Oil Companies, Wildcats of Industry, Seeking New Rating

Policy of Secrecy in Financial Reports Gradually Disappearing as Investment Demand Grows

THE Federal income tax and excess profit taxes in requiring a scientific distinction between expenditures for capital account and expenses have performed an important service for the investor in industrial securities. One of the factors which has made railroad securities a favorite investment for Americans prior to 1914 has been the fact that the Interstate Commerce Commission has had jurisdiction over the accounts of the railroad compaines, and the uniformity of accounts required since 1906 has enabled a prospective investor to judge for himself of the financial position and earning power of property in which he is asked to put his money. The Interstate Commerce Commission is as careful to guard against charging capital expenditures to expenses as it is to guard against charging expenses to capital expenditures.

The Federal tax laws requirements guard against the charging of capital expenditures to expenses only; in other words, their object is to prevent the padding of expense accounts and thus the reduction of taxable net income. Any legitimate company, however, will be prevented from charging expenses to capital account, because by so doing it will increase the taxes for which it is liable by increasing apparent net income.

Of all the industrial investments that have been offered the American public there has been more secrecy about the successful companies and more chicanery about the accounts of smaller companies in the oil business than in any other line of business, not excepting gold and silver mining. The result has been that the easy mark, the sucker, has been attracted to investment in this business and the conservative investor has been repelled from it. Federal income taxes have helped greatly to change this situation, and the fact that some of the standard oil companies have had to come into the open market for money has further opened to the public the accounts of the oil companies. In listing securities on the New York Stock Exchange it is necessary to furnish the listing committee a fairly detailed and searching statement of financial conditions; thus when the Standard Oil of New Jersey listed its preferred stock it had to make public a detailed and comprehensive balance sheet.

The other large oil companies have found it necessary to take the public into their confidence in order to differentiate their offerings of securities from those of the fraudulent promotr. For instance, the Simms Petroleum Company and subsidiaries recently made public its annual report for 1920. It was a pamphlet of nineteen pages, of which fourteen were occupied by a frank and detailed statement, signed by the president, of the conditions in the trade and the peculiar conditions surrounding this company that made it necessary to liquidate. It so happened that the company's final and profit and loss deficit for the year was $2,038,073, and so far from trying to conceal this loss, the reasons for it are explained in simple language and in great detail. In fact, the Simms Petroleum Company goes further than some industrial companies in having installed during 1920 a system of accounts which permit of an issue, monthly, to the directors of a comprehensive financial and operating report. When, therefore, the president says that "while the company has sustained unusual losses which are not likely to recur and has made heavy charges against the book value of its leaseholds, its production for the current year is now running at a rate considerably in excess of the average for the last year, and its current financial position is unusually good," the stockholder, or the potential stockholder, is likely to take full face value.

Policy of Secrecy

Secrecy may have and probably did aid the Standard Oil in establishing a combination which the Supreme Court held amounted to a monopoly under the Sherman anti-trust law. It was a hindrance, not a help, in raising capital and the legitimate oil companies which have gone into the money market in recent years have made public a fairly frank statement of their financial condition. It is therefore possible to make an intelligent comparison of some of the companies whose stock and bonds are widely distributed among the investing public.

For this purpose the Standard Oil of New Jersey, Sinclair Consolidated Oil Company, Standard Oil of New York, Texas Company and Tide Water Oil Company have been selected. The accompanying table is designed to show first the financial position—stability or lack of it—of the business and the relation between capitalization; that is, the amount of securities issued to assist and to earning power.

Total assets include real estate, oil leases, pipe lines, refineries, distributing stations, investments and current assets. This is of course a bookkeeping figure. It is impossible for the investor to judge for himself whether the management has been conservative or otherwise in fixing a value on fixed assets, such as real estate or oil leases, and even where these fixed assets are carried at cost, which is the better accounting practice, the fact that they may have been acquired through the exchange of stock for securities of other companies makes the exact figure an indefinite one, but the investor has a reliable check on this figure over a series of years, as will be indicated by a further analysis of our table.

Quick assets or current assets, as they are ordinarily called, include certain definite things, which, without falsification of accounts cannot be uncertainly stated. Cash is the most important of these, accounts and notes receivable possibly come next, and inventories are of about equal importance. Over a series of years it is comparatively easy to tell whether a company is carrying an adequate reserve against its accounts and notes receivable to cover bad debts. If it occasionally has to make a debt to profit and loss to cover something against which there was no reserve it is open to the suspicion of not being conservative in its statement of accounts and notes receivable. If, on the other hand, it occasionally credits profit and loss or never has to resort to profit and loss, it is safe to assume that its statement of this item is conservative.

Current liabilities consist principally of notes and accounts payable and bank borrowings. The relation between quick assets and current liabilities is an indication of the amplitude of the company's working capital. Stated, as it is in the table, in dollars of quick assets for each dollar of current liabilities it makes a good figure for comparison as between different companies. The similarity between the Standard Oil of New Jersy, Sinclair and Tide Water is noticeable.

Cash on hand, if stated separately, is a fact undisguissable. The Standard Oil of New York, however, lumps its cash with accounts receivable.

Ability in Emergency

Equally as important as the relation between quick assets and current liabilities is the relation between the amount of cash on hand and the volume of the business which a company does. It shows the ability of a company to meet an emergency without recourse to bank loans. It is true that in the oil business inventories are peculiarly liquid, both financially and physically. Oil can be sold even when immediate delivery is impossible at almost any time if a sufficient sacrifice in price is made. Cash, however, is the primary safeguard. These comparisons have been intended to show the business stability of the five oil companies selected. A further analysis is necessary to determine what equity the stock represents. In the first place, creditors must be satisfied, since the stockholders have an equity only in the margin above current and funded debt. These debts, therefore, in the table are subtracted from assets to show the margin of security for the stock. From this is further subtracted the full face value of the preferred stock of the two companies having preferred stock outstanding. This leaves net assets back of the common stocks.

In all of these figures only real accounts have been taken into consideration and reserves have been disregarded entirely, thus where the Standard Oil of New Jersey sets up a reserve for taxes this reserve is subtracted from its assets, but where the Texas Company sets up a reserve for depreciation no account is taken of this bookkeeping item and it is treated exactly as if it were part of surplus, which it really is. All that the account on the balance sheet means is that the management with a pencil and paper has divided the surplus account into two items, one of which shows the management's guess at a change which has taken place in the value of assets since they were entered on the assets side of the balance sheet.

It has been thought better to disregard the par value of stock—the stock of some of the companies has a par value and some have not. Standard Oil of New Jersey has a par value of $25 a share, Standard Oil of New York a par value of $100 and Sinclair is without par value. Since market price is quoted on a per share basis, assets worth and earning power may also properly be shown on a per share basis.

The table, therefore, shows the net assets value a share for each of the five companies after creditors and preferred stockholders have been satisfied in full.

Other Figures

To these figures have been added the dollars earned per share in the calendar year 1920 and the percentage of earnings on assessed value and percentage of earnings on market valuation.

The Standard Oil of New Jersey in amounts of assets and in volume of business ranks far ahead of the other four companies. Of its total assets over half are quick assets and its current liabilities are protected by more than $3 for each dollar of quick assets. Its cash is equal to a sixth of its total current liabilities and it has over five dollars of cash for each hundred dollars of gross sales.

Sinclair, a third as large a company measured in gross assets, has between four and five times as great total assets as quick assets. Its relation of current liabilities to current assets, however, is about the same, and its cash relation to gross sales is better than the Standard of New Jersey, but not so good as the Texas Company or as the Tidewater Company.

The Standard of New Jersey, it should be remembered, recently split up its $100 shares into four $25 par value shares. The assets value per share after subtracting creditors' and preferred stockholders' equities is $176 and its market value $145. That is, there is a margin here of about $30.

Sinclair, on the other hand, has an assets value of $70 a share, but the market value is only $25 per share, a spread of $45. The spread on Standard of New York is only $9, on the Texas Company $12 and on the Tidewater —.

Equally interesting is the relation between earnings and market value. Earnings on the Standard of New Jersey are about 30 per cent on market value; earnings on Sinclair market value are about 25 per cent; earnings on Standard of New York are about 16 per cent.

Coal Trade Irregular

The demand for bituminous coal has increased slightly during the week ending to-day, and the demand for anthracite has slackened, says the weekly report of the Wholesale Coal Trade Association. Prices in both branches have remained practically stationary, bituminous selling at, near and below the cost of production.

Bunker coal is somewhat less in demand, due to the seamen's strike, and little business in export bituminous has been accomplished during the week, although inquiries continue.

A 10-cent a ton increase will be added to anthracite "company" coal beginnjng June 1, and a similar increase in "independent" coal is assured. The supply of anthracite is now approximateing the demand.

Disclosing Oil Companies' Financial Standing

	Standard Oil of New Jersey.	Sinclair Consolidated.	Standard Oil of New York.	Texas Company.	Tidewater Oil.
Total assets	$1,102,313,000	$354,507,000	$347,919,000	$232,459,000	$80,293,000
Quick assets	664,886,000	79,786,000	212,443,000	145,596,000	28,334,000
Current liabilities	212,736,000	26,996,000	93,634,000	28,262,000	18,228,000
Dollar of quick assets for dollar of current liabilities	$3.12	$3.07	$2.32	$5.12	$3.51
Cash	33,788,000	12,852,000	——	15,883,000	1,221,000
Volume of business 1920	631,127,000	186,649,000	——	142,806,000	60,077,000
Dollar of cash for each $100 of sales	$5.36	$7.70	——	$11.12	——
Balance of assets after deducting current liabilities	889,577,000	328,511,000	254,315,000	205,077,000	62,065,000
Funded debt	——	53,713,000	——	32,749,000	——
Margin of security above debt (current and funded	889,577,000	274,798,000	254,315,000	272,328,000	62,656,000
Preferred stock	196,677,000	248,000	——	——	——
Net asset back of common stock	692,900,000	274,550,000	254,316,000	272,328,000	62,656,000
Number of shares of common outstanding	3,932,432	3,909,944	750,000	5,200,000	397,261
Asset value per share	$176.00	$70.00	$339.00	$52.00	$158.00
Market value per share	$145.00	$25.00	$330.00	$40.00	$175.00
Dollars earned per share	$41.00	$7.77	$53.00	$7.73	$22.92
Per cent earnad on asset value	23.35%	11.10%	16.56%	14.91%	14.61%
Per cent earned on market value	28.28%	33.08%	16.00%	19.38%	13.09%

Bohemianism in Society Circles Causes Men's Attire Makers to Worry Over Profits

By Harry F. Baker

THAT intangible something, known as style, has injected itself into the business realm as a new problem. Some branches of the trades that fall under the general heading of apparel appear to be suffering from a too-frequent change of styles for the stability of the markets. Others are complaining of a lack of style and are making strenuous efforts to infuse it into their industries in the belief that it will stimulate consumer demand and so lift their particular trade from the depression.

The value of style as a business stimulant is best seen in the present condition of the shoe industry. New styles in women's shoes have created a consumer demand that is keeping the women's shoes factories of the country running almost at capacity at present. The manufacturers of men's shoes, however, are complaining of a lack of business, and in comparing their lot with their more fortunate brethren who are turning out women's shoes are inclined to lay the blame on the lack of style—that is, really new styles in men's shoes.

The women's apparel trade had a fairly active spring season, due largely, in the opinion of manufacturers, to new styles that were offered the consuming public. On the other hand, the conservative types of clothing offered the men have enabled the latter to wear their old clothing longer, thus reducing the volume of trade in this line.

Among manufacturers and retailers of men's clothing, hats, shoes, gloves and other accessories there is a deep-rooted conviction that the average American citizen has taken a step backward—or several steps, in fact—in the matter of dress in the last few years. The economies that the public was called upon to practice during war times resulted in the elimination of gay attire. Evening clothes were tabooed. Silk hats were regarded as unpatriotic. Gloves, except in cold weather, were frowned upon, and walking sticks became almost obsolete. Many anticipated a reaction as soon as the stress of war was lifted, but so far the reaction has not appeared. Even in the boom period of 1919 and early 1920, often referred to as the "silk shirt" era, those who might be looked to as leaders of fashion disregarded many of the rules of dress laid down in pre-war days, and this failure to observe the conventions in apparel still persists.

Tuxedo No Longer Stag

Clothing manufacturers regard with some bitterness the growing use of the Tuxedo or dinner coat at social functions where women are present. The short jacket, they assert, was designed as a club or "stag" garment and is incorrect in mixed gatherings, yet even among the social elite it is being worn at balls, and to the theater and opera.

The high silk hat is little seen at social functions, the soft felt hat, the older the better, having almost completely replaced it. Yet the dress charts all call for the regulation silk hat as the correct complement of evening garments. In the matter of overcoats, despite the dictates of fashion, polo coats and automobile ulsters are frequently seen covering evening garments at social functions.

The crowning insult against the conventions, however, was seen by the shoe manufacturers. At a recent gathering of footwear producers several members of the trade asserted that they had seen footwear ranging all the way from black calfskin to tan brogues worn by men attired in evening dress. What appeared to be worse was the fact that some shoe manufacturers themselves were guilty of the practice.

Sales of soft collars in many haberdashery stores to-day are in excess of the sales of starched collars, and the soft collar is correct only for country or sports wear. One Sunday evening recently, at a popular hotel in the socially select center of Westchester County, more than half the men appeared in golf suits, including knickerbockers, with golf clubs or other appurtenances of the game strangely lacking. A manufacturer of men's clothing reviewed the gathering and decided that golf suits, originally intended for wear only on the links, had become fashionable everywhere. He fears that they soon will be worn to business. With the long trousers instead of knickers tweed suits are being worn in the business sections of our large cities in increasing numbers.

Hurts Business

The point that clothing, shoe and accessory manufacturers make of all this is the fact that American men lack the spruceness that formerly characterized them. This is being reflected in the habits of the younger generation, with the result that clothes are playing a less important part in the daily lives of the young men upon whom the apparel manufacturers depend chiefly for their trade. Business undoubtedly has suffered from this development, if the statements of the garment, shoe and hat producers are correct, and already plans are being made to remedy the situation.

An unorganized campaign is being conducted in the shoe trade to swing the popular taste in men's footwear away from the straight lasts and dark brown colors that have prevailed for several years. With a really new last and light tan shades, the shoe men believe that most consumers will be compelled to purchase additional footwear. The light tan shoe, they say, will not be worn with dark clothing or in the evening, even where formal evening attire is not required.

The dark brown shade, so popular at present, looks black at night, it is contended, hence the average man finds it unnecessary to change his footwear when going out in the evening.

A suggestion has been made in certain quarters that a movement be started to conduct a national advertising and publicity campaign with the object of raising the standard of men's dress in this country. As yet the suggestion is little more than a germ, but it has received a hearty reception from manufacturers in many lines who would welcome some stimulation of this nature.

Waste in Styles

The other side of the question, that of the waste occasioned by frequent style changes, was presented last week before the convention of the American Society of Mechanical Engineers in Chicago. L. W. Wallace, executive secretary of the American Engineering Council of the Federated American Engineering Societies, and also vice-president of the council's committee on waste in industry, which will report to Secretary of Commerce Hoover, declared that there is at present a huge waste in the manufacture of apparel, millinery, shoes, etc., through changing styles, and that the public is paying a tremendous subsidy for the shifting in fashions.

"Twenty-five per cent reduction in production possibilities," said Mr. Wallace in his address, "resulted in every men' ready-made clothing plant in the country that adopted a single style change in the cut of the lapel of the coat. One prominent plant did not adopt the change in style. That plant continued to operate much nearer normal capacity after others had closed down because it did not have to add the cost of a 25 per cent reduction of production to the units of product that it did manufacture and sell."

The engineer contends that there should be more standardization in industry, that economy is effected mainly by mass production. In the apparel and kindred lines it is contended that these industries could not survive under standardization. A survey of the successful firms in these industries, however, apparently proves that the largest profits are made by the concerns that turn out the more or less low-priced staple commodities in great quantities.

Public Sets Styles

Difference of opinion arises when discussion of who originates style is attempted. The lay public, as a rule, feels that style originates with a small clique of designers, who are supposed to work the wires controlling fashion influences at will. These so-called style creators, however, invariably assert that the public itself sets the style and that no style of moment has ever been forced upon an unwilling populace.

To support this contention reference is made to the French last shoes that were introduced in this country about a year ago but failed to catch the popular fancy and were finally sold at a great loss by manufacturers, jobbers and retailers. The large-tongued pump in women's shoes shown at the beginning of the present spring season also received a chilly reception. Despite strenuous efforts to force new styles, women persistently have stuck to the strapped pump models for several months and manufacturers in casting about for new fall styles are talking of "drifting with the fashion" and supplying more strapped models if the women demand them.

Hundreds of similar experiences can be cited by manufacturers of women's garments. Some of the most expert sylists have guessed wrong not once, but hundreds of times. It is almost impossible to tell, according to the leading manufacturers, what particular thing will strike the public fancy. "Pups," as the unsalable styles are known in the trade, are much more common than the average person believes.

Engineer Offers Yardstick To Solve Unemployment

Asserts Burden of Proof Is on the Management to Show Every Possible Device Has Been Used to Provide Steady Work; Detailed Study Needed

By Morris L. Cooke

Consulting Engineer to Management

ONLY as we study the every-day and the all-the-year-around variety of unemployment, and learn to cope with it within the individual manufacturing plant, will we be able to prevent or at least tominimize the effects of these great waves of unemployment which we have come to look upon as necessarily associated with periods of business depressions.

Assuming that the proper length of the work-day has been determined, employment for the individual or the group or the community as a whole is measured by the amount of time actually occupied in productive work. The unemployment factor then is the percentage by which this falls short of the theoretical maximum.

To bring this problem of unemployment within the range of our individual industrial hearth stones, so to speak, I have divided its treatmnt into two paerts: (a) unmployment within employment—being the unemployment of men and women who, technically at least, have jobs—and (b) unemployment without employment.

Unemployment Within Employment

My own impression is that the total of unemployment without employment, that is, the unemployment of what may be called jobless men, represents a relatively small percentage of the total. If this assumption proves even relatively near the truth, it will pay us to devote our most painstaking attention to the unemployment of men and women who can, very broadly speaking, b said to have jobs. This brings the responsibility directly within the scope of the individual plant. The burden of pjffiroof is on every employer who lays claim to industrial leadership to show that he has availed himself of every possible device for providing steady employment. But self-interest will more and more move manufacturers to undertake the detailed study of the unemployment problem as it becomes recognized that general industrial effectiveness—and more especially low unit costs of production—are altogether inconsistent with intermittency of employment.

The moment we undertake scientific analysis of our own contribution to the total distress we discover that we need some formula or expression or device by which we can measure the amount of unemployed time of those who have jobs. Such a mechanism would enable us to rate the performance of individual employers in this respect, to evaluate the results achieved in different industries in providing steady work and even to contrast the experience of different communities.

In applying this test we should be able to determine the record made in any given period of time—a day, a week, a month, a season or a year. The formula should be so exact as to include lay-offs of a few moments or of a few hours as well as of days and of weeks. Such a measure as the one proposed should be so broadly conceived as to be applicable to a given room or department of a single industrial establishment, or to the plant as a whole, to regional divisions of an industry or the industry throughout the nation, to geographical areas including all industries, and to the nation at large. We seek a method which is both reasonably exact and capable of being developed in the direction of even greater exactitude. But to be broadly useful the method must be one that is readily simplified to meet the conditions found in most small concerns or expanded to meet the necessities of our more hihly organized industrial establishments.

An Unemployment Score

For the lack of a more descriptive title I suggest we call this factor—this measuring stick for unemployment—the "Unemployment Score."

The "Unemployment Score' is the percentage by which the actual employment given an individual or group compares to the theoretical possible maximum.

But the usefulness of such a score will be limited unless it is arrived at as the summary of factors measuring contributory causes, each in turn built up in like manner. The process should be capable of being carried to any useful degree of sub-division.

There is space here for only a broad illustration. Assume that the possible theoretical total of working hours for those engaged in a given building last week was 1,000 units of productive time. Things ran unusually smoothly, material was delivered on schedule, there were no labor troubles, and the workers were actually engaged during 920 units of production time. The unemployment is, of course, the difference between the theoretical and the actual, or 80 units of production time. Under the proposal the "Unemployment Score" will be the percentage, or 8 per cent.

Take figures on that same building for all of last year and the result would not be as favorable because it would have to include much lost time. If we assume 50,000 units as the theoretical maximum for the entire year, and it happened that not more than 30,000 were actually accomplished, then the 'Unemployment Score" would be 40 per cent. Under the proposed plan it must be possible to sub-divide this percentage indefinitely. Thus the major causes may be rated as follows: Absenteeism 5 per cent; lack of materials 10 per cent; bad weather 4 per cent; strikes, 10 per cent; scattering, 11 per cent; total, 40 per cent.

If these unemployment scores are to have social significance and be fully effective as a guide to operating policies, loss of time of every character and description must be included in the percentages. For instance, under "absenteeism" would appear percentages of unemployment for such separate items as sickness, accidents, home conditions, liquor, tardiness and bad weather.

An Incentive to Industry

We approach nearer the time when proposals for unemployment insurance must be seriously entertained in this country. This affords a strong incentive for learning how to provide steady employment before the law goes into effect. Of course, the most important service which unemployment insurance can render will grow out of the pressure it will exert on management to reduce unemployment to a minimum.

Through this kind of study it will be promptly demonstrated that steady volume, both for the plants as a whole and by departments, is equally desirable from the standpoint of profits and of steady employment.

(The following artitcle is reprinted from the June issue of the American Labor Legislation Review.—Financial Editor.)

Produce Exchange Seats Higher

There was a bid of $2,300 yesterday for a Produce Exchange membership, compared with $1,800 only a few days ago. Talk of resuming trade in futures at New York was chiefly responsible for the rise. Cotton, coffee, cottonseed oil, sugar and minor markets all closed on Saturday.

Look for Further Adjustments

Trade Hears Steel Corporation Will Reduce Prices Again in July; Wage Cut Also

Special Dispatch to The Tribune

PITTSBURGH, May 28.—The remarks made by Judge Elbert H. Gary, president of the American Iron and Steel Institute, at its nineteenth annual meeting in New York Lriday are interpreted here among steel men to forecast further adjustments in both wages and selling prices in the steel industry. Coupled with the judge's statement are persistent rumors from corporation sources in this district that the Steel Corporation has about made up its mind to make new adjustments early in July. The entire situation is believed here to depend upon wages and living costs. The dilatoriness with which retail merchants have met their responsibilities in the period of readjustment is on eof the holding-back facotrs, according to leading steel men here, who say that wage cuts cannot consistently be made in the face of continued high prices for the commodities of life, and that selling prices for steel cannot be further reduced so long as wages remain where they are. One leading manufacturer here to-day declared that throughout the steel industry it is the belief that steel is being manufactured and sold to-day at an average loss of $5 to $7 a ton, a condition, he stated, which is bound to come to an end before very long.

No indication has arisen during the week of any renewed interest upon the part of the steel consumer, and various rumors that prices are being shaded are regarded here as merely a form of "buyers' propaganda," inasmuch as steel at its present price is being sold at a loss, and shading that price schedule would only increase the loss. Furthermore, it is pointed out that the price reductions already generally adopted in the trade have not brought out an additional ton of new business, which indicates that the steel user is not going to purchase until satisfied that the whole industry has been completely readjusted.

Industrial depression in the Shenango Valley continues and leading steel interests assert that so far as they can see there will be no pronounced improvement until the coming fall. There has been a slight improvement in the uatomobile industry that has benefited some of the plants which make frames and sheets, but they do not anticipate that steady operation of these mills will continue for any great length of time. One of the leading steel men of the district said that n would be satisfied if the steel mills were operating at sixty per cent of capacity by the end of this year. There is little new business being booked. The same schedule of operations is being maintained by the American Steel & Tinplate company at Farrell. The tin mill is running sixteen hot mills, nine turns a week. The sheet mill continues at full operation, but it is said that the orders received cover only two weeks operation. The American Steel & Wre is running about three days a week except in some departments that specialize on wire products. These operate for longer periods. Many of the laborers who formerly workd in the mills have secured jobs on state highway building. It is said they are being paid 25 cents an hour, for ten hours work. At the present time there are paproximately 12,000 men, idle or working part time in the Shenango Valley. All of the fourteen blast furnaces are idle, and stocks of pig metal are not being reduced to any great extent.

All the mills at Homestead were in operation this week except the Howard Axle works nad as a result very few men are idle on the streets.

Evidences multiply that prices are being shaded by Mahoning Valley iron and steel producers in an effort to attract tonnage, though the low current operating rate indicated that the inflow of new orders is at a very moderate rate. That the industry will be obliged to still further revise manufacturing costs and reduce quotations is an opinion ventured in conservative circles. The belief prevails that such changes may be brought about by midsummer, at which time the market is expected to show more positive evidence that it has reached the turn.

Aside from the business recently placed by the Ford Motor Company the bulk of the inquiries have been confined to bundled lots One Valley producer states that he has not received a carload order for the last three weeks. One of the largest Ford merchandising season.

orders was for 1,000 tons of 16-gage one-pass black sheets, placed in the Valley, at 3.50 cents base, the maker agreeing to cut the material in 34x90 inches. It is to be used for running-board stock.

The Sharon Steel Hoop Company announces that it will operate next week all of its nine sheet mills at its Hazelton works in Youngstown. The Newton Steel Company is likewise operating full at its ten-mill sheet plant at Newton Falls, producing full-finished sheets in part.

The sheet department of the Brier Hill Steel Company, Youngstown Sheet and Tube Company, Falcon Steel Company and Mahoning Valley Steel Company are virtually suspended temporarily. Very little tinplate business is coming into the Valley and the operations of the chief district maker are at a low ebb in this department.

Bar mills are curtailed owing to the limited volume of new tonnage being placed. Reports are current that business is being accepted in other quarters at two cents, though makers in this territory continue to quote 2.10 cents.

The Sharon Steel Hoop Company is reported to have purchased another 1,000-ton lot of standard basic pig iron from a Valley steel works maker at $22. Aside from the purchase by the Sharon company there is little activity in the iron market. The buying interest is purchasing its requirements on the market rather than start its blast furnace at Lowellville, maintaining it can be bought cheaper than it can be produced.

Reduction of 30 cents a ton in the lake shipping from the head of the lakes to the lower lake ports will effect a saving of about 60 cents a ton on the charges of pig iron making materials in this district.

Some interests believe that the steel industry is now passing through what will prove to be the final stages of readjustment. The export market has shown more strength recently. Oil producers continue to take line pipe and casing, while a moderate business is being done in buttweld sizes. None of the seventeen pipe furnaces in the Youngstown territory are active.

Present indications are that Trumbull Steel Company, Warren, O., will earn its second quarter dividend on the preferred stock, with some excess. Earnings of the company during the current quarter are reported to have been somewhat better than the first quarter, though business has recently slumped.

Big Cotton Conclave Opens Here To-morrow

One of the largest gatherings of cotton men, including all factors in the trade from growers to retailers of finished goods, will be held at the Hotel Pennsylvania to-morrow and Tuesday under the auspices of the North Atlantic department of the American Cotton Association. President Harding will open the "national consultation," as it is called, by a telephone message which will be transmitted by amplifiers to the entire gathering.

Every phase of the cotton industry will be discussed and plans considered for aiding the industry to regain a normal basis. Much of the discussion will center on plans for financing cotton exports.

John S. Wannamaker, president of the American Cotton Association, will call the consultation to order to-morrow morning, and General L. D. Tyson will preside over the morning session and Senator Robert L. Owens over the afternoon meeting.

Cleveland Clothing Week

CLEVELAND, May 28.—Conditions in the women's clothing industry, trade tendencies and style trends for fall, will be expounded here June 6 to 9 at a series of meetings arranged by the Cleveland Garment Manufacturers Association. The Cleveland manufacturers will inaugurate the fall wholesale selling season at that time.

Speakers of national prominence will discuss the general business situation and talks on conditions in the textile industry, from which the manufacturers obtain their raw materials, will be given by representatives of silk, woolen and cotton goods trades. Thousands of retailers are expected to attend the meetings and the opening of the fall

Smashing British Prejudice Against Yankee Hustle

American Tells of his Experiences in Drug Business in England; Scores Success

By George M. Gales

President, Liggett's International, Limited

I have been asked to write of my experience in connection with the American ownership of a great English business. That experience has not been of long duration, but it has been intensive; it has taken me into all parts of England, and has thrown me into intimate contact with a great many men of diversified employment, whose lives have been spent in developing one of the largest and most widely known English commercial enterprises. If that experience holds any interest for the public, it is only because I have had an unusual opportunity to study the English character, to get the viewpoint of the English business man, and his attitude toward America and Americans. That experience, I may say, was gained under somewhat difficult circumstances, and was rather a hard test of the mental attitude, because human nature is the same all the world over in that people do not like sudden changes in business ownership—they resent shocks and disturbances, and are distrustful of strangers, whether those strangers be native or foreign-born. It was necessary, therefore, to overcome their prejudices before gaining their confidence.

But to tell my story in an orderly way. In the spring of 1920 the president of the United Drug Company, Louis K. Liggett, visited England, in connection with some matters pertaining to the distributing branch of that company located in Liverpool. One of the objects of his visit was to arrange for manufacturing facilities in Great Britain to facilitate the development of the business there. He found this very difficult, because of restricted building operations at that time, and, in his dilemma, he sought an interview with Sir Jesse Boot, owner and founder of the Boot Pure Drug Company, and five associated companies in England, Scotland and Wales. The result of this, and subsequent interviews, was that Mr. Liggett returned to America with an option to purchase all of the ordinary shares of the parent company comprising all of the voting rights.

The reports reaching here from England at that time regarding the general business situation were not favorable and the difficulties in financing so large a transaction were numerous. Some of Mr. Liggett's associates in America felt that it was an inopportune time to undertake so large a venture abroad and the projected plan was given critical and mature consideration before it was finally determined to accept the option. Liggett's International Limited was formed to acquire the shares of the English business, and also the English and Canadian business hitherto owned by the United Drug Company.

I was asked to go to England to be present at the time of the formal acquisition of the business and to assume responsibility for its organization and management, and I arrived in London the middle of June.

Size of Business

A word is here necessary regarding the size and character of the Boot business. There are 630 Boot's chemists shops in England, Scotland and Wales, 200 of which are located within a radius of twenty miles of the City of London. They are perhaps better known to the local public generally than any chain of stores is known in America and have gained an enviable reputation for reliability, quality and high character of service. There is hardly a town of any size in Great Britain which has not a Boot Chemist Shop and the company occupies dominating locations in the larger cities. In addition, large factories are operated at Nottingham, for the production of drugs, fine chemicals, proprietary medicines and toilet articles of all descriptions, and large warehouses at convenient distributing points.

Employees Trained in The Business

The company has approximately 14,000 employees in its various shops and factories. These employees are practically all British born and in most cases have never worked for any concern other than the Boot's Company. Most of the heads of the business, departmental and shop managers have been associated with the company for from fifteen to thirty years and generally began as apprentices and became qualified chemists while connected with the various branches.

The founder, and former owner, Sir Jesse Boot, is a man of striking personality, dominating and forceful character, and undoubted imagination, with vision. He had built up this great business from a modest beginning by a wonderful display of vitality and energy, and although stricken in health during the last several years, he had nevertheless exercised a keen and vigilant oversight of the progress of the business, and had personally dictated its policies and methods. During the gruelling period of the war, with his organization crippled and depleted and with the trying and burdensome restrictions imposed upon business, he showed rare resourcefulness in overcoming the obstacles and holding the business together.

Widespread Interest

When I arrived in England it was beginning to be noised about that American interests had purchased the Boot drug business, and shortly afterward this was confirmed. I have never ceased to be surprised at the amount of publicity which was given to this transaction by the press of England. If a large English drapers establishment, for instance, had purchased the controlling interest in some large retail dry goods business in the United States it would have been a matter of passing comment in the New York press for a day or two, but I am quite certain that even this small comment would not have expressed indignation or regret that a large American business was passing to the control of British interests, and I do not believe that phase of the matter would have attracted any attention at all. But for weeks some of the London dailies, as well as papers throughout the province, and trade publications contained spasmodic articles deploring the fact that this old established British business institution had been acquired by foreign capital, referring to it as the "American Invasion," and expressing regret that Sir Jesse Boot had not held out for the supremacy of British business. Sir Jesse had about that time issued a statement to his employees and prefence shareholders stating why he believed it to be to the advantage of all for him to accept the American offer. This brought forth many other press comments, among them dire predictions that the new interests would attempt to change the character of the business by endeavoring to Americanize it and that very soon "these same chemists' shops would be turned into ice cream emporiums and tobacconists' establishments."

I say that I have not been able to understand it—this over-zealous interest in a transaction which could have been of only passing interest to the public at large. But one cannot be in England any length of time without being impressed with the profound sentiment which exists there for British institutions, whether religious, governmental, business or social, and also observing how very intimate and close is the contact and relationship between the public and these same institutions, and what a stupendous part is played by the daily press in stimulating and fostering that contact. For example, the leading London dailies will not only inform the public in an intimate way of the affairs of the government and the activities of cabinet ministers, but also of the result of all important litigation and recent court decisions, these two being the predominating features of the daily press. I do not hesitate to express the opinion that the average Englishman is kept more fully enlightened about the trend of affairs of his government, the views and activities of government officials and the interpretation of laws than is the average American. This is due in part to the concentration by the press on matters pertaining to England and her institutions, and, of course, with this concentration full information is made easier in a country of limited area, with close accessibility to sources of information.

Effect on the Employees

However, all of this unsought publicity and these gloomy forebodings, added to the perfectly natural apprehension and concern of the members of the Boots staffs, did not tend to make our burdens any lighter. Most of these employees had spent their lives in this business, felt a real and deep allegiance to Sir Jesse Boots, its founder, and the report of this sudden sale to complete strangers of another country left them disturbed, unhappy and apprehensive. Almost immediately groups of managers began to meet in sections to formulate grievances, to organize for mutual protection and to protest against the exploiting of their experience and abilities in the interests of foreign capital.

There was only one remedy, of course—the same remedy which is always effective if applied promptly and properly—persoual contact. Matters of this kind can never be settled by giving out newspaper interviews or writing letters or sending messages. After conferring closely with all of the heads of the business, including departmental managers, we arranged a schedule of meetings to be held in various parts of England and Scotland at convenient places so as to get the largest possible attendance. At these meetings I talked to the employees with the utmost frankness, expressed very definitely my sympathy with their feeling of anxiety and uncertainty and my realization that the sale of the business had come as a shock, but said to them that, after all, what they were really interested in and what I was interested in was what the effect of a change of ownership was going to be and what it was going to mean to them.

I then outlined with great care and sincerity our policies of doing business, our methods of promoting contact and understanding, our system of promotion, and our method of rewarding unusual effort and results; in short our endeavor to provide constant incentive for development. I tried to anticipate the matters which were uppermost in their minds; told them something about our business in the United States (only as an illustration of some of my points and in no sense in a boastful way) and referred to what I believed to be the strong points in their business as well as the weak points. Plans for strengthening the weak spots were outlined and I may say here that these weak spots had resulted from the lack of sustained contact between headquarters, branches and departments, in other words, lack of information and figures to guide the men on the ground in running the business intelligently.

The attitude of the men attending these meetings—usually from 100 to 250 were present—was at first one of frank curiosity. Most of them knew nothing of the change, except what they had read in the newspapers, and most of them had never come into actual contact with an American business man or American business men. At the conclusion of each meeting, I invited them to ask me questions about any matters about which they were still concerned, or that I had not made sufficiently clear. This was what they wanted, as the Englishman is a born interrogator, asks his questions directly and definitely and with complete frankness, although always with respect and courtesy. The questions asked covered a wide range, some dealing with personal grievances and inequalities, some dealing with contemplated changes in the character and conduct of the business, some dealing with pension funds, sick funds and welfare work, but in general all were aimed to bring out our intention regarding the personnel of the organization.

I endeavored to meet their questions as squarely and as frankly as they were put, without any attempt to evade or avoid any issue, nor to temporize with any subject. It was much more important to win their confidence by being absolutely candid and sincere than to attempt to gain popularity by making promises, definite or indefinite, that would be difficult to fulfill. But as a matter of fact our previously formed intentions nearly always coincided with their aims and wishes.

Explaining Position

For example, in reply to questions regarding radical changes in the manner of conducting their shops, after stating that we had no such intention, I went on to say that the Americans whom I represented had invested a very large amount of money in acquiring control of the business; that it was my duty and responsibility, with their help, to do everything in my power to preserve and safeguard and make secure that investment; that I couldn't think of anything that would be more disastrous or suicidal than to attempt to force upon the organization or the British public a lot of distasteful, repugnant ideas or methods; that we undoubtedly had in our American business, as they undoubtedly had in their business, many good, practical ideas which could be adopted by both companies to advantage, and that I proposed to arrange for an exchange of visits of representative members of each company for the purpose of studying and visualizing the methods of each, so that the best might ultimately be adopted.

I assured them that we had no intention of sending a lot of Americans there to operate the business—in the first place, it wasn't necessary because in their organization they had an abundance of trained, seasoned and

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