when a showing was bad I did not let him know before hand. He was a Bear on the market that time, short, and it would have helped him. I didn't believe that this was right. I never believed in gambling myself - never play cards for money."

"There is no mistake that for two or three years some of our directors made money out of our securities. Of course that is what everybody was doing."

He tells the tale about Harriman who went he thought he could increase the dividend on the Union Pacific to 10% called in two of the five directors. They agreed. Don't say anything about it, he said. The dividend was declared and the stocks went up 25 to 30 points. Harriman refused to answer on the stand as to whether he bough or sold at this time. Gary intimates that he is sure he did. To his (Gary's) surprise he left an estate of 70 to 80 millions. He says this was the worst kind of robbery practiced at that moment in our business world. "I made my disapproval of it so clear that everybody on the board would understand. They finally gaveup trying to get information from me, but there was at least one man who went to our tre asurer and comptroller to getinformation. But I stopped that. It was wrong in principle and set a bad

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example. How could we expect our officers and employees not to speculate if we did it on the board?"

I told him what Rogers told me, that his love of gambling was so strong that he always septn Saturday afternoon playing poker with his son-in-law. "Um!" he says, "Rogers, Widener, Frick and "eam used to play poker with Cory, the president of this company. Once they gambled with a balance of directors' fees left over after the meeting - the fees of absentees. You know there is a $20 directors' fee. Sometimes there would be five or six or more directors absent. The board claimed these and at first they divided them, pro rata. I didn't like it and said so, but I took my share with the rest at first because I didn't want to make them feel that I thought myself better than the rest of them. Then Rogers suggested that they match for them. And they did that for some time. I would not take a hand in that. I said it was not becoming for the members of a board of directors of a big corporation.

"Moreover, I told them, I was brought up not to believe in gambling, and that I thought it was for us to set a good example. Finally they gave this up, but it took some time. Rogers was the only one that listened to me really and accepted what I said about being brought up notato believe in gambling. Frick was the next. But I don't think the rest ever agreed."

I can see what a goody-goody fellow they must have thought him.

FRICK

In talking about Frick's gambling he digressed to say "I never agreed with Frick's idea on labor from the start. His whole idea was that if anybody opposed him you must fight him. He had fought labor and labor hated him.

XII

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This fighting is what brings about war. Fighting may be the language of war but it is not the language of peace. You cannot run business by war." And he emphasized again his belief that morals are a part of business. "There is such a thing as a good corporation today. I used to meet Tom Reed sometimes after he came to New York from Congress, and his usual greeting was, 'Well, how is the good corporation this morning?' I used to say, 'Well, Reed, you will find out that there is a difference.' I think he did finally begin to think there was and to have some respect for my judgment, for a while before he died he brought down an article to me on the tariff, telling me he had prepared it with some care and would like to have me read it, which I did while he was sitting here. I told him it was a good article and he called up a magazine and told them he was going to send it to them. We sent it up for him."

Am more and more impressed with Gary's simplicity. In all these stories he is never boastful, and again and again as he goes on he cautions me that because he is talking about himself and his opinions that he wants to thrust himself ahead. As a matter of fact, while he takes great satisfaction in having been right in his policies, he tries hard to be fair to other people. It is a real satisfaction to him that men like Rogers and Frick and now Schwab come around to his point of view.

In speaking of Tom Reed and his salutation, he says with emphasis "Neither individual nor corporation can escape the consequences of immorality, corporations are as responsible as individuals."

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VI

In talking of Morgan, Gary says "The first six months I didn't think he was supporting me. When I went to him, he demanded When and where. I told him two or three things, not very important perhaps but they showed a tendency. "Go back to your office,' he said, 'and after this tell me what you want done and I will do it.'

In the personnel, of the first committee, Schwab had a majority. It included Steele, Reid, Edeiborn, Converse. When it came to financial matters they had to go to the Finance Committee.

Policies

"I will say this for Morgan that I never heard him say anything that would indicate that he was dishonest. When I showed him the thing was wrong he would give up." Then he says "There are not any of us any too good," and he quotes Bunyan, "There but for the grace of God goes John Bunyan". Was not this Charles Wesley?

Read what Cotton, the Wall Street man, has to say about our stock sharing plan. Perkins undertook to publish the fact that he was responsible for that in U.S.Steel, but Cotton has it right.

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was represented but not the general press, and its exclusion caused a good deal of hostility in the newspapers. Wooley(?) expresses what the dinners were. When the first objections came up I stopped them. I always gavethe substance of what was said at the meeting to the press and sent the reports to the Department of Justice. It was natural that the press should be suspicious. I remember meeting a man, a lawyer, after one of the dinners and he said, 'It's a fine work - splendid, but you make one big mistake, and that is, letting the public know anything about it.' I said, 'My friend, you miss the point of the whole thing, letting the public know is our only salvation.' We preventedemoralization at critical times by these dinners. More than one banker down town expressed appreciation to me of trying to hold the steel and iron industry together in panic times. The Circuit Court (?) said that while they were not strictly legal their intentionwas good, that is, the intention was not to violate any law. Comes back as usual with the moral side of the thing. The best thing that we have done is that we have lifted the tone of business. After all is said and done, honest, decent business conduct is nothing but the simple, natural honest thing to do from the point of common sense."

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and I will get an answer.

When I got up to go, he says, "Now, as you talk with me you will learn that I am frank, that I am not trying to conceal anything. You will see more and more the kind of man I am." And it was simple honesty. I have a feeling that I am going to like him more and more and get more out of his story than I have thought was possible.

He cautions me constantly, however, about not saying anything that would hurt anybody. He doesn't want to offend anybody.

I told Sites before I go that of course all notes that I make of these conversations are confidential, are never in any way to bepublished as they stand.

Sites tells me that Gary is extraordinarily observing, says that he knows about all sorts of things that you would not expect him to know, that he knows about laces, that he is very thorough in anything that he attempts to learn about. Sites was with him in Chicago and he said that he noticed many things that escaped the rest of us and I am constantly surprised by his saying, Do you remember this or that? It takes an instant for me to recall it."

Gary says in talking about his interest in things, "I am interested in the way a house is furnished, in the clothes that men and women wear." I must talk to him again about this.

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