

Bethlehem Steel: The Rise and Fall of an Industrial Titan Author(s): Jacob Roth

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BETHLEHEM STEEL

THE RISE AND FALL OF AN INDUSTRIAL TITAN

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ABSTRACT: Bethlehem Steel's success was not destined to last forever. Due to a combination of poor business management, labor strikes, and a general transition away from traditional steel manufacturing in the United States, the Bethlehem Steel Corporation fell into a period of decline in the late 1970s from which it never recovered. It filed for bankruptcy in 2001, marking the end of an industrial titan significant to American steel making and to the lives of the people who built and maintained it for decades.

KEYWORDS: Bethlehem Steel, I-beam, Eugene G. Grace, Martin Tower, Charles Schwab

Once, the gargantuan Bethlehem Steel blast furnaces breathed fire that sweating steelworkers had to feed before they could feed their families. Now, it is a silent shuttered place, an abandoned witness to an American way of life extinguished. Unthinkable.

—*Forging America: The Story of Bethlehem Steel*

On the banks of the Lehigh River in Bethlehem, Pennsylvania, stood a five-mile stretch of blast furnaces and machine shops that employed thousands of people every day of its existence. The flagship plant of the Bethlehem Steel Corporation was a testament to the industry and innovation that fundamentally changed the American way of life. It was this same place, however, that also came to embody harrowing economic decline, poor business practices, and eventual failure. Throughout the late nineteenth century and the better part of the twentieth century, Bethlehem Steel heralded a triumphant

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American success story for the communities and institutions it helped to build and sustain. The corporation eventually faltered due to management's resistance to change business practices, resulting in its closing and a tragedy embodied in its effect on those who worked there and the end of massive steel production that helped build the United States of America.

The history of what would become Bethlehem Steel originated with the Lehigh Coal and Navigation Company in the 1830s, when the company made possible the transportation of anthracite from Pennsylvania coal regions in Carbon County to Easton and Philadelphia. Around the same time, Asa Packer, a canal builder from Mauch Chunk, was searching for a faster way of shipping anthracite by way of the Lehigh Valley Railroad.¹ Packer, described as "shrewd and daring in business" and "an orchestrator with panoramic vision who seized opportunities," sent his protégé, Robert H. Sayre, to open and operate the Lehigh Valley Railroad headquarters in South Bethlehem.² Sayre accepted the task, but soon realized that the railroad would need a source of iron in order to build rails for expansion throughout the valley. He found his solution in Augustus Wolle, a Moravian merchant from Nazareth who had recently founded the Saucona Iron Company.³ That company, however, encountered financial difficulty due to the Panic of 1857. Robert Sayre purchased the floundering company, moved it to Bethlehem, and renamed it the Bethlehem Iron Company.

Sayre's next move would catapult it into a new era of success. In 1860 he convinced John Fritz, who at that time was considered "the most inventive of all American iron masters," to join the company as its designer and operative supervisor.⁴ On January 5, 1863, the first blast furnace of the Bethlehem Iron Company began producing rails for the railroad, the first of many industries the company would assist in building. Recognizing Fritz's success with the Bethlehem Iron Company, in 1864 the federal government asked him to construct a rail rolling mill in Chattanooga, Tennessee. This tactic helped the Union Army as they expanded their influence in the Confederate South. This, of course, meant profits for Sayre's company and marked the first of many times it and its leaders would be called on to provide resources for the US military.

Throughout the rest of the nineteenth century, the Bethlehem Iron Company continued to expand and enjoy even more success at the national level, shown through the manufacture of cannons, armor plates, and other machine parts critical to the United States' victory in the Spanish-American War. Besides national prosperity, the company also fostered the growth of

the local community. The expansion of the south-side Bethlehem plant created thousands of jobs and provided work for newly arrived immigrants from southern and eastern Europe. They settled with their families in South Bethlehem, thus stimulating the economy and adding to the diversity of the Lehigh Valley. This pattern of growth and development continued as the company grew at the dawn of the twentieth century.

In 1899 a group of railroaders and investors founded the Bethlehem Steel Company. They quickly acquired the Bethlehem Iron Company. Two years later Charles M. Schwab purchased the company, and in 1904 it became known as the Bethlehem Steel Corporation, the name it would hold until its demise at the end of the century (see fig. 1). Schwab became synonymous with Bethlehem Steel's rise to greatness "partly through his unique knowledge of steel and partly through the cult of personality that he helped promote."⁵ Under Schwab's leadership, the company expanded nationally, globally, and beyond the steel industry, obtaining coal holdings around the northeastern United States; the Lackawanna Steel Company; the Fore River Shipbuilding Company, and iron mines in Cuba. Shortly after forming the Bethlehem Steel Corporation, Schwab hired electrical engineer Eugene G. Grace to manage its growth. The two men "became the team that built Bethlehem from a small producer with an ingot capacity of less than one percent of the national total in 1905 to the world's second-largest producer in fewer than 35 years," marking yet another long-term triumph for the company.⁶ In 1916 Grace was named company president, with Schwab remaining as the chairman of the board. The Bethlehem Steel Corporation also broke into the international

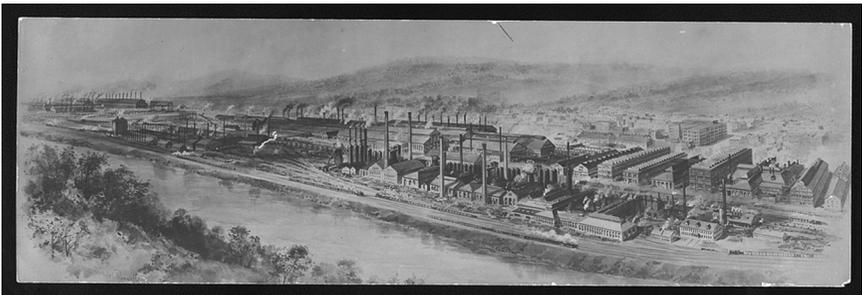


FIGURE 1. Richard Rummell, *Bethlehem Steel*, 1908. This drawing shows the Bethlehem Steel plant as it appeared in 1908. The company would continue to be a large industrial presence along the Lehigh River in the south side of Bethlehem, Pennsylvania, for the next eighty-seven years. Courtesy Library of Congress Prints and Photographs Division, Washington, DC, MS 2013646256.

steel market with the onslaught of World War I. During the war, it became the largest armaments supplier, building warships for the British navy as well as filling orders placed by the French and Russian governments.⁷ In 1917 it also acquired the Pennsylvania Steel Company in Steelton, Pennsylvania.

The Great Depression of the early 1930s wreaked havoc on some of the nation's largest financial institutions. But, in a surprising series of events similar to those of the Panic of 1857, Bethlehem Steel survived and flourished, this time due to President Franklin D. Roosevelt's National Industrial Recovery Act of 1933. The act suspended antitrust laws contingent upon an agreement in which companies such as Bethlehem Steel addressed labor reform and workers' rights. This marked another instance in which the company triumphed in times of national hardship. Its most notable project of the decade was the Golden Gate Bridge in San Francisco, California, to which Bethlehem Steel supplied 68,000 tons of steel. Company designers also perfected the design of the I-beam in order for buildings to extend higher in urban landscapes. This innovation led to the company's establishment as the world's leader in supplying steel for building skyscrapers.⁸ Notable projects of the era using Bethlehem Steel's newly designed I-beam include the Bank of Manhattan Tower and the Chrysler Building, then the world's tallest, in New York City. As Carson F. Diefenderfer, Bethlehem Steel's chief engineer once said, "Bethlehem was King in Manhattan." It also constructed the Randolph Tower and Morrison Hotel in Chicago; the Cathedral of Learning at the University of Pittsburgh; and bridges such as the Ben Franklin Bridge in Philadelphia and the George Washington Bridge in New York.⁹

By 1941 US involvement in World War II was imminent. This compelled Grace to shift all of the company's capacity to war production. In fact, it is reported that during the war Grace pushed the production to 101 percent of the usual capacity at Bethlehem Steel.¹⁰ This push made the company the second-largest supplier of steel to the US military during World War II with over 73 million tons of steel produced, surpassed only by the US Steel Corporation. From 1941 to 1945 Bethlehem Steel produced over 1,100 ships, including destroyers, aircraft carriers, cruisers, and cargo ships. The sales generated by Bethlehem Steel throughout the war were among the largest ever received by the company: before the war, gross sales totaled \$135 million. By the end of the war, the company's sales skyrocketed to \$1.33 billion, and they employed approximately 300,000 people.

After the war, Bethlehem Steel transitioned back into domestic industrial products, including air ducts, steel for cars, machinery, and tools. Donald

Young, a fifty-six-year employee of the steel industry, recalls that the flagship plant in Bethlehem, Pennsylvania, where he worked for thirty-three years, was “the most diverse steel plant there ever was in the whole world.”¹¹ This era marked the pinnacle of Bethlehem Steel’s success: a national economic empire that created vast amounts of wealth because of employment opportunities and its products that influenced nearly every aspect of the American consumer’s life.

In a twist of irony, it was the diversity of production at the flagship plant that may have accelerated the downfall of Bethlehem Steel. When he first started at the Bethlehem Plant in 1962, Donald Young described the plant as “an operating museum . . . instead of phasing this place out, they were investing millions of dollars in this place, scrunched up in an old plant with terrible interplant transportation, so it would never again produce to its capacity.”¹² He felt that the management’s resistance to adapt to new technology, combined with the nostalgia of the plant in Bethlehem being the home plant, helped to accelerate its demise.

There were other problems that foreshadowed the end of success for Bethlehem Steel. The first was the steel strike of 1959, a 116-day labor strike by members of the United Steelworkers of America. This strike slowed production of steel all across the United States and forced many consumers of steel to look to foreign companies in places such as Asia, where the cost of steel manufacturing was much cheaper. Although the strike eventually ended, the damage was already done, and the manufacturing of steel in the United States would never again reach pre-1959 levels. The corporate culture also contributed to the demise of Bethlehem Steel. The nepotism and closed-off culture that the executives embodied, which began in the days of Charles M. Schwab, became a problem because “the gung-ho management never educated up and coming management what to do in times of distress.”¹³ Had this environment not existed throughout the successful days of Bethlehem Steel, it might have prevented the tragedy of a lack of competency in the higher-ups of the corporation’s management, which eventually resulted in the erosion of the company’s success.

That erosion of success was felt far beyond the corporate headquarters in Bethlehem, particularly in Johnstown, Pennsylvania, where the steel industry was the largest employer in the region. By October 1982 Bethlehem Steel had reduced its work force to 2,800, down from 13,000 in the late 1970s. By this time, over 65 percent of the Johnstown area’s steelworkers were unemployed.¹⁴ Many of the Johnstown steelworkers viewed the decline of

the steel industry in their hometown as a side effect of an increasing reliance on foreign steel, bought by the United States at prices subsidized by foreign governments. In response to the industrial decline, steelworkers organized petitions and rallies aimed at raising awareness about their current economic and employment struggles.

Another factor playing into the collapse of Bethlehem Steel was an excess of corporate greed, most notably symbolized by their new world headquarters building: Martin Tower. Opened in 1972, the building was 330 feet tall and the tallest building in the Lehigh Valley. For extra extravagance, the building was constructed in a cross shape in order to maximize the number of offices with windows for the executives. In an odd twist of fate, it was at Martin Tower on Friday, September 30, 1977 (referred to as “Black Friday”), where 800 of 2,500 white-collar workers laid off by Bethlehem Steel left their jobs for the last time, fully realizing the direction in which the company was headed.¹⁵

The economic hardships, layoffs, and plant closings continued until November of 1995, when the last steel ever made at the Bethlehem plant was poured. November 18, 1995, is the date often remembered by local residents and historians as they day the company ceased to produce steel, but, unbeknownst to most people, the electric furnace melting department produced the last steel on November 25. Nevertheless, it marked the end of an era for Bethlehem Steel and the nation, and for the first time in 132 years the blast furnaces on the south side of Bethlehem, Pennsylvania, fell silent. Less than six years later, on October 15, 2001, the company filed for bankruptcy, effectively marking the end of one of the greatest corporate empires the United States of America had ever seen.¹⁶

Besides the realization that the once-great Bethlehem Steel Corporation would never again be part of the beating heart of American industry, the most tragic effects of its closing were felt by the hardworking men and women who spent their entire careers with the company. In Johnstown, Tony Oravec, a forty-eight-year-old welder, felt that with the decline in the industry, he might have to take an early retirement. If he were to do so, he would have only been able to draw about \$950 a month in benefits until he would be able to collect Social Security at the age of 62.¹⁷ In 2002 the International Steel Group announced its intentions to buy the remaining plants of the bankrupted Bethlehem Steel Corporation, but not take on the pensions and healthcare costs of former employees. Instead, healthcare would be eliminated entirely, and pensions would be capped. Young remembers losing his

healthcare when he was “three years younger than being eligible for Medicare. So, I went three years with my fingers crossed.”¹⁸ To this day, Young is still receiving a pension of five-eighths of what he had originally been promised by Bethlehem Steel when he first started working. These unfortunate effects embody the true tragedy of Bethlehem Steel: how the mistakes of a selective few can effectively alter the lives of thousands in a negative and harmful way.

Despite its tragic end, the successes of Bethlehem Steel have not gone unnoticed. As Young concluded:

For 135 years [Bethlehem Steel] provided good employment, paid good wages, and benefitted the country. And that’s the history that should be remembered . . . more than politics and battles. What really makes the country is people coming together with a vision to make something. They actually make it, they produce it, society in general benefits from the product, from the employment it provides, and from the use its products give to people.¹⁹

Young’s assessment of American history runs parallel with the history of Bethlehem Steel. Though the blast furnaces burn no more, the memory and impact of the once-great industrial titan are still felt throughout the Lehigh Valley, the nation, and the world. Bethlehem Steel has forever molded its name into the forge of history, throughout all of its triumphs and tragedies.

JACOB ROTH is a senior at Parkland High School in Allentown, Pennsylvania. He has competed in the National History Day contest for the past five years, and his 2016 paper entry, entitled “Franklin D. Roosevelt’s Fireside Chats: Exploring the Use of Radio to Convey Information to the American People,” earned him a spot at the national competition at the University of Maryland, College Park. After graduation, Jacob plans to attend college and complete undergraduate work in the fields of political science and government.

NOTES

This article by Jacob Roth won the second annual Irwin Marcus Award for best senior paper on Pennsylvania history (grades 9–12) at the 2019 Pennsylvania History Day Competition at Carlisle High School, May 10–11. His teacher was

Calliope Volikas. The 2019 National History Day theme was “Triumph and Tragedy in History” and the Marcus Award Review Panel felt that Mr. Roth evoked that theme very well in a paper that tells the triumph and tragedy of a worldwide corporation based in Bethlehem, Pennsylvania. History Day students are required to provide an annotated bibliography for primary and secondary sources, something not usually done in this journal, but is included here to give the reader an idea of the format and structure of competition papers. The text of the paper can be no longer than 2,500 words, and Mr. Roth’s paper was 2,437. That number now varies with editing for this issue. The paper is also on the Pennsylvania Historical Association website at: pa-history.org. The editor thanks Jeff Hawks, state coordinator for Pennsylvania History Day, for his assistance.

The Marcus Award carries a cash prize, a certificate, and recognition in this journal. The Pennsylvania Historical Association wishes Jacob all the best in his future endeavors.

1. “South Bethlehem History: The Bethlehem Iron Company,” *Bethlehem Press*, June 11, 2015.
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5. Venditta and Ardith, eds., *Forging America*, 32.
6. “Bethlehem Steel Corporation,” *Reference for Business*, Advameg, <https://www.referenceforbusiness.com/history2/45/Bethlehem-Steel-Corporation.html> (accessed January 5, 2019).
7. Donald Stuart Young, interview with author, December 26, 2018 (hereafter Young interview).
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9. Quoted in *ibid.*, 55.
10. “Bethlehem Steel Corporation,” *Reference for Business*.
11. Young interview.
12. *Ibid.*
13. *Ibid.*
14. “Steel Industry Woes Weigh Heavily on Johnstown,” *New York Times*, October 3, 1982.
15. Venditta and Ardith, eds., *Forging America*, 124.
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After Bethlehem Steel closed, many former employees lost their pensions and health benefits. This photograph shows how retired workers would talk with steelworker unions in order to get advice from them as to how they could live financially.

Rummell, Richard. *Bethlehem Steel*, 1908, Library of Congress Prints and Photographs Division, Washington, DC, MS 2013646256.

Bethlehem Steel expanded its area all along the Lehigh River at its flagship plant in Bethlehem. This early drawing was helpful in understanding the size and scope of the earlier plants.

BETHLEHEM STEEL

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