

October 21, 1924

Interview with Mr' Percival Roberts, Jr.

Judge Gary has been talking for some time of my seeing Percival Roberts, Jr. Arranged for meeting today at 12:15, he being here for the Tuesday meeting of the Presidents. A man of perhaps 60 - close to 70, I think - very well kept, a gentleman. Interesting steel history - born to the business. In the conversation he tells me, incidentally, that the steel plant at Pencoyd is on land which his first ancestor in this country took up.

His ancestors came in with William Penn in 1687(?). Pencoyd means "tree tops" - says you can see the place from Fairmont Park. The present plant was established in 1852. The story of it and of his connection with it are told in his testimony in the steel suit. They put in originally \$7,000, and no money was ever after put into the plant, excepting what had been taken out. It was worth some millions when they turned it into the American Bridge Company (See testimony in suit)

He is one of the clearest minded men that I have met in the industry - altogether the most pungent expressions, more terse and interesting than Judge Gary. He was elected director at the start. He stayed in a year - says there were some things he could not put up with, but that he has never disagreed with Judge Gary since he knew him. Thinks his first meeting with the Judge was in Morgan's office at the time that the transfer of the American Bridge Co. was under consideration. (See testimony) Says in talking of the first year that Gary "was more patient than I."

He said that the crowd that came in had different ideas of running a corporation. There was the banker's idea, the stock broker's idea, etc. Says that there were only a few

who looked at it not as a combination but as a consolidation, that Judge Gary and he always regarded it as the latter, that the end of bringing the companies together was to reduce cost in order to lower prices to the consumer and improve labor conditions, also to have sufficient money to take advantage of their rapidly increasing number of improvements and inventions; that such a consolidation was absolutely necessary, due to the advancement in steel making, that he thinks that this was Gary's idea, that many others did not understand it, that Gary did see this although he was not an expert steel maker. He says, "I never say anyone who could put figures together more quickly or exactly. I may say he was a man of justice tempered with mercy. He took over here a basket of 'cats and dogs' and he is entitled to the full credit of making this Corporation. There were able men at the head of the subsidiary companies but they had different points of view. The Judge saw that at the beginning. We succeeded because he insisted that the Corporation was the first consideration and our stockholders had been patient. They are rewarded for their patience as you can see for their stock has risen from 10 to 108. When the U.S. Steel started the heads or presidents of the companies that had been shaken together. came here to New York. The Corporation had to keep in touch with what had gone before. We met every day at first as the Standard Oil Company did but it did not work well - we tried an executive committee - a finance committee. Afterwards the finance committee became the only one. The consolidation had been forced by the development of steel chemistry. It's a fairy story, beginning in 1876 and running through the 80s. When I went into the business the unit of measurement was two tons a turn. There were combinations for mutual protection, that is protection of prices, but they were not effective. You had to

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take all the elements of the business into your consolidation, to be prepared for a diverse product, take over each useful invention as it came along, and that demanded a great deal of money.

The life of our old plants was not over 10 years; that is, we had to scrap them every ten years because of changes. Think of what has happened since 1876! In 1877 we put in the Penceoyd plant the first long distance telephone in this country - 8 miles from the plant into the town. The people themselves did not think it would work, but we could hear. Those telephones have stayed there ever since.

After that we started electric light plant. We thought it might give us ten arc lights, it gave us five. No such revolution has occurred in the last 25 years as there did in the 25 years before 1900. It opened up cheap steel. I heard Alexander Holley say in a speech in Pittsburgh in 1887, talking of the changes in the steel industry, that the "open hearth would attend the funeral of the Bessemer process" - and that is what has happened. All of these extraordinary changes have been going on - it is a fairy tale of invention, no single plant could keep up with them. The U.S. Steel Corporation came in at the psychological moment. Judge Gary sensed it.

I asked him if he knows much about steel making. He says "Of course he is not an expert, but bring him a problem in manufacturing and he goes at it as a lawyer would at the problem of a client in a lawsuit. He will follow it from start to finish as an intelligent man - grasps propositions, gets the gist of a thing quickly, not much gets by him."

I ask him what he thinks of the change to the 8-hour shift. He says he is not entirely satisfied with the 8-hour day, that he doesn't think it can be made universal - notes the farmer - says that there may be some industries in which on account of the nature of the work eight hours is too long. It may be that four hours would be nearer right in some processes, but he is willing to accept the change.

As a matter of fact 40 or 50 years ago, the Pencoyd works went on three shifts, closed Saturday afternoons, gave a 9-hour day. It was right for Judge Gary to take the stand that he did when it became a matter of public opinion. That is, the Steel Corporation should not have moved earlier because this was an affair, not of the Corporation but of industry. He had to put it up to the steel and iron men as a whole. It would have been unfair to their competitors not to have done this. "You have to keep friends with the public, with your competitors, with yourself." Says that the change was made at the proper moment, that it would not have endured if they had tried to do it as early as it was demanded, when the steel business was running 100%. When the change was made it was down to 40 or 50% so that you could get men. You cannot make steel men over night any more than you can coal miners. You cannot transfer men from unskilled work into processes that have to be taught.

Thinks all the expenditures for safety have been wise - believes in sound bodies and sound men for the workers - declares that men will always live up to good conditions.

I ask him what he considers the contribution of the Steel Corporation has been. He says, "fairness of price, fair competition. The peaks are not so high, the valleys are not so deep as they were before the Corporation came in."

This is important from the standpoint of the consumer.

It is also good for the traders. He declares that they cannot set the prices, that the prices can be set by anybody in dire necessity. Here is an example. In 1898, just after McKinley's election, I took a contract for Sherry's at 44 St' & 5th Ave., at the lowest prices for steel ever before or since. I did that because Carnegie claimed New York. I did it because it was enough to make a price to pull all prices. The small consumer can make a market over night. We cannot force the prices. All that the U.S.Steel can do in prices is to give an example. Take the Gary dinners. Gary gave an example of what he thought the prices should be, and he made such sensible speeches that the men knew that he was right.

"I should not have cared to have traveled over the route (i.e. of the Steel Corporation) unless Judge Gary sat in the chair. He has put the Golden Rule in operation in the steel business. It was a bloody battle ground before, he did away with all that kind of work."

"The development of the East made it possible. Otherwise it could not have been put together. It was formed at a crucial moment. I don't believe in growing in size beyond what will enable you to operate safely. We never crowded competitors out, refused to add many that came to us, never believed in trying to get so large a plant that you had the majority control of output. What I want is the raw products and sufficient capital to enable me to take advantage of over new invention, to round out the plant, that is what we have always worked for, a rounded plant. Few of our competitors have ever been rounded out."

I asked him how permanent he thinks the Corporation is, supposing Judge Gary should pass away would it go on. He says

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"We don't cross bridges until we get there, but it would run a long time. It has the tradition of the Judge and the policies. It will remain on those foundations. His knowledge and his patience have accomplished it, he would wear down anybody that I ever saw sitting opposite him. He pulled 'cats and dogs' together. He's uncanny in his skill - always determined to do the right thing, never has varied his policies; they are today what they were at the start; that is, he is consistent, doesn't deviate. In the suit it was proved that we had no enemies. Now this was largely due to the Judge's personality. We never fought the Government, we wanted the Government's protection - needed it - believed that there should be regulation. If we had aimed to take over the entire steel industry we would not have been successful. We could not have operated if we had taken everything, good and bad. We only wanted to take the cream. It was not necessary to dominate except in economic production. There were people in the business that thought it was necessary to take in everything. There are always men looking out of different windows and they don't see the same picture. There are men who think that there should be combination not consolidation. The results of the policies speak for themselves in our earnings."

I venture to ask him about Schwab. He says Schwab came in because of his influence with Carnegie, that there was always somebody that dominated with Carnegie, as Frick had before Schwab. That Schwab was a good steel man, without technical training. The bankers seemed to think at first that he was to be the head of the concern. This is what I get from talks with Gary, but he lost his head - too much notoriety. Habits very bad. He says he believes that he is one of the few men that have thoroughly reformed. So far as he knows now he leads a perfectly regular life.

I speak of the impression that the formation of the Steel trust made upon myself, that it was another Morgan promotion scheme, - how Schwab affected one with his talk of a million-dollar saddle(?), that nobody heard of the Judge at that time. He said, "No, the Judge was very quiet, working hard. I lived at the Waldorf as he did in those days, and he was making no pretensions." Says he doesn't want to be quoted. I promise him that I shall not put anybody's name to his mouth. Says that Morgan told me just before he died that he was wrong in his attitude toward the Steel Corporation at first, that Gary was right. Then he said, hesitatingly, "Don't put that down." He says that it was necessary to consider the Carnegie influence at the start, at least so the bankers thought. That explains Schwab, after he fell it explains Corey. I must talk with the Judge about the effect on public opinion of flagrant dissipation like that of Corey and Schwab.

Roberts will be the best reliance in steel production and the value of the changes that were made. Talk to him about the purchase of ores, also of the location of plants - Tenn. Coal & Iron, what his judgment of that was.

The change of conditions in 1909 when he came back at Judge Gary's and Mr. Morgan's request should be pointed out. He evidently was ~~into~~ to do business, not to exploit business.