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# Heart of Steel : Eugene Grace, the Bethlehem review, and the Employees' Representation Plan of Bethlehem Steel

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Heart of Steel:  
Eugene Grace, *The  
Bethlehem Review*,  
and The  
Employees'  
Representation  
Plan...

May 2008

Heart of Steel: Eugene Grace, *The Bethlehem Review*, and The Employees'  
Representation Plan of Bethlehem Steel Corporation

by

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Date

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## Abbreviations

AFL	American Federation of Labor
AISI	American Iron and Steel Institute
CIO	Congress of Industrial Organizations
ERP	Employees' Representation Plan
NIRA	National Industrial Recovery Act
NLRA	National Labor Relations Act
NLRB	National Labor Relations Board
NWLB	National War Labor Board
<i>Review</i>	<i>The Bethlehem Review</i>
SWOC	Steel Workers' Organizing Committee
USWA	United Steelworkers of America

## Abstract

This thesis examines the labor policies and practices of the Bethlehem Steel Corporation, specifically, the Employees' Representation Plan created in 1918. Essentially, this plan served as a company union, common from 1918 to the later 1930s throughout industry and manufacturing. A centerpiece in communicating the advantages of this plan was *The Bethlehem Review*. Eugene G. Grace, president of the Bethlehem Steel Corporation, used *The Bethlehem Review* to attempt to forestall the unionization campaign that occurred in the steel industry during the middle to late 1930s. Essentially, Grace made the company newsletter into his own forum for anti-union propaganda and for relating the advantages of The Bethlehem Plan of Employees' Representation to the Bethlehem Steel workforce specifically and the steel industry generally.

## Foreword

For most of the twentieth century Bethlehem Steel was the second largest steel maker in America but was still much smaller than the gigantic U.S. Steel. Notwithstanding its distinction as the largest of the “Little Steel” companies, the importance of Bethlehem Steel was anything but diminutive.<sup>1</sup> As stated in *The Bethlehem Review*, the company was founded on “the idea of supplying commercial steel to the rapidly growing market in the eastern section of the United States.”<sup>2</sup> Without a doubt, Bethlehem Steel fulfilled this vision. Throughout its history Bethlehem produced steel for armaments and battleships during both World Wars, while supplying a significant portion of the structural steel used to create the distinctive skyline of New York City. Some of Bethlehem’s most prestigious projects included the Golden Gate Bridge, the George Washington Bridge, Rockefeller Plaza, the Waldorf-Astoria Hotel, the Chicago Merchandise Mart, and the U.S. Supreme Court building. Bethlehem Steel products were not limited to armaments or buildings. Other Bethlehem products included small items such as steel springs, razors, suspender buttons, and iron nails.<sup>3</sup> Certainly, Bethlehem Steel and its workforce played an important role in the development of twentieth century America. Bethlehem also was a trend-setter concerning labor relations, specifically during the push for company unions and employee representation plans after World War I.

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<sup>1</sup> The four companies known collectively as “Little Steel” were Republic Steel, Inland Steel, Bethlehem Steel, and Youngstown Sheet and Tube.

<sup>2</sup> Eugene G. Grace, “Bethlehem’s Twentieth Birthday,” *The Bethlehem Review* 5 (December 10, 1924), 1.

<sup>3</sup> Bethlehem Steel Corporation, “An American’s Contact with Bethlehem Products,” *The Bethlehem Review* 3 (September 8, 1924), 4.

Today, however, the once bustling South Bethlehem plant is an industrial graveyard of rusting metal that is now giving way to the new BethWorks Casino currently under construction. In fitting irony, the contractors must bring in steel to the former plant from one of Bethlehem's former domestic competitors, Nucor.<sup>4</sup> Numerous factors, both those under the control of Bethlehem's management and those influencing the entire steel industry, toppled Bethlehem from its lofty position.

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<sup>4</sup> Matt Assad, "Cast in Steel and Irony," *The Morning Call*, 6 February 2008, sec. B, 1-2.

## Introduction

The origins of Bethlehem Steel date to 1857, when in South Bethlehem, Pennsylvania, the Saucona Iron Company was established. From this point South Bethlehem was synonymous with iron and later steel production. On December 10, 1904, Charles M. Schwab founded the modern Bethlehem Steel Corporation. Schwab brought an extensive knowledge of the steel industry to Bethlehem. From 1901 to 1903, before arriving at Bethlehem, he had been president of the United States Steel Corporation.<sup>1</sup> Under his direction the old Bethlehem company grew into a significant national corporation. As a result of Schwab's business acumen, the physical plant of Bethlehem Steel expanded. After his arrival, Bethlehem's plants included the main steel plant in South Bethlehem, iron ore mines in Cuba and shipbuilding facilities of the Union Iron Works in California, and Harlan and Hollingsworth in Delaware.<sup>2</sup>

This study concentrates on Bethlehem Steel from 1918 to 1941. It is during this period that Bethlehem's industrial capacity and influence grew. At the same time, the company engaged in controversial labor practices. Historically, the entire steel industry had vehemently resisted any form of labor organization. In a 1918 article "Democracy in Bethlehem," *The New Republic* claimed, "the steel industry has been like a great island fortified against the rising flood of trade unionism."<sup>3</sup> Bethlehem Steel was not alone. Throughout the entire industry the open-shop policy found strong support among management. The open-shop concept, touted by management and strongly resisted by

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<sup>1</sup> Bethlehem Steel, *A Brief History of Bethlehem Steel Corporation* (Bethlehem: Bethlehem Steel Corporation, 1992), 1.

<sup>2</sup> *Ibid.*, 1.

<sup>3</sup> "Democracy in Bethlehem," *The New Republic* 16 (August 10, 1918), 38.

labor, meant that each worker individually contracted to work for the company; unions could not bargain collectively for its members. Eventually, management identified the open-shop policy as the “American Plan.” Eugene Grace, president of Bethlehem Steel from 1916 to 1945, strongly supported the open-shop policy. Grace ardently resisted the introduction of an outside labor union at any of Bethlehem’s plants. Steel executives did not want labor dictating demands to them; they wanted total control over their workers.

In 1918, with labor discontent mounting in other industries, the management of Bethlehem Steel initiated an Employees’ Representation Plan (ERP), or as it was known throughout the entire steel industry, the Bethlehem Plan. The larger purpose of the ERP, as publicly announced, was to create a two-way system of communication between the management and the employees. The management of Bethlehem, however, actually designed and promoted the ERP in response to growing labor unrest, as an alternative to independent labor unions gaining in popularity across the country, and most importantly, as the result of a mandate from the Federal War Labor Board during the First World War.

After initiating the ERP, management realized the need to communicate the benefits of the plan to the employees.<sup>4</sup> The management of Bethlehem Steel found such a public relations tool in the *Bethlehem Review*.<sup>5</sup> Initially, management used the *Review* as one form of communication with the employees, also bringing them the latest news at Bethlehem. This public relations tool, however, had a second, underlying purpose. As the unionization campaign intensified during the 1930s, the *Review* became Grace’s means of championing the benefits of the Bethlehem Plan, allowing management to take

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<sup>4</sup> Initially, *The Bethlehem Booster* served as a company publication for Bethlehem Steel beginning in 1918-1919.

<sup>5</sup> For purposes of simplicity, *The Bethlehem Review* will henceforth be referred to as the *Review*.

the offensive against unions.<sup>6</sup> Management throughout the steel industry, not just at Bethlehem, utilized programs similar to Bethlehem's ERP to resist unionization.

Principally, the *Review* was an opinion-shaping tool for Eugene Grace and the senior management of Bethlehem Steel. The language utilized in the *Review* revealed the company's intent to fend off unionization. To achieve this end, management used carefully constructed language that became manipulative as the unionization campaign spread across the nation in the 1930s. This study demonstrates that the management of Bethlehem Steel attempted to shape workers' attitudes concerning the ERP through the *Review*. Thus, the *Review* was a tool of management to convince the rank-and-file laborer that the Bethlehem ERP, and not an outside union, met the collective needs of labor.

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<sup>6</sup> Melvyn Dubofsky, *Industrialism and the American Worker: 1865-1920* Third Edition (Wheeling, IL: Harlan Davidson, 1996), 148.

## Part I: The Man Behind the Steel: Eugene G. Grace

Fittingly, the education that elevated Grace into his position at Bethlehem Steel began in Bethlehem, Pennsylvania. Born August 27, 1876, in Cape May, New Jersey, Grace graduated in 1899 as valedictorian of his class at Lehigh University with a degree in electrical engineering. Although Grace rose to the highest position at Bethlehem in a relatively short time, his first job as an electric crane operator paid sixty dollars a month. Two years later he earned \$100 a month working in the open hearth department. By November 1902, his salary had tripled to \$180 a month as yard superintendent.<sup>7</sup> These jobs, however, enabled him to polish his skills and drive to succeed in business, something Charles Schwab quickly noticed. As he stated to the American Iron and Steel Institute (AISI) during the presentation of the Gary Medal to Eugene Grace, “These years in the mill, however, were invaluable to the young man, because they gave him an appreciation of the problems of the men, which he has never forgotten.”<sup>8</sup>

Grace was not afraid to attempt new and challenging projects. At the relatively young age of twenty-nine, he oversaw the expansion of Bethlehem’s iron ore mines in Cuba, a significant project for the corporation. In all his assignments, Eugene Grace exhibited natural leadership skills and an intense drive to succeed at everything he attempted. This drive eventually earned him the reputation of “Mr. Steel.”<sup>9</sup>

Grace was a protégé of Charles Schwab who followed the industry’s anti-union

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<sup>7</sup> For more on the early positions held by Grace, see The Johnston Papers, Hagley Museum and Library, Soda House.

<sup>8</sup> Charles Schwab, *Year Book of the American Iron and Steel Institute* (New York: American Iron and Steel Institute, 1934), 132.

<sup>9</sup> Elizabeth C. Sholes and Thomas E. Leary, “Eugene G. Grace,” *The Encyclopedia of American Business History and Biography: The Iron and Steel Industry in the Twentieth Century* (Michigan: Brucoli Clark Layman, 1994), 173.



doctrines. Schwab's doctrine toward workers was, "we will discuss matters, but we never vote."<sup>10</sup> As head of the corporation, Schwab always had the final say in every matter. He passed the aforementioned "Schwab Doctrine of Labor" on to his managers, including Eugene Grace.<sup>11</sup> Thus, both men had no use for organized labor. Schwab attributed similar sentiments to Grace during a 1934 speech to the AISI. According to Schwab, Grace "opposed various attempts at labor dictatorship" and "upheld the open shop" policy.<sup>12</sup> For example, in December 1, 1920, Grace publicly refused to sell fabricated steel to union builders and contractors working in New York City and Philadelphia. According to Grace he was merely upholding the open-shop policy. He testified before a legislative committee that "I think it is a proper thing to protect the open shop principle."<sup>13</sup> Although Grace said this was solely in the public interest, it demonstrates his strong anti-union policy.<sup>14</sup> Grace did not worry about the possible repercussions of this stance. Had Grace sold steel to organized labor, to him it would have served as recognition of the important role of organized labor in the steel industry. Such a position actually reflects the depth of his hostility to organized labor since it stood to hurt Bethlehem Steel economically. The New York *World* quoted Grace in the 1920s as saying that "all the steel interests of the country are endeavoring to kill off union labor

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<sup>10</sup> David Brody, *Labor in Crisis: The Steel Strike of 1919* (New York: J.B. Lippincott, 1965), 86.

<sup>11</sup> Frank Whelan, "Steel's History is also Labor's History," *The Morning Call*, 22 October 1995, sec. A, p. 2. For more on Charles Schwab see, Robert Hessen, *Steel Titan: The Life of Charles M. Schwab* (New York: Oxford University Press, 1975).

<sup>12</sup> Schwab, *Yearbook of the American Iron and Steel Institute*, 134.

<sup>13</sup> "Plot Against Unions as Gompers Sees It," *The New York Times*, 17 September 1922, p. 90.

<sup>14</sup> Philip Taft, *Organized Labor in American History* (New York: Harper & Row, 1964), 364.

As Grace pushed for the open-shop policy, labor desired the closed-shop policy or "the right of collective bargaining through labor union leaders." Elbert H. Gary, "Present Industrial Issues," *The American Review of Reviews* 60 (1920): 488.

and create non-union shops.”<sup>15</sup>

Grace also used his speeches as President of the AISI to state his adherence to the open shop policy. Although this entire group upheld the open shop concept, these speeches still provide evidence of Grace’s anti-union philosophies. In 1935, Grace stated that “we stand squarely for the open shop. We know this to be for the best interests of employees, employers, and the general public.”<sup>16</sup> Years later, during the Second World War, Grace reiterated his strong anti-union beliefs in his testimony before the National War Labor Board (NWLB). Concerning unions and a wage increase, Grace testified that both were “unsound and dangerous,” and steel executives, therefore, could not “assume or accept any responsibility for the evil consequences that we [management] fear will follow.”<sup>17</sup>

Eugene Grace also fiercely opposed government intervention in business. In “Industry and The Public” Grace claimed, “The framers of our Constitution recognized the dangers in political control of our economic life. They wisely provided checks and balances on power delegated and divided the legislative, executive and judicial branches of our Government.”<sup>18</sup> Here, Grace claimed that the system of checks and balances prevents government intervention in business by giving each branch a constitutionally defined function, none of which pertained to business regulation. This was certainly

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<sup>15</sup> Eugene Grace as quoted in Adrian A. Paradis, *Labor in Action: The Story of the American Labor Movement* (New York: Julian Messner, 1965), 70. There was no specific date for this quotation in either the text or the notes. However, based on the surrounding material, it is evident that Grace made this statement during the 1920s.

<sup>16</sup> Eugene G. Grace, “The President’s Address,” *Yearbook of the American Iron and Steel Institute* (New York: American Iron and Steel Institute, 1935), 37-38.

<sup>17</sup> Eugene G. Grace, “Statement of E.G. Grace Regarding The ‘Little Steel’ Cases Before National War Labor Board,” (1942) (photocopy), 1, Harold J. Ruttenberg Collection, Penn State University, Historical Collections and Labor Achieves, Special Collections Department.

<sup>18</sup> Eugene G. Grace, “Industry and The Public,” *Year Book of the American Iron and Steel Institute* (New York: American Iron and Steel Institute, 1936), 31.

weak commentary on American Government. The one exception to Grace's opposition was protective tariffs that actually helped Bethlehem.

Abiding by *laissez-faire* doctrines, "Grace sought to preserve Bethlehem's autonomy over its choice regarding labor relations."<sup>19</sup> Thus, labor matters were to be decided by Bethlehem Steel executives, not the Steel Workers' Organizing Committee (SWOC) leaders. During his 1935 "President's Address" to the AISI, Grace discussed his dislike of government intervention in business and the economy. As Grace observed, "the talent necessary to direct the private business activity of this nation is not found in Government."<sup>20</sup> Steel executives did not want anyone else determining their business activities. Although this is not especially surprising for someone in Grace's position, such ideas served as the foundation for his contempt for labor unions. Such ideologies harken back to the aforementioned "Schwab Doctrine of Labor." Grace and the senior management of Bethlehem Steel wanted no concessions of power to any group of laborers.

It should come as no surprise then that the Great Depression put Grace and the United States government squarely at odds with each other. Franklin D. Roosevelt's New Deal legislation, created in response to the worsening economic depression crippling the nation during the 1930s, challenged Grace's views concerning the government's role in industry.<sup>21</sup> Although Grace did acknowledge that a relationship

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<sup>19</sup> Sholes, "Eugene G. Grace," 174.

<sup>20</sup> Eugene G. Grace, "The President's Address," 36.

<sup>21</sup> According to Robert Zeiger, "Roosevelt's victory stiffened the resolve of SWOC organizers in scores of mill towns." Without a doubt, Bethlehem Steel and the city of Bethlehem experienced this as well. Zeiger continues by claiming the LaFollette Commission, created to investigate antilabor corporations, essentially gave labor the sense that the government of the United States supported their organizing efforts. See Zeiger, *American Workers, American Unions*, 48.

should exist between the government and business, he believed that the New Deal legislation went too far.<sup>22</sup> Specifically, the National Industrial Recovery Act (NIRA) and the Wagner Act of 1935 challenged Grace's views of the government's role in industry.<sup>23</sup> A huge gain for labor was the Wagner Act that required companies to accept unionization if the majority of employees voted to join a union.<sup>24</sup> Also, the Wagner Act outlawed company unions.<sup>25</sup> This put the Bethlehem ERP in a very uncertain situation. In attempting to defend the ERP, Grace argued that the Wagner Act constituted an excessive use of federal power since, according to him, it obligated management to accept the introduction of a labor union.<sup>26</sup>

As steel executives vigorously fought the Wagner Act, labor heralded it as an important breakthrough in securing the right to organize. Labor now could rely on government-monitored elections (through the National Labor Relations Board) to win the

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<sup>22</sup> Grace, "Industry and the Public," 32. In this article, Grace attacked the Wagner Act as a violation of personal liberty by the national government. Grace claimed that before the New Deal legislation, relationships between labor and management were fine. After such legislation, however, labor and management were now engaged in a fight against labor organizers. See page 43 for the entire text of this discussion. For a thorough discussion of the New Deal era see William E. Leuchtenburg, *Franklin D. Roosevelt and the New Deal* (New York: Harper Torchbooks, 1963).

<sup>23</sup> Eugene G. Grace, *Industry and the Public*, Forty-Fifth General Meeting of the American Iron and Steel Institute (New York: May 28, 1936), 17, Harold J. Ruttenberg Collection. The NIRA contained Section 7(a) that allowed workers to bargain collectively with management through representatives of their own choosing. Furthermore, the NIRA "implied that it was illegitimate for employers to stifle unions, interfere with efforts to form unions, or refuse to enter into bargaining relationships." See Zieger, *American Workers, American Unions*, 28-29. Later, when the Supreme Court ruled the Wagner Act constitutional, committee minutes of the ERP show that the representatives immediately questioned how this decision impacted the Bethlehem ERP. For a first-hand account, see *Minutes of Special Meeting of No. 1 Standing Committee—Rules, etc.*, by Charles E. Davis, chairman and Percy B. Grumblin, Secretary (April 27, 1937), (photocopy), Howard Truman Curtiss Papers, Penn State University, State College, Pennsylvania.

<sup>24</sup> The vague wording of Section 7(a) was one reason why the NIRA was struck down. In 1935, the National Labor Relations Act (NLRA) bolstered this section. In no uncertain terms, the act outlawed company unions as a means of collective bargaining. For an overview, see Melvyn Dubofsky and Foster Rhea Dulles, *Labor in America* (Illinois: Harlan Davidson, 1999), 259-261. For an in-depth discussion of Robert F. Wagner and the NLRA, see J. Joseph Huthmacker, *Senator Robert F. Wagner and the Rise of Urban Liberalism* (New York: Atheneum, 1968).

<sup>25</sup> Dubofsky and Dulles, 260.

<sup>26</sup> Sholes, "Eugene G. Grace," 177.

representation that they selected free from employer coercion.<sup>27</sup> As a result of such legislation, the period 1936-1937 saw the SWOC continually pressuring steel companies for union recognition.<sup>28</sup> This increased activity forced Eugene Grace to take the offensive against SWOC activities in the form of his introductory letters in the *Review*.

Many steel executives, Grace included, felt that the Wagner Act was an attempt by the government to “drive a wedge between the employer and his employees.”<sup>29</sup> Furthermore, Grace hinted that the government unfairly aided labor. He felt that the Wagner Act was “an attempt to do for national labor unions by law what they have been unable to do for themselves by appeals to workers who have resisted them at every turn.”<sup>30</sup> Grace, however, ignored the fact that outside labor unions were not allowed at Bethlehem Steel. Therefore, it often was not that workers resisted joining a labor union; rather, they could not organize especially as the 1930s progressed and Bethlehem Steel became increasingly anti-union.

Although Grace vehemently opposed collective bargaining and labor unions before the New Deal, the new legislation intensified his opposition to both. Collective bargaining and union representation, when conducted by outside agencies, took power away from management. Eugene Grace was not alone with his thoughts concerning collective bargaining by an outside organization. Many employers felt that “the immediate results of giving a voice to employees through delegated representatives were wholly selfish and not based upon investigation as to conditions, and were made without

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<sup>27</sup> Sholes, “Eugene G. Grace,” 177.

<sup>28</sup> Zeiger, 49.

<sup>29</sup> Grace, “The President’s Address,” 39.

<sup>30</sup> Eugene G. Grace, “The President’s Address,” *Year Book of the American Iron and Steel Institute* (New York: American Iron and Steel Institute, 1935), 39.

any assumption of responsibility whatsoever.”<sup>31</sup> Such selfish motives included the aforementioned loss of power that executives throughout the country feared.

It is no surprise that throughout his tenure at Bethlehem, Grace abided by a “dictatorial management style” and a “don’t rock the boat” attitude when conducting business and when dealing with labor.<sup>32</sup> It must be remembered that throughout the 1930s workers attempted to limit management’s authority over the labor process and to maintain and improve their position through a contract and rights guaranteed to them through government acts.<sup>33</sup> To Grace, collective bargaining meant “that the employees were part of a general labor union extending beyond the boundaries of this concern [Bethlehem Steel].” When this was the case “he would have no official dealings” with any of these groups.<sup>34</sup> Furthermore, Grace claimed that “even if ninety five percent of his workers belonged to a union, he would refuse to recognize it.”<sup>35</sup> In his opinion, refusing to deal with a union did not allow for any groups to significantly change or “rock the boat” at Bethlehem.

As leader of the number two steel producer in the United States, Grace influenced the entire steel industry. In addition to serving as president of the AISI, the trade group that worked to promote the interests of the steel industry, Grace later served during World War II as the leader of the Steel Industry Advisory Committee to the War

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<sup>31</sup> “Socialized Labor Brings Odd Results,” *The New York Times*, 27 July 1919, 26. Eugene Grace and Judge Gary of United States Steel undoubtedly agreed with such thoughts of giving employees a voice in corporations.

<sup>32</sup> Irwin M. Marcus, review of *Crisis in Bethlehem: Big Steel’s Battle to Survive*, by John Strohmeyer. *Pennsylvania History* 62, no. 2 (1995): 16.

<sup>33</sup> Zeiger, 28.

<sup>34</sup> “Steel and the Open Shop,” *The Independent* 105 (January 1, 1921): 16.

<sup>35</sup> William E. Leuchtenburg, *The Perils of Prosperity 1914-1932* second edition (Chicago: The University of Chicago Press, 1993), 98.

Production Board.<sup>36</sup> As president of the AISI, Grace held the power to influence attitudes, such as the open-shop policy, throughout the entire industry. Because of Grace's influence over the steel industry, in 1943, Harold J. Ruttenberg, assistant to the director of the steel division of the War Production Board, in a letter to Senator Harry S. Truman, claimed "The power of Eugene Grace...certainly warrants Congressional inquiry."<sup>37</sup> As a result of his leadership positions in the steel industry, Grace made important decisions that influenced all of America.

In his obituary on July 26, 1960, *The New York Times* heralded Grace as a leader who helped to improve labor relations. The piece claimed that Grace "never forgot the lessons he learned as a worker [hard work and dedication to the company] and put into effect what were then innovations to improve labor relations."<sup>38</sup> The ERP certainly was a labor innovation. Later, however, Grace tried to use the ERP to deprive workers of the right afforded to them by the Wagner Act. While Eugene Grace certainly fostered Bethlehem Steel's rise to prominence, he also was the force behind an oppressive labor program.

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<sup>36</sup> Harold J. Ruttenberg, "The Bethlehem Psychology, October 26, 1943," (photocopy of handwritten source), p. 2, Harold J. Ruttenberg Collection. The American Iron and Steel Institute was at the time the "vehicle for cooperative consideration of every aspect of the industry's problems." The Institute focused on manufacturing, economic, technical, and labor affairs in addition to drafting the NRA code for the steel industry. See Robert Tilove, *Collective Bargaining in the Steel Industry* (Philadelphia: University of Pennsylvania Press, 1948), 36.

<sup>37</sup> Harold J. Ruttenberg, to Senator Harry S. Truman, 7 May 1943 (photocopy), 2, Harold J. Ruttenberg Collection.

<sup>38</sup> "Eugene G. Grace, Steel Aide, Dies," *The New York Times*, 26 July 1960, 29. The September, 1960 issue of the *Review* commemorated the death of Eugene Grace. The letter by Arthur B. Homer, the successor of Grace, spoke very highly of Grace and his legacy at Bethlehem. See Arthur B. Homer, "A Look Ahead," *The Bethlehem Review* 80 (September 1960), 1.

## Part II: Overview of Employee Representation Plans

Without dedicated men and later women workers, companies such as Bethlehem Steel would not have flourished. To this end, it is important to remember that in the steel industry the capital and the machinery needed to produce the final product often times overshadowed the work force.<sup>39</sup> Employers had to spend enormous amounts of capital just to create the physical plants before they even dealt with labor. This structure often caused management to focus on the necessary equipment to manufacture steel, while often overlooking labor.

As employees demanded more concessions from management between the 1920s and the 1930s, elaborate plans of representation emerged. Eventually, to keep a content workforce and to keep real unions at arms length, employers established company unions, or as many corporations identified such programs, employee representation plans (ERPs), promoting them as channels for communication with management and as sources of shop-floor power for the employees. Similarly, Frank Purnell, President of The Youngstown Sheet and Tube Company, claimed that “Employee Representation Plans guarantee the rights of the individual, and any employee may raise any question he wishes at any time,” thus maintaining open channels of communication between labor and management.<sup>40</sup> Employers throughout the Steel industry claimed that ERPs were founded upon truly American principles, heralding them as guarantees of free speech in the workplace. Bethlehem Steel was no different.

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<sup>39</sup> Ben M. Selekman, *Employees' Representation in Steel Works* (New York: Russell Sage Foundation, 1924), 45.

<sup>40</sup> Frank Purnell, “Progress in Labor Relations,” *Year Book of the American Iron and Steel Institute* (New York: American Iron and Steel Institute, 1935), 59.



ERPs allowed employees to confer with management representatives concerning issues such as hours worked, rates of pay, workplace safety, and other working conditions.<sup>41</sup> Also, ERPs established grievance procedures, terms for collective negotiations, and educational procedures for both labor and management.<sup>42</sup> As a result, ERPs throughout the steel industry created, according to Grace, a “mutuality of interest. They...[did not]...provide for outsiders foreign to our industry to dictate to the men and management of the industry as to what constitutes proper relationships between them.”<sup>43</sup>

On the other hand, company unions, a term originated by organized labor, were labeled by *The Nation* as “organizations built by the initiative of the employer in order to channel away the discontent of his employees and to neutralize their desire for real labor organization.”<sup>44</sup> Employers such as Grace emphasized the positives of the ERP (close, paternalistic relationships) while lambasting the negatives of the outside unions (increased costs to the company and the disappearance of paternalistic relations).

While most ERPs originated during the First World War, the earliest forms of employee representation date to the late nineteenth century. As such, employee representation is one of the oldest voluntary plans entered into between labor and management to preserve friendly relations in the workplace.<sup>45</sup> The first historically significant ERP appeared in Filene’s Department Store of Boston, which sponsored

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<sup>41</sup> National Industrial Conference Board, *Collective Bargaining Through Employee Representation* (New York: National Industrial Conference Board, 1933), 2.

<sup>42</sup> Henry C. Metcalf, “Employee Representation,” *The Annals of the American Academy of Political and Social Sciences* 184 (March 1936): 186.

<sup>43</sup> Eugene Grace, “Acceptance of Gary Memorial Medal,” *Year Book of the American Iron and Steel Institute* (New York: American Iron and Steel Institute, 1934), 138.

<sup>44</sup> Karl Lore, “Labor Faces the Company Union,” *The Nation* 138 (April 11, 1934): 406.

<sup>45</sup> “Labor Board Bars Bethlehem,” special to *The New York Times* 16 August 1939: 1. For more on the literature of employee representation, see Paul F. Gemmill, “Review: The Literature of Employee Representation,” *The Quarterly Journal of Economics* 42, no. 3 (May 1928): 479-494.

employee activities in 1898.<sup>46</sup> Known as the Filene Cooperative Association, it assumed control of the company's personnel programs. The word cooperative is important since it signifies that management and labor maintained a healthy and open relationship. Although this association served a small labor force, it was the first of its type in the field of employee representation.<sup>47</sup>

The factory committee system of the Nernst Lamp Works in Pittsburgh was more influential than the Filene Cooperative Association. Created between 1903 and 1904, this plan evolved rather quickly into an industrial democracy plan. The committee at Nernst, composed of management representatives, workers, and foremen, evaluated suggestions raised by the employees. According to the management, this plan created a democratic system of government, similar to the system used in the United States.<sup>48</sup> The factory committee at Nernst was groundbreaking since employees brought their grievances to a committee to have them resolved. This gave the employee a voice in the governance of the corporation. Other companies such as Bethlehem Steel later used this aspect of the plan as a model for their employee representative activities.

Taken as a whole, the ERPs throughout much of the United States arose in response to the wartime labor demands during the First World War. Employers needed a productive workforce to meet the high levels of demand generated by the war. To achieve increased production, the government encouraged unions during wartime to help

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<sup>46</sup> Neil W. Chamberlain, *Collective Bargaining* First Edition (New York: McGraw-Hill, 1951), 37.

<sup>47</sup> Daniel Nelson, *Managers and Workers: Origins of the Twentieth-Century Factory System in the United States* Second Edition (Madison: University of Wisconsin Press, 1995), 169.

<sup>48</sup> *Ibid.*, 169-170.

maintain industrial peace.<sup>49</sup> The war effort could not be sustained if labor and management fought. As a result, the atmosphere in industry during World War I prompted discussion of “worker control of production” where labor gained a voice with management.<sup>50</sup> According to President Wilson, the industrial community of the United States would not have “proper success...[if]...capital and labor are to continue to be antagonistic instead of being partners.”<sup>51</sup>

Generally, employers instituted ERPs to meet certain requirements, such as decisions by the National War Labor Board (NWLB) in World War I. During the period 1919-1926, the number of representation plans increased from 196 to 943.<sup>52</sup> This statistic illustrates that employers attempted to appease their workforce, while temporarily conforming to government demands. After the war, company unions were firmly in place and many laborers grew accustomed to this form of representation. As a result, when corporations established ERPs they considered them revolutionary in the field of labor relations, and put forth a serious effort to publicize the merits of them. Employee representation constituted a new model of personnel management, often leading to the creation of public relations and personnel departments. Specifically, many of the companies that established ERPs found that when such plans were used according to their terms they could increase organizational efficiency through works councils,

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<sup>49</sup> Harry Millis, *How Collective Bargaining Works* (New York: the Twentieth Century Fund, 1942), 6. It is important to note that while the War Labor Board encouraged unions, employers created ERPs as an effort to evade the policies and rulings of this board.

<sup>50</sup> Daniel Nelson, *Shifting Fortunes: The Rise and Decline of American Labor, from the 1820s to the Present* (Chicago: Ivan R. Dee, 1997), 90.

<sup>51</sup> “Industrial Democracy Already on Trial,” *The New York Times*, 25 May 1919, Section: Arts and Leisure, 52.

<sup>52</sup> *Ibid.* This number also includes company unions.

conference boards, and company unions.<sup>53</sup> Employers did not mind creating such programs if productivity increased and morale improved.<sup>54</sup> In spite of the different names, all plans brought the employee and management representatives together to discuss company policies and adjudicate grievances.<sup>55</sup> As such, employee representation sought to “enhance organization performance and generate a win-win outcome for both employers and employees” while also creating the appearance of industrial democracy<sup>56</sup>

Only if management created the plans to truly correct labor problems, and not to quell the union campaign, did EPRs succeed. According to David McCabe, chairman of the American Economic Association, “the development of employee representation was...evidence of...[growing]...‘confidence and understanding between employers and employees’ in this country.”<sup>57</sup> In fact, most executives genuinely desired to “become a unit where interests were mutual.”<sup>58</sup> After all, both parties had a stake in the success or the failure of the corporation especially during the war campaign and later when many employees became share-holders of corporations. Consequently, it was only logical to develop a plan of mutual understanding to create a peaceful working environment where both parties could have their voices heard. The inherent problem at many corporations was that both groups found negotiations difficult since each side wanted “to get as much

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<sup>53</sup> Millis, 563.

<sup>54</sup> Nelson, *Managers and Workers*, 142.

<sup>55</sup> Elizabeth Cohen, *Making a New Deal: Industrial Workers in Chicago, 1919-1939* (New York: Cambridge University Press, 1990), 171.

<sup>56</sup> Bruce E. Kaufman, “The Case for the Company Union,” *Labor History* 41, no. 3 (2000): 332.

<sup>57</sup> David A. McCabe, “The Effect of New Deal Legislation Upon Industrial Relations,” *The American Economic Review* 26, no. 1, supplement, *Papers and Proceedings of the Forty-Eighth Annual Meeting of the American Economic Association* (March 1936): 291.

<sup>58</sup> Joanna Farrell Sturdivant, “Employee Representation Plan of the Durham Hosiery Mills,” *Social Forces* 4, no. 3 (March 1926): 626.

and to give as little” as it could.<sup>59</sup> Additionally, since ERPs had relatively little power, there was no backing to make truly significant gains. This put labor and management at odds.

The ERP that stimulated the creation of Bethlehem’s plan and those at other large corporations originated at the Colorado Fuel and Iron Company under the guidance of John D. Rockefeller, Jr. This was by far the best-known company union before World War I.<sup>60</sup> Introduced in 1915 after the infamous 1914 Ludlow Massacre, the Rockefeller Plan, or Colorado Plan as it was also known, attempted to rectify the conditions that had caused the violence.<sup>61</sup> Rockefeller felt that “the lack of personal relationships between directing management and employees...was the true point of origin of the bitter conflict of the coal strike at Colorado.”<sup>62</sup> His plan allowed for workers from specific mines or shops to elect representatives to district conferences. At these conferences, the elected representatives met with senior officers from the company up to three times a year. Joint committees, consisting of three employee representatives and three company representatives dealt with wages and working conditions, safety and accident prevention,

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<sup>59</sup> Metcalf, 184.

<sup>60</sup> Daniel Nelson, “The Company Union Movement, 1900-1937: A Reexamination,” *Business History Review* 56, no. 3 (1982): 341. For a biased, yet thorough discussion of the origins of The Rockefeller Plan, see John D. Rockefeller, Jr., “The Four Partners in Industry: New Working Principles for the Brotherhood of Man,” *Forum* LXI, no. 2 (February 1919): 178-188.

<sup>61</sup> The Ludlow Massacre was the climax of labor tensions at the Colorado Fuel and Iron Company. In 1913, the United Mine Workers sent organizers into the company to organize the workers. Management fiercely opposed this group. As tensions progressed, “open warfare continued for months in the Colorado mine fields and finally reached a bloody climax when the militia attacked a colony of strikers at Ludlow. See Dubofsky and Dulles, *Labor in America*, 182-183.

<sup>62</sup> Selekman, 27. This work evaluates the Employee Representation Plan at the Minnequa Steel Works, which was part of the Colorado Fuel and Iron Company. The plan at Minnequa went into effect on May 6, 1916, again after a strike, this time the coal strike of 1913. It is interesting to note that the workers of Minnequa made no demand for any type of plan when the “Industrial Representation Plan and Memorandum of Agreement Respecting Employment and Living and Working Conditions, Applicable to the Minnequa Steel Works” went into effect.

sanitation, health and housing.<sup>63</sup> This plan “included a method of representation by which every employee of the company could obtain redress for any wrong done.”<sup>64</sup> It is this sincerity that ERPs required from upper management for the plans to succeed.<sup>65</sup> Since Rockefeller touted the merits of this plan and found his workforce to be content with it, other employers followed suit, making it the model for other employee representation activities prior to 1935.

It is important to remember, however, that management initiated such plans. Essentially, the Bethlehem ERP was the “pet of Schwab and Grace.”<sup>66</sup> Management attempted to give the appearance of industrial democracy in which employees had a direct say in various matters of the company. Since all plans operated under the patronage of the employers, as can be expected, organized labor despised ERPs as paternalistic enterprises. Especially after the emergence of the New Deal legislation, labor identified such plans as company unions since the ERP “imply[ed] in the very name an organization owned and controlled by the employer to suit his own purposes.”<sup>67</sup> What is more, although company unions achieved success during in the 1920s, the 1930s saw the use of company unions and ERPs rise to a new level. Because of increasing pressure from outside labor unions, company unions attracted more interest from

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<sup>63</sup> Greg Patmore, “An Employer Response to Workplace Democracy: The Rockefeller Plan and the Fate of Employee Representation Plans, 1915-1935,” *Research Reports from the Rockefeller Archive Center* (Fall/Winter 2001): 9. Other companies to have ERPs during the first half of the twentieth century included: CW Post’s National Trade and Worker Association, Standard Oil of New Jersey, Goodyear, and AT&T. For a discussion of these plans, see Bruce E. Kaufman and Morris M. Kleiner, eds. *Employee Representation: Alternatives and Future Directions* (Madison: Industrial Relations Research Association, 1993), 373-379,

<sup>64</sup> “Rockefeller Finds Workers Content,” *The New York Times*, 12 August 1918, 12.

<sup>65</sup> Selekman, 15.

<sup>66</sup> E. J. Lever, “Bethlehem Background,” *The New Republic* 104 (April 7, 1941), 464.

<sup>67</sup> William M. Leiserson, “Employee Representation,” *The Reference Shelf* 10, no. 1 (January 1935), 74.

management and caused more controversy with labor than ever. As a result, employers introduced them to counter the efforts of AFL organizations.<sup>68</sup>

As unions gained popularity in the 1930s after the passage of the NIRA, and later the Wagner Act, companies with ERPs, to varying degrees, experienced labor discontent. Such discontent was also present at firms with no representation plans. Labor, no longer desiring to bargain collectively under the control of management, viewed such plans as fraudulent and as attempts to “break the labor organizations, camouflaged with hand-picked representatives” of management.<sup>69</sup> Herein lay the fundamental problem of ERPs: although workers’ representatives raised questions concerning working conditions and other issues, the final decision always rested solely with management.<sup>70</sup> While individual workers were powerless when dealing with management, the ERP created a collective voice for labor when dealing with management, albeit a voice with limited range. Also, the termination of the ERP was always a possibility. ERPs had definite limits in terms of what was covered under the plan and what was not under the jurisdiction of the representatives. In reality, if the program became too costly or took too much power from management, it could be ended at any time.<sup>71</sup> On the other hand, an outside labor union could not be terminated so easily.

From the onset, workers discerned the push towards company unionism and voiced their displeasure with employee representation. Management, including Eugene

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<sup>68</sup> Kaufman, 382.

<sup>69</sup> Leiserson, “Employee Representation,” 75.

<sup>70</sup> Chamberlain, *Collective Bargaining*, 37. Essentially, there were no negotiations since management had the final say in matters. This work compares employee representation and collective bargaining. Many employers, specifically Eugene Grace and other steel executives, argued that employee representation and collective bargaining were the same. To this, labor strongly disagreed.

<sup>71</sup> Metcalf, 536.

Grace and the executives of Bethlehem Steel, downplayed this perception of the ERP and attempted to win support for the plan based on its general merits. Company newsletters and pamphlets provided an excellent vehicle for such attempts. Grace turned his attention and Bethlehem's resources to the *Review* to influence the opinions of his employees concerning the Bethlehem Plan.



### Part III: The Bethlehem Plan of Employees' Representation

The Bethlehem Plan of Employees' Representation went into effect at all of the company's plants in 1918. Following a series of earlier strikes at the Bethlehem, Pennsylvania plant, the management of Bethlehem Steel created the ERP.<sup>72</sup> Strikes had posed a serious disruption to wartime production leading to government intervention. In *Machinists, Electrical Workers Et. Al. v. Bethlehem Steel Company*, the NWLB required Bethlehem to introduce committees for collective bargaining and resume production at once.<sup>73</sup> Initially, Bethlehem Steel refused to comply with what it perceived as government intrusion into its business. In other industries, this guarantee of collective bargaining resulted in "widespread adoption of shop committees or worker's councils in firms covered by NWLB awards."<sup>74</sup> The NWLB forced management to make concessions to labor. This was an initial victory for labor. The Bethlehem Plan, "an elaborate plan of employee representation," was Grace's attempt to fulfill the NWLB mandate.<sup>75</sup>

The ERP established a method for representation of Bethlehem Steel employees (see Figure 1).<sup>76</sup> The Bethlehem ERP was a joint-committee employee representation plan, consisting of a central committee or council of employee representatives and

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<sup>72</sup> Such strikes stood to potentially undermine the war effort. For this reason, the government required some form of collective bargaining.

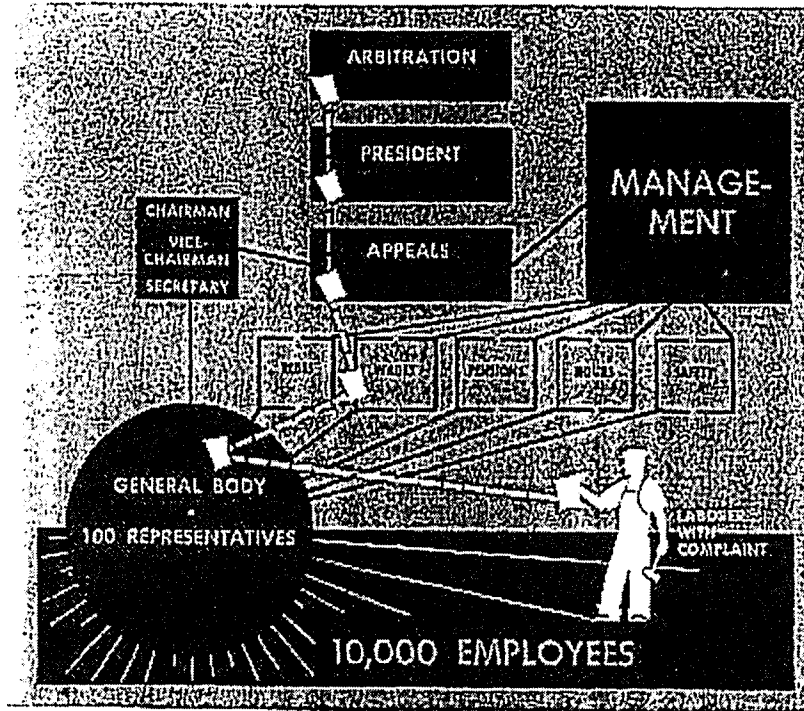
<sup>73</sup> National War Labor Board, *Findings in re Machinists and Electrical Workers and Other Employees versus Bethlehem Steel Company, Bethlehem, PA* Docket 22 (Washington, D.C.: GPO, 1918). The main issues during this strike were a complicated bonus system, the absence of collective bargaining, and no minimum wage guarantee.

<sup>74</sup> Nelson, *Managers and Workers*, 172.

<sup>75</sup> Brody, *Labor in Crisis*, 85.

<sup>76</sup> Bethlehem Steel, "Plan of EMPLOYEES' REPRESENTATION at the BETHLEHEM PLANT of BETHLEHEM STEEL COMPANY" (January 1920), 1, Box 4, Howard Truman Curtiss Papers, Penn State University, Historical Collections and Labor Achieves, Special Collections Department. The

## HOW EMPLOYEES' REPRESENTATION WORKS



**Figure 1.** This schematic appeared in David J. Saposs, “The Steel Worker’s Dilemma,” *Review of Reviews* 94 (August 1936): 25. The entire article specifically concentrated on the Bethlehem Plan of Employees’ Representation throughout the Bethlehem Steel Corporation.

management. By far, this ERP was the most common in manufacturing since it contained equal numbers of employee representatives and representatives of management, thereby, giving the appearance of equality or industrial democracy.<sup>77</sup> Furthermore, the introduction of the ERP specifically stated that those employees who served as representatives under this plan would not experience discrimination or “conflict with his or her right to belong or not to belong to any lawful society, fraternity, union or other organization.”<sup>78</sup> In spite of this declaration, Bethlehem went to great lengths to prevent outside unions from taking hold. The preceding quotation comprised the

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Historical Collections and Labor Archives at Penn State University, as part of the Howard Truman Curtiss Papers, have significant holdings concerning Bethlehem Steel.

<sup>77</sup> National Industrial Conference Board, *Collective Bargaining Through Employee Representation*, 19-20, 47.

<sup>78</sup> Bethlehem Steel, “Plan of EMPLOYEES’ REPRESENTATION,” 1.

HOW EMPLOYEES' REPRESENTATION WORKS

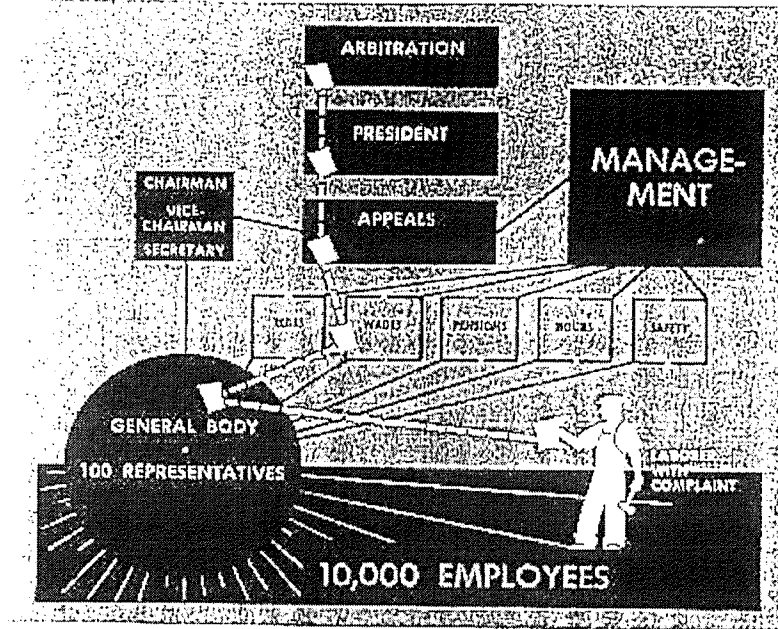


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<sup>78</sup> Bethlehem Steel, "Plan of EMPLOYEES' REPRESENTATION," 1.

preamble to the ERP. The use of the word “lawful” was revealing. Most likely, management used “lawful” to demonstrate to the employees that the ERP complied with the law and, in fact, was what the government intended companies to institute. This language attempted to convince labor that the ERP of Bethlehem was actually prescribed by law. Although ERPS at the time complied with government regulations, the management of Bethlehem clearly manipulated the meaning of the language when they attempted to justify their use of the ERP.

The ERP, a simple typewritten document only eight pages in length, contained eleven subsections. According to the “Principles of Representation,” the Bethlehem ERP was designed:

to give the employees of the Company a voice in regard to the conditions under which they labor...to provide an orderly...procedure for the prevention and adjustment of any future differences and to anticipate the problem of continuous employment as it will present itself through trade fluctuations and other conditions at the termination of the war.<sup>79</sup>

The next section after the purposes of the plan was entitled “Representation.” It stated: “Representation shall be by Departments and groups of Departments on the basis of one Employees’ Representative for each one hundred (100) employees, or major fraction thereof.”<sup>80</sup> The management hoped that this ratio of representatives to employees would pacify the workforce. Each representative served a one-year term. Additionally, any employee was eligible to serve as a representative as long as he was employed by

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<sup>79</sup> Bethlehem Steel Corporation, “Representation of Employees in Plants of the Bethlehem Steel Corporation,” 1918: 3. Later, the ERP appeared as a sixteen page pamphlet instead of a simple typewritten document.

<sup>80</sup> Bethlehem Steel Corporation, “Plan of EMPLOYEES’ REPRESENTATION,” 1. This was the ratio of representatives to employees for the Bethlehem Plant. This number varied depending on the size of the respective plant.

Bethlehem for one year prior to the day of nominations and was over the age of twenty-one. As well, ERPs included a citizenship requirement.<sup>81</sup> The employees who were eligible to vote (those on the payroll for sixty days) used a secret ballot to select the employee representative of their choice. Furthermore, the ERP delineated the duties of the officers.<sup>82</sup> The plan established committees and listed the order of committee meetings, while creating specific guidelines for such meetings.<sup>83</sup> Section Nine guaranteed that the representative was “free to discharge his duties in an independent manner” with no fear that his association “with the company” would be “affected...by any action taken by him in good faith.”<sup>84</sup> Additional sections in the pamphlet included: provisions for an annual conference between representatives and management, procedures for adjustment, and a section on amendments. The management of Bethlehem Steel designed its ERP well; it covered specific situations while also establishing the workings of the plan. Finally, the Bethlehem ERP:

provides for collective bargaining, or more properly as the employees regard it, collective dealing. It affords a prompt, fair and effective means for settling problems which arise from day to day. The workers in each plant have their own Representation Plan with the opportunity to handle their own local problems according to their own immediate needs.<sup>85</sup>

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<sup>81</sup> This citizenship requirement stipulated that employees must be American citizens to have the protection offered by the ERP.

<sup>82</sup> The Bethlehem ERP listed specific duties for the following officers: Chairman, Vice-Chairman, Secretary, and Treasurer.

<sup>83</sup> Committees included: Rules, Ways and Means, Safety and Prevention of Accident, Practice/Methods and Economy, Employees' Transportation, Wages/Piece Work, Bonus, and Tonnage Schedules, Employment and Working Conditions, Housing/Domestic Economies and Living Conditions, Health and Works Sanitation, Education and Publications, Pensions and Relief, Athletics and Recreation, and Continuous Employment and Condition of Industry.

<sup>84</sup> Bethlehem Steel, “Plan of EMPLOYEES' REPRESENTATION,” 9.

<sup>85</sup> Eugene G. Grace, “Security of Employment,” *Bethlehem Review* 29 (July 3, 1936), 2.

In practice, the ERP functioned rather simply. Any laborer with a complaint went to his specific representative from the General Body of representatives. Often, the representatives settled the issue. Although the representative was authorized to settle mundane issues such as safety violations and minor worker grievances, such representatives could not settle larger issues dealing with pay. If the grievance was not settled, the employee representatives sent the issue to the appropriate sub-committee, for example, hours, pensions, rules, safety, or wages. Each committee consisted of half employee representatives and half management. The subcommittees had a chairman and a secretary. Companies like Bethlehem Steel established subcommittees to relieve the general body of representatives of trivial matters, leaving them free to deal with major issues facing the representatives.<sup>86</sup> Committee minutes reveal that the sub-committees did function in this capacity. For instance, the minutes of an April, 1937, meeting indicates that items discussed included the installation of a gate and the design of a parking system to relieve traffic at the plant.<sup>87</sup> These were issues that top executives did not want to use their time to solve. However, employees found such issues important. Bethlehem hoped that such an arrangement appeared to put the worker on the same basis as the management.

If the issue was not resolved at the subcommittee level, it went to an appeals committee, again containing half employee representatives and half management. If this committee did not settle the issue, it went to the president of the company for settlement,

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<sup>86</sup> National Industrial Conference Board, *Collective Bargaining Through Employee Representation*, 21.

<sup>87</sup> *Minutes of Special Meeting of No. 1 Standing Committee—Rules, etc., Plan of Employees' Representation at the Cambria Plant of Bethlehem Steel Company*, by Charles E. Davis, chairman and Percy B. Grumbling, Secretary (May 29, 1936 and April 27, 1937).

with an arbitration procedure if his decision was appealed.<sup>88</sup> Only rarely, did cases go this far, such as those dealing with large-scale pay increases and issues that could potentially be precedent setting. Here, Eugene Grace wanted a say if any decision affected the entire corporation or the entire steel industry. According to Bethlehem Steel, the ERP settled most cases quickly and peacefully, namely because many of these cases required minimal concessions on management's part with little loss of capital or power.

Management touted the advantages of the Bethlehem ERP. Accordingly, the ERP helped to bring about improved working conditions at all of Bethlehem Steel's plants. Increased morale also helped to increase production. The ERP, according to the Bethlehem Steel executives, aided the relationship between labor and management, while increasing labor stability and also improving supervision methods and employee education. All of this information was printed in the *Review*.<sup>89</sup>

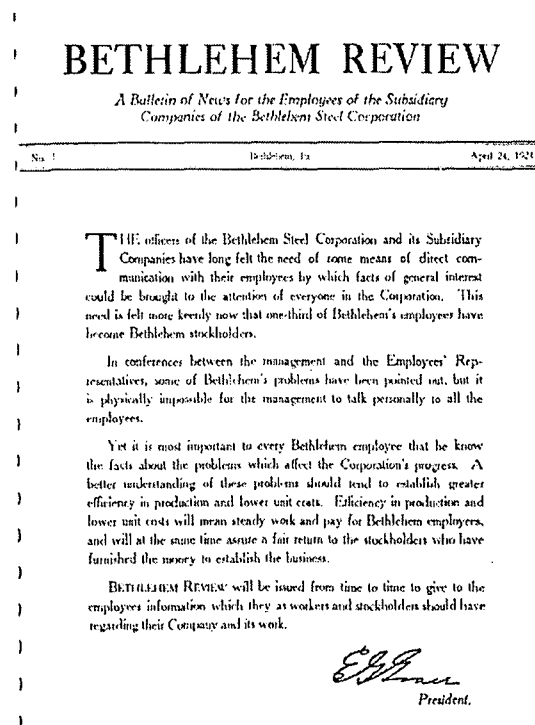
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<sup>88</sup> David Page, "The Steel Worker's Dilemma," *The Review of Reviews* 94 (August 1936): 25.

<sup>89</sup> Bethlehem Steel Corporation, "Bethlehem's Joint Employee-Management Activities," *The Bethlehem Review* 20 (August 6, 1929), 3.

## Part IV: Format and Layout of *The Bethlehem Review*

Publication of the *Review* began on April 24, 1924 (see Figure 2), six years after implementation of the Bethlehem Plan of Employees' Representation, and continued until the company declared bankruptcy in late 2001. Throughout the seventy-seven years of its existence, the *Review* went through significant changes. Simply, the *Review* was a company newsletter intended to address areas of interest to Bethlehem Steel employees. Throughout the period of this study, such issues included, but were not limited to: defense production, expansion of the physical plant of the corporation, labor policies,



**Figure 2.** This is the cover from the *The Bethlehem Review* 1 (April 24, 1924). Every issue of the *Review* began with a letter from the president of the corporation. Note the rather short length of the letter. In later years (Figure 6) as labor discontent grew, Grace's letters grew substantially in length.

safety, and benefit plans for the employees. As a result, the *Review* is important for examining the labor practices of the Bethlehem Steel Corporation.

Early, the *Review* was a very simple publication in terms of design and page



length. Initially, the *Review* was four pages in length. During that time, the publication was nothing more than a very simple company newsletter. Bethlehem Steel realized that such a publication, in addition to an annual report for the employees, was just as important as the documents provided to stockholders. After all, both stockholders and employees had a stake in the corporation and were entitled to accurate information concerning the company. It was wise for the management of any corporation to “tell its employees what big business is all about.”<sup>90</sup> In Grace’s own words, the *Review* gave “the employees information which they as workers and stockholders should have regarding their company and its workings.”<sup>91</sup> This was especially true since a significant number of employees were also stockholders through the Employee Stock and Savings Plan. For example, the *Review* highlighted the advantages of the relief plan that went into effect on June 1, 1926, for Bethlehem employees.<sup>92</sup> As Bethlehem Steel discovered, employees desired to know information about and to take an active role in the functioning of the company.

Throughout the first seventeen years of the *Review*, the basic layout followed that of the first issue in 1924. Every issue began with a letter from the president. From 1918 to 1941 most of these letters specifically addressed labor issues; a large majority of such letters dealt with the current state of the ERP and any related activities or issues affecting the entire steel industry. Additionally, Grace discussed national and world events that

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<sup>90</sup> Dickson Hartwell, “Telling the Employees,” *The Public Opinion Quarterly* 5, no. 1 (March 1941): 93. This article graded the annual reports sent out to the employees by the management of specific corporations. As for Bethlehem Steel’s publication, it received a Class B rating meaning that it was a very good annual report; however, it did have some flaws preventing it from earning a Class A rating.

<sup>91</sup> Eugene G. Grace, *Bethlehem Review* 1 (April 24, 1924), 1.

<sup>92</sup> Eugene G. Grace, “Bethlehem’s New Relief Plan,” *The Bethlehem Review* 1 (April 24, 1926), 1. The purposes of this plan were to provide disability benefits for employees and death benefits for widows.

stood to impact Bethlehem Steel's business. Such issues included the Great Depression, the recovery efforts to pull the country out of the economic crisis, and World War II. Grace's commentary on these events attempted to persuade workers to agree with his point of view on such issues.

Following the opening letter, the *Review* contained short articles on various aspects of labor relations, many spelling out the positives of the ERP, while other articles related directly to various production issues at Bethlehem Steel or the steel industry as a whole.<sup>93</sup> Included in many articles were bar and pie graphs dealing with accidents, pay rates, overtime, and pension payouts (see Figure 3). Grace and the public relations department created headlines that grabbed the attention of the worker. Examples of headlines used by Grace included: "Service and Quality," "A New Era for Bethlehem," "Building and Home Ownership," and "Practical Benefits of Accident Prevention."<sup>94</sup> All of these articles addressed issues that, in addition to labor policies, stood to benefit workers. Under such auspices, the *Review* functioned as originally planned.

Often, management devoted an entire page of the *Review* to a chart outlining the progress of employee representation activities.<sup>95</sup> The inclusion of such charts allowed management to present the labor force with scientific-looking evidence that employee

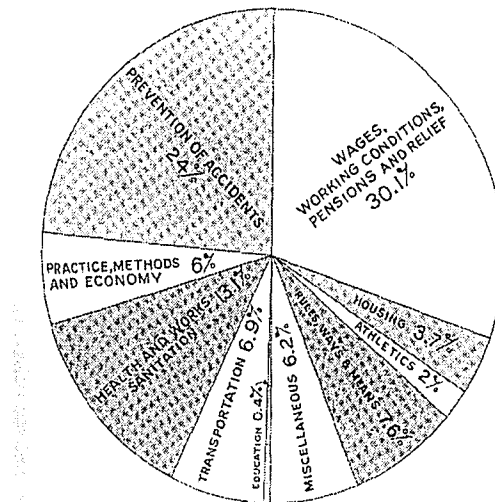
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<sup>93</sup> Some specific examples of headlines from the period 1924-1941 include "Current Policy on Employment," "Employees' Representation Plans Throughout the Steel Industry," "Employees' Representation Plans Stand Test," and "Nearly Twenty years of Collective Bargaining." For topics covered by ERPs, refer back to page 11.

<sup>94</sup> For the full text of these articles see Eugene G. Grace, "Service and Quality," *The Bethlehem Review*, 4 (November 7, 1924), Eugene G. Grace, "Building and Home Ownership," *The Bethlehem Review*, 8 (August 3, 1925), Eugene G. Grace, "A New Era for Bethlehem," *The Bethlehem Review*, 9 (November 25, 1925), Eugene G. Grace, "Practical Benefits of Accident Prevention," *The Bethlehem Review* 18 (January 25, 1929).

<sup>95</sup> The March 1939, edition of the *Review* contained eleven charts. This was by far the highest number of charts for the length of this study.

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Types of Cases Handled by Employees' Representation Committee in 1935. Wages, working conditions, and other financial problems of the employees were the chief topics dealt with by the Plans of Employees' Representation in 1935. It will be noted that these comprise 30.1% of the cases dealt with during the year. Accident prevention was second in interest, with health and sanitation in third place.

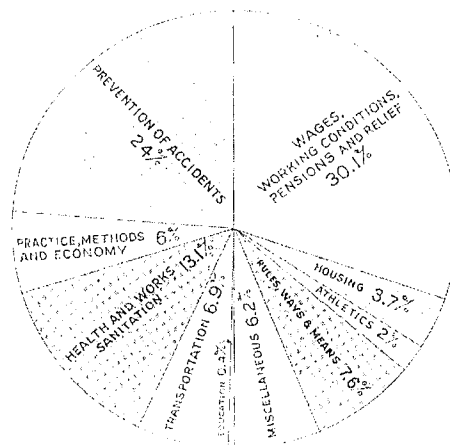
**Figure 3.** This is a sample illustration depicting the types of cases that came before the employees' representation committee in the year 1935. The *Review* contained numerous graphics depicting various areas of the ERP. This graphic appeared in *The Bethlehem Review* 28 (March 1936).

lengths to demonstrate how well things functioned under the ERP, highlighting numerous examples of employee gains. In a similar manner, the management included lists of other companies that used ERPs similar to Bethlehem's plan.<sup>96</sup> Although it is true that the Bethlehem Plan reflected the national trends throughout the steel industry, the management of Bethlehem Steel reiterated to its workforce that the ERP, and not an independent labor union, was the proper course of action.<sup>97</sup> At times in the 1930s, the

<sup>96</sup> Other companies with Employees' Representation Plans similar to Bethlehem's were Inland Steel Company, National Steel Corporation, Pittsburgh Steel Company, Republic Steel Corporation, United States Steel Corporation, and Youngstown Sheet & Tube Company. According to the *Review*, over eighty-five percent of the steel industry followed Employee Representation Plans. See, "Employees' Representation Plans Throughout the Steel Industry," *Bethlehem Review* 25, (September 25, 1933), 3.

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Types of Cases Handled by Employees' Representation Committee in 1935. Wages, Working Conditions, Pensions and Relief, 30.1%; Prevention of Accidents, 24%; Health and Works, Sanitation, 13.1%; Miscellaneous, 7.6%; Housing, 3.7%; Athletics, 2%; Rules, Laws & Agreements, 2.9%; Transportation, 6.9%; Practice, Methods and Economy, 6%; Education, 6.3%.

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<sup>97</sup> Mindy Kaye Small, "A Piece of the Pie: An Oral History of the Union Movement at

*Review* also contained select passages from President Franklin D. Roosevelt, an anti-union advertisement from the AISI, a thirteen page, glossy-cover, tribute to Charles Schwab, reprints of speeches by Eugene Grace, and a lavish tribute to him—“Mr. Big”—on his fiftieth anniversary with Bethlehem Steel.<sup>98</sup>

Beginning in July 1927, management initiated the first important change to the format of the *Review*, devoting one issue to an annual report for the employees. This issue reported items such as employee benefit programs, rates of employment, and salary data.<sup>99</sup> Employee benefit programs and pension programs went hand-in-hand with ERPs. As such, ERPs were strengthened by pension plans, profit sharing, and other welfare devices.<sup>100</sup> This was exactly the case at Bethlehem. Eugene Grace continually heralded the employee benefit plans in editions of the *Review* in an attempt to get the labor force of Bethlehem to have a vested interest in the continued successful operation of the company.<sup>101</sup> In essence, Grace encouraged his employees to become part owners in the business through acquisition of stock.<sup>102</sup> Essentially, the large number of employees who took part in this program had “an added incentive in working for the good of the

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Bethlehem Steel Corporation” (Masters Thesis, Lehigh University, 1975), 7-8.

<sup>98</sup> Harold J. Ruttenberg, “Eugene Grace is Mr. Big in Steel Management,” (photocopy, n.d.), p. 4, Howard Truman Curtiss Papers.

<sup>99</sup> “Annual Report to Employees Brings Wide Comment,” *The Bethlehem Review* 34 (November 1, 1938), 9.

<sup>100</sup> Millis, 906.

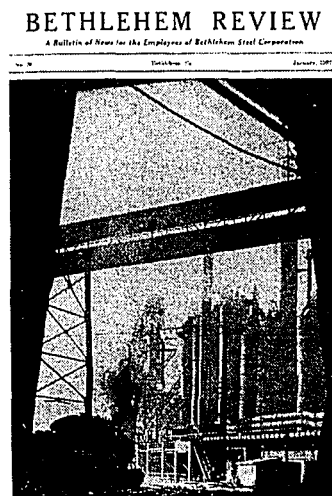
<sup>101</sup> Such plans allowed employees to purchase Bethlehem Steel stock. Therefore, the employee now became a Bethlehem Steel stockholder.

<sup>102</sup> Eugene Grace, “Employees’ Second Saving Plan,” *The Bethlehem Review* 6 (February 2, 1925), 1. See also, Eugene Grace “Employees’ Third Saving and Stock Ownership Plan,” *The Bethlehem Review* 10 (February 1, 1926), “Bethlehem’s New Relief Plan,” *The Bethlehem Review* 11 (April 24, 1926), and “The New Ownership in Industry,” *The Bethlehem Review* 13 (February 1, 1927). All of these articles deal with touting the advantages of the employee benefit programs at Bethlehem. Such issues became a common occurrence during the history of the *Review* as a means of reiterating to the employees the successful nature of such programs.

Corporation because they are [were], in a sense, working for themselves.”<sup>103</sup>

Management felt that it did not behoove the Bethlehem labor force to go on strike or bring in an outside union since both of these stood to disrupt the manufacturing process and ultimately hurt the company. In addition, the *Review* also included statistics concerning employee participation in the election of employee representatives. Such reports incorporated numbers of cases handled and described how the cases were resolved. These issues of the *Review* allowed Grace to demonstrate the great lengths Bethlehem went to provide for its workforce.

Aesthetically, the *Review* changed over time. During the late 1930s and early 1940s, the *Review* looked more like a magazine than a company newsletter. These issues and all issues thereafter, contained large pictures of Bethlehem Steel plants or activities involving Bethlehem Steel employees and products (see Figure 4).



**Figure 4.** Notice the distinct change in the cover of this edition. Instead of a letter from Grace, the January 1937 *Review* contained this picture of a Bethlehem Steel plant. The paper for this edition was also glossy, much like a modern-day tabloid magazine.

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<sup>103</sup> Eugene Grace, "A New Era for Bethlehem," *The Bethlehem Review* 9 (November 25, 1925), 1.

Many issues of the *Review*, especially after 1935, contained impressive collections of pictures that focused on various activities and noteworthy events. Also during this same period, Grace's letters appeared on the second page of the *Review*. More often than not, the first page now contained dramatic Bethlehem Steel pictures.

## Part V: Eugene Grace and *The Bethlehem Review*

During the early stages of the ERP in the 1920s the Bethlehem Plan provided the workforce with modest gains in the form of increased hourly rates or physical improvements at the plants. It was during this period that Eugene Grace utilized the *Review* to herald the advantages of the ERP, and celebrate the period of relative industrial peace that was present throughout the Corporation. As labor discontent grew during the mid-1920s and the 1930s, however, workers began to identify ERPs as “puppet[s],...fake[s], and...joke[s].”<sup>104</sup> The same scenario became increasingly true at Bethlehem Steel. Labor disliked company unions because they lacked the strong bargaining power of large, independent labor unions. To counter increasing union sentiment at Bethlehem, Grace turned to the *Review*.

In general, employers had to convince their workforces that strict adherence to the company ERP was advantageous to joining an independent labor union. Along the same lines, “a considerable number of employers...found it...desirable to ‘sell’ the plan to their employees.”<sup>105</sup> Often this was done when union leaders conducted membership campaigns throughout the country. The *Review* provided Grace with the means for accomplishing this task. Grace, however, took this to an even higher level with the *Review*, his primary anti-union opinion-shaping tool at Bethlehem.

At the onset, the *Review* aided the Bethlehem Plan’s alleged two-way system of communication between labor and management. Such a channel was vital to the implementation of the ERP. Grace continually asserted that the *Review* gave the

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<sup>104</sup> Small, “A Piece of the Pie,” 84.

<sup>105</sup> David J. Saposs, “Organizational and Procedural Changes in Employee Representation Plans,” *The Journal of Political Economy* 44 (December 1936): 805.



employees the unbiased “facts of the business and of the activities in which the employees are interested.”<sup>106</sup> Grace put an interesting spin on this in the April 22, 1925, edition of the *Review*. According to Grace, the Bethlehem Plan gave “the management an opportunity of presenting to the employees problems which must be considered in carrying on the business.”<sup>107</sup> Although management needed to bring its problems to the committee as well, Grace more often than not favored management’s proposals over those made by labor. After all, labor’s demands normally required some concessions on the part of management, concessions that sometimes resulted in a loss of control.

A common theme in Grace’s introductory letters between 1924 and 1941 was cooperation.<sup>108</sup> The first occasion that Grace spoke of cooperation was in his February 1, 1926, letter “Employees’ Third Saving and Stock Ownership Plan.”<sup>109</sup> More discussion of cooperation appeared eight months later. In his October 15, 1926, opening letter “Modern Management,” Grace acknowledged the troubled past between labor and management. This trouble arose, according to him, because the two did not recognize the mutual bonds between them concerning cooperation in terms of labor policies. Grace argued that this situation changed once “employees and owners realize[d] that they are [were] bound by a common interest.”<sup>110</sup> Here, Grace talked about mutual dependence and the shared responsibility of both labor and management to ensure the success of the

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<sup>106</sup> “Giving Employees the Facts,” contained in National Labor Relations Board, *In the Matter of BETHLEHEM STEEL CORPORATION, a Delaware Corporation, BETHLEHEM STEEL COMPANY, a Pennsylvania Corporation and Steel Workers Organizing Committee* Cases Nos. C-170, R-177 (Washington, D.C.: GPO, 1939), 26.

<sup>107</sup> “Some Accomplishments of Bethlehem’s Employee Representation Plan,” *The Bethlehem Review* 7 (April 22, 1925), 2.

<sup>108</sup> The September 8, 1924, *Review* is the first mention of cooperation that was not in one of Grace’s letters. This was a short outline of cooperation with the government at Bethlehem Steel.

<sup>109</sup> Eugene G. Grace, “Employees’ Third Savings and Stock Ownership Plan,” *The Bethlehem Review* 10 (February 1, 1926), 1.

<sup>110</sup> Eugene G. Grace, “Modern Management,” *The Bethlehem Review* 12 (October 15, 1926), 1.

company. In this manner, Bethlehem employees received a “voice with that of management in the consideration of all questions relating to rates of pay and working conditions.”<sup>111</sup>

Twelve years later in 1938 Grace continued to discuss the importance of cooperation between labor and management. Addressing the uncertainty caused by the Great Depression, Grace stated that “when we run into bad times, cooperative relationships and daily contact between employees and management are required if the needs of employees and their families are to be best served.”<sup>112</sup> He continued that the only way Bethlehem Steel had survived was because of the cooperation between everyone involved with the company. Undoubtedly, an outside labor union would seriously threaten such cooperation. Grace foreshadowed what would occur if this cooperation ever ceases at Bethlehem. Put simply, “It will be a sorry day for this country, if that relationship ever is permitted to be undermined.”<sup>113</sup> All in all, Grace mentioned cooperation in nineteen of his introductory letters throughout the time period of this study, indicating that Grace continually attempted to reiterate the importance of cooperation.

As an integral part of cooperation, collective bargaining lies at the core of meaningful labor relations. In the 1920s and 1930s, collective bargaining was not new. In fact, Grace contended that Bethlehem Steel was also a pioneer in the practice of

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<sup>111</sup> Grace, “New Benefits for Employees,” contained in National Labor Relations Board, *In the Matter of BETHLEHEM STEEL CORPORATION*, 21. The aforementioned statement appeared in a leaflet, “New Benefits of Employees,” distributed to the employees of McClintinc-Marshall shortly after Bethlehem Steel assumed control. Here, Grace gave these new workers the impression that they had a say in their workplace. It was now vital for employees to cooperate with management since they were dependent on one another.

<sup>112</sup> Eugene G. Grace, “Our Labor Situation,” *The Bethlehem Review* 32 (January 15, 1938), 1.

<sup>113</sup> *Ibid.*

collective bargaining. This no doubt was a result of the 1918 government mandate to create a plan for bargaining. According to Grace “real collective bargaining must achieve a definite goal, and that goal must be to elevate the working and living standards of the employees.”<sup>114</sup> Real collective bargaining must entail an honest and frank discussion in which both sides work to reach an acceptable compromise. Thus, as journalist Louis Stark reported in 1936, “genuine collective bargaining is not carried on in the steel industry under company unions [or ERPs] because it takes two to make a bargain, and with the steel industry the bargain begins and ends with one person.”<sup>115</sup> At Bethlehem this was Eugene Grace.

Although the Bethlehem Plan did achieve some benefits for labor, such gains often took the form of “new toilet seats, or new sink bowls...but on real issues [rates of pay]; they were always talked down at the meetings.”<sup>116</sup> According to an increasing number of laborers throughout the late 1920s and especially after the passage of the NIRA and the Wagner Act, the only groups that could bargain effectively and make progress on substantive issues such as pay rates and hours worked were independent labor unions. Although new toilets and sinks were appreciated, they did not help labor economically. During an economic depression, pay was paramount to labor. One of the major purposes of the Wagner Act was in fact to create better relations between labor and

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<sup>114</sup> Eugene G. Grace, “Time Are Better,” *The Bethlehem Review* 31 (March 1937), 2.

<sup>115</sup> Louis Stark, “Steel and the Unions Join the Issue,” *The New York Times* 5 July 1936, E6.

<sup>116</sup> Roger Simon, “Looking Backward at Steel,” *The Antioch Review* 36, no. 4 (1978), 455.

Minutes from the Standing Committees of Employees’ Representatives at the Cambria and the Johnstown Plants of Bethlehem Steel support this assertion. In the minutes, the committees dealt with accident prevention, safety equipment and procedures, health issues, and employee parking, without mentioning rates of pay or hours worked. See *Minutes of Special Meeting of No. 1 Standing Committee – Rules, etc., Plan of Employees’ Representation at the Cambria Plant of Bethlehem Steel Company, Gautier Safety Meeting, Bethlehem Steel Company---Johnstown*, by T. Kern (April 28, 1937), (photocopies), Howard Truman Curtiss Papers.

management.<sup>117</sup> By seeking what they saw as overdue gains for workers, labor leaders and unions bargained for advances unattainable by employee representatives functioning under ERPs. Herein lies the threat to Eugene Grace and other steel executives.

Throughout his *Review* letters Grace reiterated not only the importance of working together as management and employees, but also cooperating with the government.<sup>118</sup> Bethlehem Steel was an important manufacturer of defense material. More often than not, such cooperation focused on preventing strikes or work stoppages. In addition to disrupting production of Bethlehem and the overall economy of the nation, strikes also raised fears of revolution. Americans needed to look no further than to the events of Russia in 1917 to witness the great upheaval caused by workers. This caused many in America to view labor unrest and strikes “as the cutting edge of domestic revolution, not just as an expression of justified...workers’ grievances.”<sup>119</sup> It was anti-American to strike or stop work at any company throughout the country especially during wartime production. The Bethlehem ERP, according to Grace, presented a good, American alternative to disruptive labor unions.

To fend off notions of a labor revolution, Grace utilized patriotic tones in his pieces that he wrote for the *Review*. During the existence of the ERP patriotism ran high in every aspect of American life; therefore, Grace used patriotism to defend the ERP. The laborer had to do what was right for America, not just himself, when choosing to back the ERP over an independent labor union. Mainly, what was right for America, as

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<sup>117</sup> *Second Annual Report of the National Labor Relations Board*, Washington, D.C: United States Government Printing Office, 4. Senator Robert F Wagner’s legislation intended to close the loopholes of the aforementioned section 7(a). Such discrepancies allowed management to refuse to bargain with outside labor unions. For a complete discussion, see Dubofsky and Dulles, pg. 259.

<sup>118</sup> Eugene G. Grace, *The Bethlehem Review* 3 (September 8, 1924), 1.

<sup>119</sup> Dubofsky, 216.

maintained by Grace, was acceptance of the Bethlehem Plan. With war threatening in Europe in March 1939, Grace wrote, “I know that you as Americans, with the interest of our country and our families at heart, will join me in pledging the utmost to what-ever job we may be called upon to do in the interest of the general welfare.”<sup>120</sup> Moreover, anything that disrupted the relations and the communication between labor and management also disrupted America as a whole. In the same manner, such close relations provided workers with “one of the best ways for us to cooperate with our government.”<sup>121</sup> Unions stood to break such relationships.

When World War II erupted in Europe, Grace continued to trumpet patriotism in many of his *Review* articles. Without any real conflict, talk of patriotism appeared superficial. Now, with World War II ravishing Europe, Grace had a specific reason to incorporate patriotism. For instance, in his August 1940, letter “We Must All Do Our Part,” Grace deliberately stated that “No true patriot will seek to enhance his position at the cost of national need and national welfare.”<sup>122</sup> Consequently, it behooved the Bethlehem labor force not to join unions, as it was seemingly analogous to opposing one’s government. In the March 1941 edition of the *Review*, Grace, in a letter entitled “Our Imperative Task,” stated that “because the paramount factor in national defense is to keep production flowing, anyone who supports the philosophy of work stoppages is hampering national defense.”<sup>123</sup> Workers should not even be tempted to join a union because they were, according to the steel industry, such disruptive forces.

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<sup>120</sup> Eugene G. Grace, “Let’s Keep on An Even Keel,” *The Bethlehem Review* 36 (December 1939), 3.

<sup>121</sup> Grace, “Bethlehem’s Labor Policies,” *The Bethlehem Review* 26 (July 25, 1934), 1.

<sup>122</sup> Grace, “We Must All Do Out Part,” *Bethlehem Review* 38 (August 1940), 3.

<sup>123</sup> Grace, “Our Imperative Task,” *Bethlehem Review* 39 (March 1941), 3.

On more than one occasion between 1924 and 1941, Eugene Grace also heralded the advantages of the Bethlehem Plan over that of an independent labor union. Often, this was done as he incorporated other themes, such as patriotism, in his articles. At times, such statements were subtle; at other times Grace blatantly denounced unions. In a 1933 letter, Grace focused on the relationship between management and labor under the ERP: “NO [original emphasis] outside agency could possibly take the place of our ERP,” without destroying the close contact that was responsible for the good working and living conditions the workers experienced.<sup>124</sup> No person wants to hear about impending turmoil if changes to the status quo occur, especially during the hard economic times of the Great Depression. Grace purposely played to the fear of economic distress and publicized the ERP as the only viable option during this period. In his March 5, 1938, letter, “An Achievement in Human Relations,” as the country still struggled with the Depression, he claimed, “our management believes that it cannot shift this responsibility [relations with employees] to the shoulders of anyone else, and that others cannot effectively assume it.”<sup>125</sup> As workers throughout the steel industry began to turn their attention to outside unions, Grace clearly went on the offensive in his letter. The tone of this letter makes it appear that the management is simply looking out for the common laborer against the large, impersonal labor unions. Clearly, in Grace’s eyes, the Bethlehem ERP was better suited for the employee as it was solely devoted to the Bethlehem Steel workforce and not steel workers throughout the country. Thus, as David

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<sup>124</sup> Eugene G. Grace, “Fifteen Years of Employee Representation,” *The Bethlehem Review* 25 (September 25, 1933), 1.

<sup>125</sup> Eugene G. Grace, “An Achievement in Human Relations,” *The Bethlehem Review* 33 (March 5, 1938), 2. Grace’s letter for this issue, where he again defended the Bethlehem ERP was rather long. The letter was formatted into two columns, an increase from the usual one column letter.

Brody accurately stated, ERP programs illustrated that “management accepted an obligation for the well-being of its employees.”<sup>126</sup> The sentiment expressed in the letter is that outside unions will not work at Bethlehem because they will not provide the requisite services that the Bethlehem labor force needed during economic hard times. Grace directly denounced labor unions, making it obvious that in the opinion of the management there was no place for any outside agency or independent labor union at any of the Bethlehem Steel plants. While some may argue that Grace was simply looking out for the best interests of labor, given other statements in the *Review*, the anti-union position of Bethlehem Steel is evident.

Examples of welfare capitalism were also included in Grace’s opening letters. Executives utilized these concessions to labor to “discourage trade unionism by making working conditions so favorable that the workers would no longer consider unions of any value, at the same time increasing production and industrial efficiency through closer labor-management cooperation.”<sup>127</sup> Thus, employees would rather maintain the status quo as created by company unions and ERPs.

Grace also devoted space in his opening letters and other articles in the *Review* to document improvements throughout Bethlehem Steel plants. For instance, the December, 1939, article “Accent on Sanitation, Safety, and Health” reminded the laborer that Bethlehem Steel, despite poor business conditions, created locker rooms and wash rooms in its construction of new plants and its remodeling of older plants.<sup>128</sup> Essentially, Grace reminded his labor force that in spite of economic uncertainty Bethlehem Steel

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<sup>126</sup> Dubofsky and Dulles, 239.

<sup>127</sup> *Ibid.*, 235.

<sup>128</sup> Bethlehem Steel Corporation, “Accent on Sanitation, Safety, and Health,” *The Bethlehem Review* 36 (December 1939), 11.

still placed the welfare of the employee first.

Many of Grace's opening letters and entire issues of the *Review* dealt with the important topic of the Employee Saving and Stock Ownership Plans. Grace dealt with this plan on ten separate occasions. This is a prime example of welfare capitalism used throughout the steel industry. Such plans allowed the employee to buy stock in the corporation. Since many employees took advantage of this plan, it suddenly was in their best interest to avoid any and all work stoppages as even the smallest disruption of production hurt Bethlehem economically. Companies throughout the steel industry adopted such measures to aid the success of the company unions or ERPs and also to win over the employees.<sup>129</sup> This is another instance of the corporation making it economically advantageous for workers to keep peace at Bethlehem Steel and not join an outside labor union. As Grace claimed on March 5, 1938, "the interests of capital and labor are not opposed but are mutually interdependent, and that recognition of this relationship is the only firm foundation for growth and prosperity."<sup>130</sup> This quote essentially puts management and labor, specifically those who took advantage of the Saving and Stock Ownership Plan, on the same footing. Not only did work stoppages caused by agitation or strikes caused by outside labor unions affect management, it also stood to economically harm a significant number of Bethlehem Steel employees, especially as many lost everything that they owned. This is an obvious instance of Eugene Grace

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<sup>129</sup> Dubofsky and Dulles, *Labor in America*, 236. Dubofsky discusses numerous examples of measures that companies adopted to please their workforce. Such things included: profit-sharing plans, bonuses/stock ownership, old-age pension plans, clinics, and lunchrooms. Many of these same items appeared at Bethlehem as a result of the ERP activities. All of these plans were designed to create "goodwill and friendly human contracts between labor and management." See page 236 for the complete discussion of such plans.

<sup>130</sup> Eugene G. Grace, "An Achievement in Human Relations," 2.



using financial uncertainty during the Great Depression to direct attention from an outside labor union and onto the Bethlehem ERP.

In a similar manner, Grace always mentioned the Bethlehem Steel workforce in his introductory letters. In the July 6, 1927, *Review* his letter touched upon “The Human Side of Our Affairs.” Grace mentioned the progress made in the relations between labor and management. Such progress was essential to “the forward looking labor policy which Bethlehem...established in cooperation with its employees.”<sup>131</sup> Grace’s continual discussion of cooperation suggests that not all of the Bethlehem Steel employees bought into the ERP. As a result, Grace needed to win over these holdouts, getting them to follow the Bethlehem Plan. Furthermore, Grace continually repeated the revolutionary nature of the plan. In a later issue, Grace mentioned that “this happy outlook is due largely to our persistent adherence to the principle of good management which recognizes above anything else that a cooperative relationship between employer and employee is essential to the success of any large industrial undertaking.”<sup>132</sup> Such statements purposefully did not take into account the dissatisfaction of employees throughout the steel industry who desired to be represented by independent labor unions free from the control of any one particular corporation.

Some of Grace’s most blatant anti-union, pro-Bethlehem Plan rhetoric appeared in his September 25, 1933, introductory letter. This issue, marking the fifteenth anniversary of The Bethlehem Plan and appearing after the passage of the NIRA, heralded every aspect of the ERP. In doing so, Grace claimed that the NIRA valued the importance of an ERP such as the Bethlehem Plan in its provision for collective

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<sup>131</sup> Grace, “The Human Side of Our Affairs,” *The Bethlehem Review* 14 (July 6, 1927), 1.

<sup>132</sup> Grace, “Bethlehem Moves Forward,” *The Bethlehem Review* 20 (August 6, 1929), 1.

bargaining.<sup>133</sup> The NIRA, specifically Section 7(a), however, established that “employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor.”<sup>134</sup> This act caused employers to initiate ERPs or company unions because they were the better alternative to allowing labor to unionize on an industry-wide basis. Thus, Section 7(a) caused more company unions to appear in industry almost immediately.

After the approval of Section 7(a), ERPs consistently and almost immediately caused controversy. Since specific companies sponsored them, labor increasingly voiced its discontent with these plans. Labor claimed that by sponsoring the ERPs or company unions, management directly interfered with and refused to recognize any other bargaining groups. In this sense, management directly violated the last portion of Section 7(a) concerning employer interference. Since the Bethlehem ERP was administered by company executives, they certainly interfered with the bargaining group. Although the NIRA, including Section 7(a), was later ruled unconstitutional, union leaders interpreted the section as an affirmation from the government of the right to bargain collectively.<sup>135</sup> Thus, in the eyes of labor, management was violating the law. In this September 1933 letter Grace argued that the ERP was a fine way of fulfilling Section 7(a)’s requirements. It is interesting to note that the September 25, 1933, edition utilized

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<sup>133</sup> Grace, “Fifteen Years of Employee Representation,” 1.

<sup>134</sup> *National Industrial Recovery Act, Statutes at Large* 90, sec. 7, 198 (1933). Although the NIRA attempted to stimulate economic recovery and was ultimately found unconstitutional, it was a major victory for labor. It set important collective bargaining precedents that were later revitalized through the Wagner Act. See also, National Industrial Conference Board, *Collective Bargaining Through Employee Representation*, v.

<sup>135</sup> *Iron Age* 133, no. 1 (January 4, 1934), 34.

the smallest type-face for Grace's letter and focused solely on employees' representation.

In one of his most misleading passages from the September 1933 letter, Grace further attempted to justify the Bethlehem ERP under the NIRA. According to him, the NIRA "recognizes the value of such a plan under its provision for collective bargaining. This means of collective bargaining has stood the test of time...and meets the requirements of the new law."<sup>136</sup> As Grace saw it, the NIRA called for ERPs and not independent labor unions. Management throughout the steel industry felt that ERPs provided sufficient forms of collective bargaining because of the presence of employee representatives to deal with grievances. To them, this was not employer interference, but rather another example of the employer cooperating with his employee. While president of the AISI, Grace provided that "if allowed to act without interference or coercion on either side, employees will choose for themselves the kind of organization or representation they want. That is as it should be."<sup>137</sup> What is ironic is that Grace continually interfered and coerced labor through his actions to keep labor unions out of Bethlehem Steel. To Grace, since employees participated in the Bethlehem ERP, that was evidence that they accepted the plan. In reality, labor did not have a choice of what plan they wanted until the government later became involved.

Throughout the mid-1930s Grace continued to focus on the positive aspects of the ERP in his introductory letters. For instance, in 1935 an "Annual Summary of Employee Representation Activities" appeared as the feature for the edition. This was the first such summary of employee representation activities. The intent of this edition was to

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<sup>136</sup> Grace, "Fifteen Years of Employee Representation," 1.

<sup>137</sup> Eugene Grace, "Address of the President," *Year Book of the American Iron and Steel Institute* (New York: American Iron and Steel Institute, 1937), 34.

highlight the success of the ERP, especially in terms of how many cases had ended favorably for labor. Also during this period more of the headlines throughout the entire *Review* focused on employee representation activities. For instance, the February 20, 1935, edition of the *Review* contained an article titled “Employees’ Representation Plans Stand Test.”<sup>138</sup> What at one time received only minimal attention from Grace now became the focus of the *Review*. Topics such as employee representation elections and the highlights of the representation plan now became the center of the publication. Prior to this period, the *Review* focused significantly on the Employee Savings Plan. Now, however, as labor organizing at Bethlehem intensified, the *Review* suddenly became an anti-union document.

In his letters, Grace also focused on the extent to which Bethlehem Steel aided its workforce during the Great Depression. He reiterated that Bethlehem Steel was doing all that it could to maintain work for as many men as possible. Grace credited the ERP for keeping employees’ employment needs constantly before management.<sup>139</sup> As a result, management moved shifts and hours to keep the maximum number of people working. Grace also reiterated during this period that labor disruptions were impermissible. Continuing with the notion of cooperation, Grace said that sticking with the ERP was the best way to help the government through this terrible time. Workers striking for economic gains was not permissible. Grace threatened that there were no guarantees that employment levels would remain the same if a union were introduced at Bethlehem

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<sup>138</sup> Bethlehem Steel Corporation, “Employees’ Representation Plans Stand Test,” *Bethlehem Review* 27 (February 20, 1935), 3. This article claimed that the ERP created “effective agencies for collective bargaining.” It also pointed out the fact that the ERP handled 814 cases during the year. This is good affirmation for Grace that the ERP was serving the needs of the labor force better than any outside union ever could.

<sup>139</sup> Grace, “Bethlehem’s Labor Policies,” 1.

Steel. In Grace's eyes, any gains achieved by a union would hurt the company's finances and would directly harm the worker during the Depression. Grace tied together acceptance of the Bethlehem ERP, patriotism, and the Great Depression together.

In addition to focusing on aid during the Great Depression, Grace consistently constructed misleading arguments concerning the aforementioned open-shop/closed-shop philosophies while using the NIRA as justification for the Bethlehem Plan. For example, Grace stated that "no Bethlehem employee...[was] required to belong to a labor union to get the full advantages of collective bargaining under the National Industrial Recovery Act."<sup>140</sup> Bethlehem employees need not look any further than the ERP to obtain all of the provisions of the NIRA. Grace, however, neglected to mention that while the Bethlehem Plan allowed the employees to choose their representatives, the final say in all matters rested with the management or an arbitrator handpicked by management. Often times, the open shop policy also allowed for discrimination against union members and a blatant refusal to deal with such members collectively regardless of their numbers.<sup>141</sup>

While asserting the so-called advantages of the Bethlehem Plan and continually stating the advantages of the open-shop policy, Grace portrayed labor leaders and labor unions in a negative light. Steel executives throughout the United States often portrayed labor leaders as Bolsheviks.<sup>142</sup> From 1933 to 1938, Grace used language designed to scare workers into following the Bethlehem Plan. On various occasions he stated that the welfare of the workers depended on continued, uninterrupted production at Bethlehem Steel. Organizing campaigns by the SWOC stood to hurt everyone at Bethlehem Steel.

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<sup>140</sup> Grace, "Fifteen Years of Employee Representation," 1.

<sup>141</sup> Dubofsky and Dulles, 231. As Dubofsky correctly states, "the open shop thus became more than ever a recognized technique to deny the whole process of collective bargaining."

<sup>142</sup> Ibid, 232.

In his July 3, 1936, letter, “Security of Employment,” Grace dealt with the topic of professional labor leaders. For the first time, Grace mentioned the campaign by such leaders to unionize the steel industry. Grace again played to the Depression by mentioning the dues laborers paid for union membership. Conversely, the senior management of Bethlehem contended “that no worker should be required to pay tribute to anyone or to any organization for the right to work.”<sup>143</sup> This “tribute” clearly referred to the required union dues. After all, the Bethlehem ERP did not require labor to pay dues. This in and of itself should make the Bethlehem ERP more appealing to any worker.

Finally, Grace claimed that Bethlehem Steel would protect the employees from the disruptive influence of unions. To do so, “we will use our resources to the best of our ability to protect you and your families from interference, intimidation, and any coercion from any source,” referring to union organizing efforts.<sup>144</sup> Grace began this letter, “I am sure we all agree that your welfare and that of your families...depends upon uninterrupted operation of our plants.”<sup>145</sup> According to Grace, if unions represented the workforce strikes would occur. Strikes shut down plants and prevented the workers from earning wages. In the next line, Grace mentioned the campaign by professional labor leaders to unionize the steel industry. Essentially, Grace and the management of Bethlehem Steel relied upon scare tactics, which centered on the families of the workers, to maintain support for the ERP at Bethlehem.

An advertisement by the American Iron and Steel Institute in the same 1936

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<sup>143</sup> Grace, “Security of Employment,” *The Bethlehem Review* 29 (July 3, 1936), 1.

<sup>144</sup> Ibid.

<sup>145</sup> Ibid.

edition of the *Review* reinforced Grace's argument concerning labor leaders and unions. In its simplest form, this advertisement defended the open-shop policy strongly accepted by steel executives across America. This is the same group to which Grace spoke of the open-shop policy on many occasions. In his letter, Grace stated that management strongly followed the sentiments expressed in this advertisement. The ad dealt with the announced campaign to unionize the entire steel industry. It stated, "The Steel Industry believes in the principles of collective bargaining" through ERPs established under the auspices of steel executives such as Eugene Grace.<sup>146</sup> This advertisement was addressed not only to steelworkers, but the public in general. In words similar to Grace's, the ad claimed that the entire steel industry would use its resources to protect its employees and their families again trumpeting the paternalistic tone of ERPs. The advertisement also claimed that "There are many disturbing indications that the promoters of the campaign will employ coercion and intimidation of the employees in the Industry and foment strikes."<sup>147</sup> The inclusion of the advertisement in this anti-union issue demonstrates the extent to which Eugene Grace and the management of Bethlehem Steel worked to prevent the unionization of any of Bethlehem's plants. Echoing Grace's arguments, this advertisement also stated, "Any interruption of the forward movement will seriously injure the employees and their families and all businesses dependent upon the Industry, and will endanger the welfare of the country."<sup>148</sup> When this advertisement appeared in the *Review* in 1936, Eugene Grace was president of the AISI. In this issue, instead of providing the employees with news of what was occurring at Bethlehem and throughout

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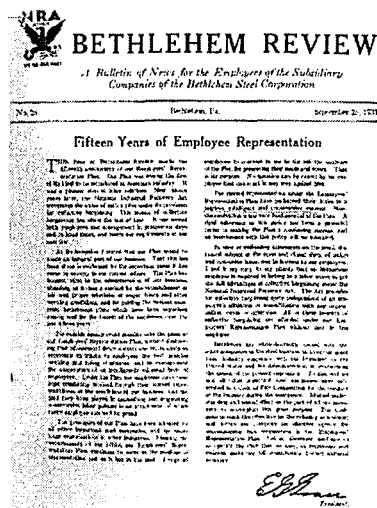
<sup>146</sup> American Iron and Steel Institute, "To The Public and The Employees in the Steel Industry," contained in *The Bethlehem Review* 29 (July 3, 1936), 3.

<sup>147</sup> Ibid.

<sup>148</sup> Ibid.

the steel industry during such hard economic times, the *Review* engaged in a one-sided attack on labor unions, only taking into consideration the viewpoints of management and the AISI in general.

In addition to the overall length of the *Review*, the length of Grace's opening letters serves as a rather obvious indication of the growing discontent with the ERP. As previously mentioned, the first letter in 1924 was only a few paragraphs in length, staying this length for nine years, until 1933. With the country in the midst of a severe economic depression, and labor discontent on the rise, the font of the letters decreased and the



**Figure 5.** This is the cover to the *The Bethlehem Review* 25 (September 25, 1933). Pay close attention to the increased length and decreased typeset of the letter. Also noteworthy is the Blue Eagle in the upper left-hand corner. This symbol appeared on all of the issues during the Depression period.

length of the letters increased (see Figure 5). Although Grace dealt with employment concerns, there is another reason for the increase in the length of the letters from 1933 to 1941. Largely because of the pro-labor New Deal legislation, the NIRA and later the Wagner Act, labor now had legislation to help provide for effective, independent collective bargaining that did not fall under the control of corporations or employer



associations. One of Grace's longest letters appeared on January 15, 1938. This letter was simply titled "Our Labor Situation." During the New Deal five out of Grace's seven letters dealt with either the employment situation at Bethlehem Steel or the Bethlehem ERP. As a result, Grace assumed a defensive position regarding labor unions, resulting in longer and more strident letters, thus further preventing the *Review* from bringing the employees of Bethlehem Steel news (see Figure 6).



**Figure 6.** This is one of the longest letters by Grace during the period of this study. Notice the use of three columns and the decreased type-set. This letter, "Our Labor Situation," focused on the ERP at Bethlehem as labor discontent reached an all-time high. This image is taken from the January 15, 1938, edition of the *Review*.

It was also important that Eugene Grace maintain a positive image with the public as the unionization campaign spread across the country. He could not afford to have the general public, those who were not directly involved with either Bethlehem Steel or the steel industry, take a stand against him. One particular issue on November 1, 1938, Grace focused on "Bethlehem and the Public." Bethlehem Steel stood as a centerpiece in many communities, specifically Bethlehem, Pennsylvania. Grace explained, "This issue of the *Review* presents some of the things which the management and the employees

have accomplished in making our company of outstanding service to the general public.”<sup>149</sup> Therefore, it behooved management to win-over the good graces of the citizens from each community. The public, according to Grace, also had an interest in the industry and that required them to be apprised of the operations at Bethlehem.<sup>150</sup>

One such headline in this issue was “Our Part in Community Life” that stated that the company had “a responsibility to the community has always been recognized by the Bethlehem Steel organization, both management and employees.”<sup>151</sup> As a pillar in the community, Bethlehem Steel had to create civic programs to benefit the entire community. Not only is this good public relations, it too directly benefited the labor force. Additionally, part of this civic responsibility was fair dealings with labor. Grace stated that “fair dealings have always been an essential part of our policy as we have been engaged in the continuous development of Bethlehem.”<sup>152</sup> As early as 1927 Grace claimed that “the day of the driver, of the strong-arm boss, has given way to leadership which guides and inspires.”<sup>153</sup> Such leadership included active participation in community life, as opposed to the sweat-shops of the nineteenth century that showed no regard for the workforce or community in general. In this sense, Bethlehem Steel stood as a source of progressive community relations. Since a large majority of the labor force lived in the plant communities, animosity between the management and the community would spill over into the plant.

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<sup>149</sup> Eugene G. Grace, “Bethlehem and the Public,” *The Bethlehem Review* 34 (November 1, 1938), 1.

<sup>150</sup> Ibid.

<sup>151</sup> Bethlehem Steel Corporation, “Our Part in Community Life,” *Bethlehem Review* 34 (November 1, 1938), 8. Interestingly, this issue was eleven pages in length. It also contained nine photographs of the growth of Bethlehem Steel and its involvement in the communities.

<sup>152</sup> Ibid., 2.

<sup>153</sup> Eugene G. Grace, “Foremanship in Industry,” *The Bethlehem Review* 14 (July 6, 1927), 4.

During 1939, as labor discontent grew, the National Labor Relations Board (NLRB) heard a case that dealt with the Bethlehem ERP. After U.S. Steel unionized in 1937, the labor force at Bethlehem increasingly responded to the SWOC. In this case, the NLRB found that Bethlehem unfairly promoted its ERP. Without a doubt, the *Review* played a significant role in this promotion. Finally, the board ordered Bethlehem to stop using the ERP in labor relations.<sup>154</sup> Specifically, the NLRB ruled that Bethlehem Steel “engaged in unfair labor practices” and ultimately “dominated and interfered with the administration of the Plans [ERP] and have contributed support thereto.”<sup>155</sup> This was a direct violation of the Wagner Act.

When the NLRB cited the interference of Bethlehem Steel with the ERP, it clearly indicted the *Review*, the “house organ, over the signature of E.G. Grace.”<sup>156</sup> To labor and its leaders, such a ruling was a foregone conclusion, albeit long overdue, since Grace and his management team administered and ran the ERP. The NLRB ruled that if the ERP continued to exist, it would prevent the employees from exercising their right to self-organization and collective bargaining through representatives of their own choosing. Furthermore, the NLRB also concluded, “these plans were in fact designed to forestall organization of the Bethlehem corporation’s employes [sic] by labor unions.”<sup>157</sup> In the final blow to the Bethlehem Plan, the NLRB ordered Bethlehem Steel to

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<sup>154</sup> Kathleen Purcell Munley, “Shopfloor Memories of Organizing Bethlehem Steel,” *Labor’s Heritage* 9, no. 4 (1998): 76.

<sup>155</sup> National Labor Relations Board, *In the Matter of BETHLEHEM STEEL CORPORATION*, 75. This case summary provides an excellent account of the labor struggle at Bethlehem Steel beginning in 1918 and culminating with this NLRB ruling.

<sup>156</sup> “Labor Board Bars Bethlehem,” *Special to the New York Times*, 1.

<sup>157</sup> *Ibid.*

“withdraw all recognition from the Plans as representatives of the employees.”<sup>158</sup> Thus, Bethlehem grudgingly succumbed to allow union organizing after “years of persistent organization and the pressure of sanctions under the National Labor Relations Act.”<sup>159</sup>

Tellingly, the *Review* and Eugene Grace never mentioned that the case was on the docket of the NLRB. In fact, there was only minimal coverage of the case in the January 15, 1938, issue of the *Review* (see Figure 7).<sup>160</sup> Grace only gave the employees a slight



**Figure 7.** This is the article that covered Bethlehem Steel’s case before the NLRB. Notice that this article is only four paragraphs long. Furthermore, the article does not go into any specific details concerning the case.

indication of what was happening between Bethlehem Steel and the NLRB. His comments amounted to only one paragraph in a long letter. Grace claimed:

For the last several months that long-established method of dealing with you has been the subject of hearings before the National Labor Relations Board. The Company is defending itself, and at considerable expense, against what we believe to be an unfounded charge, made by the Steel Workers Organizing

<sup>158</sup> National Labor Relations Board, *In the Matter of BETHLEHEM STEEL CORPORATION*, 75-76. As a precedent and as the basis for their ruling in the Bethlehem case, the NLRB used the case of *National Labor Relations Board v. Pacific Greyhound Lines, Inc.*

<sup>159</sup> Tilove, 5.

<sup>160</sup> “Bethlehem’s Side Now to be Heard in Labor Board Case: Hoyt A. Moore Chief Counsel for Company—Representation Plans also Employ Counsel to Defend their Interests,” *The Bethlehem Review* 32 (January 15, 1938), 7.

Committee, that the Company is dominating your collective bargaining Plans. It is regrettable that your plans are being put to like expense in defending at those hearings their independence and the type of collective bargaining which has been in effect under them for many years.<sup>161</sup>

For such an important case to the future of the ERP and Bethlehem Steel, Grace certainly does not devote much attention to the matter. Grace put all of the blame for this case on the NLRB and the SWOC. His use of the words “long-established” and “regrettable” is clear evidence that he is trying to play to the loyalties of his workforce at Bethlehem by convincing them that the ERP has stood the test of time and should not be changed. A few paragraphs later, Grace attempted to downplay the alleged domination by Bethlehem. To him:

We have always believed that the best labor relations will be had only when the representatives of employees and management negotiate on a basis that contemplates a will to be fair and just in the consideration of each other's problems. There is no room for domination in following that policy. In fact it is the very lack of domination in such a relationship that assures mutually satisfactory results.<sup>162</sup>

To Grace, the fact that the ERP had worked since 1918 stood as evidence that all parties were happy. Obviously, the NLRB and a significant portion of the Bethlehem labor force disagreed with Grace. By not mentioning the defeat of the case and essentially giving one last defense of the ERP, Grace clung to the hope of resisting the acceptance of an independent labor union.

What is more, there was a two-year period between the time of the NLRB's ruling in favor of labor and the formal recognition of the United Steel Workers of America (USWA) at Bethlehem as the official bargaining unit. In the months leading up

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<sup>161</sup> Grace, “Our Labor Situation,” 1.

<sup>162</sup> Ibid.

to the formal recognition of the USWA, Clinton S. Golden, regional director of the SWOC, alleged that Grace and the senior management of Bethlehem Steel “disappeared when union representatives called on them” while the management of Bethlehem “discourage[d] Bethlehem employees” from membership in the union.<sup>163</sup> All of this occurred as Grace continually claimed that workers were free to belong to any group that they wished. As can be expected from Grace and the management of Bethlehem, the company, in spite of the NLRB’s ruling, did not accept unionization and appealed the NLRB’s decision.<sup>164</sup> By resisting the organizing efforts of the USWA, Grace defied orders of the federal government; this type of action was something that he specifically condemned in earlier issues of the *Review*. Remember, when the corporation needed cooperation, Grace essentially ordered it from his labor force and devoted entire issues of the company newsletter to this simple topic. Now, however, as this NLRB ruling did not fit into Grace’s labor doctrine, cooperation on his part and on the part of the corporation was not necessary. Clearly, Grace held a double standard for acceptable behavior on the part of management and of labor.

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<sup>163</sup> “Renews Demand On Grace,” *The New York Times* 19 November 1939, 2.

<sup>164</sup> Munley, “Shop floor Memories of Organizing Bethlehem Steel,” 80. This article recounts in specific detail the uphill battle on the part of labor to unionize Bethlehem and formally recognize the USWA as the official bargaining unit at Bethlehem.

## Conclusions

During the mid-1930s, gaining momentum with the “Little Steel” strike of 1937, and finally culminating with the Bethlehem Steel strike of 1941, the SWOC of the Congress of Industrial Organizations (CIO) continually attempted to unionize Bethlehem Steel. During the strike of March 1941, “Bethlehem Steel bore the brunt of the labor challenge” since the SWOC brought 19,000 workers out of the Bethlehem, Pennsylvania plant to protest the Bethlehem ERP.<sup>165</sup> This event not only had national implications, it essentially was the last stand for the Bethlehem ERP and a huge defeat for Eugene Grace. When the employees of Bethlehem voted in favor of the USWA as their form of representation after the 1941 strike, a new era began in Bethlehem, Pennsylvania.<sup>166</sup> The ERP no longer represented the workforce of Bethlehem Steel. In marking defeat, the *Review* and Eugene Grace made little mention of this strike. Instead of trumpeting the advantages of the ERP, the *Review* now served as a true company newsletter, outlining accident prevention and advances, both physical and technological at all of the Bethlehem Steel plants. Moreover, the *Review* now served as a tool to help maintain good relations with labor. With the ERP defunct, the *Review* truly was a company newsletter without any ulterior motives. Also, the workforce was now represented by a bargaining organization with substantial power; one that was free from the influence of any steel company or steel executives. Furthermore, the *Review* could go back to its

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<sup>165</sup> Zieger, 65. During this strike, Bethlehem Steel executives used intimidation and police force to stop the recognition of the SWOC. This practice did not work. After the NLRB elections at Bethlehem, “over 21,500 of the company’s 28,500 employees chose the SWOC, solidifying the CIO in one of Little Steel’s largest firms.” See Zieger, pages 64-66 for an adequate discussion of the introduction of the SWOC at Bethlehem Steel and the entire Little Steel corporations.

<sup>166</sup> Munlley, 74.

original purpose of spreading company news to the employees.

The influence of Eugene Grace over Bethlehem Steel is undeniable. It is very easy after reading his passages in the *Review* to hold Eugene Grace in a negative, almost damning light. However, to not properly credit Grace for his success at Bethlehem Steel specifically and throughout the entire steel industry in general would be unfair. This legendary man helped Bethlehem rise to prominence. He transformed it into a major supplier of structural steel for countless United States cities and also played an important role in World War II armaments. In doing so, however, Grace created, as Harold J. Rutenberg claimed, “The Bethlehem Psychology,” where management was “blind to everything except Bethlehem’s self-interest.”<sup>167</sup>

At Bethlehem, unions took control of the workforce away from management, giving labor more benefits and more of a voice in the corporation. While the argument could be made that Eugene Grace and the board of directors of Bethlehem Steel simply followed the rest of the steel industry when creating their ERP, the legacy that Grace left behind in his letters in the *Review* and speeches to steel industry executives provide evidence to the contrary. Grace and his executives fought passionately against the unionization of Bethlehem Steel, instead opting for the open shop policy and the Bethlehem Plan of Employees’ Representation. Grace also played to American’s fears to create a foreboding picture of the situation that unions created in industry. Only a government ruling from the NLRB allowed the introduction of an outside labor union into the workplace at Bethlehem Steel.

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<sup>167</sup> Rutenberg, “The Bethlehem Psychology,” 4. Mr. Rutenberg served as the Assistant to the Director of the Steel Division of the War Production Board and also served as the Research Director of the United Steelworkers of America.



In the larger scope of labor history, a continual battle for power exists to this day between labor and management. As was the case at Bethlehem, the union strove to organize the workforce, thereby increasing the power of the workingman in spite of the ERP and company policies created in response to such attempts. When the USWA became the official bargaining unit for the Bethlehem labor force, a significant amount of power slipped away from the management and more specifically Eugene Grace. The *Review* presented one side to this lengthy battle for control that occurred at Bethlehem. As demonstrated, this publication, specifically the letters and writings of Eugene Grace as well as his speeches to the AISI, became inflammatory and manipulative as unions spread throughout the country and as the New Deal legislation granted labor the right to organize and bargain collectively. Thus, Grace used the *Review* to retain control of the Bethlehem Steel workforce and to impede the progress of the unionization campaign into the Bethlehem Steel Corporation.

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## Vita

Jonathan David DeFrain was born on April 21, 1980, to David and Susan DeFrain. A lifelong resident of Slatington, Pennsylvania, Mr. DeFrain has one sibling, a sister Melissa DeFrain.

A 2002 cum laude graduate of Muhlenberg College, Jonathan majored in History while earning his secondary education certification in Social Studies. While at Muhlenberg, Mr. DeFrain earned honors in History with his paper entitled “The New Deal: An Old Friend of American Labor” that he successfully defended against a faculty panel. Also, Mr. DeFrain is a member of Omicron Delta Kappa and Phi Alpha Theta honor societies. In 1998, Mr. DeFrain was awarded the rank of Eagle Scout from the Boy Scouts of America.

Currently, Mr. DeFrain is a Social Studies teacher at Northern Lehigh High School in Slatington, Pennsylvania, his alma mater. At Northern Lehigh, Jonathan teaches advanced Political Science and United States History courses, as well as survey courses in Civics. Mr. DeFrain is also the head jayvee softball coach.

Mr. DeFrain is currently working on an article for the Organization of American Historian’s “Magazine of History.” The entire issue will focus on disability history. Mr. DeFrain’s work will focus on industrial accidents at Bethlehem Steel during the 1930s. The focus of the article will be on the facilitation of lesson plans for high school students.

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