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We need only to open our eyes and cast a glance about us to recognize that our modern twentieth century life is girded with steel. Steel is the very key product of the present era of the evolution of man. In the beginning it was stone, then bronze, and then iron, but today it is steel which conditions the industrialized political, economic, and social life of our country.

When we consider the reflection of the United States Steel Corporation in America's industrial drama, we cannot help but notice the ideal stage setting in which steel unfolds its plot at the beginning of this century. No industry has had brighter prospects to advance than those the steel industry had at that time.

The years sice the Civil War have covered the greatest progress the world has ever known. Before the Civil War, there was no such thing as the steel industry in America. "The trifling production of blister steel, amounting to a few thousand tons per year, was not worthy of that designation, but the iron business had already laid the foundations of its future greatness, and this in spite of the fact that we had then comparatively no ores, no efficient fuel, no adequate machinery and very little of the practical and scientific knowledge so widely diffused today."[1]

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[1] Butler, Fifty Years of Iron and Steel, p. 2.

The Civil War created an immediate demand for iron and steel. As in many other fields, it furnished the impetus for new inventions which speeded up the industrialization of America. In the steel field, many new furnaces were erected, every method of increasing production was eagerly seized, and from that time forward the growth of the steel industries has been phenomenal.

In reviewing the developments which have made the steel industry, and ultimately the United States Steel Corporation, the most important cog in the national industrial machine, it is logical for us to discuss first the inventions which were stimulated by the Civil War and which have, in turn, stimulated the advancement of the American Steel Industry.

"Technically steel is, broadly interpreted, refined iron. Historically, iron has been manufactured for thousands of years, while the purification processes of iron, making possible mass production of steel in its modern sense, were invented first in the latter half of the last century."[2] These processes which have each served to revolutionize the steel industry and to change the industrial map of the world, as well, are in chronological sequence, the Bessemer, Open Hearth, and Electric processes.

The invention of the Bessemer process by Sir Henry Bessemer in 1855 is generally regarded as the longest single step in the march of progress which has brought the iron and steel industries to their present stage. However, this process gave a distinct advantage to those countries possessing high-grade iron ores which are necessary for satisfactory use in a Bessemer converter. The limitations of the

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2 Sundblad, The American Steel Industry, p. 7.

ment of the by-products industry on the formation of the United States Steel Corporation and on the importance of steel in the American industrial cavalcade, we must consider the tremendous influence of the Lake Superior ore deposits on the industry.

"There is no question that from the time of the discovery of the Mesaba Range, civilization and progress received a tremendous impulse from the cheaper iron and steel it made possible."[4] Previous to that time, furnaces had been located only where the ore and fuel could be found, but with the growing demand for steel, caused by the growing expansion of the country by rail, etc., such resources were inadequate, and it became apparent that mass production of these commodities was necessary to profitable operation. In other words, here again, we find argument for the consolidation of steel industries into profitable corporations such as the United States Steel Corporation.

No story of any aspect of steel would be complete without some mention of the role that the tariff has played in its almost mushroom growth. From the very beginning, the steel industry has labored and lobbied continuously in Congress for the maintenance of a high protective tariff, and, for the most part, steel has been successful. Steel industries have organized grandiloquent propaganda campaigns in an attempt to educate (or illusion) the public and the authorities to the realization that the struggling iron and steel industries could not operate against competition from abroad unless they were protected by a high tariff wall. True, the young industries needed protection but not to the extent that they received it, especially from Republican Congresses. However, the protective tariff served to accelerate

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4 Butler, <u>op</u>. <u>cit</u>., p. 34.

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"When Bessemer, by the invention of his converter, made possible the production of cheap steal rapidly and on an enormous scale, he started a rush into the business of steel making which was as wild and fierce, in its way, as the rush of the prospector and the miner into a newly discovered gold field."[5] The industry expanded by leaps and bounds and the one guiding motive of the iron-master was production, the turning out of a maximum amount of tonnage. It made no difference by what unscrupulous methods the tonnage was produced, and, as a result, fierce competition was rampant. The underlying principle of production seems to have been "cut-throat" competition, a case of "dog eat dog."

Because of all the price-cutting, unfair methods of business, and the evils attendant upon the desire to secure markets, the more thoughtful and far-seeing industrialists tried to find some degree of stability in the famous "pools," ineffective contracts and agreements drawn up with the purpose of realizing some sort of understanding or coöperation in distributing and selling the evergrowing output of competing furnaces and rolling mills.

Out of all this destructive competition emerged a man who recognized the serious disadvantages under which the steel trade in the United States was laboring. This man was Andrew Carnegie who, with his organizing genius and ability, was able to build up a vast aggre-

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5 Walker, The Story of Steel, p. 156.

gation of furnaces and rolling mills, coke ovens and so forth, which made him tower like a giant among his competitors. He consolidated several of the more important concerns into one great corporation and, because of his economies, he became "the most powerful agent in carry- the steel trade of the United States up to the commanding position which it had attained at the close of his active career."[6] However, Carnegie's business policies also rested on ruthless competition.

During the decade which preceded the emergence of the United States Steel Corporation, in addition to the unsuccessful "pools," there developed a vertical and a lateral process of combination in the steel industry to meet the problems presented by an industrial America. The vertical process of combination embodied the integrating of the successive stages of production from iron mine to rolling mill, and was justified in that materials could thus be handled more economically. The lateral process of combination which provided for the consolidation of companies which made the same finished products, was justified on the ground that each mill or plant would be allowed to specialize in certain products and so could effect economies in production.

The formation of the United States Steel Corporation in 1901 employed both these movements of integration and combination and set up an establishment which then embraced 60 per cent of the steel industry. "It brought together several of the most powerful integrated companies and also the chief combinations of manufacturers which had formerly competed in the sale of finished products--such as wire, tubes, sheets, and tin plate. It acquired, then and subsequently, large holdings in the Lake Superior ore properties. It obtained extensive

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6 <u>Ibid</u>, p. 157.

deposits of high-grade coking coal in the Connellsville and the West Virginia regions. It got possession of several railroads especially adapted to the transportation of iron."[7] In short, it became a thoroughly integrated concern and, in 1926, controlled 40 per cent of the country's capacity for steel production.

The credit for the foundation of the United States Steel Corporation has been placed upon the person of Judge Elbert H. Gary, who was the president of that concern from 1903 to 1927.

Gary, believing that the destructive competition of the day was a serious threat to the full development of the United States steel industry, was attempting to amalgamate into one giant corporation several large steel properties. He first solicited the aid of J. P. Morgan, then the only man in America who could influence the necessary capital, but Morgan was unresponsive and nothing was done. Fortunately, however, for the United States Steel Corporation, Carnegie was ready at this time to sell out his interests and retire.

At a dinner in New York on December 12, 1900, to which Mr. Morgan was invited, the mater of the acquisition of the vast Carnegie plants and the need for capital was discussed. After the enthusiastic unfolding by Charles M. Schwab, then president of Carnegie Steel Company, of the benefits to be derived from the amalgamation, Morgan agreed to put up the necessary capital. Carnegie's properties were acquired at the price of $303,450,000 in bonds and $188,556,160 in stock of the new corporation, and the United States Steel Corporation, chartered on February 25, 1901, began business with twelve of the largest companies then in existence.

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[7] Ibid, p. 192.

Since its chartering, the United States Steel Corporation has become one of the most powerful forces in America's industrial drama. The expansion of the corporation has been phenomenal and reflects the expansion of the other industries which have aided in industrializing the American scene.

In considering the expansion of the steel industry, we must analyse the growing consumption of steel in order to obtain a clearer picture of the ca uses of steel's great development.

In 1923, the railroads were among the chief consumers of steel, but, since that year, their consumption has declined. However, over a period of years, the railroads may be expected to take a quarter of the steel output.

The percentage of steel produced which the building and construction industry has taken is increasing.

Oil, gas, and water companies have become increasingly less important, but the automobile industry has steadily increased its consumption of steel products. In 1921 the automobile industry used less than 5 per cent of the total sheet products shipped, in 1926 they used nearly 15 percent, and today they are using far more. The table opposite gives one a fair idea of the relative consumption of steel products.

The United States Steel Corporation has followed the policy of expanding out of earnings, more than has any other corporation. In fact, in the first 25 years of its existence it turned back over 41 per cent of its net income into the business, according to the following figures:

(April 1, 1901, to December 31, 1925)[8]

Balance of profits available for dividends	$2,185,712,403
Dividends paid on preferred and common stock	1,279,253,785
Earnings left in business	$ 906,458,618
Appropriated for capital expenditures and special charges	$409,595,509
Capital surplus at date of organization	25,000,000
Total surplus, December 31, 1924	$521,863,109

One of the most interesting aspects of the reflection of the United States Steel Corporation in America's industrial drama has been its relation to labor. The relation to labor reflects, in many ways, the relation to labor of other industries in America's industrial drama. Fortunately, however, the United States Steel Corporation has been manned with leadership, progressive or clever enough, to appease, at the psychological moment, the demands of labor which other industries have failed to do and thus have had their development, to a certain degree, stifled.

Because the steel industry is a continous and relatively a dangerous industry, it has presented to our industrial society one of its biggest labor problems. According to the United States Bureau of Labor Statistics, about 40 per cent of the employees in the iron and steel industry in 1910 were working 72 or more hours per week, that is, for 12 hours a day, for 6 days in the week, and about 20 per cent were working 84 hours a week, that is, for 12 hours a day for all 7 days in the week. Despite these excessive hours of work, as well as

8 Ibid, p. 202.

low wages, the United States Steel Corporation did not recognize an outside union until January, 1937.

When the United States Steel Corporation was organized in 1901, the Amalgamated Association of Iron, Steel and Tin Workers made a slight effort to unionize the workers, but it was only a gesture. Squelched by fears of company finks-detectives-with which every steel plant was infested, the forces of unrest remained quiet until the summer of 1918, when the United States was at war. At that time, urged on by the impact of pressure from within the ranks, the American Federation of Labor formed the National Committee for Organizing Iron and Steel Workers.

The reception of the movement proved at once that steel workers wanted a union. Not only did they sign unioncards by the thousand, but they even paid their dues in advance. Inside a week, more than three thousand had joined and their demands had been formulated at meetings. The demands of the steel workers reflected, in large part, the agitation of labor in the whole of America's industrial drama and chief among the demands were the eight-hour day, the right to join a union, one day's rest in seven, and higher wages.

Gary, choosing as always the clever and most practical way out, displayed his generalship by issuing an order that granted the eight-hour day, with time and one-half for overtime, effective in all plants of the United States Steel Corporation. For a time, Gary's decision served to sap strength from the budding union, but only for a time.

In September, 1919, after Gary had refused to negotiate with

Gompers, head of the A. F. of L., the strike call went out and by September 30, a week after the strike call, the shutdown was almost complete with approximately 365,000 men out of the mills and blast furnaces. However, the strike was completely one-sided. Amalgamated had no treasury and the A. F. of L. international unions were doing nothing to help. Judge Gary, ingenious leader that he was, held his peace and won the struggle. Steel workers went back to their jobs and a decision of United States Supreme Court, handed down on March 1, 1920, sustained that of the District Court of the United States for the district of New Jersy, in which a petition for the dissolution of the United States Steel Corporation was refused. The 1919 steel strike "had been the biggest industrial upheaval the country had ever known."[9] It had served as a prologue to the more audible part which labor was destined to play in America's industrial scene.

From 1922 to 1929, due either to the wages of common labor getting too high to suit the steel companies or due to the shortage of labor, steel companies began to import Mexicans, many of whom arrived just in time for the Crash of '29. However, during these post-war years, conditions in the steel industry steadily improved, and, in 1923, President Harding intervened in behalf of the steel workers with the result that the eight-hour day was finally established. Many fancy titles have been given to this post-war era in which for the first time to the consciousness of America came the realization that a new policy of mass production had gradually produced revolutionary changes in our economic and social standards. This era has been called "the second industrial revolution,"

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9 . Holbrook, <u>Iron Brew</u>, p. 320.

"Fordism," etc., but, rather than being a revolution, it has simply been a part of the natural evolution of an industrial America, as we have seen by following the formation and development of the United States Steel Corporation since the Civil War.

As more and more historians are beginning to realize,the stock market crash of 1929 marks the threashold of a new era for the nation, both in its industrial life proper and in its attitude toward the industrial drama of America. "The forces of depression made the country mindful of the necessity of more enlightened industrial philosophy,"[10] and, since the crash, labor has steadily moved to a more favorable position in the steel industry. However, the clash between the old school of industrial magnates and the school of industrial progressivism has become in the 1930's a clash between the old school and President Roosevelt's liberal movement.

Under the New Deal, such acts as the National Recovery Administration and the Wagner National Labor Relations Act have attempted to legislate for the betterment of labor in our industrial society. In addition, it cannot be denied that it was the New Deal rather than the kindness of the soul of the United States Steel Corporation (as that corporation's pamphlets would lead us to believe) which caused such a sensational decision of that corporation.

In 1937, in the face of a strongly organized steel union of 150 lodges with more than 125,000 paid-up members, the United States Steel Corporation announced that it had recognized and was ready to deal with the C. I. O. However sensational the decision of the United States Steel Corporation "to recognize for the first time in Big Steel's history an outside union may seem (especially since it, sensing Mr. Roosevelt's

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10 Sundblad, op. cit., p. 12.

friendly attitude toward labor, had tried valiantly to appease the demands of labor with a company union), it is, in reality, a mere link in a chain of prerequisites; absolutely essential for the advancement of the steel industry to a point where it can assume its full share of the responsibilities owed the nation."[11]

We have watched the almost phenomenal development of the United States Steel Corporation in our industrial drama. From its simple fundamental beginnings after the Civil War we have seen it rise to its full stature and grasp tenaciously the soul of an industrial society. We have watched it manipulate the tariff, struggle with labor, etc., maintaining always its monopolistic, powerful position in industry.

Today, with the world in another chaotic state, even worse than that of 1914, our country is again keyed to the maximum of its industrial production. The United States Steel Corporation and all steel have become the center of attraction on our industrial stage.

We cannot say now whether or not the Corporation will accept the social responsibility placed upon it by this crisis. However, we recognize that, in the past, the Unites States Steel Corporation has been sharply reflected in America's industrial drama, and we may expect its reflection to grow even sharper during these critical years before us. Previously, the Corporation has been both the glory and the shame of industrial America. For the future, we can only hope that such a powerful force as the United States Steel Corporation may reflect the spirit of social progressivism in America's industrial drama.

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[11] Ibid, p. 16.

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