

# THE STEEL CORPORATION AND THE PANIC OF 1907

BY THEODORE ROOSEVELT

ON Saturday, August 5, in compliance with the request of the Chairman of the Congressional Committee investigating the absorption of the Tennessee Coal and Iron Company by the Steel Corporation, I appeared before that body. I had nothing new to which to testify. There was not a fact of the slightest importance or of the slightest bearing upon my action which was not already known, and which had not been known from the time I acted; and incidentally I may mention that this is also true as regards Panama, the dealings of my Administration with the Sugar Trust or any other trust, and as to any other action of my Administration. Nobody need feel either concern or hope as to whether anything done by my Admin-

istration will be "discovered," for the excellent reason that there is nothing that was hidden.

I made to the Committee the statement which follows. Several questions were then asked by different members of the Committee. Most of these questions dealt with matters not of sufficient moment to warrant allusion to them here. Many of them were as to what my belief was concerning the motives of the Steel Corporation people in acquiring the Tennessee Coal and Iron Company's property; to which, of course, my answer was that it was not my business, and neither was it in my power, to search the hidden domain of motive, and that my action was conditioned, not upon what I believed to be the motives actuating the Steel Corporation,

but upon my belief that the action which they proposed taking would be enormously to the benefit of the community at large at that particular moment. Whether the chief motive for their action was a desire to absorb the Tennessee Coal and Iron Company, or whether their chief motive was to save the threatened New York firm from failure, and thereby stop the panic, was of no concern to me. That both motives were in their minds I thought possible, and now think possible. What was the predominant motive was of no consequence. My concern was that the action should be taken and the situation saved in the interests of the people of the United States. Most individuals have short memories, and the events in question took place nearly four years ago; but if any one will look back and think the matter over seriously and in good faith, he will understand that it was not a question of saving any bank or trust company from failure: the question was of saving the plain people, the common people, in all parts of the United States from dreadful misery and suffering; and this was what my action did. One of the questions put to me indicated disbelief, or, to be more accurate, perhaps I should say that it was meant to be understood as indicating disbelief, that the action taken was really efficient in stopping the panic. At the time, and for some months after the panic had been stopped, no man would have ventured to express such disbelief unless prepared to be greeted with derision by every human being who knew anything whatever of the actual facts. The question is not to be treated seriously, for it cannot be so treated. The action taken was, in my judgment, the only action that could stop the panic, and it most certainly was of enormous, and in all human probability of decisive, influence in actually stopping it.

Certain other questions related to the alleged fact that during the past four years the ore lands formerly owned by the Tennessee Coal and Iron Company have been developed until they are of such enormous importance as to give to the Steel Corporation nearly complete control of the steel business, through control of the sources of the raw material. Whether or not this is so has no bearing upon the action taken

four years ago. The purchase as made did not by itself, one way or the other, affect the status of the Steel Corporation so far as the Sherman Law was concerned; and this statement is not affected by consideration of what may or may not be a totally different state of affairs four years later. I dealt with facts as they were, not with facts as they might or might not afterwards become. I believe that this covers every point of any consequence raised in the questions put to me after I had made my statement. The statement itself is as follows:

In the fall of 1907 there were severe business disturbances and financial stringency, culminating in a panic which arose in New York and spread over the country. The damage actually done was great, and the damage threatened was incalculable. Thanks largely to the action of the Government, the panic was stopped before, instead of being merely a serious business check, it became a frightful and nationwide calamity, a disaster fraught with untold misery and woe to all our people. For several days the Nation trembled on the brink of such a calamity, of such a disaster.

During these days both the Secretary of the Treasury and I personally were in hourly communication with New York, following every change in the situation, and trying to anticipate every development. It was the obvious duty of the Administration to take every step possible to prevent appalling disaster by checking the spread of the panic before it grew so that nothing could check it. And events moved with such speed that it was necessary to decide and to act on the instant, as each successive crisis arose, if the decision and action were to accomplish anything. The Secretary of the Treasury took various actions, some on his own initiative, some by my direction. Late one evening I was informed that two representatives of the Steel Corporation wished to see me early the following morning, the precise object not being named. Next morning, while at breakfast, I was informed that Messrs. Frick and Gary were waiting at the office. I at once went over, and, as the Attorney-General, Mr. Bonaparte, had not yet arrived from Baltimore, where he had

been passing the night, I sent a message asking the Secretary of State, Mr. Root, who was also a lawyer, to join us, which he did. Before the close of the interview, and in the presence of the three gentlemen named, I dictated a note to Mr. Bonaparte, setting forth exactly what Messrs. Frick and Gary had proposed, and exactly what I had answered—so that there might be no possibility of misunderstanding. This note was published in a Senate Document while I was still President, and is already spread on the minutes of your Committee. It runs as follows:

THE WHITE HOUSE,  
Washington, November 4, 1907.

*My Dear Mr. Attorney-General:*

Judge E. H. Gary and Mr. H. C. Frick, on behalf of the Steel Corporation, have just called upon me. They state that there is a certain business firm (the name of which I have not been told, but which is of real importance in New York business circles), which will undoubtedly fail this week if help is not given. Among its assets are a majority of the securities of the Tennessee Coal Company. Application has been urgently made to the Steel Corporation to purchase this stock as the only means of avoiding a failure. Judge Gary and Mr. Frick informed me that as a mere business transaction they do not care to purchase the stock; that under ordinary circumstances they would not consider purchasing the stock, because but little benefit will come to the Steel Corporation from the purchase; that they are aware that the purchase will be used as a handle for attack upon them on the ground that they are striving to secure a monopoly of the business and prevent competition—not that this would represent what could honestly be said, but what might recklessly and untruthfully be said.

They further informed me that, as a matter of fact, the policy of the company has been to decline to acquire more than sixty per cent of the steel properties, and that this purpose has been persevered in for several years past, with the object of preventing these accusations, and, as a matter of fact, their proportion of steel properties has slightly decreased, so that it is below this sixty per cent, and the acquisition of the property in question will not raise it above sixty per cent. But they feel that it is immensely to their interest, as to the interest of every responsible business man, to try to prevent a panic and general industrial smash-up at this time, and that they are willing to go into this transaction, which they would not otherwise go into, because it seems the opinion of those best fitted to express judgment in New York that it will be an important factor in preventing a break that might be ruinous; and that this has been urged

upon them by the combination of the most responsible bankers in New York who are now thus engaged in endeavoring to save the situation. But they asserted that they did not wish to do this if I stated that it ought not to be done. I answered that, while of course I could not advise them to take the action proposed, I felt it no public duty of mine to interpose any objections.

Sincerely yours,

(Signed) THEODORE ROOSEVELT.

Hon. Charles J. Bonaparte,  
Attorney-General.

Mr. Bonaparte received this note in about an hour, and that same morning he came over, acknowledged its receipt, and said that my answer was the only proper answer that could have been made, having regard both to the law and to the needs of the situation. He stated that the legal situation had been in no way changed, and that no sufficient ground existed for prosecution of the Steel Corporation. But I wish it distinctly understood that I acted purely on my own initiative and that the responsibility for the act was solely mine.

I was intimately acquainted with the situation in New York. The word "panic" means fear, unreasoning fear; to stop a panic it is necessary to restore confidence; and at the moment the so-called Morgan interests were the only interests which retained a full hold on the confidence of the people of New York—not only the business people, but the immense mass of men and women who owned small investments or had small savings in the bank and trust companies. Mr. Morgan and his associates were of course fighting hard to prevent the loss of confidence and the panic distrust from increasing to such a degree as to bring any other big financial institutions down; for this would probably have been followed by a general, and very likely a world-wide, crash. The Knickerbocker Trust Company had already failed, and runs had begun on, or were threatened, as regards two other big trust companies. These companies were now on the fighting line, and it was to the interest of everybody to strengthen them, in order that the situation might be saved. It was a matter of general knowledge and belief that they, or the individuals prominent in them, held the securities of the Tennessee Coal and Iron Company, which securities had no

market value, and were useless as a source of strength in the emergency. The Steel Corporation securities, on the contrary, were immediately marketable, their great value being known and admitted all over the world—as the event showed. The proposal of Messrs. Frick and Gary was that the Steel Corporation should at once acquire the Tennessee Coal and Iron Company, and thereby substitute, among the assets of the threatened institutions (which, by the way, they did not name to me) securities of great and immediate value for securities which at the moment were of no value. It was necessary for me to decide on the instant, before the Stock Exchange opened, for the situation in New York was such that any hour might be vital, and failure to act for even an hour might make all subsequent effort to act utterly useless. From the best information at my disposal, I believed (and believe) that the addition of the Tennessee Coal and Iron property would only increase the proportion of the Steel Company's holdings by about four per cent, making them about sixty-two per cent instead of about fifty-eight per cent of the total value in the country; an addition which by itself, in my judgment (concurrent in, I may add, not only by the Attorney-General but by every competent lawyer with whom I talked), worked no change in the legal status of the Steel Corporation.

Furthermore, I believed that the action was emphatically for the general good, that it offered the only chance for arresting the panic, and that it would probably arrest the panic. I answered Messrs. Frick and Gary, as set forth in my published letter, to the effect that I did not deem it my duty to interfere, that is, to forbid the action which more than anything else in actual fact saved the situation. The result justified my judgment. The panic was stopped, public confidence in the solvency of the threatened institution being at once restored.

Incidentally I may mention that when I was in Birmingham last spring, every man I met, without exception, who was competent to testify informed me voluntarily that the results of the action taken had been of the utmost benefit to Birmingham, and therefore to Alabama, the

industry having profited to an extraordinary degree, not only from the standpoint of the business, but from the standpoint of the community at large and of the wage-workers, by the change in ownership. The results of the action I took were beneficial from every standpoint, and the action itself, at the time when it was taken, was vitally necessary to the welfare of the people of the United States.

In my judgment I would have been derelict in my duties, I would have shown myself a timid and unworthy public servant, if in that extraordinary crisis I had not acted precisely as I did act. In every such crisis the temptation to indecision, to non-action, is great, for excuses can always be found for non-action, and action means risk and the certainty of blame to the man who acts. But if the man is worth his salt he will do his duty, he will give the people the benefit of the doubt, and act in any way which their interests demand and which is not affirmatively prohibited by law, unheeding the likelihood that he himself, when the crisis is over and the danger passed, will be assailed for what he has done.

Every step I took in this matter was open as the day, and was known in detail at the moment to all people. The press contained full accounts of the visit to me of Messrs. Frick and Gary, and heralded widely and with acclamation the results of that visit. At the time the relief and rejoicing over what had been done were well-nigh universal. The danger was too imminent and too appalling for men to be willing to condemn those who were successful in saving them from it. But I fully understood and expected that when there was no longer danger, when the fear had been forgotten, attack would be made upon me.

If I were on a sail-boat, I should not ordinarily meddle with any of the gear; but if a sudden squall struck us, and the main sheet jammed, so that the boat threatened to capsize, I would unhesitatingly cut the main sheet, even though I were sure that the owner, no matter how grateful to me at the moment for having saved his life, would a few weeks later, when he had forgotten his danger and his fear, decide to sue me for the value of the cut rope.