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Organization - U. S. Steel

It looks as if the struggle over organization at the start of the U.S.Steel was a conflict between the Standard Oil methods and the Carnegie methods of doing business. Morgan thought the Standard Oil through an executive committee meeting daily the better, but Gary believes that Schwab told him that Carnegie would not sell unless he (Schwab) was made President, therefore the problem came of naming him president without giving him full control. The two ideas are combined and the first by-laws make the chairman of the executive committee the ranking officer.

Thus at the start it stood this way - an executive committee meeting daily, having charge of all business except finances - a finance committee meeting weekly; Perkins who had only a short time before come into the Morgan house being chairman, - a board of directors meeting once a month - both committees subject to their rulings; Schwab who was on that committee claiming that he outranked the chairman of the executive committee. The press and the public seem to have accepted the idea that the president, from the title, was the chief power. A study of the minutes shows the rising of this contest. Schwab assumes his authority from the start, quite confidently. According to the minutes, it was Roberts who first challenged him, saying that they must have an interpretation of the by-laws. This struggle goes on through the first months and culminated in the spring of 1902 with a report, signed by Gary and Steele, revising the by-laws and defining exactly the functions of the executive committee, which henceforth was to meet only weekly, and the president. It is evidenced that the struggle was not only between Schwab and Gary but that there was a struggle between the Finance

committee under Perkins and the executive committee. As Perkins and Steele were both for Schwab in the first year, and as Roberts resigned at the end of the first year, also as the other members, Converse, Rideborn and Read, were against Gary, being sympathizers with Gates, who, as usual, was intriguing on the outside, Gary's position was, in 1902, a lone and precarious one. It seems to have been a question of whether he, by forceof his intelligence and his integrity could persuade the officers that he was the safer and wiser director of the new concern and that his policies were sounder than Mr. Schwabs'.

It is interesting to see the growth of the clash in the minutes. Gary and Roberts felt from the start that the future of the concern depended upon the ability toconsolidate, to bring the varied attitudes of mind which had been brought together and also the varied current practices to a single accepted purpose and to uniform practices, to transform the varied codes into a single code. And of course, before that could be done, the committee must know what that code was to be, must fix on policies; and this could only be done obviously step by step, - it was a growth. Now, who was going to be most powerful in shaping this growth?

The plants combined demanded improvements, changes, great expenditures in order to get the benefits of the combination. Now, how far was the New York body to go in deciding about moneys spent? What were to be the relations to the railroads? The first discussion on this shows clearly the spread between the Gary and the Schwab points of view. If I understand the minutes, Schwab suggested that they let the railroads put on the highest prices on rails accept these, but to demand rebates on other shipments. Gary is decisive

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in saying there must be no favors asked from the railroads. That is, it was the old and the new régime conflicting.

How much latitude should be given the presidents of the various subsidiaries in expenditures? A question that Mr' Schwab brought up again and again was whether American Can Company should receive some special favors. Gary was opposed to this from the start. "Parity of prices to all buyers" he laid down, and he and Mr. Roberts contended through several months for this. The fact that in December of 1901 a concession was given to the American Can Company shows the swing against Gary. I find by the minutes that on March 4, 1902, Perkins laid before the executive committee the stock transferance plan, and it looks as if it was news to Gary. At this meeting Steele reported a revision of the by-laws looking to decreasing the powers of the executive committee and increasing those of the president and his associates of whom he seems to have had four. It was here that Roberts resigned.

But if Schwab had more power he seems soon after this to have so losthis head as to not be able to use it for he disappears entirely for about eight months from the meetings of the executive committee. I think this is the time when he was reported ill. AfterJuly 2, his name is not in the list of those present until March 24, - the meetings were then being held fortnightly. April 7 and 21, May 12 and 26, June 2 and 9 - in the list no Schwab was present. It was on April 1, 1902 that a committee made up of Steele and Gary reported the re-adjustment of duties that I have spoken of above. (These are being copied)

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By January, 1903 the failure to consolidate, to unify practices and policies was obvious, and Gary at the meeting of the 13th of January, Schwab being absent, makes a report which shows this. (This is being copied)

A point on which they floundered was the relation of the executive committee to the presidents of the subsidiaries. What practical plan could they device for getting into contact with them? Meets were proposed, and it is obvious that some were held, but the discussion on this point (to be copied) in the minutes shows that the meetings were hardly successful for the reason that the executive committee did not have control enough to hide its own disagreements, - a fact which they admitted was disastrous. Schwab did not think these meetings with the presidents were necessary. He was president, he had four associates, they could handle the presidents.

Gary says, speaking of the organization, "It was dual." Mr. Morgan never intended that. It did not work - could not work. I hade been told by Mr. Morgan and Mr. Bacon both that they expected me to deal with the public, to settle questions of policy so that when we started I had to say sometimes pretty harsh things to Schwab. But this is only for your information. Stetson and Guthrie were both against me, and they tried to write the by-laws without giving me any position. For six months Perkins was in cohoots with with them and Schwab and later he told me frankly, I have been wrong in my impressions about you." "He was always loyal after that," he says. "The Gates crowd too tried to undermine me."

This matter of who was to rule really was never

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settled until the Corey matter - of which I have the documents - came up. That is, it took nine years. The public acknowledgment that Gary was master and that his policies had been right came at the dinner in 1909, to which he so often refers. He goes over the Corey contest in the April interview. It seems to have been Frick who went to Morgan and told him that if Gary had his way in this matter all the presidents would resign, and he said, "I would tell them that as fast as they resigned, their resignations would be accepted." He says that in the discussion before the Board in which Corey had asked the question, Phipps to Gary's surprise said, "Well, gentlemen, there isn't any doubt who is at the head, and that is Judge Gary. He has the right to give orders."

It was after that that the resolution I have was adopted, and that Rodgers turning to Judge Gary said, "Is there anything you would like to have done, Gary?" Then the final amendments of his powers, giving him full power, was adopted.

I think I have noted the fact before that Corey got all the presidents to resolve that Corey was right and Gary wrong, but whether they agreed to resign if Corey was not sustained, as Frick told Morgan, I do not know. That is, what is apparent is that from the start up to this episode in 1910, there was an undercurrent of opposition to Gary, and that this apparently settled it for good and all.

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