Bethlehem Moment: Mr. Schwab Comes to Bethlehem

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City Council

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Bethlehem Moment: January 1905

 Mr. President, members of City Council, Mr. Mayor, ladies and gentlemen. My name is Robert Bilheimer, and I am general manager of the Industrial Archives & Library, a Private Operating Foundation based here in Bethlehem and organized as an independent institution to collect, organize, conserve and preserve industrial records and to make them available for education and research to historians, scholars, and the public. It's a pleasure to be here tonight to see so many familiar faces and to present my "Bethlehem Moment."

I take you back almost exactly 115 years ago. It's a chilly day in early January 1905. A train from New York City pulling a private railcar, The Loretto, slowly pulls into Union Station in South Bethlehem. And, yes, it's the borough of South Bethlehem, for Bethlehem is not yet a single unified city. Just the year before in 1904, the Borough of Bethlehem, Northampton County, had annexed the Borough of West Bethlehem, Lehigh County, but Bethlehem and South Bethlehem were still very much separate communities. In time, a man on that train would do much to change that, but that was not why he had come to town.

As the train comes to a stop, out of The Loretto steps Charles M. Schwab, his reputation preceding him – at age 19, chief engineer of the Carnegie Steel Works at Braddock, Pa.; general superintendent of the famous Carnegie Edgar Thompson Works at age 27;
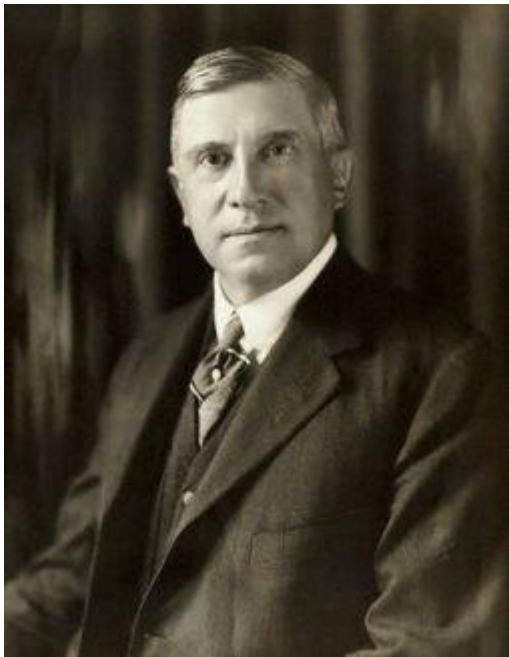
president of Carnegie Steel Company at just 35; and the former first president of this nation's first billion-dollar corporation, United States Steel Corporation. He was a titan of industry, one of America's most distinguished citizens and one of the wealthiest.

Schwab had had a recent falling out with J. P. Morgan, Judge Elbert Gary and the Board at U.S. Steel, and he had come to town to take the reins of a new entity, the Bethlehem Steel Corporation, the key asset of

which was the Bethlehem Steel Company and its single steel plant in South Bethlehem. Just one month before, in December of 1904, Schwab had founded Bethlehem Steel Corporation out of the ashes of the failed United States Shipbuilding Corporation, which had included the Bethlehem Steel Company and a handful of shipyards on the East Coast and the famous Union Iron Works in San Francisco – itself the builder of some of America's earliest steel warships, including Admiral Dewey's cruiser U.S.S. *Olympia* and the battleship *Oregon*.

Call it a bit of Schwab bravado, one-upmanship, or just Schwab's typical desire to "do something else, yet," as he liked to say, Schwab was bound and determined to go out and build a bigger and better U.S. Steel – and Bethlehem was his vehicle. He was very much a man on a mission, and he got started right away.

Concerned that Bethlehem Steel's fortunes were too closely tied to military contracts – Bethlehem had enjoyed great success as the birthplace of the American defense industry in the late 19th century when it developed America's first heavy forging complex and supplied all the armor plate, big guns and ordnance for the modern U.S. Navy – Schwab was looking for ways to diversify Bethlehem's commercial, non-military product line. He found his answer overseas.

Early in 1905, Schwab secured the rights to the Grey Mill Process, a revolutionary but unproven process developed by Englishman Henry Grey for continuously rolling a wide-flange beam, or structural shape. Up to that point, structural shapes were rolled in pieces and bolted together, thus limiting their strength and utility. People in the steel industry said, "Charlie, you're crazy, it'll never work." Schwab, ever ready for a challenge, believed otherwise and literally bet the company on it. He said at the time, "boys, if we are going to go bust, we're going to go bust big." Well, it did work, and in 1908, the age of the skyscraper came into its own, right here in Bethlehem. The sky was now the limit and Bethlehem became the "go to" for structural steel and construction engineering expertise for the next 90 years.

Also in the crowd that day to welcome Schwab to Bethlehem was a young engineer and a rising star at Bethlehem Steel, Eugene G. Grace. An 1899
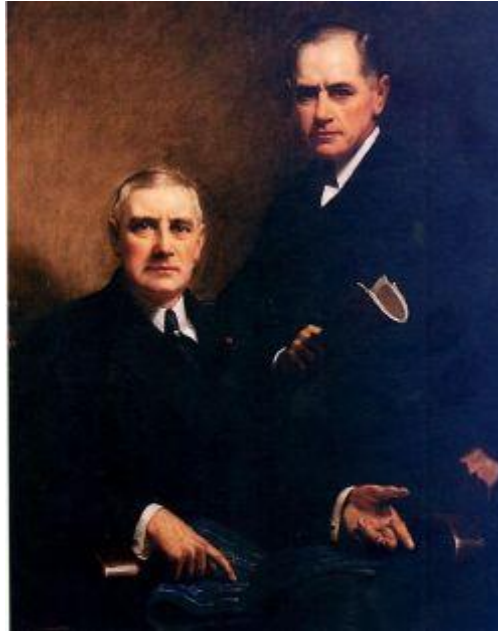
graduate of Lehigh University, Grace joined Bethlehem Steel that year as a crane operator, making $1.80 per day. By the time Schwab arrived in Bethlehem, Grace had advanced to superintendent of yards and transportation. Grace's abilities quickly caught Schwab's eye, and like the young Charlie Schwab at Carnegie Steel, Eugene Grace began a meteoric rise at Bethlehem Steel.

After a stint in Cuba reorganizing Bethlehem's iron ore mines there and successfully directing the development of the Grey Mill project, Grace advanced in rapid succession to general superintendent of the Bethlehem Plant in 1906 and then general manager in 1908. By 1911 he was named a vice president and director of Bethlehem Steel Corporation, president of Bethlehem Steel Company in 1913 and then president of Bethlehem Steel Corporation in 1916, where he effectively ran the corporation for the next 41 years.

Schwab would slowly recede from the day-to-day management of the company and would die in 1939 and Grace would become chairman in 1945. But Schwab and Grace, two of this country's greatest industrialists would together build one of the most remarkable and significant industrial organizations of the 20th century.

Before he even bought a home here, Schwab spent six months living and working twenty hours a day out of his private railcar to get the new company started. And, with Grace's help, together they took a single-plant money-losing steel company and built it into the second largest steelmaker in the country and the largest shipbuilder in the world through two World Wars and into the 1950s.

Dubbed "The Arsenal of Democracy" and arguably America's most important defense contractor through both World Wars, Bethlehem's industrial output was staggering. Bethlehem built nearly 3,000 ships during that period, including 1,121 alone in World

War II in what was the largest and most diverse shipbuilding campaign in world history. Mr. Grace pledged that Bethlehem would build a ship-a-day by the end of the war – and delivered — with an amazing 380 in 1943! Bethlehem's shipyards also repaired and/or converted an astounding 30,000 other ships during World War II.

Coming out of Bethlehem shipyards in the 20th Century were warships and commercial vessels of every class and size including America's first aircraft carrier, the U.S.S. *Lexington* and six other *Essex* Class carriers, six battleships, scores of heavy cruisers, light cruisers, destroyers, destroyer escorts, troopships, auxiliaries, landing craft, tankers and super tankers, America's first Liberty Ship – the S.S. *Patrick Henry*, cruise liners, America's first nuclear-powered surface warship, the U.S.S. *Long Beach* and eventually, off-shore oil rig platforms.

It was quite a record. But that's only part of the story! For not only did Bethlehem Steel play a pivotal role in defending this country, but it also

helped build the very landscape of our modern world and the infrastructure to transport its citizens. Out of Bethlehem's mills came such landmark structures — many also fabricated and erected by its diverse workforce – as The Golden Gate Bridge, The George Washington Bridge, The Ben Franklin and Walt Whitman Bridges in Philadelphia, The Chrysler Building, Rockefeller Plaza, Madison Square Garden and The Waldorf-Astoria in New York City, the Merchandise Mart in Chicago, the U.S. Supreme Court building in Washington D.C., Los Angeles City Hall and the locks of the Panama Canal.

Mr. Schwab and Bethlehem Steel also played a key role here at home, with Schwab's instrumental role in merging the two boroughs into our modern City of Bethlehem in 1917 and his leadership in linking the two sides of the river via the Hill-to-Hill Bridge. And you don't have to look any further than Bethlehem's magnificent public water system to see one of the many, many large and small ways that the company has touched our community.

Bethlehem was not just another steel company under founder Charles Schwab's tutelage. Bethlehem Steel was a paragon of American industry that helped touch society and shape our country in many diverse ways, perhaps none grander than playing a central role in winning World War I. Proof is in the words of David Lloyd George, Prime Minister of Great Britain, who after the war said, "Charles Schwab was the first American

to help us. He gave us the necessary equipment to continue the war to a successful ending for the Allies.”

And it all started that day, when Mr. Schwab came to Bethlehem.

Thank you!

About the Industrial Archives & Library

Established in 2015, the Industrial Archives & Library (IAL), is a 501(c)(3), private operating foundation located in Bethlehem, Pa., organized as an independent institution to collect, organize, conserve and preserve industrial records and to make them available for education and research to historians, scholars, and the public. Current holdings include records relating to banking, slate quarrying, coal mining, silk and textiles, steel, shipbuilding, transportation and railroads. IAL also houses an oral history program and offers repository services for corporate and industrial records.

“Preserving Historical Records for the Ages”

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