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An Unlikely Background

Late in 1932, Charles M. Schwab tried to explain why he had been so extraordinarily successful in the world of business. "As I sit and look back over those fifty years, I cannot for the life of me understand the whole thing. All I can do is wonder how it all happened. Here I am, a not over-good business man, a second-rate engineer. I can make poor mechanical drawings. I play the piano after a fashion. In fact, I am one of those proverbial Jack-of-all-trades who are usually failures. Why I am not, I can't tell you." ¹

When Schwab took his first job in the steel industry in 1879, he began as a day laborer. He had shown no previous interest in metallurgy, management, or finance, though he had taken a high school course in surveying and engineering. But within six months, at the age of eighteen, he was the acting chief engineer of the largest steel mill in America. Ten years later he was the foremost production expert in the American steel industry. Three years after that, in 1892, a bloody strike crippled the Homestead works of the Carnegie Steel Company. Only one man seemed capable of pacifying and conciliating the strikers, so Andrew Carnegie cabled an order from his retreat in Scotland: send in Mr. Schwab. Then, when Schwab was only thirty-five, he was named president of the Carnegie Steel Company. Four years later, in 1901, he served as the intermediary between Carnegie and J. P. Morgan, helping to bring about the merger which created the first billion-dollar company in America, the United States Steel Corporation. He was U.S. Steel's first president.

A few years later Schwab achieved his greatest coup: he founded the modern Bethlehem Steel Corporation. He took over a small company and built it, in a single decade, into the second largest steel-producing firm in the world. For the next twenty years his company dominated the structural steel market; he had risked his fortune and the future of Bethlehem Steel on a new and untried invention—and he succeeded brilliantly. In 1914, when World War I began, he obtained from England the largest order for munitions and submarines ever made to that date. Then America entered the war; Schwab was one of the men who made the nation the arsenal and breadbasket of the Allies: as Director-General of the Emergency Fleet Corporation, he accelerated the building of merchant ships which carried to Europe the products of American factories and farms.

When Schwab expressed bewilderment about his successful career, was he truly unaware of the special skills and talents which had made his achievements possible, or was he merely reticent about them? Must the explanation of his success ultimately rest upon some vague or indefinable concept such as luck, or fate, or accident, or destiny? Or was there in fact a solid reason for his achievements?

Schwab, as a child and an adolescent, gave clear evidence that he was likely to be successful in later life, but the evidence points to success in show business, not in the steel industry. Young Schwab was attracted to footlights, not to blast furnaces and forges—yet the world he was born into was unlikely to produce either a showman or a steelman.

In 1830, his grandfather, an emigrant from Baden-Baden, Germany, settled in a sparsely populated region in southwestern Pennsylvania: Grandfather Schwab, who was also named Charles, was the only son of an impoverished Catholic farmer. He viewed life as a high adventure and actively sought new experiences: in his late teens, he “walked all over France” simply to see how the people of that country lived. When he was twenty-one, he left his family and native land for good; he took passage on a ship which would carry him to America. At first he settled among his compatriots and co-religionists, seeking the security of their company until he had remedied his two major handicaps: he lacked a trade and he could not speak or write English.

Grandfather Schwab became a weaver. Four years after he first settled in Bedford, Pennsylvania, he headed north into Cambria County, in search of a place where he could use his trade to support himself. He

settled in Loretto, and within a few months he got married to Ellen Myers.² Ellen—she was also called Elinor—was eight years younger than her husband. She was born on the Atlantic Ocean in 1817, during her parents' voyage to America. Her father, John B. Myers, had been a schoolteacher in his native Germany. There he had married a distant cousin, Catherine Myers. In America, John became a farmer; he raised crops while Catherine raised children, eight of whom survived infancy.³

In 1834, when Charles and Ellen Schwab were newlyweds, Loretto was an isolated and inaccessible village on the crest of the Allegheny Mountains, in a region which barely supported subsistence farming. The inhabitants of Loretto had come from many countries, but they shared a common faith: the village was virtually a Catholic retreat.⁴

Loretto's spiritual leader was an ascetic priest, Demetrius Augustine Gallitzin, who had originally come to the village in answer to the call of a dying woman for the last rites of the Catholic Church. On Christmas Eve, 1799, Father Gallitzin celebrated his first mass in Loretto. He remained the village patriarch until his death in 1840. Loretto soon became noted for the fact that the only Catholic priest between Lancaster Pennsylvania, and St. Louis, Missouri, lived there. For those to whom strict religious observance and access to the holy Sacraments were matters of importance, Loretto seemed an ideal place to settle.

Although Father Gallitzin was self-effacing, he was known far beyond Loretto, for he was not an ordinary man. He became a naturalized American in 1802 under the name of Augustine Smith, but he had been born a prince of Russia. At the time of his birth in The Hague in 1770, his father, a cousin of Czar Paul, was the Russian ambassador to Holland. Tradition had destined the young prince for a military career, but he broke with his family, converted from the Greek Orthodox to the Roman Catholic Church, sailed to America, took Holy Orders in a seminary in Baltimore, and thereafter dedicated his life to the spiritual salvation of the handful of Catholic souls living in the midst of America's almost impenetrable forest. The magnitude of his sacrifice and the intensity of his religious devotion served as a beacon, attracting to Loretto other religious groups intent upon carrying on his mission. In 1834, Father Peter Henry Lemke received permission to assist Father Gallitzin in Loretto, and in 1843 the newly created Bishop of Pittsburgh assigned two priests to aid Lemke in carrying on Gallitzin's work after that patriarch's death. Then, in 1847, the Franciscan Brothers came to Loretto, and in 1848 the Sisters of Mercy established a convent there.⁵

In 1834, when Charles Schwab first settled in this religious sanctuary, he was able to earn enough to support himself and his wife. By 1857, however, he also had eight children to support, and the limited economic prospects in Loretto outweighed the religious advantages. Moreover, the winter of 1856 had been particularly bitter and brutal; over ninety-six inches of snow had fallen on Loretto, immobilizing the village and isolating Schwab from his sources of raw wool and from his customers.⁶ In 1857 he moved his family to Williamsburg, thirty-two miles to the east. In Williamsburg he was able to lease a large woolen factory in the region known as Clover Creek, bordering the Juniata River.⁷

For Schwab's eldest son, John, born in 1839, the family's move from Loretto must have been a welcome change; it spared him further embarrassment at the hands of a neighbor and classmate, Pauline Farabaugh. The Schwabs' nearest neighbors in Loretto had been Michael and Genevieve Farabaugh, who were also German-born Catholics and also the parents of eight children. The first recorded encounter between John and Pauline was less than auspicious. John had trespassed on the Farabaugh property to pick apples; when Pauline spotted him, she unleashed her dog to chase him away. They were also classmates in the one-room country schoolhouse, where an itinerant teacher, known as Master Thomas, held classes for six weeks each year. By his own admission, John had been a poor student in "skule," but he was especially sensitive when Pauline chided him about his deficiencies as a speller, for she regularly triumphed over him in competitive spelling bees, even though she was four years his junior.

John Schwab learned his father's trade, and as he matured he was given a greater responsibility in the family business. Then in 1859, at a party in Munster, John met his old tormentor, Pauline. She had outgrown her boy-baiting days, and their earlier coolness gave way to cordiality and then to courtship. They were married in Loretto on April 23, 1861, in the remodeled chapel of Father Gallitzin's old church.

After the wedding festivities, John and Pauline left for their new home in Williamsburg. The young couple had their first disagreement then and there: John was eager to enlist in the Union Army. Only a week before their marriage President Lincoln had called for 75,000 volunteers to suppress the Southern rebellion. John wanted to join a number of his friends who were preparing to leave for Harrisburg to answer the President's call, but Pauline was able to dissuade him.⁸ Their first child, Charles M. Schwab, was born ten months later.

On Tuesday, February 18, 1862, Dr. Ake, the only physician in Williamsburg, was summoned to the Schwab house to assist at the birth. Charles Michael Schwab, named in honor of both his grandfathers, weighed in at over ten pounds.

In later years Schwab would own the largest and most luxurious mansion in New York City, but he spent his infancy and boyhood in almost spartan surroundings. His first home was a one-story wood-frame house in Williamsburg, close to his grandfather's woolen mill. The house was modestly furnished; two of Pauline's brothers, like their father, were woodworkers, and they gave the couple a bed, a table and chairs, mixing bowls, and a washtub, among other things. Pauline's mother's gift was a cow. The cow proved to be a prized possession, for it was wartime and food prices were soaring. As an economy measure, Pauline made all the clothing for the family, a practice she was slow to abandon. Charlie was seventeen before home-made gave way to store-bought clothes.⁹

In 1861, after Charles Schwab the elder had obtained a government contract to produce blankets and overcoats for the Union Army, John was promoted to foreman of the woolen mill. He and his father worked unstintingly to meet the delivery dates specified in the contract. Since no record survives of the details of the contract, we do not know how profitable it was; however, it appears that even though the family lived modestly, they were not poor, even by the standards of that era. We do know that the profits from the government contract supported thirteen people—not only John and Pauline Schwab and their two sons, Charles and Joseph (who was born in 1864), but also John's father and mother and their seven other children. When the war ended, so did the contract.

All of the family income was earmarked for necessities, and any surplus went into savings, as a hedge against an uncertain future. As a child, Charlie neither expected nor received many toys or gifts. When he was seventy-three years old, he recalled the day when his Christmas stocking contained only a single marble.¹⁰

There was, however, one form of entertainment which did not require any outlay of cash. All the Schwabs loved music, and singing was their primary source of pleasure. On Saturday evenings Schwab's grandfather would borrow the small church organ and lead a choir of his children and grandchildren.¹¹ From the age of four, Charlie was a key participant. A photograph taken of him at that age reveals a chubby-cheeked, dark-haired child with large, intense eyes.¹²

Charlie entered school when he was five. The school year was only three months long, but the teacher, Miss Sadie Stevens, ran a supple-

mentary session each year for her brightest students. Charlie was one of them. His mother permitted him to attend despite the additional expense, because she was flattered that he was one of the few chosen.¹³

Charlie excelled not only as a singer and a student, but also as a showman, even at this early age. Whenever the class put on a pageant, play, or recital, he was usually the star.¹⁴ The future orator of the steel industry, the man who never passed up an opportunity to regale his colleagues and customers with jokes and anecdotes and who freely acknowledged his pleasure in “playing the part of clown and entertainer for the edification of my delighted friends,”¹⁵ made his debut as a performer at the age of seven, when he won first prize in a poetry recital. Beyond good looks and a fine voice, he had another asset—a superb memory. It was a natural skill, but he developed and improved upon it until he had an almost photographic memory for names and numbers, faces and facts, short passages and whole pages—an ability he would capitalize on throughout his business career. He also learned various mnemonic devices and tricks of memory—paradoxically, from a book whose author and title he could not recall.¹⁶

At the age of eight Schwab earned the first installment on his multimillion-dollar fortune. He solicited neighbors who wanted their pathways cleared of snow, enlisting his brother Joe as his assistant. The financial rewards were meager—his share on each job was only five cents—but he did acquire a reputation as a “good boy.” His first customer, the local Presbyterian minister, complimented Mrs. Schwab on the fact that Charlie was not raucous and rowdy like most boys his age.¹⁷

Charlie spent much of his time developing his musical skills. John Schwab bought a small parlor organ on an installment plan, and Pauline arranged for Charlie to receive lessons once a week. Since the family’s budget was already strained to its limit, Pauline gave the music teacher a free dinner in lieu of payment. Charlie soon mastered the organ and was ready for a public performance. The best place to display his talent was in the local church, where he would have the largest audience. But there was one problem: although he could easily play the hymns on the church organ, his legs were too short to reach the pedals. The elder Charles Schwab came to the rescue; while Charlie sat in the church loft playing the organ in full view of his admiring neighbors and proud relatives, his grandfather, concealed from view, worked the pedals.¹⁸

In 1874, when Charlie was twelve, his family moved back to Loretto. For five years his father had been suffering from a mysterious malady which was becoming increasingly severe. He had bouts of dizziness and

fainting. Charlie made his first trip to a big city when he accompanied his father to Philadelphia, where John was examined by Samuel David Gross, the well-known surgeon and diagnostician, at the Jefferson Medical College. Doctor Gross suggested a change of locale and occupation; he recommended that John live in a town with a higher elevation than Williamsburg's and that he find work which would keep him out-of-doors most of the time. Although John Schwab had dug into his savings to pay for his visit to Philadelphia and the physician's fee, he had enough money left to purchase a small livery stable in Loretto.¹⁹

The move was beneficial for the whole family. For John and Pauline it meant a return to their birthplace; for Charlie and his brother it meant a chance for a better education. Pauline, who was deeply pious, also hoped that the schools in Loretto would provide her sons with a more intensive religious training than they had received thus far. Although Charlie did finish grade school in Loretto at an institution run by the Sisters of Mercy, the major benefit he derived from his schooling was a heightened skill as a musician. The Reverend Horace S. Bowen, who had been a pupil of Franz Liszt, was then serving as chaplain to the nuns, and Charlie asked him for special singing lessons. Bowen agreed, and for several years Charlie studied under him.²⁰

When Charlie was graduated from grade school, he began classes at St. Francis College, which then offered the equivalent of a high school curriculum. The school had been founded by six Franciscans from Ireland, and courses in Christian doctrine were given first priority. But Schwab remained remarkably unaffected by his years with the Sisters of Mercy and the Franciscans; he was never influenced by the religious atmosphere of the community which so ardently embraced the teachings of Father Gallitzin. Schwab's teachers were men and women who had renounced the pleasures of this world in preparation for a life to come. They may by their example have intended to inspire him to do the same; if so, they were completely unsuccessful. They had eagerly embraced poverty, chastity, and obedience; Charles Schwab would forever find those three states intolerable.

The secular portion of the curriculum at St. Francis did introduce Schwab to subjects which were useful to him in his future career. In addition to being taught literature, history, and mathematics, he received instruction in public speaking, perspective drawing, bookkeeping by double and single entry, surveying, and engineering.²¹

Charles Schwab stood first in his class, not through effortless bril-

liance, but rather, as one of his teachers later explained, through bulldog tenacity—and bluffing. Brother Ambrose Laughlin later gave this description of his prize student:

Charlie especially liked arithmetic. Generally it was easy for him, though sometimes it wasn't. But if it wasn't, Charlie would never let on that he didn't know his problems. Instead he'd go to the blackboard and mark away with might and main. And he wouldn't stop until he had solved the problem, or had convinced us that he knew how to get the right answer.

In all things Charlie was a boy who never said "I don't know." He went on the principle of "pretend that you know and if you don't, find out mighty quick."²²

Schwab relished any opportunity to be the center of attention and to make a favorable impression. His greatest pleasure was to find a responsive audience for his talents, and he did not disguise his pride in his accomplishments. His mother often told of a Sunday afternoon when a number of their relatives had come to visit. Charlie entertained them with songs, jokes, somersaults, and magic tricks. Reveling in their applause, he did not want the occasion to end. When he finished his basic repertoire, they rose to go home, but he held them with the announcement that "I can do something else yet!"²³

From the beginning, Charlie demonstrated a strong sense of competitiveness and a drive to excel. His father, by contrast, was an easygoing, carefree, self-effacing man. Once, when recalling his early family life, Charles Schwab said:

Father was always amiable. He would let us [Charlie and Joe] do anything. Mother was the disciplinarian because she had to be—despite her sense of humor. She would have to do whatever punishing there was to do. They always cooperated. They were a great team. But although Father would give his consent to what we wanted to do, it was always to Mother that we would go to get our money.²⁴

During the months when Charlie was not attending school he helped his father in the livery stable. When John Schwab had purchased the stable he had also acquired a contract to carry the mail, and Charlie's major responsibility was to drive a wagon to the near-by town of Cresson, the local railroad stop, where he would pick up the mail and then deliver it to the people of the neighboring villages.²⁵

On rare occasions, Charlie carried passengers in the wagon. He used these opportunities both to show off his fine voice and to display flashes

of his developing entrepreneurial talent. At regular intervals a group of Franciscans, heading for the monastery at St. Francis College either for retreats or for commencement exercises, would arrive by train. Charlie worked to get them as passengers. According to his mother, "As soon as the train pulled in, Charlie seemed to acquire a dozen pair of hands. He had a grasp on the travelers' bags before they realized what was happening, and bundled them into the coach."²⁶ He also entertained his passengers with ballads, so that they would ride with him when they came to town again. He earned a nickname, "the singing cabby."²⁷ On one such occasion, a lady passenger, apparently impressed by the quick-witted boy, gave him a travel book. Schwab later said, "I suppose it wasn't a very good book but it opened my eyes to the glories of the outside world, and stimulated my imagination tremendously."²⁸

When he was not in school or performing household chores or driving the mail wagon, he enjoyed wandering to secluded spots where he could be alone to read and daydream. Among the books he read were English novels, such as Fielding's *Tom Jones* and Richardson's *Pamela*.²⁹ The bond between Charlie and his grandfather included not only a love of music, but also an interest in history and biography. When Charlie was in his teens he discovered a personal hero, Napoleon Bonaparte. Years later he told a reporter that he had read just about every book in English on Napoleon.³⁰

Another interest entered Schwab's life just a few months before his seventeenth birthday. Mary Russell, an attractive young actress from Pittsburgh, came to Loretto to visit her older sister, who had recently married a widower named Abernethy. As a relative of Charlie's said,

Charlie got sweet on her and loafed around old man Abernethy's doorstep all day and pretty nearly all night. Seems as if the girl was gone on Charlie too. . . . Charlie wanted to marry her. She told Charlie that the stage was the place for a nice fellow like him who could play so well and sing so sweetly. But all Charlie's people were dead set against Charlie's marrying an actress and going on the stage, so after a good deal of hard work Charlie was kept from running away with the girl, as he'd raved he would do. Then the girl went away and after a little while Charlie went down to Braddock.³¹

Although this youthful episode was not revealed until 1902, it was soon authenticated by Mrs. Abernethy, who explained her own role in breaking up the romance. "When I learned they were engaged I had her sent to Pittsburgh, as I had been informed they contemplated eloping. I

did not consider the match a judicious nor wise one, and also knew my sister was entirely too young, she not being 17 years old at the time.”³²

The breakup of Schwab's romance and the interference with his plans for a stage career left him dejected, restless, and distracted from his studies. His father, hoping that a change of scenery and the need to be self-supporting would help Charlie deflect his mind from the frustrations he had experienced, suggested that at the end of the school year he should “get out in the world.” Presumably, the change was intended to be only temporary, since he had not finished his studies at St. Francis; he had one more year to complete before graduation.

Schwab's parents asked a friend, A. J. Spiegelmire, to give him a job. Actually, Spiegelmire was Charlie's friend, originally. He had first come to Loretto as a traveling salesman for McDevitt's, a grocery and dry goods emporium of which he was part owner. He was a regular passenger on Charlie's mail wagon, and it was Schwab who had introduced “A. J.” to his parents.

Spiegelmire offered Schwab a job for \$10.00 a month, clerking at McDevitt's, which was located near the entrance of Andrew Carnegie's Edgar Thomson Steel Works in Braddock. The school term ended on July 1, 1879, and a few days later Schwab left Loretto. Years later he recalled that the scene of his departure had reminded him of a popular old engraving, “Breaking Home Ties.” His parents had wept even as they had encouraged him.³³ The ambitious young man who had longed for stardom was going off to sell sugar and cigars.