

Stress and Struggle inside International Harvester

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At International Harvester, a 1902 merger, the defining feature was discord. A J. P. Morgan financier by the name of George W. Perkins and a formal agreement initiated changes to mitigate stress and struggle. Existing research dates improvement to 1906. This paper extends the analysis and documents that, among changes, entrepreneur William Deering and his children parted with some holdings, helping to diminish tensions. Meanwhile, the McCormicks agreed to a stock dividend. This action helped mellow strife and augment their power. How did discord affect efficiency? The conventional answer centers on management along with expansion abroad, but that analysis is enhanced through study of seven brands and their local factories, pricing, and an antitrust consent decree. When a voting trust ran out its clock in 1912, conflict at International Harvester was receding. The firm's record suggests various governance formats could yield efficiency and profitability.

corporate governance; US 20th; owner conflict; mergers; efficiency

Introduction

Owner conflict may have been more important than historians have considered to date. Conflict goes by any number of synonyms: discord, disquiet, friction, infighting, stress, strife, struggle, etc. To grasp the significance of owner strife, I ask: How did conflict play out at a 1902

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merger, International Harvester Company (IH), during its first ten years? How did owner discord affect the firm's efficiency?¹

International Harvester projected power. In 1903 the Chicago fledgling claimed 96 percent of sales of the leading harvesting machine, the binder, and 91 percent of mowers. In 1910, IH still held 88 percent of sales of binders, 77 percent of mowers.² Yet its trust persona obscured a critical internal problem: Two sets of owners strained to topple one another. For the McCormicks, Cyrus H. McCormick Jr. played the key role, assisted by brothers Harold and Stanley. They had a resourceful in-law in John D. Rockefeller.³ For the Deerings, there was William (the founder), two sons, and a son-in-law.⁴ The owners could date being opponents at least to the so-called harvester war—the 1890s—years when, as the McCormick grandson described it, “competition grew ... severe and unbusinesslike.”⁵

For mergers at this time, one question was “control.” In 1932, Adolf Berle and Gardiner Means observed that one “type [of control]” was

1. On conflict at IH, see for example Garraty, *Right-Hand Man*, 126–127; Kramer, “Harvesters,” 287; Ozanne, *Century*, 55; Carstensen, *American Enterprise*, 139. See also Garraty, *Right-Hand Man*, 100, 101, 125, 141. On mergers, see Lamoreaux, *Great Merger Movement*; Chandler, *Visible Hand*, chaps. 10, 13; McCormick, *Century of the Reaper*, chap. 6; note 24. See discussion on owner conflict in introduction; Lamoreaux, “Rethinking the Corporation”; note subtitle: “Contestable Control, the Theory of the Firm, and the Importance of Historical Perspective”; Lamoreaux, “Partnerships,” 35–38; Lamoreaux and Rosenthal, “Corporate Governance,” esp. 136–137. Although conflict may invite varied responses, and although there was noise surrounding the historical actors, here I have tried to address conflict in constructive terms for the various people involved.

2. Chandler, *Visible Hand*, esp. chaps. 10, 13, Appendix A, 503–512; Lamoreaux, *Great Merger Movement*, esp. Table 1.2, pp. 3–5; Bureau of Corporations, *International Harvester*, Table 33, p. 181, Table 35, p. 182 for IH data.

3. The starting point on the McCormicks is the grandson's *Century of the Reaper*. For recent scholarship, see Carstensen, “International”; Carstensen, “... a dishonest man is at least prudent”; Carstensen, *American Enterprise*, chaps. 9–12; Ozanne, *Century*, chaps. 3–6, 55, 108; Marsh, *Corporate Tragedy*, chaps. 2–3; Garraty, *Right-Hand Man*, chap. 7. Carstensen's essays, just cited, and Garraty, *Right-Hand Man*, 128, 135–136, 139 on Rockefeller. Bureau of Corporations, *International Harvester*, 163–164 on Rockefeller, and 98–108, Table 18, p. 126 on the firm's size.

4. Material on the Deerings is rare. As a note to readers, Deerings' views were discussed in McCormick sources and require caution. I attempt to balance primary documents with data. See Ozanne, *Century*, 65–66; Garraty, *Right-Hand Man*, chap. 7; Carstensen, “... a dishonest man is at least prudent”; Carstensen, “International,” 510, 515–516; Carstensen, *American Enterprise*, chap. 9; Bureau of Corporations, *International Harvester*, 47, 108–122, Table 18, p. 126 on the firm's size, and 153–154, 267–270, Exhibit 1, 332–333 on other topics.

5. McCormick, *Century of the Reaper*, chap. 6, quotation at p. 103. Examples of similar observations are Garraty, *Right-Hand Man*, chap. 7; Carstensen, “... a dishonest man is at least prudent,” 88–90; Kramer, “Harvesters”; in general, Lamoreaux, *Great Merger Movement*.

“majority control” (half the stock).⁶ Stanley McCormick recalled in early 1903 that, during deliberations the previous July, “the D’s [Deerings] ... refused to submit” to the McCormicks’ possible “51% of the stock.” Even so, Rockefeller pocketed \$5.5 million in securities from J. P. Morgan in August or thereabouts (Table 1). Stanley recounted “that when the D’s [Deerings] heard that Mr. R. [Rockefeller] was to have a large block of the stock,” this news spurred them into “favoring, if not insisting upon, a voting trust.” George W. Perkins conveyed this news.⁷

Perkins snapped up the merger deal for J. P. Morgan & Company. His influence came in two ways.⁸ First, there was a voting trust (1902–1912). In brief, Cyrus H. McCormick Jr., William Deering’s son, Charles, and Perkins voted nearly all stock. The agreement stated, “The action of a majority of the Voting Trustees ... shall ... constitute the action of the Voting Trustees and have the same effect as though assented to by all.” When the first two “deadlock[ed],” Perkins became “arbiter” or tie-breaker.⁹ Second, a McCormick document, likely from 1903, noted that

6. Berle and Means, *Modern Corporation*, Book 1, chap. 5, 69–72, quotation at p. 70. See also Lipartito and Morii, “Rethinking the Separation”; McCraw, “In Retrospect”; note 7, especially Carstensen, “... a dishonest man is at least prudent.”

7. Berle and Means, *Modern Corporation*, Book 1, chap. 5, 77–78. On Rockefeller’s addition, see Garraty, *Right-Hand Man*, 139; Table 1; Unsigned [George W. Perkins] to J. P. Morgan, 30 July 1902, File 05513, Box 31, International Harvester Company Corporate Archives Central File (documented series), 1819–1998, McCormick Collection Mss. 6Z (hereafter Mss. 6Z), Wisconsin Historical Society, Division of Library, Archives, and Museum Collections, Madison, Wisconsin (hereafter WHS). For Stanley’s memo, see S. McC., “Analysis of the General Situation,” 6 Jan. 1903, 1–2, Folder 17568, Box 193, Mss. 6Z, WHS. On “control,” see Carstensen, “... a dishonest man is at least prudent,” esp. 92, who discussed Stanley’s memo and see the memo itself; McCormick, *Century of the Reaper*, 113–119; Carstensen, *American Enterprise*, chap. 9; Garraty, *Right-Hand Man*, chap. 7, esp. 138–140; Kramer, “Harvesters,” 293–295; Marsh, *Corporate Tragedy*, 39–41; Ozanne, *Century*, 55. See also *International Harvester Co. Brief for the Government filed in the District Court of the United States for the District of Minnesota during the October Term, 1913, in the case of the United States of America v. International Harvester Co. and Others*, 63rd Cong., 2nd sess., Senate document No. 558, 27 July 1914, volume 4 (hereafter *Government’s Brief*), 49, International Harvester Company Legal and Patent Records, 1901–1947, Part 1: Original Collection, 1907–1922, McCormick Collection Mss. 3Z (hereafter Mss. 3Z), WHS.

8. Garraty, *Right-Hand Man*, 126, chap. 7 on Perkins; McCormick, *Century of the Reaper*, 111–119; Carstensen, “... a dishonest man is at least prudent.” See also Kramer, “Harvesters”; Carstensen, *American Enterprise*, chap. 9, esp. 132–134; Carstensen, “International,” esp. 509–510, 515–516; Ozanne, *Century*, 55. See Lamoreaux, *Great Merger Movement* on mergers; De Long, “Morgan’s Men,” 225–226.

9. For “deadlock” and “arbiter,” see N.a., “Formation and Organization of the International Harvester Company,” n.d. [ca. Jan. 1903], 1, 37, File 17567, Box 193, Mss. 6Z, WHS. Many scholars discuss the voting trust briefly and use synonyms to picture Perkins as tiebreaker. Kramer, “Harvesters,” 295; Carstensen, “... a dishonest man is at least prudent,” 91–92; Garraty, *Right-Hand Man*, chap. 7, esp. 137–

Table 1. Voting Trust Certificates: Selected Owners, 1903-1912 (\$ millions)

Date	McCormicks	(%)	Deerings	(%)	Rockefeller	(%)
1903	51.15	(42.6%)	41.28	(34.4%)	5.5	(4.6%)
1904	55.03	(45.9%)	-----		5.5	(4.6%)
1906/07	55.17	(46.0%)	38.92*	(32.4%)*	5.5	(4.6%)
1909A	50.72	(42.3%)	-----		9.88	(8.2%)
1909B	50.67	(42.2%)	-----		8.19	(6.8%)
1909C	59.89	(42.8%)	-----		8.54	(6.1%)
1910	*		*		*	
1912	66.03*	(47.2%)*	21.73*	(15.5%)*	*	

Notes: * Read notes. Total capitalization was \$120 million in 1903 but increased in 1910 to \$140 million where it stayed in 1912.

1903 required valuations made in August but omitted Cyrus McCormick's addition of \$3.5 million; 1904 data is reported for January 1. 1906/07 is reported as January 1, 1907 for the McCormicks and Rockefeller, but November 9, 1906 for the Deerings. The Deerings' estimated 1906 holdings are reported as a fraction of 1,200,000 voting trust certificates; the percentage would be 32.9 percent based on 1,183,376 identified certificates.

Except for 1906 and 1912, I do not display figures for the Deerings where data is incomplete. The 1912 sum reported in the government's antitrust brief leads to 15.5 percent, but in the text, I estimate 1912's fraction ranged between 15.5 and 25 percent.

1909A refers to stock trust certificates for the McCormicks and Rockefeller on January 1. 1909B refers to their certificates for December 14. 1909C refers to their certificates after a common dividend for \$20 million.

The *Wall Street Journal's* estimate for 1910 placed the McCormicks' certificates at \$73.5 million (52.5 percent) and the Deerings at \$31.2 million (22.3 percent). The article cautioned about possible data problems.

1912 data was found in the government's antitrust brief, but the records accounted for \$123.2 million out of \$140 million in certificates. For more discussion, see text.

Correspondence indicates that as of July 31, 1912, John D. Rockefeller held at least 43,750 certificates. It is not clear whether his 43,750 shares were included in the McCormicks' figure of \$66.03 million. That said, he may have held more in 1912. Based on 1909C holdings, Rockefeller still had slightly more than \$4 million certificates. Adding \$4 million to the McCormicks' 1912 \$66.03 million would cross the halfway mark.

For the McCormicks' figure of \$66.03 million certificates in 1912, I report data from the government's antitrust brief. I was not able to replicate this amount exactly, in part because it is difficult to identify all McCormicks.

In 1920, the McCormicks expanded their definition as to who held their shares. An expansive definition applied to 1912 might also have resulted in their holding over half the stock.

Sources: For IH's capitalization and shareholdings (except for Rockefeller) in 1903, see Bureau of Corporations, *International Harvester*, table 6, p. 86, 87; for data in 1903 for Rockefeller alone as well as in 1904, 1907, and 1909A including Rockefeller and the McCormicks, see "Holdings of International Harvester Company Stock at Dates as Shown Below," 2 Feb. 1910, Folder 7, Box 20, McCormick Estates Records, 1841-1969, McCormick Collection Mss. M, Series I: McCormick Harvesting Machine Company Records, 1841-1934, Series Mss. M, Series I (hereafter Mss. M, Series I), Wisconsin Historical Society, Division of Library, Archives, and Museum Collections, Madison, Wisconsin (hereafter WHS); for Cyrus McCormick's 1903 addition, see "Credit Purchase I.H.Co. Stock from J.P.M.&Co. \$3,500,000," 30 July 1904, Folder 7, Box 20, Mss. M, Series I, WHS; for data in 1909B and 1909C, including Rockefeller, see N.a., Untitled [Holdings as of date December 14, 1909], 2 Feb. 1910, Folder 7, Box 20, Mss. M, Series I, WHS; for the estimated 1910 data, see "McCormick Interests Retain Control of Harvester Stock," *Wall Street Journal* (Nov. 17, 1910), 5; *ProQuest Historical Newspapers: The Wall Street Journal*; for data about McCormick and Deering holdings in 1912, see *International Harvester Co. Brief for the Government filed in the District Court of the United States for the District of Minnesota during the October Term, 1913, in the case of the United States of America v. International Harvester Co. and Others*, 63rd Cong., 2nd sess., Senate Document No. 558, July 27, 1914, 42-43, Volume 4, International Harvester Company Legal and Patent Records, 1901-1947, Part I: Original Collection, 1907-1922, McCormick Collection Mss. 3Z (hereafter Mss. 3Z), WHS; for Deering data in 1906, see Government Exhibit 266, Voting Trust Certificate Holders, 321-22, *United States of America, Petitioner v. International Harvester Company, Defendants in the District Court of the United States for the District of Minnesota (US v. IHC): Government's Exhibits and Rebuttal (Government's Exhibits)*, [1913], volume 4, Mss. 3Z, WHS; for McCormick and Rockefeller data in 1912, see also Government Exhibit 266, Voting Trust Certificate Holders, 343-48, *US v. IHC: Government's Exhibits*, volume 4, Mss. 3Z, WHS; for Rockefeller's data in 1912, see as well J. Alva Jenkins to John A. Chapman, 31 July 1912, Folder "I. H. Company Finances," Box 34, Cyrus Hall McCormick Jr., 1859-1936, Subject File, 1840-1942, McCormick Collection Mss. 2C, WHS; J. F. Stone to John D. Rockefeller, 3 Sept. 1912, Folder 1, Box 21, Mss. M, Series I, WHS; "I. H. Co. Stock location supplied by Mc.C.H.Co.," 11 July [?], 1912, Folder 7, Box 20, Mss. M, Series I, WHS. For 1920 and the McCormicks' expansive definition of their holdings, see "Tables Showing Effect of Three Alternative Plans for Increased Capitalization of International Harvester Company," 2 Apr. 1920, Folder "I. H. Company Finances," Box 34, Mss. 2C, WHS.

Perkins had “unfettered control of the initial organization of the new Company, ... including by-laws, directors, committees and officers.” And, in July 1902, Perkins told Morgan, “The new company is to be organized by us; ... the Board of Directors, the Officers, and the whole outfit left to us,— nobody having any right to question in any way any choice we may make.” Perkins’s influence over “directors, committees and officers” potentially allowed him to quiet discord.¹⁰

Critical to mitigating owner strife was the sale of a portion of stock by one set of owners. Legal scholar Brian Cheffins sketched the context whereby mergers were important in having new owners dispose of some stock, or “cash out.”¹¹ However, Gary Herrigel cautioned that owners varied in managing their “investment risk”—that is, as to “what caused those owners to prefer cashing out over continued private control.” That choice characterized IH owners: The Deerings ultimately would “cash out” in part; the McCormicks would remain fixed on “control.” At first things were not so easy, however. To “cash out,” International Harvester had to be publicly traded, which did not happen until 1908. This meant that when an issue split the owners, it fell to Morgan’s partner to find a way out of the predicament. His biographer, John A. Garraty, writes that in 1906 Perkins initiated changes to management and investments, including public trading, which enabled the owners to move apart.¹²

Some scholars stress that Perkins reconfigured management, but management was not the entire answer.¹³ Garraty also described

140; Ozanne, *Century*, 55, 80, 108; McCormick, *Century of the Reaper*, 118–119. Bureau of Corporations, *International Harvester*, Exhibit 8, 355–360 for the voting trust agreement, quotation at p. 358, 82; *Government’s Brief*, 44–45, Mss. 3Z, WHS. For voting trusts, see Lamoreaux and Sawyer, “Voting Trusts and Antitrust”; Cushing, *Voting Trusts*, chaps. 1–2, 5; Leavitt, *Voting Trust*, chaps. 1–4, 8.

10. N.a., “Formation and Organization of the International Harvester Company,” n.d. [ca. Jan. 1903], 5, File 17567, Box 193, Mss. 6Z, WHS; Unsigned [George W. Perkins] to J. P. Morgan, 30 July 1902, 1, File 05513, Box 31, Mss. 6Z, WHS. Numerous scholars make this point: Garraty, *Right-Hand Man*, chap. 7 on Perkins, 139–140 for the letter; Kramer, “Harvesters,” 289–297; Ozanne, *Century*, 55; Carstensen, “... a dishonest man is at least prudent,” 91–92; McCormick, *Century of the Reaper*, 111–119. See also De Long, “Morgan’s Men” 225–226.

11. Cheffins, “Mergers,” esp. 480–481, quotation at p. 487; Herrigel, “Corporate Governance,” 484–485.

12. Herrigel, “Corporate Governance,” 484–485. Garraty, *Right-Hand Man*, chap. 7, 143–146 on public trading. On investors and mergers, see also Cheffins, “Mergers,” esp. 478–483; Hannah, “The ‘Divorce,’” esp. 418. On IH, in addition to Garraty, see Carstensen, “International”; Carstensen, *American Enterprise*, chap. 9; De Long, “Morgan’s Men,” 225–226. Berle and Means, *Modern Corporation*, Book 1, chap. 5; discussion that follows.

13. De Long, “Morgan’s Men,” 225–226. Yet see Carstensen, *American Enterprise*, chap. 9. See especially the biography of Perkins by Garraty, *Right-Hand Man*, esp. chap. 7, 143–46. In an effort to avoid miscommunications, it is important to note

changes to investments. However, his argument is partially unfinished. For example, he lacked data to determine whether the Deerings did indeed part with a fraction of stock. As another example, beyond Perkins's verbal commitments, I located an important 1906 agreement (which Garraty and others may not have seen) that spelled out the compromise.¹⁴ Then, placing Perkins in the entire ten years of the voting trust (1902–1912) shows he underwent a learning process. Initially, in 1902–1903, he bungled a major issue. In 1906, he changed course. The agreement detailed requirements that, in the six years thereafter, set in motion two changes. First, when the McCormicks took over in August 1912, they could be thankful that the Deerings' ability to wage conflict had lost strength given their transfer of some stock (Table 1). Second, the McCormicks agreed to a stock dividend for 1910—something the Deerings could appreciate. These changes (and public trading) helped mitigate discord.¹⁵

This paper aims to extend analysis Garraty began as to how owners mitigated conflict at International Harvester. Doing so, it speaks to overlapping literatures on mergers and corporate efficiency. Naomi R. Lamoreaux addressed mergers' anticompetitive tactics. Alfred D. Chandler Jr. also singled out mergers, but emphasized that their managers—owners were largely absent in his analysis—brought to fruition “methods” for efficiency related to “vertical integration” and

that Garraty's biography addressed both management and investments. As I try to describe, this suggests a complex view of Perkins where he evolved between 1902 and 1912.

14. Garraty, *Right-Hand Man*, chap. 7. For the voting trust, see Bureau of Corporations, *International Harvester*, 82, Exhibit 8, 355–360. For the 1906 agreement, see Bureau of Corporations, Department of Commerce and Labor, File 4921 23, International Harvester Investigation, International Harvester Company, Formation, - Conduct, etc., Memorandum of Agreement between George W. Perkins, Elbert H. Gary, John P. Wilson, Cyrus H. McCormick, Harold F. McCormick, Nettie F. McCormick, Stanley McCormick, William Deering, Charles Deering, James Deering, Richard Howe, J. J. Glessner, and W. H. Jones (hereafter Memorandum of Agreement), 29 Oct. 1906, File 19650, Box 81, Mss. 6Z, WHS. Note 9 for background on the voting trust; Table 1 for data.

15. Memorandum of Agreement, 29 Oct. 1906, File 19650, Box 81, Mss. 6Z, WHS; Bureau of Corporations, *International Harvester*, 82, Exhibit 8, 355–360. Garraty, *Right-Hand Man*, chap. 7, esp. 142–146; Carstensen, *American Enterprise*, chap. 9, esp. 139, 147–148; Carstensen, “International,” 509–516; Chandler, *Visible Hand*, 409; Ozanne, *Century*, chaps. 3–6; De Long, “Morgan's Men,” 225–226. On the initial trading of stock, in addition to Garraty, see Hannah, “The ‘Divorce,’” 418; Cheffins, “Mergers,” 475–492. On initial problems, see Carstensen, “... a dishonest man is at least prudent.” On the McCormicks, see C. H. McC., “Memorandum regarding dividend on common stock,” 27 Sept. 1909, 1, 3, 7, Folder “I. H. Company Finances,” Box 34, Cyrus Hall McCormick Jr., 1859–1936, Subject File, 1840–1942, McCormick Collection Mss. 2C (hereafter Mss. 2C), WHS; discussion that follows.

the “managerial hierarchy.”¹⁶ Yet there may have been amalgamations in which owners were present (not absent); and in which owner friction derailed the elusive goal of improved efficiency.¹⁷

My argument turns on owner conflict. Historians typically have depicted conflict *between* owners and other actors, such as rivals, workers, and managers.¹⁸ What of conflict in which one owner wrestled another? It can be divided into cases focused on “control,” as seen in research by Lamoreaux and coauthors, and cases for issues aside from “control,” such as Robert Ozanne’s study of labor at Harvester.¹⁹ How prevalent was owner strife? Looking at mergers, owner conflict may have been common. Mergers often aimed to halt competition. Max Weber drew this relationship: “A peaceful conflict is ‘competition’ in so far as it consists in a formally peaceful attempt to attain control over opportunities and advantages.”²⁰ It is hard to believe that a merger would quickly cause actors to put aside competitive tactics or to forget past years of tense battles. Then, many mergers entailed entrepreneurs—strong-willed people who were unlikely to play second fiddle to other owners. The McCormick grandson observed for International Harvester: “Perkins had sensed that no McCormick and no Deering could long remain at peace with each other.” He added: “The voting trust served to tide the new company over a difficult trial period.”²¹

16. Chandler, *Visible Hand*, chaps. 10, 13, quotations at pp. 339, 415, 416; Lamoreaux, *Great Merger Movement*, esp. chap. 5. I do not engage their debate.

17. Chandler, *Visible Hand*, esp. chap. 13. Herrigel, “Corporate Governance,” 479–480, 489–490; Lipartito and Morii, “Rethinking the Separation,” esp. 1036, for two critiques of Chandler. Bureau of Corporations, *International Harvester*, 82, Exhibit 8, 355–360, 26–28, 145–146, 156–159, 209–210, 256–278 on efficiency. The closest investigation of this problem for IH is Carstensen, *American Enterprise*, chap. 9. See also Garraty, *Right-Hand Man*, chap. 7; McCormick, *Century of the Reaper*, 119, 150–151, 187–188.

18. Schumpeter, *Capitalism, Socialism and Democracy*, chap. 7; on labor conflict, consider Gross, *Broken Promise*; for principal-agent studies, see for example, Lamoreaux, Raff, and Temin, “Beyond.”

19. For owner conflict and conceptualizing about “control,” see Lamoreaux, “Rethinking the Corporation.” For cases regarding control, see Lamoreaux and Rosenthal, “Corporate Governance,” esp. 136–137; Lamoreaux, “Partnerships,” 35–38. For other types of cases, see for example Ozanne, *Century* on labor conflict; Jones’s review of a merger in *Renewing Unilever*; White, *Railroaded*. Berle and Means, *Modern Corporation*, Book 1, chap. 5. Note: Lamoreaux is working with Timothy W. Guinnane, Ron Harris, and Jean-Laurent Rosenthal on several matters related to corporate governance.

20. Weber, *Theory*, 132–133; Lamoreaux, *Great Merger Movement* on mergers.

21. McCormick, *Century of the Reaper*, 118. Other examples include Garraty, *Right-Hand Man*, 126, 143; Carstensen, *American Enterprise*, 139, 147. My point about entrepreneurs is meant as a common observation.

A Basis for Conflict

International Harvester drew together the McCormick Harvesting Machine Company, the Deering Harvester Company, the Warder, Bushnell & Glessner Company (known under its product line, Champion), the Milwaukee Harvester Company, and the Plano Manufacturing Company. Reasons for the merger included hoping to branch out beyond U.S. markets; removing a thorn in the side of U.S. Steel; allowing the aging entrepreneur, William Deering, to retire comfortably; and replacing blistering competition with peaceful coexistence. This last reason especially applied to the McCormicks and the Deerings.²² In 1902, Deering profits were 76 percent of the McCormick Company's. For harvester-binders, Deering's total unit sales were 90 percent of McCormick's.²³

The 1890s "harvester war" spurred families to invest in their brands.²⁴ They clashed over almost any activity—the sales force, pricing tactics, credit terms, technical design of machines, marketing aimed to belittle competitors, and marketing aimed to tell farmers stories of "progress." The last activity was critical.²⁵ For example, the McCormicks loved Cyrus McCormick (1809–1884) to such an extent that, as the grandson reported, "The family business was a memorial to its founder."²⁶ As to strides in technology, the Deerings professed to be

22. Hoping not to overlook a source, see Bureau of Corporations, *International Harvester*, xvii, 47–48, chaps. 1–2; Kramer, "Harvesters," esp. 287, 299; McCormick, *Century of the Reaper*, chap. 6; Carstensen, "... a dishonest man is at least prudent," 88–93; Carstensen, *American Enterprise*, chap. 9; Chandler, *Visible Hand*, 408–409; Winder, *American Reaper*; Marsh, *Corporate Tragedy*, chaps. 2–3; Carstensen, "International," 499–509. See also Ozanne, *Century*, chaps. 3–6; Garraty, *Right-Hand Man*, chap. 7. See also Lamoreaux, *Great Merger Movement*.

23. Bureau of Corporations, *International Harvester*, Table 3, p. 63 for profits, Table 5, p. 65 for sales of binders. See also Winder, *American Reaper*, 18–19, 111; Carstensen, "... a dishonest man is at least prudent," 88–90; Carstensen, "International," 502–508. See Figure 1 on Deering's long-term view. It appears Winder employed data from Figure 1 to assess Deering's evolution. The picture also illustrates themes noted in the next paragraph.

24. A partial summary includes Bureau of Corporations, *International Harvester*, chap. 1; McCormick, *Century of the Reaper*, chap. 6; Kramer, "Harvesters"; Carstensen, "... a dishonest man is at least prudent," 88–90; Carstensen, "International"; Winder, *American Reaper*; Hutchinson, *Cyrus Hall McCormick: Harvest*; Chandler, *Visible Hand*, 305–307, 406–409; Hounshell, *From the American System*, chap. 4, esp. 178–182; Ozanne, *Century*, chap. 1; Marsh, *Corporate Tragedy*, chaps. 2–3; Ott, "Producing a Past"; Grady, "McCormick's Reaper at 100." The last two are especially valuable for marketing, including illustrations for McCormick.

25. "Progress" is developed in Ott, "Producing a Past"; and broadly for the nineteenth century in Laird, *Advertising Progress*. See also Grady, "McCormick's Reaper at 100."

26. McCormick, *Century of the Reaper*, chap. 6, quotation at p. 111; Grady, "McCormick's Reaper at 100," esp. 19–20; Ott, "Producing a Past," esp. 102.

tops. The McCormick author gave William Deering praise: “In one year Deering had built and occupied a new factory, bought a hitherto untried patent and turned it into an immensely successful machine, invaded a field already crowded with experienced manufacturers, and was rapidly running away with the remaining shreds of the popular favor they had gained through so many years! (Figure 1)”²⁷

With this as a backdrop, neither contender readily made way for the other. Consider language they used at the outset. In August 1903, the Deerings were said to have “recognized that the McCormick name was more valuable than the Deering name.” That was not the key issue for them. They were said to have “brought to the I.H.Co. ...— the steel mill, ore properties, plant in Canada, together with the very large and profitable business which they had built up.” Looking ahead, the Deerings framed their “farsightedness of plans and properties” relative to the McCormicks’: “They were in a more advantageous position and brought a greater value along that line than the McC. [McCormick] situation, confined to a single manufacturing plant with none of these adjuncts.”²⁸ That was not the McCormicks’ self-assessment. An undated internal document, likely from 1903, stated, “We believed that we were justified in accepting that the McCormick interests would be treated as an elder brother in the Combination or senior partner in a firm.” Although expressing concerns about Morgan & Company, the document saw the McCormicks as showing “calm, deliberate judgment and painstaking effort” (Figure 1).²⁹

Perkins could not dictate friendlier relations, but did allot certificates. Appraisals had been tense; as a result, the Bureau of Corporations (the Bureau) reported, “certain amounts were fixed by George W. Perkins more or less independently of the appraisals.”³⁰ Before Perkins allotted certificates in August 1903, Cyrus McCormick obtained \$3.5 million certificates from Morgan. This meant that after August the McCormicks and Rockefeller had 50 percent—plus of certificates (Table 1). (A Rockefeller loan made possible this \$3.5 million addition.) They would have had “majority control” into 1909 had there

27. McCormick, *Century of the Reaper*, 71.

28. N.a., “Interview Between Mr. Wilson And Mr. Perkins, Thursday Afternoon,” 13 Aug. 1903, 1 cont’d, File 05684, Box 30, Mss. 6Z, WHS. See also next note; note 4.

29. N.a., “Formation and Operation of the International Harvester Company,” Folder “IHC Consolidation: sales dept. 1903,” n.d., quotation at p. 3, Box 33, Mss. 2C, WHS. See also Garraty, *Right-Hand Man*, chap. 7; Kramer, “Harvesters,” 295; Carstensen, “... a dishonest man is at least prudent”; McCormick, *Century of the Reaper*, 113–121, 140, 143.

30. Garraty, *Right-Hand Man*, 141–142; Bureau of Corporations, *International Harvester*, 82–87, quotation at p. 94, chap. 3, Table 18, p. 126.

13,852 Carloads in 12 months handled in the
Great Deering Harvester Works.

Forty Harvest Seasons

Marvelous Growth of the Deering Company.

UNPRECEDENTED in the annals of even this age of industrial progress is the growth of the DEERING COMPANY. Beginning forty years ago with half-a-dozen workmen, in a single room in a little country village, the business grew till to-day it employs 5,000 men, 3,500 of whom are daily toilers in the 62-acre Deering Harvester Works in Chicago, the largest plant of the kind in the world.

An idea of the rate of growth may be obtained from the following figures:

1858	employed	5 men,	shipped	$\frac{1}{2}$ carload	of machines.
1868	"	50	"	10	"
1878	"	400	"	371	"
1888	"	2,200	"	2,467	"
1897	"	3,500	"	6,000	"

And it is certain that the 1898 shipments of machines and twine will aggregate 7,000 carloads.

A Certificate.

This is to Certify That between Sept. 1, 1896, and Aug. 31, 1897, acting for the Western Weighing Association, I weighed the following number of loaded cars in the Deering Harvester works:

Entering—loaded with raw material and fuel,	-	5,327
Leaving—loaded with Deering machines and twine,	-	21,821
Or a total of full carloads averaging 30,000 lbs. or more,	-	12,552

Subscribed and sworn to before me, at
Chicago, Ill., Oct. 1, 1897,
M. E. HOLTON,
Notary Public, Cook County, Illinois.

W. J. McCORD,
Weighmaster.

Add to this 1,000 carloads of "less-than-carload" shipments handled by wagons and you have 13,852 carloads of materials and machines shipped in and out in a single year.
This is nearly double the business done by any other harvester works in the world.

Roller and Ball Bearings.

THE Deering sales have increased at the rate of more than 20,000 machines annually since the general application of roller and ball bearings to Deering Machines. This marvelous growth, occurring in years of agricultural depression, when competing firms were standing still or retrograding, speaks volumes for the popularity of the Deering Light Draft machines.

1895	sales were	16,744	machines more than in	1894.
1896	"	23,256	"	1895.
1897	"	28,777	"	1896.

And it is certain that the 1898 shipments will exceed those of 1897 by more than 30,000 machines.

Nothing can check the triumphant progress of Deering Machines.

Deering Harvester Co.
Chicago, U. S. A.

Figure 1 Deering Harvester Co., *Forty Harvest Seasons*, 1858-1898 (Chicago, Ill., 1898), inside back cover. Wisconsin Historical Society, WHS-147187.

been no voting trust. Although I did not locate complete records for 1910 to 1912, Rockefeller likely made possible McCormicks' "control." That said, the Deerings were not cowed.³¹

31. See notes to Table 1; Cyrus seems to have gotten a commitment from Morgan for the stock in August 1902 but actually bought the certificates in February 1903 as seen in "Credit Purchase I.H.Co. Stock from J.P.M.&Co. \$3,500,000," 30 July 1904, Folder 7, Box 20, McCormick Estates Records, 1841-1969, McCormick Collection Mss. M, Series I: McCormick Harvesting Machine Company Records, 1841-1934 (hereafter Mss. M, Series I), WHS. See Ozanne, *Century*, 55 and 108 for Rockefeller's loan and extensive correspondence in Folder 1, Box 21, Mss. M, Series I, WHS; Garraty, *Right-Hand Man*, 139-141; Berle and Means, *Modern Corporation*, 69-72 on "majority control"; Carstensen, "... a dishonest man is at least prudent," 91-92, 94, 98. See also Government Exhibit 266, Voting Trust Certificate Holders, 315-348, *United States of America, Petitioner v. International Harvester Company et al., Defendants in the District Court of the United States for the District of Minnesota (US v. IHC): Government's Exhibits and Rebuttal (Government's Exhibits)*, [1913], volume 4, Mss. 3Z, WHS; discussion at notes 7 and 68.

In terms of governance, at the top was the voting trust. Launched immediately upon the organization of the firm (August 13, 1902), it ran out after ten years (August 1, 1912). As noted, Cyrus McCormick Jr., Charles Deering, and George Perkins operated the device.³² The voting trust agreement spelled out a few limitations, but also made this clear: “The Voting Trustees possess and shall be entitled in their discretion to exercise ... all rights and powers of absolute owners of said stock, including the right to vote for every purpose and to consent to any corporate act of said Company.” Shareholders owned “stock trust certificates.” The first provision assured their dividends, but the eighth indicated their lack of authority: “it being expressly stipulated that no voting right passes to others by or under said stock trust certificates or by or under this agreement.”³³

Below the voting trust was the board of directors, consisting of 18 individuals whose ties Helen M. Kramer detailed. These people largely replicated in three blocks the three trustees, yet Perkins could tilt his faction to favor either the Deerings or the McCormicks. Five McCormick directors and four Deering directors joined. Morgan claimed Perkins and four others. Judge Elbert H. Gary, head of U.S. Steel, served and likely assisted Morgan. Among those remaining, two hailed from other firms to the merger. A New York attorney seemed not to have strong ties to anyone; and there was a person from New Jersey, which the Bureau of Corporations found “was put in to comply with the corporation laws of New Jersey requiring a resident director.” The critical point is that Perkins exercised power through the board.³⁴

32. Bureau of Corporations, *International Harvester*, 82, Exhibit 8, 355–360; *Government’s Brief*, 44–45, Mss. 3Z, WHS; Cushing, *Voting Trusts*, chaps. 1–2, 5; note 9.

33. Bureau of Corporations, *International Harvester*, 82, Exhibit 8, 355–360, quotations at pp. 356, 358–359; Berle and Means, *Modern Corporation*, 77.

34. N.a., “Formation and Organization of the International Harvester Company,” n.d. [ca. Jan. 1903], 5–8, 10–11, File 17567, Box 193, Mss. 6Z, WHS; Kramer, “Harvesters,” 295–96 for a broader review of the board; Petitioner’s Exhibit 8, “Directors of International Harvester Company, 1902–1912,” 66–68, in *United States of America, Petitioner v. International Harvester Company, Defendants in the District Court of the United States for the District of Minnesota (US v. IHC): Government’s Exhibits and Rebuttal (Government’s Exhibits)*, volume 4, Hathitrust.org, <https://hdl.handle.net/2027/coo1.ark:/13960/t6qz2tj6c>; Bureau of Corporations, *International Harvester*, 81 on directors; Carosso and Carosso, *Morgans*, 198, 371, 452; *Government’s Brief*, 43–45, Mss. 3Z, WHS; Marsh, *Corporate Tragedy*, 41; note 10. On Gary, see Garraty, *Right-Hand Man*, 94–100; Bureau of Corporations, *International Harvester*, Exhibit 1, 332–333; Carstensen, “... a dishonest man is at least prudent,” 87, 90, 96, 98. A note to readers: I began examining annual reports in earnest in November 2018 and documents from Hathitrust.org in March 2019. Because I have studied these documents over many days, I decided not to give a specific access date.

Table 2. Owners' Official Capacities, 1902-1912

Position:	Dates Marking Changes:				
	Aug. 12, 1902	Feb. 5, 1904	Oct. 29, 1906	Sep. 12, 1911	Aug. 1, 1912
President	Cyrus H. McCormick, 1902-1912				
Treasurer	Richard Howe, 1902-1906; Harold F. McCormick, 1906-1912				
Secretary	Richard Howe 1902-1911 (ended Sept. 12)				
Vice-President	James Deering, 1902-1912				
Vice-President	Harold F. McCormick, 1902-1912				
Vice-President	John J. Glessner, 1902-1912				
Vice-President	William H. Jones, 1902-1912				
Chair, Board of Directors	(varied initially); Charles Deering, 1904-1912				
Chair, Executive Committee	Charles Deering, 1902-1904; John J. Glessner, 1904-1906				
Chair, Finance Committee	George W. Perkins, 1902-1912				

Notes: November 23, 1906 marked the dissolving of the Executive Committee. October 29, 1906 saw Elbert H. Gary's addition to the Finance Committee; otherwise there were no changes to this committee till 1912.

Sources: Petitioner's Exhibit 6A, "By-Laws of International Harvester Company, 1902," 55; Petitioner's Exhibit 7, "Officers of International Harvester Company, 1902 to date," 65; Petitioner's Exhibit 8, "Directors of International Harvester Company, 1902-1912," 66-68; Petitioner's Exhibit 9, "Members of Executive Committee of International Harvester Co., August 13, 1902, to November 23, 1906," 69; Petitioner's Exhibit 10, "Members of Finance Committee of International Harvester Co., August 13, 1902, to date," 70; all in *United States of America, Petitioner v. International Harvester Company et al., Defendants in the District Court of the United States for the District of Minnesota: Government's Exhibits and Rebuttal*, [1913], volume 4, <https://hdl.handle.net/2027/coo1.ark:/13960/t6qz2tj6c>; IH, *1912 Annual Report*, the Wisconsin Historical Society website, <http://content.wisconsinhistory.org/cdm/search/collection/ihc/searchterm/annual%20report/field/title/mode/exact/conn/and/order/title>.

Below the board of directors were the officers and key members (Table 2).³⁵ Again, Perkins's choices replicated the three voting trustees. In this case, however, the division of positions created competing sources of power. IH President Cyrus McCormick vied with Charles Deering, chair of an executive committee. As Stanley McCormick observed in January 1903: "At the first meeting of the Board of Directors, the motion was passed giving to the Chairman of the Executive Committee the entire power of the Committee during the time which may intervene between the meetings of the Committee. This, of course, gives him [Charles] powers greater than the President."³⁶ For a finance committee, Perkins (the chair), George F. Baker, and Charles Deering had the ability to outnumber Cyrus. Finally, the Deering son-in-law exercised authority

35. Kramer, "Harvesters," 295-297; Garraty, *Right-Hand Man*, 137-142; Carstensen, "... a dishonest man is at least prudent," 91-93; Ozanne, *Century*, 55; note 10.

36. S. McC., "Memorandum Of Points Which Are Not Satisfactory," 10 Jan. 1903, 1, File 17568, Box 193, Mss. 6Z, WHS. Carstensen, "... a dishonest man is at least prudent," 93 on this problem. Kramer, "Harvesters," 296; Petitioner's Exhibit 6A, "By-Laws of International Harvester Company," 57, *US v. IHC: Government's Exhibits*, volume 4, Hathitrust.org.

as not only secretary but also treasurer (Table 2).³⁷ These roles set the stage for potential conflict.

Inside International Harvester, 1902–1905

Among many disputes in 1902 and 1903, one concerned the separation of steel/ore assets from Harvester so that U.S. Steel could have them. Another turned on an idea to increase the amount of stock. One more addressed the dividend—just how large it should be. Perkins likely mishandled the steel matter. Afterward, the McCormicks altered their communications to be more frank. This helped with the stock issue, but dividends proved difficult.³⁸

Morgan had assembled the Steel Trust in 1901, and the Harvester Trust in 1902. Very quickly, Perkins bluntly asked for a change that Stanley McCormick summed up: “It has been suggested by Mr. P. [Perkins] that the I. H. Co. should sell to the Steel Co. its ore and coal lands and steel properties, and should make a contract for ten years or more with the Steel Co. for the purchase of steel and pig iron.” The matter became known simply as the “steel contract.” Either U.S. Steel got what it wanted, or International Harvester could undertake what the Bureau said “is now commonly called ‘integration.’”³⁹

How did the Deerings and the McCormicks react? Perhaps Perkins swayed the Deerings, perhaps not. Their views may have evolved during the months of debate from September 1902 to August 1903.⁴⁰ The

37. Kramer, “Harvesters,” 295–297, 300; Carosso and Carosso, *Morgans*, 198, 371, 452 on Baker; Carstensen, “... a dishonest man is at least prudent,” 93; Petitioner’s Exhibit 10, “Members of Finance Committee of International Harvester Co., August 13, 1902, to date,” 70, in *US v. IHC: Government’s Exhibits*, volume 4, Hathitrust.org. Bureau of Corporations, *International Harvester*, 81.

38. For a concise effort to compile a list of problems (page 93) and for steel, see Carstensen, “... a dishonest man is at least prudent.” As to the dividend, see Garraty, *Right-Hand Man*, chap. 7; Carstensen, “International.” See also Carstensen, *American Enterprise*, chap. 9; Ozanne, *Century*, chaps. 3–6, 55, 108; McCormick, *Century of the Reaper*, 113–120; note 24; Kramer, “Harvesters”; De Long, “Morgan’s Men,” 225–226. For specific episodes, and primary documents, see discussion that follows.

39. S. McC., “Memorandum Of Points Which Are Not Satisfactory,” 10 Jan. 1903, 2, File 17568, Box 193, Mss. 6Z, WHS; N.a., “Formation and Organization of the International Harvester Company,” n.d. [ca. Jan. 1903], 24, File 17567, Box 193, Mss. 6Z, WHS. For lengthy analysis, see Carstensen, “... a dishonest man is at least prudent.” On integration, see also the Bureau of Corporations, *International Harvester*, 267–268; Kramer, “Harvesters,” 299–300; Garraty, *Right-Hand Man*, 94–100 on Gary and Morgan. Stanley McCormick voiced reservations about the “steel contract.”

40. A mix of views regarding the Deerings’ position on steel is found in these sources: N.a., “Interview Between Mr. Wilson And Mr. Perkins, Thursday Afternoon,” 13 Aug. 1903, 1-5, File 05684, Box 30, Mss. 6Z, WHS; N.a., “Formation

McCormicks were clear: They moved to halt the “steel contract,” as Fred V. Carstensen analyzed. In February 1903, Board Director Cyrus Bentley wrote Harold McCormick. He had strong words for Perkins regarding steel, but tried to offer constructive suggestions to the McCormicks. “You should at this time neither seek a quarrel with Perkins nor become subservient to him. A position that is firm without being quarrelsome seems to me the position for you to take.” Bentley thus advocated “firm” communication.⁴¹

At the time of the appraisals in August 1903, the McCormick attorney, John P. Wilson, was said to tell Perkins frankly, “If ... I could place them [the McCormicks] in a position where they would feel assured that there would be no future disturbance in the way of parting with the steel properties and the steel plant, it would have some modifying influence on their views.” Perkins acknowledged this reasoning. He was said to be “perfectly aware that ... the Ds. [Deerings] and the McCs. [McCormicks] would be one against him on that [steel] proposition, that their views coincided upon the question that it was for the interest of the Harvester Co. not to have contracts with the Steel Co. but to go ahead with their own properties.”⁴² Although the actions of the Deerings were not fully clear, it appears that Perkins lost. In early 1904, he seemed to apologize in a general way, as Cyrus McCormick recorded: “Perkins said that he was well aware that in the work which he tried to do for the Company in the past he had not given satisfaction to everybody – perhaps to no one.” He did not cite steel events, but maybe that was an obvious topic from “the past.” His comment came in the midst of a dispute in January 1904, as will be discussed, when Perkins was to a degree learning and beginning to appeal to the McCormicks.⁴³

and Organization of the International Harvester Company,” n.d. [ca. Jan. 1903], 24, 25–26, File 17567, Box 193, Mss. 6Z, WHS; Harold McCormick, “Memorandum re Ore and Steel Properties United States Steel Corporation,” n.d. [1902?], 1, 2, 8, Folder 18567, Box 193, Mss. 6Z, WHS; S. McC., “Memorandum Of Points Which Are Not Satisfactory,” 10 Jan. 1903, File 17568, Box 193, Mss. 6Z, WHS; Carstensen, “... a dishonest man is at least prudent.”

41. C. Bentley to Harold F. McCormick, 12 Feb. 1903, quotations at pp. 14–15, File 18859, Box 194, Mss. 6Z, WHS. Carstensen, “... a dishonest man is at least prudent,” esp. 97–98 where he assesses this letter, and also 99 for his conclusion. Petitioner’s Exhibit 8, “Directors of International Harvester Company, 1902–1912,” 66–68, in *US v. IHC: Government’s Exhibits*, volume 4, Hathitrust.org. See also S. McC., “Memorandum Of Points Which Are Not Satisfactory,” 10 Jan. 1903, File 17568, Box 193, Mss. 6Z, WHS.

42. N.a., “Interview Between Mr. Wilson And Mr. Perkins, Thursday Afternoon,” 13 Aug. 1903, 2 and 2 cont’d, File 05684, Box 30, Mss. 6Z, WHS. See also two previous notes; Carstensen, “... a dishonest man is at least prudent.”

43. N.a., “Interview Between Mr. Wilson And Mr. Perkins, Thursday Afternoon,” 13 Aug. 1903, 2 and 2 cont’d, File 05684, Box 30, Mss. 6Z, WHS; Carstensen, “... a dishonest man is at least prudent,” esp. 97–98, 99; Kramer, “Harvesters,” 299–300. In this discussion, I try to avoid misunderstandings: This

Table 3. International Harvester's Profits and Dividends, 1903-1912

Date	Profits (IH)	Profits (BOC)	Dividends	Dividends to Profits (IH)	Dividend Rate (IH)
1903	\$5,641,181	\$796,823	3,600,000	63.8%	3%
1904	5,658,535	5,682,446	4,800,000	84.8	4
1905	7,479,187	7,511,284	4,800,000	64.2	4
1906	7,346,947	7,406,947	4,800,000	65.3	4
1907	8,080,458	8,227,717	4,200,000	52.0	3.5
1908	8,885,682	10,179,726	4,200,000	47.3	3.5
1909	14,892,740	16,458,844	4,200,000	28.2	3.5
1910	16,084,819	17,208,597	27,400,000	170.3	21.95
1911	15,521,398	16,638,703	8,200,000	52.8	5.86
1912	16,395,597	-----	8,200,000	50.0	5.86

Notes: IH began operations on October 1, 1902. The company and the Bureau of Corporations (BOC) included the last three months of 1902 in 1903's profits. For just 1903, the Bureau placed earnings at \$2.58 million. I report two data series on profits—International Harvester's and the Bureau of Corporation's. The Bureau's figures were available through 1911. "1903" was unusual for several reasons; see the Bureau's report for more analysis. I use the terms profits and net earnings interchangeably in this essay. The Bureau compiled its own earnings figures to scrutinize IH's data. Here I employ the data series mostly for descriptive purposes: the trends for IH and the Bureau show profits improved under the voting trust. See text for more discussion.

Data for 1910 include a stock dividend of \$20 million. The dividend rate represents dividends as a percent of total capitalization, which was \$120 million through 1909 and then \$140 million. This table combines information mostly found in two of the Bureau of Corporations' tables, and information follows the Bureau's presentation.

Sources: Bureau of Corporations, *International Harvester*, Table 40, p. 211 for dividends and dividend rate (except for 1912), 233, Table 50, p. 234 for profits, from 1903 to 1911; 190-219, 233-35 for a discussion of 1903 earnings. Profits (IH) for 1912 come from IH, *1912 Annual Report*, 5 (and page 5 for dividends in 1912), see the Wisconsin Historical Society website,

<http://content.wisconsinhistory.org/cdm/search/collection/ihc/searchterm/annual%20report/field/title/mode/exact/conn/and/order/title>; Ozanne, *Wages in Practice*, Table 27, pp. 116-18. A similar table is Defendants' Exhibit 212, "International Harvester Company. Statement of Net Earnings and Dividends, 1903 to 1912," 123, *United States of America, Petitioner v. International Harvester Company et al., Defendants in the District Court of the United States for the District of Minnesota: Testimony of Witnesses for the Defendants*, [1913], volume 14, <https://hdl.handle.net/2027/coo1.ark:/13960/t6d234k3q>.

The column for dividends as a share of earnings benefited from Carstensen's analysis in "International," 510. On the concept of the dividend rate, see Baskin and Miranti, *History of Corporate Finance*, 181.

While owners debated steel, another pressing topic was profits. The firm started October 1, 1902, and the three months left for 1902 were included in 1903 (Table 3). Looking just at 1903, the Bureau of Corporations reported woebegone profits of \$2.58 million. Sales of binders peaked in 1901-1902. Questions about ore assets, inventories, and the last quarter of 1902 stoked a dispute between IH and the Bureau over

episode draws attention to the potential for problems with financiers. Without disputing that potential, my essay attempts to also examine complexity in one Wall Street banker's activities. For Perkins's apology, see Unsigned [Cyrus H. McCormick] to Eldridge M. Fowler, 12 Feb. 1904, 2, File "I. H. Company Domestic Organization 2," Box 37, Mss. 2C, WHS; discussion that follows.

earnings (Table 3). One might report doubtful profits for 1903; cite Harvester's objection that 1903 was so unusual as to be left aside; or delve into the accounting complications.⁴⁴

The climate for 1903 earnings and Cyrus McCormick's frank approach figured in subsequent issues. Morgan offered the idea of issuing \$60 million in common in addition to the \$120 million original stock, which would be designated preferred. In September 1903, McCormick visited Morgan and Perkins. He outlined reasons for dropping the stock idea. All in all, "whenever the financial condition of the Company was such that it was desirable or feasible to pay six per cent regularly and easily that would be time enough to take up the question [of common stock]." ⁴⁵ McCormick then "had a further talk with Mr. Perkins." When "one of the interests did not wish it, would it be for the interests of this Company to force the common stock upon any one?" he asked, and recorded Perkins's reply as "no, of course not." Conceivably, a stock issue would have raised funds, but it posed problems. Perkins registered McCormick's stance. The issue appears not to have come to a vote.⁴⁶

Also in September 1903, dividends split the trio. When, according to Cyrus McCormick, "a three per cent dividend was recommended to the Directors," Morgan was said to indicate, "It has been generally understood between the people down here that this was to be a six per cent stock." Yet given profits in 1903 (Table 3), it was not surprising that McCormick resisted: "Whatever our hopes for the future may be, there is now no good ground for expecting that for several years to come the

44. Their dispute is at points confusing. See Bureau of Corporations, *International Harvester*, 22, 190–210, esp. 209–210, 233–234 on 1902–1903 earnings, Table 50, p. 234, Table 3 p. 63 for pre-1903 earnings, Table 5, p. 65, Table 33, p. 181 on binder sales, 145–146 on other changes, 208–210. McCormick, *Century of the Reaper*, 121. Putting aside complications for 1903, many scholars noted IH profits. See for example, Garraty, *Right-Hand Man*, 142–143; Ozanne Century, 55; Carstensen, *American Enterprise*, 139, 146–48; De Long, "Morgan's Men," 226. IH, *1907 Annual Report*, 15–17, Wisconsin Historical Society (WHS) website, <http://content.wisconsinhistory.org/cdm/search/collection/ihc/searchterm/annual%20report/field/title/mode/exact/conn/and/order/title>. For accounting, see Previts and Merino, *History of Accountancy*, 209–223.

45. C. H. McC., "Memoranda Regarding New York Trip," 26 Sept. 1903, File 18859, Box 194, Mss. 6Z, WHS; Cyrus H. McCormick to J. P. Morgan, 25 Sept. 1903, File 05513, Box 31, Mss. 6Z, WHS; Garraty, *Right-Hand Man*, 138, 142 on this letter. Cyrus McCormick's letter is in a file for Cyrus H. McCormick, Catalogued Correspondence Box, George W. Perkins Sr. Papers, 1871–1920, Mss. #0990, University Archives, Rare Book & Manuscript Library, Columbia University, New York. I cite WHS's photocopy.

46. C. H. McC., "Memoranda Regarding New York Trip," 26 Sept. 1903, 3, File 18859, Box 194, Mss. 6Z, WHS. See also Cyrus H. McCormick to J. P. Morgan, 25 Sept. 1903, File 05513, Box 31, Mss. 6Z, WHS.

Company can afford to pay a dividend in excess of six per cent. upon \$120,000,000 of stock.”⁴⁷

In 1904, dividends edged up from 3 to 4 percent (Table 3). In March 1905, Deering son-in-law Richard Howe offered a new plan to boost the dividend to 5 percent, a move Cyrus McCormick considered. However, in October McCormick wrote Rockefeller: “I agree with you entirely on the policy of keeping the dividends down until such time as we can increase our working capital.”⁴⁸ The rate held to 4 percent through 1906. Although less a burden than 5, it claimed 85 percent of net earnings in 1904, 64 percent in 1905, and 65 percent in 1906 (Table 3).⁴⁹

Behind such topics as dividends brewed a conflict over power. In 1904 everyone’s attention focused on IH President Cyrus McCormick.⁵⁰ As discussed, the chair of the executive committee also claimed power (Table 2). Cyrus recounted that in January 1904 “Mr. Howe suggested that a general manager be appointed who should report all the business of the Company to the President ... and in case of disagreement ... the subject ... should be referred to the Executive Committee for decision.” This plan’s unspoken key gave Charles Deering, as chair of the executive committee, power to decide differences, as Cyrus saw it.⁵¹

Perkins rejected the Deerings’ plan. After making an apology, as noted, he offered his own plan. It called for the position of “Chairman of the Board of Directors” as Charles Deering. Another director, J. J. Glessner, became the new “Chairman of the Executive Committee,” but this job was redefined and called “nominal.” Then Perkins wanted “all the Vice-Presidents to report to the President as the

47. C. H. McC., “Memoranda Regarding New York Trip,” 26 Sept. 1903, 1, 3, File 18859, Box 194, Mss. 6Z, WHS; Cyrus H. McCormick to J. P. Morgan, 25 Sept. 1903, 4, File 05513, Box 31, Mss. 6Z, WHS; Ozanne, *Century*, 55.

48. R. F. Howe to Cyrus H. McCormick, 14 Mar. 1905, Folder “I. H. Company Finances,” Box 34, Mss. 2C, WHS; Unsigned [Cyrus H. McCormick] to John D. Rockefeller, 12 Oct. 1905, File 508, Box 55, Cyrus Hall McCormick Jr. Correspondence, 1870–1936, McCormick Collection Mss. 1C (hereafter Mss. 1C), WHS.

49. I benefited from Carstensen’s discussion of the topic of dividends in “International,” 510, 515–516. Carstensen addressed the relationship between dividends and earnings for IH’s early years. Table 3 traces variations in the relationship during the ten years of the voting trust. IH, *Annual Reports* for dividends in various years, at the WHS website. In this same essay, Carstensen also examines Rockefeller’s many loans—a topic that I decided not to address.

50. Carstensen, “... a dishonest man is at least prudent,” 98; Carstensen, *American Enterprise*, chap. 9, 139; Garraty, *Right-Hand Man*, chap. 7; Kramer, “Harvesters”; Marsh, *Corporate Tragedy*, 39–43; Chandler, *Visible Hand*, 409; Bureau of Corporations, *International Harvester*, 158. Although various scholars have summarized this event, for this essay it is important to describe the Deerings’ proposal and Perkins’s response.

51. Unsigned [Cyrus H. McCormick] to Eldridge M. Fowler, 12 Feb. 1904, 1, File “I. H. Company Domestic Organization 2,” Box 37, Mss. 2C, WHS.

supreme power in the executive business of the Company.” Cyrus McCormick explained to another director that Perkins and Gary had reversed course. Gary also apologized. Further, Cyrus noted Gary’s diplomatic framing of events, having “said that Charles Deering was given the most conspicuous place as to honor and dignity but that the President of the Company was and would be the supreme power in the management of the business.”⁵² The plan went into effect: Charles Deering no longer chaired the executive committee effective February 5, 1904 (Table 2). The board—as Perkins wanted—affirmed the president’s authority.⁵³ The Deerings’ plan might have improved affairs. Instead, what stands out is Perkins’s one-sided response.

Mitigating Conflict

Owners’ uneasy relations burst into serious troubles in 1906.⁵⁴ Perkins’s biographer pictured an investment problem: The Deerings asked for more dividends.⁵⁵ A related demand was to suggest to change top officials. Morgan’s partner together with Gary and the McCormicks compromised.⁵⁶ Perhaps Perkins’s action reflected this episode’s gravity; perhaps he grasped that a one-sided approach produced strong opposition from the diverging owners. In October, a settlement was reached. His biographer recounts him helping the Deerings with stock matters, and then, rearranging management.⁵⁷ Beyond Perkins’s verbal

52. Unsigned [Cyrus H. McCormick] to Eldridge M. Fowler, 12 Feb. 1904, 2, 3, File “I. H. Company Domestic Organization 2,” Box 37, Mss. 2C, WHS. The term “supreme power” was cited in other places, such as Bureau of Corporations, *International Harvester*, 158; Carstensen, *American Enterprise*, 139.

53. Bureau of Corporations, *International Harvester*, 158; N.a., “Motion,” n.d., ca. Jan. 1904, 1, File 05686, Box 30, Mss. 6Z, WHS. See also Chandler, *Visible Hand*, 409; Carstensen, *American Enterprise*, 139; Carstensen, “... a dishonest man is at least prudent,” 96, 98.

54. Garraty, *Right-Hand Man*, 142–146. See also Carstensen, *American Enterprise*, chap. 9, 147–148; Marsh, *Corporate Tragedy*, 42–43; De Long, “Morgan’s Men,” 226.

55. Garraty, *Right-Hand Man*, 143–144.

56. See especially Garraty, *Right-Hand Man*, 143–144, 189–190. Primary documents include C. H. McC., Memorandum, 14 July 1906, File 04583, Box 189, Mss. 6Z, WHS; C. H. McC., Note, 14 July 1906, File 04583, Box 189, Mss. 6Z, WHS; C. H. McC., Memorandum, 6 Oct. 1906, File 04583, Box 189, Mss. 6Z, WHS; Unsigned [Cyrus H. McCormick] to John D. Rockefeller, 12 Oct. 1905, File 508, Box 55, Mss. 1C, WHS; CHMcC., Memorandum, 5 Oct. 1906, File 04583, Box 189, Mss. 6Z, WHS. See also Carstensen, “... a dishonest man is at least prudent,” 94, 96, 98.

57. On events in 1906, see Garraty, *Right-Hand Man*, 142–146; sources in previous note; Memorandum of Agreement, 29 Oct. 1906, File 19650, Box 81, Mss. 6Z, WHS. In addition, see Carstensen, *American Enterprise*, chap. 9, esp. 147–148; Ozanne, *Century*, chaps. 5–6; Marsh, *Corporate Tragedy*, 42–43; De Long, “Morgan’s Men,” 225–226 for his interpretation of Perkins at IH. On the topic of negatively

commitments, a critical document was the “Memorandum of Agreement” (October 29, 1906). It involved four McCormicks (all save Rockefeller), all four Deerings, Gary, Perkins (but not Morgan), Plano’s W. H. Jones, Champion’s J. J. Glessner, and a McCormick attorney. A close reading of the agreement follows.⁵⁸

The Deerings’ demand for dividends was met this way. Gary offered a plan, which appeared in the very first provision of the agreement.⁵⁹ It stated that \$120 million of stock would become two classes—preferred and common. As to the dividend rate, for common it was zero, but for preferred it was 7 percent. The first provision further declared: “All agree that if the net earnings of the company are sufficient they will vote to pay the full dividends of seven percent per annum, either quarterly or semiannually, on the preferred stock, for a period of at least three years.” As for the sale of stock, it was declared: “The preferred stock shall be promptly listed on the stock exchanges of New York and Chicago and also the common when and as the Board of Directors may decide.”⁶⁰

The Deerings also accepted changes. True, the tenth provision stated, “The said Deerings shall retain their present official positions.” This included Charles serving on the finance committee with Cyrus McCormick. Still, a very brief statement read: “Deerings to convey such interest as they have and all claims against them waived.” The point applied to raw materials, including ore. This appears to indicate that the Deerings agreed not to use premerger steel/ore for future conflicts. The Deerings were not entirely cut out of management. The son-in-law “Howe shall retain and hold the office of Secretary.” Further, the ninth item held: “The said Deerings ... shall be at liberty to go to the President at any time for information or to give advice.”⁶¹

For the McCormicks, the third provision declared: “Continue Cyrus H. McCormick as President.” In addition, effective October 29, 1906,

affected owners, see Carstensen, “... a dishonest man is at least prudent”; Carstensen, “International” on dividends. Cheffins, “Mergers,” 480–481, 487 on “cashing out”; Herrigel, “Corporate Governance,” 484–485.

58. Memorandum of Agreement, 29 Oct. 1906, File 19650, Box 81, Mss. 6Z, WHS. A list of parties to the agreement is in note 14. On Perkins, see Garraty, *Right-Hand Man*, chap. 7, esp. 143–146.

59. Garraty, *Right-Hand Man*, 143–146; Bureau of Corporations, *International Harvester*, 158–159, 162; Memorandum of Agreement, 29 Oct. 1906, File 19650, Box 81, Mss. 6Z, WHS.

60. Memorandum of Agreement, 29 Oct. 1906, File 19650, Box 81, Mss. 6Z, WHS; Garraty, *Right-Hand Man*, 143–146; Bureau of Corporations, *International Harvester*, 158, 162; Hannah, “The ‘Divorce,’” 418.

61. Memorandum of Agreement, 29 Oct. 1906, File 19650, Box 81, Mss. 6Z, WHS; Garraty, *Right-Hand Man*, 143–146. For the finance committee members, see IH, *Annual Reports*, WHS website. For Howe’s service, see Table 2. See also Cheffins, “Mergers,” 475–492.

Harold McCormick became treasurer, replacing Howe (Table 2). Some items the Deerings lost, the McCormicks gained. For example, they likely were heartened when provisions closed the executive committee and called vice presidents' roles "nominal." Then the brief statement about ore was important in reducing the possibility of future conflict.⁶²

One of Perkins's demands concerned management. His top choice was C. S. Funk as general manager, as scholars report. He also supported the assistant comptroller, W. M. Reay, who had worked in accounting since at least 1903. In addition, the third provision read: "Continue A. E. Mayer in charge of sales. Continue Burr Kennedy in charge of manufacturing. Continue H. F. Perkins in charge of steel business." Then a 1908 organizational document showed that twelve out of fifteen or sixteen top managers had long worked for IH, and that year directed Collection, Experimental, and Patent aside from departments just named. What was important was their "experience"—a quality Chandler identified. These and other tested managers gained authority as the former entrepreneurs' roles were redefined elsewhere in the agreement.⁶³

Perkins demanded public trading, which was detailed in the first provision. Given the McCormick/Rockefeller holdings exceeded 50 percent, the Deerings could not unseat them (Table 1). At that date, sixty-five investing entities with five hundred-plus certificates held 98.6 percent of certificates. (Some thirty-four of them with about 10 percent of certificates may not have been tied to former entrepreneurs, but it is difficult to know for certain.) Compared to 34.4 percent in 1903, the Deerings claimed an estimated 32.4 percent (or 32.9 percent) of certificates in 1906 (Table 1). Public trading meant they could "cash out." For the McCormicks, public trading increased the number of investors, as will be discussed, creating a new constituency.⁶⁴

62. Memorandum of Agreement, 29 Oct. 1906, File 19650, Box 81, Mss. 6Z, WHS; Garraty, *Right-Hand Man*, 142–146. See also Carstensen, *American Enterprise*, 147–148.

63. Garraty's analysis left open the question of depth. Garraty, *Right-Hand Man*, 142–146, esp. 144–45; Carstensen, *American Enterprise*, chap. 9, esp. 147–148. Memorandum of Agreement, 29 Oct. 1906, File 19650, Box 81, Mss. 6Z, WHS; William Clark, "Organization of Departments Since 1902," 3 July 1908, Folder "I. H. Company Domestic Organization -O," Box 37, Mss. 2C, WHS; Chandler, *Visible Hand*, 8 on "experience," 409, chap. 13. See also McCormick, *Century of the Reaper*, chap. 8, 140, 143; De Long, "Morgan's Men," 226; Ozanne, *Century*, chaps. 5–6.

64. Memorandum of Agreement, 29 Oct. 1906, File 19650, Box 81, Mss. 6Z, WHS. Garraty finds Perkins favored public trading and states it began for both classes of stock in 1908 in *Right-Hand Man*, 145–146; Hannah, "The 'Divorce,'" 418. Cheffins, "Mergers," 487, 475–492; Herrigel's cautionary notes in "Corporate Governance," 484–485; Carstensen, "International," 509–516 on McCormicks and related issues; De Long, "Morgan's Men," 226. On holdings, see Government Exhibit 266, Voting Trust Certificate Holders, 315–348, esp. 321–322, *US v. IHC: Government's Exhibits*, volume 4, Mss. 3Z, WHS; Garraty, *Right-Hand Man*, 139, 142–146;

The McCormicks undertook private conferences in 1906, as Cyrus noted in a 1910 letter to McCormick stockholders. There were dialogues with Jones of Plano and Glessner of Champion. These efforts seem to have contributed to a more felicitous environment. They may have also bolstered the McCormicks' confidence.⁶⁵

Where Perkins's biographer cited the importance of public trading, data show that by 1912 the Deerings' and the McCormicks' holdings of trust certificates had diverged to a degree. From 1903 to 1912, the Deerings' share of certificates slid from 34.4 percent to 15.5 percent. The McCormicks' holdings in combination with Rockefeller's remained high at or above 47 percent (Table 1). The data require caution, because 168,392 out of 1,400,000 certificates in 1912 are not reported. There may have been omissions, such as Perkins's 30,000 shares. Other owners may have held part of unidentified shares, implying 1912 figures may be low estimates.⁶⁶

Given 168,392 unidentified certificates (or \$16.8 million valued at \$100 a share), I suggest a range for the Deerings' fraction of total certificates in 1912. As noted, Table 1 yields a low figure of 15.5 percent. Supposing the Deerings held all 168,392 certificates except for Perkins's 30,000 (or \$13.8 added to \$21.73 million in Table 1), then their fraction in 1912 would have been 25.4 percent (not 15.5 percent). The Deerings could not have held all 138,392 certificates, however. By 1913, there were 6,543 shareholders. Roughly 200 clusters of investors were "holding 500 or more voting trust certificates" in 1912, leaving many with small amounts. Their stock would have lowered the Deerings' fraction, but I lack the data to specify amounts precisely. Many hypotheticals can be framed, such that the Deerings might have held some or none of the unidentified certificates. Their 1912 fraction likely ranged between 15.5 and 25 percent, which is less than that in 1903 (34.4 percent). This quantitative exercise yields a wide range, yet it

Ozanne, *Century*, 108; Carstensen, "... a dishonest man is at least prudent," 94, 98 on McCormicks' holdings; discussion at note 7, note 31, and Table 1.

65. Unsigned [Cyrus H. McCormick] to the Stockholders of the McCormick Harvesting Machine Company, 10 May 1910, esp. 4, Folder 7, Box 21, Mss. M, Series I, WHS; previous note.

66. The government's brief stated that Perkins had \$4 million, but his wife listed 10,000 certificates; so I report him as having 30,000 in unreported shares. However, in a 1911 talk with Cyrus McCormick, he claimed 50,000. Government Exhibit 266, Voting Trust Certificate Holders, 347, 343–348, *US v. IHC: Government's Exhibits*, volume 4, Mss. 3Z, WHS; C. H. McC, Untitled [conversation with George W. Perkins], 29 Nov. 1911, Folder "IHC (Consolidation)," Box 33, Mss. 2C, WHS; *Government's Brief*, 43, Mss. 3Z, WHS.

leads to this qualitative finding: It implies the Deerings could still launch debates, but also prospects for conflict were diminishing.⁶⁷

As of April 1920, the Deerings had indeed begun to diversify. They held under 150,000 shares out of 1,400,000 or less than 11 percent of shares, compared to 34 percent in 1903 (Table 1). The McCormicks plus Rockefeller owned 46 percent in April. The 1920 document showed holdings for other groups connected to the McCormicks; their shares raised the McCormicks' total beyond half the stock. (That year a plan for employees resulted in substantial increases to stock, such that after April figures are not easily comparable.)⁶⁸

To reach this outcome, just as the Deerings shifted after 1906, the McCormicks appeared to have evolved with respect to investors. A 1909 discussion centered on a stock dividend—\$20 million—to be added to common for 1910, plus a jump from 0 to 4 percent in the rate on common.⁶⁹ Given the voting trust, the Deerings may have teamed with Perkins for such changes; (they engaged Perkins the next year).⁷⁰ Yet this does not rule out additional influences. The general counsel, as Cyrus McCormick recorded, preferred “the dividend of common stock

67. See notes to Table 1 for Rockefeller's 43,750 certificates in 1912. W. M. Gale, assistant secretary, and E. E. Yeager were named with a block of 40,781 shares in 1912, but it is unlikely that Gale owned the stock; I did not identify Yeager's position. Had the Deerings held this \$4.08 million block, the fraction of their shares could have reached 28 percent. This seems unlikely. The firm itself under Gale's position or Rockefeller might have owned it. In addition, one has to consider small investors. See Table 1; Government Exhibit 266, Voting Trust Certificate Holders, 315–348, 344, quotation at p. 315, *US v. IHC: Government's Exhibits*, volume 4, Mss. 3Z, WHS; Defendants' Exhibit 226, “International Harvester Company. Statement of Number of Stockholders February 8, 1913, Showing Division Between Employe[e]s and Others,” 161, *United States of America, Petitioner v. International Harvester Company et al., Defendants in the District Court of the United States for the District of Minnesota (US v. IHC): Testimony of Witnesses for the Defendants*, volume 14, Hathitrust.org, <https://hdl.handle.net/2027/coo1.ark:/13960/t6d234k3q>, for Gale's position, see IH, 1912 *Annual Report*, WHS website. See also Ozanne, *Century*, 108; previous note; Bureau of Corporations, *International Harvester*, 87; Carstensen, “... a dishonest man is at least prudent,” 94, 98. That the Deerings were cutting back holdings is suggested in a proposal in Cyrus H. McCormick to F. T. Gates, 9 Dec. 1910, 3, Folder “I. H. Company Finances,” Box 34, Mss. 2C, WHS.

68. “Tables Showing Effect of Three Alternative Plans for Increased Capitalization of International Harvester Company,” 2 Apr. 1920, Folder “I. H. Company Finances,” Box 34, Mss. 2C, WHS. For changes to stock, see IH, 1920 *Annual Report*, 10, 18–19, WHS website. It is beyond the paper's boundaries to investigate employee stock plans, but see Ozanne, *Century*, chap. 4.

69. Bureau of Corporations, *International Harvester*, 162–163; IH, 1909 *Annual Report*, 4; IH, 1910 *Annual Report*, 5; IH, 1911 *Annual Report*, 5; WHS website. Garraty reviews changes in *Right-Hand Man*, 145–146. See also Carstensen, “International,” 515–516.

70. One press account suggested this for 1910's decision on 1911 rates. “Harvester Earnings Are Large,” *Chicago Examiner*, 20 Oct. 1910 (news clipping), Folder “I. H. Company Finances,” Box 34, Mss. 2C, WHS. See also Carstensen, “International,” 515–516; discussion at note 74.

... because it would support the argument already made in both these [state level antitrust] cases that the Company was short of money.” Then Perkins, Cyrus noted, preferred “a common stock dividend” and “to keep down the rate of dividend. He said that the rate of dividend was more important in the eyes of the general public than the question of the amount of the capital stock.” It is worth noting that a stock dividend likely could not shield IH from criticism over its wealth.⁷¹

As plausible is this reading. Some new investors wanted more dividends. John A. Chapman, a McCormick associate, related to Cyrus that he had “endeavored ... to explain to” an investor the merits of “putting the money back into building up the business.” By contrast, the investor held: “If the Company were earning 15 or 16%, the stockholders were entitled to half of the income.”⁷² Some McCormick loyalists anticipated Chapman. Yet, in September 1909, Cyrus recorded “that the outlook for the Company is good.” In other words, given a spectrum between investing all profits and paying dividends, McCormick approved giving a stock dividend (not a high dividend rate) to owners of common (Table 3). Harold McCormick related, “our interests believe that this is the wise thing to do for the Company.”⁷³

In 1910 Morgan & Company initiated a second debate over stock calling for adding \$20 million in common (not a stock dividend) and augmenting the dividend rate for 1911, but the outcome was only a 5 percent rate on common. When Harvester borrowed funds from Rockefeller, his employee, F. T. Gates, composed a critical letter, recounting McCormick concerns and depicting Morgan/Perkins as potentially speculating. Perhaps either one did so, but Perkins still held 40,000 (perhaps 50,000) shares at the end of 1911. Further, he left Morgan & Company by the start of 1911 and remained a Harvester director till he died in 1920 (and chaired the Finance Committee for some of that time). The Deerings were involved in 1910 as they wanted

71. C. H. McC., “Memorandum regarding dividend on common stock,” 27 Sept. 1909, quotations at pp. 1, 7, Folder “I. H. Company Finances,” Box 34, Mss. 2C, WHS; previous note. Ozanne interprets Perkins in *Century*, 86.

72. John A. Chapman to Cyrus H. McCormick, 9 Nov. 1910, Folder “I. H. Company Finances,” Box 34, Mss. 2C, WHS; Defendants’ Exhibit 226, “International Harvester Company. Statement of Number of Stockholders February 8, 1913, Showing Division Between Employe[e]s and Others,” 161, *US v. IHC: Testimony of Witnesses for the Defendants*, volume 14, Hathitrust.org. See also Carstensen, “International,” 515–516.

73. Harold F. McCormick to Cyrus Bentley, 25 Jan. 1910, Folder “I. H. Company Finances,” Box 34, Mss. 2C, WHS; C. H. McC., “Memorandum regarding dividend on common stock,” 27 Sept. 1909, quotation at p. 3, Folder “I. H. Company Finances,” Box 34, Mss. 2C, WHS; previous note. Baskin and Miranti, *History of Corporate Finance*, 181 on dividend rate.

to keep the voting trust alive. Perkins tested a proposal that found some favor with the McCormicks. Yet at a crucial moment, Cyrus McCormick noted “Mr. Perkins’ retirement.” McCormick added: “His action may influence to some extent the present negotiation.”⁷⁴

Perkins’s mediating role was difficult. He erred with the 1902–1903 “steel contract,” a topic Carstensen analyzed. Among possible readings, I interpret him as having learned from the episode. Recall his apology in 1904, approach to the power debate that year, and effort at a compromise in 1906. Recall too Morgan’s sale of certificates to Cyrus McCormick in 1902–1903, which let his bloc reach the halfway mark. In 1909, McCormick acknowledged a large stock dividend. In 1911, Perkins was said to conclude on a positive note: “We have worked out plenty of difficult matters very well.” Was there more to Perkins? Yes. Among questions, one might ask, did miscommunications among the three hamper relations over many years?⁷⁵

The 1906 agreement had shaped the next six years, such that, as the clock on the voting trust ran out, Harvester was publicly traded. It

74. Gates’s letter might need a financial professional to evaluate the merits of the proposed changes for I.H. F. T. Gates to Cyrus and Harold McCormick, 14 Nov. 1910 (with Gates’s letter), Folder “I. H. Company Finances,” Box 34, Mss. 2C, WHS; Cyrus H. McCormick to F. T. Gates, 9 Dec. 1910, quotation at p. 6, Folder “I. H. Company Finances,” Box 34, Mss. 2C, WHS; CHMcC, “Conference at Mr. JPW’s office 31 October 1910,” Folder “I. H. Company Finances,” Box 34, Mss. 2C, WHS. Carstensen, “International,” 515–516; Garraty, *Right-Hand Man*, 234–240 on Perkins leaving Morgan. On the 5 percent dividend on common, see IH, *1911 Annual Report*, 5, and on Perkins’s continued role after 1910, see IH, *Annual Reports*, WHS website. Perkins’s certificates in 1911 were noted by Cyrus McCormick in C. H. McC, Untitled [conversation with George W. Perkins], 29 Nov. 1911, Folder “IHC (Consolidation),” Box 33, Mss. 2C, WHS; note 66. The *Wall Street Journal* reported 25,000 shares in late 1910 for “Morgan interests.” In 1911, Perkins was said to claim Morgan’s stock was under 4,000 total. A 1920 table indicated that “Morgan interests” held somewhat less than 30,777 shares; Perkins had under 35,860. See “McCormick Interests Retain Control of Harvester Stock,” *Wall Street Journal*, (Nov. 17, 1910), 5; *ProQuest Historical Newspapers: The Wall Street Journal*. For 1920 data, see “Tables Showing Effect of Three Alternative Plans for Increased Capitalization of International Harvester Company,” 2 Apr. 1920, Folder “I. H. Company Finances,” Box 34, Mss. 2C, WHS.

75. Readers are encouraged to consult Carstensen, “... a dishonest man is at least prudent,” esp. 99; Carstensen, “International,” 515–516; Garraty, *Right-Hand Man*, chap. 7, esp. 142–146, 234–240; Memorandum of Agreement, 29 Oct. 1906, File 19650, Box 81, Mss. 6Z, WHS; “Credit Purchase I. H. Co. Stock from J.P.M.&Co. \$3,500,000,” 30 July 1904, Folder 7, Box 20, Mss. M, Series I, WHS; note 31; C. H. McC., “Memorandum regarding dividend on common stock,” 27 Sept. 1909, 3, Folder “I. H. Company Finances,” Box 34, Mss. 2C, WHS; previous discussion; on Perkins’s role after 1910, see Table 2; IH, *Annual Reports*, WHS website. See also De Long, “Morgan’s Men,” 225–226. On Perkins, see Garraty, *Right-Hand Man*, 256–259, chap. 14, esp. 285, 392; Ozanne, *Century*, 108, chaps. 4, 6 on Perkins’s “welfarism.” On Perkins’s apology, see discussion at notes 43, 52. See note 39 on the “steel contract.” On 1911, see C. H. McC., Untitled [Conversation with George W. Perkins], 29 Nov. 1911, Folder “IHC (Consolidation),” Box 33, Mss. 2C, WHS.

was profitable (Table 3). The Deerings had “cashed out” in part (Table 1). McCormick agreed to the sizeable 1910 stock dividend. Although events in 1911 were unpleasant, grounds for owner conflict were receding.⁷⁶

Conflict and Efficiency

Although owner strife hampered efficiency through 1906, the October compromise seemed to clear the air: Management was key. As early as 1913, the Bureau stated, “This lack of effective internal organization had a marked influence on earnings until the end of the year 1906.” Since then, scholars find that the compromise largely gave management to the McCormicks. They proved effective with many issues, including business abroad as Carstensen investigated, but not labor. Here I extend and partially modify this account.⁷⁷

Consider first the former entrepreneurs’ seven brands and factories. The 1906 agreement’s eleventh provision read: “All names of companies shall be continued in the same order and in substantially the same form as at present.” The issue of brands thus was important enough to be part of this deal. Product lines had ties to localities in the Midwest and beyond. The Bureau made a point of identifying firms with their hometowns: Champion’s was Springfield, Ohio; Plano’s, West Pullman, Illinois; Minnie’s, St. Paul, Minnesota (Figure 2).⁷⁸ How did owners balance ties to localities with new demands of the merged firm?

76. Memorandum of Agreement, 29 Oct. 1906, File 19650, Box 81, Mss. 6Z, WHS; Garraty, *Right-Hand Man*, 145–146; Hannah, “The ‘Divorce,’” 418; C. H. McC., “Memorandum regarding dividend on common stock,” 27 Sept. 1909, Folder “I. H. Company Finances,” Box 34, Mss. 2C, WHS; note 77; previous discussion; Chefins, “Mergers,” 487.

77. Memorandum of Agreement, 29 Oct. 1906, File 19650, Box 81, Mss. 6Z, WHS; Bureau of Corporations, *International Harvester*, quotation at p. 212, 158. On the shift in 1906, see Garraty, *Right-Hand Man*, chap. 7, esp. 142–146, 142 on brands; Carstensen, *American Enterprise*, chap. 9, esp. 139, 146–148, chaps. 10–12 on foreign operations after the change; De Long, “Morgan’s Men,” 225–226, where he revives the management argument; Carstensen, “... a dishonest man is at least prudent”; McCormick, *Century of the Reaper*, chaps. 8, 10–11; Marsh, *Corporate Tragedy*, 42–43; Ozanne, *Century*, chaps. 5–6 for labor; Carstensen, “International,” 515–516; note 22; discussion that follows. The argument invites various nuances. On efficiency in general, consult Chandler, *Visible Hand*, esp. chaps. 10, 13, 7–8, 339, 409, 453; Lamoreaux, *Great Merger Movement*, chap. 5 on plant inefficiencies; Jones, *Renewing Unilever*, 67, 352–367 on brands.

78. Memorandum of Agreement, 29 Oct. 1906, File 19650, Box 81, Mss. 6Z, WHS; Bureau of Corporations, *International Harvester*, 47–48, 137–141, 145–146, Table 22, p. 151 for locations of factories. McCormick discussed brands in *Century of the Reaper*, esp. 121–124, 150–151, 187–188. Garraty notes “duplication” in *Right-Hand Man*, 142. Carstensen includes brands and regions in *American Enterprise*, 133–134, for

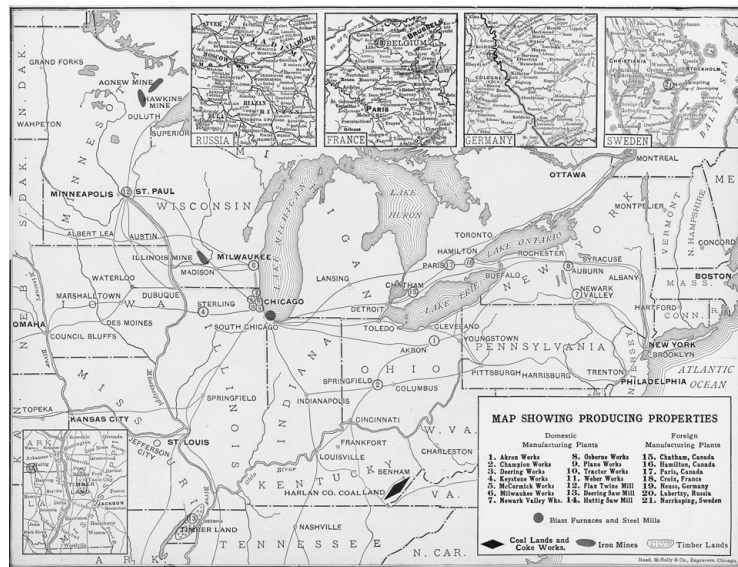


Figure 2 International Harvester Company, *1911 Annual Report*, p. 43. Wisconsin Historical Society, WHS-147185.

Cyrus McCormick offered insight in the *1907 Annual Report*. Reflecting on “the first two or three years,” he pointed to “new lines of manufacture, such as wagons, manure spreaders, gasoline engines, cream separators, and similar products.” He reported “the expenditure of a large amount of capital,” stating, “Many transfers of equipment and men from one plant to another were made in order to concentrate the manufacturing energies engaged upon the old line of harvesting machinery and tillage implements, as well as to provide facilities for the production of the new lines.” There also were acquisitions. Four proved controversial, but some helped extend “new lines.”⁷⁹

Although not expeditious, progress was made. The Bureau of Corporations cited IH’s integration of steel and its volume for its competitive edge in 1910–1911. Although “selling expense to sales” exceeded

foreign operations 146–147. My focus on communities hopes to extend the analysis. Petitioner’s Exhibit 263-A, Grain Binders, 298, *US v. IHC: Government’s Exhibits*, volume 4, Mss. 3Z, WHS for brand names and sales. Broadly stated, my analysis builds on the historical account, especially during the nineteenth century, developed in Winder, *American Reaper*.

79. McCormick’s remarks are found in IH, *1907 Annual Report*, 15, WHS website. Bureau of Corporations, *International Harvester*, 137–143, 145–148, 151–152, Table 32, p. 180, 296–299. Carstensen addressed acquisitions in *American Enterprise*, chap. 9, esp. 146–147 where he stresses operations abroad. See also De Long, “Morgan’s Men,” 225–226; McCormick, *Century of the Reaper*, 116, 119–125.

independents', the Bureau reasoned that the sales force blanketed or monopolized markets (a term it used) to realize cost savings "without reducing prices." Consider, too, trends: From 1903 to 1911, sales-expense ratios fell.⁸⁰ True, no one plant showed "efficiency" gains, but agency data suggested that a shift in production improved overall levels. The *1907 Annual Report* recalled: "The manufacture of harvesting machines at the Milwaukee (Wis.) Works and the Plano Works (West Pullman, Ill.) was transferred during the season 1905 to the McCormick and Deering Works respectively."⁸¹

Owners could have closed small factories; but having concentrated harvesters at the two most efficient plants, they directed small plants to build new items like "autowagons" and preharvest products on a large scale. For instance, the Bureau described Plano: "The manufacture of [manure] spreaders was begun at this plant in 1905, and of wagons in 1906." From just 4 percent of all sales in 1903, new lines rose to 20 percent in 1912. Factories appear to have sent products overseas, but what fraction is unclear. "Foreign business" increased in these years from 23 to 41 percent of sales. In 1906 IH began adding plants overseas, as Carstensen explained. Combining nonharvesting lines and exports gave new purpose to small factories, like Plano's, in their communities.⁸²

Antitrust also complicated the conventional account. Harvester's size and market power contributed to state antitrust action.⁸³ Then there were prices. Prior to 1908, Harvester could have raised or lowered prices, but did neither. However, officials' outlook shifted (for reasons not altogether clear). The Bureau found for 1909: "The extraordinary increase in this

80. Bureau of Corporations, *International Harvester*, quotations at p. 210 for fractions and p. 276 on prices, Table 64, p. 261, Table 69, p. 272, Table 72, p. 276, 210, 256–257, 260–262, 267–270, 272, 276.

81. Bureau of Corporations, *International Harvester*, 145–146, quotation at p. 257, Table 32, p. 180, Table 63, p. 260; IH, *1907 Annual Report*, quotation at p. 15, WHS website; Carstensen, *American Enterprise*, 146–147. See also McCormick, *Century of the Reaper*, 150–151, 187.

82. Production and exports are estimated from Bureau of Corporations, *International Harvester*, quotations at pp. 145 and 146, Table 5, p. 65, 140–147, Table 22, p. 151, Tables 23 and 24, p. 152, Table 32, p. 180, Table 33, p. 181, 257, Table 63, p. 260. McCormick, *Century of the Reaper*, 121–124; note 77; Carstensen, *American Enterprise*, 145–147, chaps. 9–12 for analysis of operations abroad; Carstensen, "International," 509–516, esp. 509 for sales data. My data is similar: *Statement, Brief and Argument for the Defendants in the District Court of the United States for the District of Minnesota, The United States of America v. International Harvester Company*, [1913], 16, volume 4, Mss. 3Z, WHS. IH, *1908 Annual Report*, 11, WHS website.

83. Bureau of Corporations, *International Harvester*, 296–299; C. S. Funk to Cyrus H. McCormick, "Legal Situation," 27 Mar. 1907, File "I. H. Company Domestic Organization –O," Box 37, Mss. 2C, WHS; Whitney, *Antitrust Policies*, 228–229; McCormick, *Century of the Reaper*, chap. 10; next note; discussion at note 2.

year is partly explained by a great increase in sales of new lines and an increase in the foreign trade, and also partly by an increase in prices.”⁸⁴

Pricing may have helped spark a 1912 antitrust case, which led to a 1918 consent decree. The McCormick grandson cited “the provision of the Court’s decree limiting the Company to a single dealer in each community.” It nudged IH to focus on “a composite” line. “Each International dealer ... was able to stock, sell, and service all the tractors, motor trucks, grain binders, ... and the many other items of the McCormick-Deering line.” IH had fought the suit, yet as the grandson wrote, the result corresponded with a simpler system. In addition, when “compelled by ... the 1918 consent decree to sell the Champion, Osborne, and Milwaukee lines of harvesting machinery,” IH “renamed” sites after their hometowns.⁸⁵

Owner conflict hampered efficiency; the McCormicks improved prospects after 1906. This conventional view may be extended. A social dimension—owners’ ties to brands and factories in local communities—as well as a consent decree—complicated management’s central role. The point may be rephrased: Owners’ social ties may have constrained how management approached efficiency. This suggestion calls for new research. Put as questions: What role did owners’ ties to brands and factories play at Harvester and other mergers? How did prices—and antitrust—affect disquiet?⁸⁶

Conclusion

Chandler framed mergers’ evolution in terms of management and efficiency. The IH case study offers an additional conceptualization based

84. Bureau of Corporations, *International Harvester*, quotation at p. 212, and for prices, Table 60, p. 254, 246–255, 276, 288–289; on mergers’ anticompetitive actions, see Lamoreaux, *Great Merger Movement*.

85. McCormick, *Century of the Reaper*, 119, 150–151, 171, 185–188, quotations at pp. 185–186, 187, 188, chap. 10. The Federal Trade Commission reprinted the consent decree in *Agricultural Implement*, 156–158. Antitrust matters culminated in *United States v. International Harvester Company et al.*, 274 U.S. 693 (1927). See also Harold F. McCormick to Cyrus H. McCormick, 8 Jan. 1919, Box 36, Mss. 2C, WHS; Garraty, *Right-Hand Man*, 142; Carstensen, *American Enterprise*, 133–134; Federal Trade Commission, *Report of the Federal Trade Commission*, 662–669; Whitney, *Antitrust Policies*, 230–231; notes 78, 83, 84.

86. Previous discussion; Garraty, *Right-Hand Man*, chap. 7, esp. 142–146; Carstensen, “International,” 510, 515–516; Carstensen, *American Enterprise*, 133–134, 139, 146–148, chaps. 9–12; Carstensen, “... a dishonest man is at least prudent”; Bureau of Corporations, *International Harvester*, 145–146, 150–152, 156–159, 210, 212, 246–255, 256–278; Ozanne, *Century*, chaps. 3–6; De Long, “Morgan’s Men,” 225–226; McCormick, *Century of the Reaper*, 116, 119–125, chap. 8; discussion in this section. Chandler, *Visible Hand*, chap. 13; Lamoreaux, *Great Merger Movement* on competition; Cyrus H. McCormick’s remarks in IH, *1908 Annual Report*, 19, WHS website. Carstensen notes regions in *American Enterprise*, 133–34.

on owner conflict. Consider the questions: Were a merger's owners conflicted? Under what sort of governance structure were disputes, including control, confronted? How were solutions arrived at? What tools, whether voting trusts or other devices, did owners use to mitigate conflict? What impact did particular owner dynamics have for a firm's efficiency? Rather than pass over owners, this case finds strife important to understanding a merger's evolution.⁸⁷

The Harvester case study leads to another conclusion related to Berle and Means, who focused on "an ever wider dispersion of stock ownership" and "management control." When the Deerings transferred part of their holdings, this did not yield "management control." The pattern of ownership was varied, and the McCormicks either closed in on or obtained "majority control" (Table 1).⁸⁸ In contrast to "management control" presumably leading to better earnings, Harvester's profits improved under the voting trust (Table 3). Put another way, the McCormicks handled many problems effectively, though certainly not all, most notably labor matters. The Harvester experience yields an insight about methodology—that is, a call to study the effect of corporate governance formats on efficiency in terms of case studies grounded in their specific contexts.⁸⁹

In the end, Perkins did not act alone. Gary, Cyrus McCormick, and others played roles. (The McCormicks would remain active at Harvester until it expired in the 1980s.) Yet Perkins likely had a firm hand in drafting the 1906 agreement. From his vantage point, he had fashioned an elegant answer to the question of how to mitigate owner conflict. This did not

87. Chandler, *Visible Hand*, chap. 13. Lamoreaux, Raff, and Temin, "Beyond" for their critique of Chandler. On owner conflict, see Lamoreaux, "Rethinking the Corporation"; discussion at notes 1, 19. Studies of conflict at IH include Garraty, *Right-Hand Man*, chap. 7; Kramer, "Harvesters"; Carstensen, *American Enterprise*, chap. 9; Carstensen, "... a dishonest man is at least prudent."

88. Berle and Means, *Modern Corporation*, Book 1, 47, 70, 84. Ozanne, *Century*, 108; Carstensen, "... a dishonest man is at least prudent," 94, 98; previous discussion; note 67.

89. Ozanne, *Century*, chaps. 3–6 on labor; Garraty, *Right-Hand Man*, chap. 7, 142 on "duplication"; McCormick, *Century of the Reaper*, 150–151, 187–188 on sales. On the McCormicks as managers, see for instance Carstensen, *American Enterprise*, chap. 9; De Long, "Morgan's Men," 226. On the secondary literature for this paragraph, see Berle and Means, *Modern Corporation*, 84, Book 1, chap. 5; Chandler, *Visible Hand*, chap. 13; Herrigel's critique in "Corporate Governance," 479–480, 489–490; Lipartito and Morii, "Rethinking the Separation," esp. p. 1036; Cheffins, "Mergers," 475–492; Lamoreaux and Rosenthal, "Corporate Governance"; Guinnane, Harris, and Lamoreaux, "Contractual Freedom"; note 19. For a broad point about context, see Lamoreaux, "Rethinking the Corporation." See also Hannah, "The 'Divorce,'" 426. On brands and mergers in another case, see Jones, *Renewing Unilever*.

make him “friends” with the other two sets of owners. Still, Morgan’s partner illustrated one search for compromise.⁹⁰

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90. Garraty, *Right-Hand Man*, esp. chap. 7; previous discussion; Marsh, *Corporate Tragedy* on the McCormicks; Memorandum of Agreement, 29 Oct. 1906, File 19650, Box 81, Mss. 6Z, WHS.

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