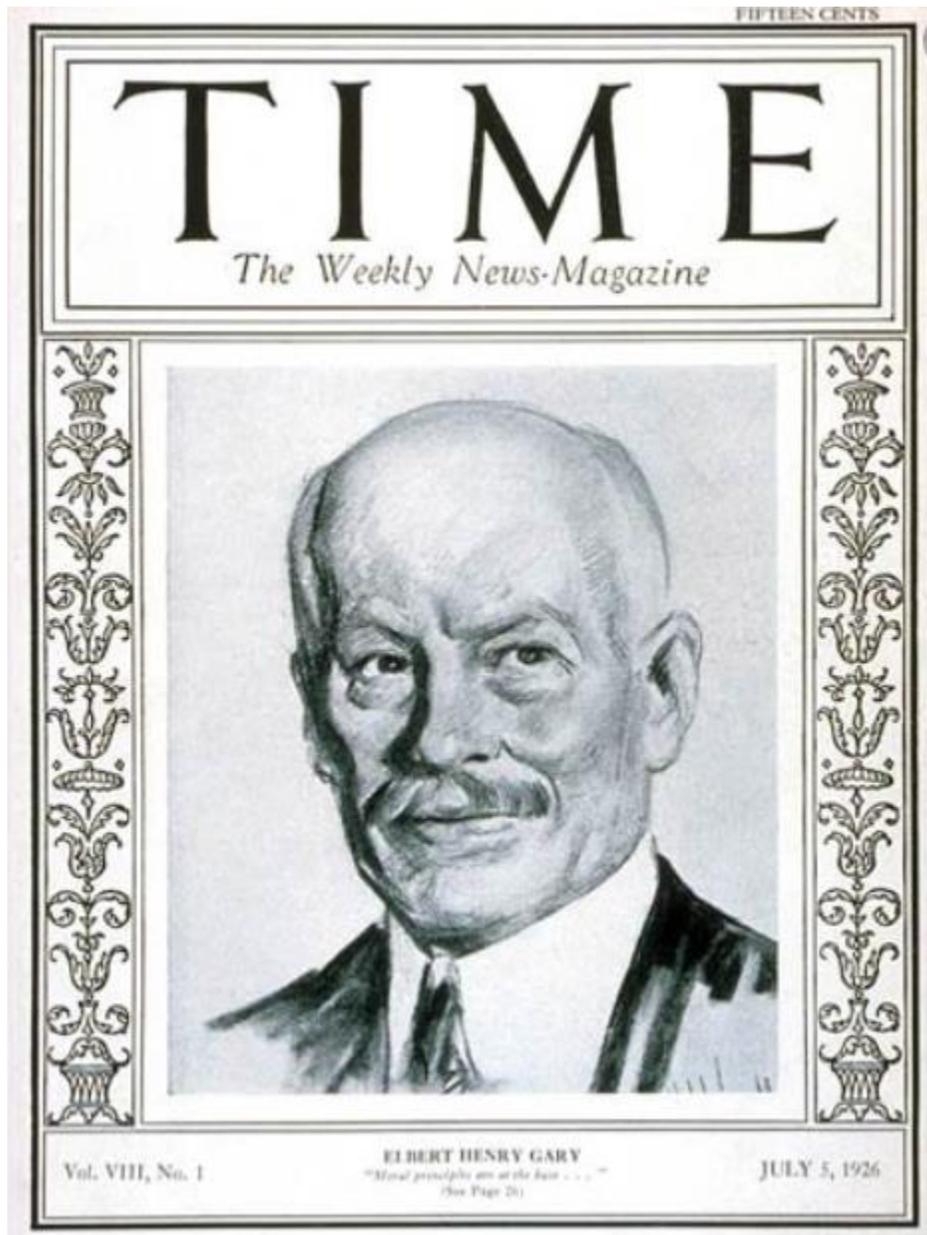


*On Elbert Gary*

By Blas Moros



## *Summary*

1. The amazing life and career of Elbert Gary, President and CEO of United States Steel Corporation when it was formed - the largest corporation in the world. He brought sound ethics and principles to business, showing that doing the right thing doesn't cost, but pays.

## *Key Takeaways*

1. Humility & Fairness
  1. Another characteristic that pleased his father was his thoughtfulness, coolness, resourcefulness. "He is the 'longest headed' boy that I ever saw," he used to tell his mother. It was something of a wonder to his companions as well as to his elders that he never flew into a passion. His elder brother Noah was impetuous, hot-tempered, quick to resent. Elbert was the opposite. "The only way we ever knew he was angry, one of his friends says, "was that the top of his head turned red!"
  2. Never pretend that you know much, George, for if you do pretend, the people will soon find out that you are sadly mistaken; neither tell them how little you know, for this they will find out soon enough
  3. **Gary is fair, too good a man to oppose**
  4. **Sound ethics are the basis for all sound business**
2. Family & Education
  1. **Men and women go far when convinced they are following a faith which is not only for their own highest good but for the highest good of their family and their community**
  2. **The Gary's held to the New England belief that as soon as a child had control of hands and feet it must be taught to use them in tasks necessary to the daily life of the family.** These tasks were supposed to be fitted to a child's strength and age and, laid down, there was no escaping them...What the boy, turned over to school, gets today in downright knowledge of life and discipline to meet its experiences looks thin enough compared with what this boy was learning in his forced grapple with the daily tasks of the Gary farm. Unconsciously and naturally he acquired control of his muscles and nerves - self-reliance in unusual situations -



skill of hand - a sense of his relation to the group - the understanding that if you shirked your part, performed it badly, the whole family suffered, the day's work was dislocated - respect for labor, the knowledge that upon it depended the health and increase of stock, the size of crops, the family's food and clothing, his own and his brother's future education. Not that school was neglected. As soon as a child could walk he was old enough to "begin school," according to the early New England pedagogue. When he was 3 years old, Elbert was being carried or led to the "District School," half a mile from "the big white house on the hill," to which all the new settlement sent its children a primitive one-room school, with benches, a blackboard - little else.

3. All these things Elbert learned at home. There were rhymes to help him fix these facts so meaningless to him - rhymes sung to him frequently, no doubt, as he was rocked back and forth by father or mother when tired or grieved
  4. This attention to what the child was learning did not lapse as he grew older. Mr. and Mrs. Gary continued to take the liveliest interest in whatever their children were studying.
3. Life as a Lawyer
1. Justice Gary's court was one of recognized importance. Everywhere, too, it was highly held because of the respect for the just mind of the man. As time had gone on Elbert had become more and more interested in what went on in these trials, and his father, understanding probably what a wonderful school in the nature of human beings, their behavior and their relations, such a court as his must be, encouraged the presence of the boy.
  2. **If you are resolutely determined to make a lawyer of yourself the thing is more than half done already. It is not but a small matter whether you read with anybody or not. I did not read with anyone.** Get the books and read and study them till you understand them in their principal features; and that is the main thing. It is of no consequence to be in a large town while you are reading. I read at New Salem, which never had more than 300 people living in it. The books and your capacity for understanding them are just the same in all places...**Always understand that your resolution to succeed is more important than any other one thing**
  3. They went out of their way, voluntarily, to perfect themselves in certain things which they felt would be advantageous in practicing their profession, such as rhetoric, grammar, oratory. **Nothing, indeed, which had a bearing was neglected**



4. **But, he was making, in this time, something more valuable than money. It was a reputation as a young lawyer who knew his business**
5. The judgment of his friends who had watched the case was that "**Elbert won because he studied nights while the opposing lawyers played poker.**" There was to be more than one victory in his subsequent career to which the same explanation could be applied!
6. Indeed, in a few years he had attained a reputation for settling cases without suits, although for about ten years he was in court nearly every working day. **He seems to have had Lincoln's idea - "discourage litigation."**
7. **There was once a farmer who had a bull that thought it could lick anything in the country. When the railway came the bull looked upon the locomotive with hatred and derision and made up its mind that it would try an issue with it. One morning the farmer heard an awful tooting, and looking out, saw that the bull had jumped the fence and was rushing, head down, towards the approaching locomotive. A moment later there was only spots of hide and hair on the track. "I always liked your pluck, old bull," the farmer said sorrowfully, "but dang your discretion."**
  1. *Don't be that bull!*
8. He has numberless tales in his great legal repertoire to illustrate how being a gentleman pays in legal practice
  1. *It doesn't cost, it pays*
9. **Nor did his absorption in business in these years destroy his family and social life. He loved the town of Wheaton where he lived and found endless opportunities to serve it. As a matter of fact, he was leading in Wheaton in those busy early years an attractive, important, all-around life.**
10. **He was a "wheel-horse for work," one of his colleagues has said**
11. **There were no rough spots in him, not one**
12. He was cool, collected, self-confident, and aggressive in the trial of a case. I never saw him disconcerted or apparently surprised by any change in the trial of a case. He seemingly had anticipated any emergency that might arise, and was prepared to protect his client's interest under any and all conditions...His self-confidence was not tinctured with egotism that makes such a quality sometimes offensive; but it was of that character that leads a client to place implicit confidence in the judgment and ability of his attorney. **His rise in his profession was neither spectacular nor phenomenal. It was steady and progressive. Every year added to his experience and ability; and long before he abandoned the**

**profession of the law for the business career in which he is now recognized as one of the great captains of industry.**

4. Steel & Sound Business

1. Judge Gary was not unknown to the famous banker. Some months before this, when in New York on business, he had been called in by one of Mr. Morgan's counsel to give his opinion on the railroad matter involving Illinois law and practice. "I don't think you can do that legally, Mr. Morgan," Judge Gary had said when the case had been stated. "Well, " said Mr. Morgan - and his "well" was always a challenging, often a terrifying expletive - "I don't know as I want a lawyer to tell me what I cannot do. I hire him to tell me how to do what I want to do." "Tell me your purpose," the Judge replied, "and I will see what can be done." Mr. Morgan, who always knew exactly what he was after, though he sometimes found difficulty in telling others, explained his purpose. "There is a legal way to reach that result," Judge Gary said, and he explained what it was. The banker was immensely pleased. It undoubtedly made an impression on him which he never forgot, for he had a remarkable memory, particularly in matters which concerned men

1. *Never "no." Always, "yes, if.."*

2. **Another thing developed that made an impression. He had a passion for square dealing. You had to show him that the thing you were trying to put over was fair before you could get his approval.** It was not too much to say that, every day that these wire negotiations went on, the respect for Judge Gary's ability and fairness increased.
3. "Judge Gary, you have put this thing together in very good shape. We are all very well pleased. Now you must be president." It was the first intimation that the Judge had had that such a thing was in the minds of his clients. He told Mr. Morgan he could not think of it. "Why not?" the greater banker boomed. "Why, Mr. Morgan," Gary replied, "I have a law practice worth \$75,000 a year and I cannot leave it." "We'll take care of that insisted Mr. Morgan. "We must make it worth your while." "But I must think it over." "No," insisted the great banker, "we want to know right now." **"But who are the directors to be?" "You can select the directors, name the executive committee, choose your officers, and fix your salary," Morgan replied.** "Quite characteristic of him," Judge Gary will tell you.
4. "I am willing, Mr. Carnegie, said Judge Gary, "if we can do it on an equal basis." Carnegie threw up his hands. He had been so long the master in the steel and iron



business that it was hard for him to consider that anybody could be on par. "You have had the major part in the business up to date," the Judge told him, "but I don't think you have it now. We have \$100,000,000 in stock and we have \$100,000,000 that we can turn into cash; any contract that we make with you will have to be on a fifty-fifty basis." The discussion which followed apparently convinced the great iron master that he had an equal in the trade at last, for he, along with his guests, signed then and there a paper which Judge Gary drew up. It provided, in substance, that they would recommend to the Federal and Carnegie steel companies that they divide the total standard rail tonnage which they were able to secure on a 50% basis. The recommendation was adopted, and the two companies lived up to it until events so changed the relationship that they no longer needed a pool.

5. **Boldness in assuming responsibility explains no little of the power J. Pierpont Morgan wielded in the financial world throughout his active life.** What he undertook he directed. When he made up his mind in 1901 that the only method by which it was possible to create in this country a truly symmetrical steel business - big enough and rounded enough to lead the industry throughout the world - he neither concealed his purpose nor shirked the obligations of his sponsorship.
6. It was, of course, a novel and to many of the gentlemen an amusing, if not irritating experience, to sit at a board where the chairman lectured them on primary ethics. What had ethics to do with business? It was obvious that, from the point of view of Judge Gary, they had everything to do with the future of the steel corporation. As a matter of fact, he was staking its life on whether or not it was possible to incorporate into its practices the teachings to which he was treating the gentlemen...**He did not believe that any human undertaking could establish itself on a permanent basis without public confidence, and he realized that you could not long have public confidence unless you took the pains to talk frankly to the public through its established channels - the representatives of the press who came knocking at your door, the representatives of the government who called you before their investigating committees. Your business was to satisfy the doubts and enlighten the ignorance of the public. In the two years and more that he had been at the head of the Federal Steel Company, he had made that his practice.**

7. **As a matter of fact, I always thought this use of insider information by directors - very common at the time - was akin to robbery of their own stockholders, and I had no hesitation in making my disapproval of it so clear that everybody on the board would understand. They finally gave up trying to get information from me, though in one case one of our directors went to our treasure or comptroller to get it. But I was able to stop that. It was wrong in principle and it was a bad example. How could we expect our officers and employees not to speculate if the members of the board did it?**
8. This is our first meeting. We are establishing a precedent, and that precedent is that any stockholder who has anything to say shall be heard. I am not willing that this speaker be interrupted. Stockholders have a right to talk in a stockholders' meeting. We have announced that they shall be open and free, and I mean that they shall be
9. Mr. Morgan said, "I could not do a thing without you." And then Judge Gary set down his notions. The directors had not caught this idea; he was meeting continual opposition. This was not a personal question. It was a matter of the life of the Corporation. If it was to live and succeed, it must be run in the way that he had laid down. he went over again his idea of playing fairly and frankly with the public, of considering in all dealings only the good of the Corporation and its stockholders, not the good of its directors and officers; of keeping firmly to the original purpose of acquiring nothing which was not essential in completing their rounded proposition. Mr. Morgan listened to the end. "I didn't know that you felt this way, Judge Gary," he said. "Now, you remain where you are and, from this time on, when you want me to do anything or say anything, all you have to do is tell me. You needn't explain. Just say, "do so and so," and I will do it." And I have heard Judge Gary in telling this story comment, "And he never broke his promise."
10. Roosevelt and Gary were close. Both had won in personal struggle. **Overcoming handicaps, however different, establishes a basis for human understanding**
11. Frankness was the redeeming feature of Mr. Carnegie's competitive methods
12. "Before we go ahead with this, we must consult President Roosevelt." But what has the President to do with it?" Demanded the banker. "If we do this without consulting the administration, a bill in equity might stop the sale, and in that case more harm than good would be done." Persisted Judge Gary



13. Too many men have learned too late that the friendship of the public and the confidence of one's competitors are the most desirable elements in business.
14. **Prices should always be reasonable! What we want is stability - the avoidance of violent fluctuations! Gary's thirty or so guests, almost to a man, had always held and practiced the exact opposite of this doctrine. It was a tribute to his theory as well as a remarkable proof of their confidence in him that they now rallied his exhortations and agreed that they would follow his leadership in the troubled period which they saw before them. Judge Reed, commenting on the result of the dinners, said, "I think it is fair to say that he saved thousands of men from bankruptcy in this country in the panic of 1907**
15. President Corey was with them; a majority of the finance committee was ready to agree on wage cuts. Judge Gary was opposed. He believed the depression was passing - a revival in sight - that a wage cut was unwise and unnecessary, and asked for time...Before the summer was ended the Corporation had taken on 30,000 workmen and its earnings were sufficient to resume the quarterly dividend on the common stock. **His long-sighted handling of affairs in these two tempestuous years made a deep impression on his colleagues. Mr. Perkins, who had been many years Chairman of the finance committee of the US Steel Corporation, by way of answer recalled a single decision by Chairman Gary, made against great opposition, which Mr. Perkins said was, in his opinion, worth one hundred times all the salary that the Steel Corporation would ever pay Mr. Gary in his lifetime. It was the above decision concerning wages**
16. **Competitor after competitor testified that while the Corporation was a hard-headed one, it was fair, often generous and that nobody feared attack from it, striking a contrast to those great combinations where strength was so systematically used to injure that competitors lived in a kind of chronic panic, without confidence or peace, frequently "seeing things" where there was nothing**
  1. *Win/win lowers risk and eliminates people "seeing things" where there is really nothing - things are positively springloaded*
17. One often hears an old steel worker say, "Look at Jim Farrell. See what he has done. I knew him when he was drawing wire." These advancements, it is to be remembered, are not by accident or chance, but by a carefully supervised system based on merit. They are an everyday proof to the men that a share in management is open to them, waiting for them, if they prove their willingness and ability to take it.



18. It is better to keep men on pay rolls than on relief and jails rolls, was a dictum Judge Gary laid down years ago and every subsidiary has its own way of following the council
  19. But if the government had won the trial, had ordered a dissolution, what would Judge Gary have done? I asked him once. "I had in mind a plan," he replied. "I might have said to the government, 'We propose that you consent to dividing the Corporation into two distinct companies, each having every line of business, fully integrated and fully diversified: one - The Federal Steel handling the West and Middle West territory; the other - The Carnegie Steel Company - handling the East.' This would have accomplished the government's purpose and would have been the least possible shock to business and to the foreign trade and would have protected investors
    1. *always have a plan B*
  20. **The highest and best rewards come from honest and proper practice. Bad results in the long run come from selfish, unfair, and dishonest conduct.**
  21. **His greatest victory has been, possibly, in bringing men in the industry to ask, unashamedly, the question, "Is it right?" And to refuse when they thought it was wrong.**
5. Judge Gary's Mind & Work Ethic
1. His mind is so trained that it quickly penetrates, selects, and lays hold of what is essential in the most voluminous report on the most difficult question. Almost every associate of Judge Gary with whom I have talked in preparing this narrative has spoken in admiration and wonder of his prompt mastery of problem. The present secretary of the Corporation, George Leet, for 11 years the Judge's private secretary, never has lost his sense of amazement at this power of quickly getting at the essentials. Mr. Leet says that in 1911, when the Bureau of Corporations' Judge spent four hours going over it, with numerous interruptions. "After he left, I looked over the books and I found, to my astonishment, that he had gone through them from end to end, marking paragraphs and even making marginal comments. "How in the world did you do it?" I asked him. "Did it photograph itself on your mind?" But he did not seem to think it was anything unusual. He had the habit of 'just getting the gist out of a book, he said."
  2. He will ask a man that reports something if he is guessing. "If so, I can guess as well as you can." You will learn," one of them remarked, "never to go to him

with anything unless you have learned all you can about it. He senses whether a man knows what he is talking about or not.”

3. “I never saw anybody who could put figures together more quickly or more exactly than Judge Gary. Of course, he does not claim to be an expert in the details of steel making 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, get the gist of it quickly: not much gets by him” - this from one of his fellow directors
4. He is a wonderful leader. When you take a problem to him, he helps you to come to the right solution and then gives you all the credit; and if it is trouble with somebody, always says at the start, ‘Now, what is the other fellow’s side?’
5. Along with his trained capacity for getting the gist of a problem, goes great patience. “His patience and his knowledge will wear down anybody that I ever saw sitting opposite him,” a fellow finance committeeman remark. And this patience is combined with a quality very unusual in a man of well-based and strongly held views, and that is tolerance of opposing opinion, willingness to listen and consider what others think and say.
  1. *Tin/Copper/Bronze - blend together traits that aren’t typically found together and you may end up with multiplicative effects*
6. Mr. Lindabury, who for many years Was general counsel and a member of the finance committee, considered his willingness to listen to other men, to listen to opposite views, most unusual. “He is the only man of his class that I have known that has this characteristic. I have known John D. Rockefeller, the elder Morgan, Jim Hill, well - had business dealings with them - all of them were intolerant of opposing opinions - intolerant of those about them - expected to be agreed with. Judge Gary is never intolerant. He seeks the opinions of associates, listens to everybody. His mind is clear on what he thinks, but he is kindly toward those who oppose him in business, and he gives up when there is a majority against him, in a good-tempered and friendly fashion.”
7. **Have no fear of unworthy criticisms, and entertain no unjust prejudice**
8. When I was in the public school and a new boy came, his place had to be settled and I never shirked that! There is a protective wisdom in this - **Judge Gary has always had so many heavy campaigns on hand that he could not afford time or strength on small ones**

9. **Courage to do the right thing and fear to do the wrong thing, are of equal rank in every good person's determination**
6. War
    1. It is not action but waiting that pulls hardest on men's nerves
    2. A stormy session followed, marked by outspoken charges of delays and indifference from Mr. Replogle, by delinquents named, and by equally outspoken denials by the accused. At a moment when it looked as if the meeting was getting out of hand, Judge Gary suddenly laid before the members of the committee a pledge: "For myself, my Corporation or my firm, I pledge the prompt production and delivery of the largest possible quantity of material in our departments that is, or shall be required by the US government for the necessities of itself and its allies, and agree that all other liens of our business shall be subordinated to the pledge, and all this in accordance with the request of the War Industries Board.
  7. Other
    1. Great negotiator as he truly understood people and had such a great reputation that people trusted him wholly
    2. **A man of infinite patience**
    3. Didn't want to deal with a monopoly in any sense of the word - wanted a "rounded proposition"
    4. Gary, IN named after him
    5. **Sought steady prices, steady wages, steady labor**
    6. Always ahead of his time - ethics, labor, wages, cooperation, no monopoly or trusts...
    7. Begin at the bottom and work up
    8. **Gary possessed a rare kind of courage**
    9. He had always taken good care to keep his body fit, his mind clear
    10. **The great mass of people never see anything coming. They notice it when it arrives.**
    11. Several times during the past week I have endeavored to write something that I might say to you on this occasion that would be appropriate, Judge Gary, and that would express the sentiment of your friends here assembled, but each time I tore it up as unsatisfactory, and I made up my mind that I would say to you exactly what I personally felt, feeling assured that in the saying of it I would express what was in the hearts and minds of every gentleman here. I am thankful for the opportunity of saying one thing, Judge. You and I have been associated in



business, or we were, for some years; we have had many differences, and I am glad of this opportunity to say that with my bounding enthusiasm and optimism I was wrong in most instances - indeed all instances - and you're right. The broad principles that you brought into this business were new to all of us who had been trained in a somewhat different school. Their effect was marvelous, their success unquestioned. It was a renaissance and a newness of things in this business that were necessary and invigorating. Judge, we feel that your position in the steel industry is unique. I have been present at many gatherings where men have been honored for scientific attainments in steel. I have been present at gatherings where men have been honored by reason of their operative ability in the manufacture of steel; but, sir, this is the first time in the history of the industry when the great heads of all the big concerns in the US and Canada have gathered to do honor to a man who has introduced a new and successful principle in our industry. - Speech by Charles Schwab to Judge Gary

12. Dear Judge Gary: With every good wish for you, and great appreciation of what you have done in these years of unusual stress in the administration of momentous affairs committed to your charge, believe me, with high esteem and most kindly regard, John D. Rockefeller

#### What I got out of it

1. Gary was an incredible man. A leader who was able to see out further than anyone, understanding that sound ethics would lead to sound business. He sought stable prices, wages, and labor, understanding that this would be a win/win for every counterparty. He showed leadership during the war and was able to bring together the steel industry like never before. "His greatest victory has been, possibly, in bringing men in the industry to ask, unashamedly, the question, "Is it right?" And to refuse when they thought it was wrong."

