Rubber Barons Fight to the Death

Howard Wolf, in the "American Mercury", tells you why you get your tires for a fraction of their worth, why too tire companies' dividends are low . . . . SECOND INSTALLMENT

III

The cause of the astounding losses registered by the tire companies may be told in two words—jealous rivalry.

Abolish it and the industry would not be hamstrung by: 1. Continually diminishing sales prices; 2. Continually increasing durability of product; 3. Overproduction; 4. Unfavorable bulk sales contracts; 5. Lack of control over raw material prices.

The basic disease could be cured in a single afternoon by enticing three prominent residents of Akron into the back room at Pete's place and rushing in the gin bucks and Canadian ale. One of the men I should invite to that session is the absolute monarch of one of the four largest rubber factories. The other two are presidents of other big companies, responsible to directors, it is true, but still wielding sufficient authority to ratify an agreement with their more independent fellow president. One of the three, it happens, is a teetotaler, and it might be necessary for Pete's honest serving men to hold open his mouth while the first few rounds were poured down, but after that all would be amity and good fellowship.

Goodyear, Goodrich and Firestone, the three companies represented in that imaginary session, along with United States Rubber, rule the tire industry. None of their rivals is large enough to be mentioned in the same breath with them. If Goodyear, Goodrich, Firestone and United States should decree tomorrow that tire prices be immediately advanced 25%, the entire industry would fall in step as instantly and eagerly as the unemployed rubber workers take their places in the Akron soup lines. United States could even be left out of it. Wealthy and powerful as it is, it could not buck the combined Akron concerns—and it would not be so inclined. Any price raising by the Terrible Three of the Rubber City would be greeted with whoops of joy and an equal boosting of rate schedules at United States headquarters.

Of all the experts who have held consultations over the rubber industry's forlorn condition only a few of the less statistically minded have pointed out that with domination of the business centered in Akron it should be easy for the leaders to get together on a programme. Most of these wizards note that some 30,000,000 of the 70,000,000 tires produced in this country in a normal year come from Akron and its suburbs, but they overlook an important little twist of human nature. The fact that the rubber rajahs are neighbors is precisely the reason why it is impossible to get them together. They envy one another, distrust one another, and fear one another. As an Akron newspaper columnist has said, any given rubber magnate finds more joy in kicking any other magnate in the pants than he would get out of declaring a common stock dividend. Of all the current business writers only Mr. B. C. Forbes seems to have an inkling of the situation. Forbes has mentioned "personal jealousies" in the industry—and contented himself with that generality. If he had ventured to be specific he would have been forced to point to Akron's Big Three as the deadly enemies of the industry.

Goodyear, Goodrich and Firestone bear for one another a profound antipathy that extends even to rivalry over the amount of publicity each gets in its home-town newspapers. If the account of one company's annual meeting runs so much as a paragraph short of the space awarded a rival firm's account, the anguished cries of the offended brass hats rise to Wagnerian volume. That may seem merely ludicrous, but the situation loses its humor when one recalls that this attitude is the cause of idiotic contests in building needless factories, huge battles over profitless accounts, and preposterous price slashings at the drop of the hat. Once the great enemies were Goodrich and Goodyear, although there was no excessive exchange of personal amenities between Frank Seiberling, then Goodyear's president, and Harvey S. Firestone. Goodrich, the older and larger in the days when the two-company race really began to wax heated, was soon passed, and the Seiberling-directed Goodyear mounted to dizzy heights of supremacy. But Seiberling was toppled from his throne in 1921 and the minions of Wall Street swarmed over the company. Goodrich, also bossed from New York but not contending with such burdensome handicaps as the Goodyear refinancing proved to be, grew stouter and stronger than ever before. Then Firestone, letting out a burst of speed, broke into the big time by driving ahead of Goodrich in the tire line, but eventually Goodyear, ditching its Wall Street reorganization in favor of a new refinancing, pulled away from both. Today the three-cornered warfare between the three leviathans is as deadly as the old two-company feud.

The personalities in this war today are Firestone, Paul W. Litchfield of Goodyear, and James D. Tew of Goodrich. Litchfield, firmly grounded in his presidency and holding the confidence and esteem of the financial and industrial magnates behind the company, has risen to challenge Firestone as the dominating individual in the industry of which Seiberling was once the colossus. Tew, much newer to his job than Litchfield, has managed to boss a once-turbulent organization over which his predeccessor ruled a little less than six months, an organization that has witnessed a long procession of arriving and departing brigadier-generals. Neither of these gentlemen is inclined to truckle to Mr. Firestone, and Mr. Firestone does not get along with anyone, sparing Mr. Henry Ford and Mr. Thomas Alva Edison, save when the knee is bent. Over-rated nationally through his acceptance by Ford and Edison as the Third Musketeer, and under-rated in Akron, Firestone is undoubtedly as able a business man as the rubber industry has ever known. In Akron he is credited only with being lucky, but luck will not account for his survival through a long period of years marked by two tremendous depressions and his continued reign as the only individual controlling a first-line rubber company single-handed.

Farm boy, horse trader, buggy salesman and self-made millionaire, he has native shrewdness and bulldog tenacity to thank for his success. He has played a lone hand in the rubber industry and he has raised more hell than any dozen other men. A comparatively new factor in the tire sales warfare inaugurated the last disastrous price cutting in 1930, but Firestone's was the first of the manufacturing concerns to follow suit. In the old days of not so long ago the price slashing was usually a one-man affair, and the one man was Firestone. Always he saved himself from disaster by realizing sufficient cash on quick sales at the reduced rates before the others could fall in line. His price cuttings are made a matter for prideful parading in his Samuel Crowther-written "Man and Rubber". His most spectacular swordplay, a sweeping 25% cut in 1920, may have thrown the entire industry into confusion, but it saved Firestone, as he admits through Crowther. Whether he has been an asset or a liability to the industry as a whole, it must be admitted that he knows how to take care of himself.

Although he is the most hated man in the industry, the epic personal hatred of rubber is not between him and Litchfield or Tew, jealous as that rivalry is, but between him and William O'Neil, the president of General. O'Neil, the son of an Akron merchant prince, started in the rubber business as a distributor of Firestone products in the Kansas sector, and he organized his

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Cane Sugar....

(Continued from page 6)

and he apparently has far more interest in milling than in farming.

The result is that since 1895 the Philippines have scarcely more than doubled their output of sugar. The 800,000 tons they sell America each year, though it buys American manufactures enough, is merely that much less sugar bought from Cuba. American sugar prices are still determined by the Cuban production and the American tariff, and the Philippine planter can raise sugar only because he does not pay the tariff. If he had to pay the tariff this year, his sugar would bring him about $1 a picul of 139.44 lbs.

The centrals, getting about half the sugar, on their milling contracts with the planters, are in the better statistical position. But to pay the tariff, with the present average production of sugar per hectare, would do them up, too. It would wipe out, in other words, a capital of some $200,000,000 and contribute tangibly to the pauperization of the Philippines. In the figures just mentioned the value of the plantations is not included; without the sugar they would, of course, be a questionable asset. Mortgages would take thousands of them, perhaps, without in the least enriching the creditors. It is needless definitely to point out the fact that the Philippine sugar plantation is the least vigorous element in the industry; it is there that production fails, because the mills are comparably as efficient as the best, and ocean freights are comparably as favorable as Java may enjoy, not even much above what Hawaii pays. But Java grows on one hectare what the Philippines grow on three; and Hawaii grows on one hectare what the Philippines grow on 2½.

Time can be the one remedy of such a situation. The Philippine planter, though ostensibly he has always been a farmer, is not that thrifty, scientific cane-grower his country requires for the sugar industry to survive. Yet sugar is very important in the economics of the Philippines; even during the past year it has been bringing the islands $4¼ millions every month.

The Manila Hemp...

(Continued from page 7)

bought by American concerns and manufactured in the United States.

While this developed a direct American trade in Manila hemp quickly enough, it gave rise to abuses. A Philippine customs inspector sent to Europe found hemp there that had enjoyed the draw-back and should have been manufactured in the United States instead of being sold and exported. When the tariff for the Philippines was enacted, export duties were prohibited. There have been lamentations at the University of the Philippines over steps taken to break the British monopoly of Manila hemp and give the Philippines a better market while benefiting American cordage interests and consumers, but the record is really not dishonorable; everything the Philippines produced at that time, left Filipinos' hands in the rawest possible state; whereas now the tendency is to manufacture locally.

There are five cordage mills in Manila. A Filipino, Valenzuela, for whom *calle* Valenzuela in Santa Mesa is named, had established a ropewalk in that district prior to the revolutionary period and did a thriving business in making cordage for ships. This ropewalk, skirting *calle* Cordeleria, to which it gives name, on the river side, is now a property of the Johnson-Pickett Rope Company; which has another, of lesser linear capacity, in its fine new works across the river in Pandacan. Valenzuela was a victim of the revolution against Spain; the *Guardia Civil*, suspecting him of disloyalty, drumheaded him to face a firing squad. The incident is memorialized in a painting in President Rafael Palma's office at the University of the Philippines. As usual, the thrifty middle-class bore the brunt of the disorders in the Philippines at the end of the century that led to the change of sovereignty. Valenzuela's career deserves a place in a textbook.

Manila hemp was not grown commercially outside the Philippines until the Dutch stole plantings and got fields of it growing in Sumatra—on plantations still prohibited, it is said, to foreign visitors. This hemp is now on the market and sells on a par with the Philippine product. An excellent review of Manila hemp appears in this journal every month, the work of L. L. Spellman, a leading authority. Reference to that review will reveal how much hemp Japan now buys, much of it from Japanese hemp-growers in the rich Davao-gulf region—the only immigrant farmers in the Philippines.

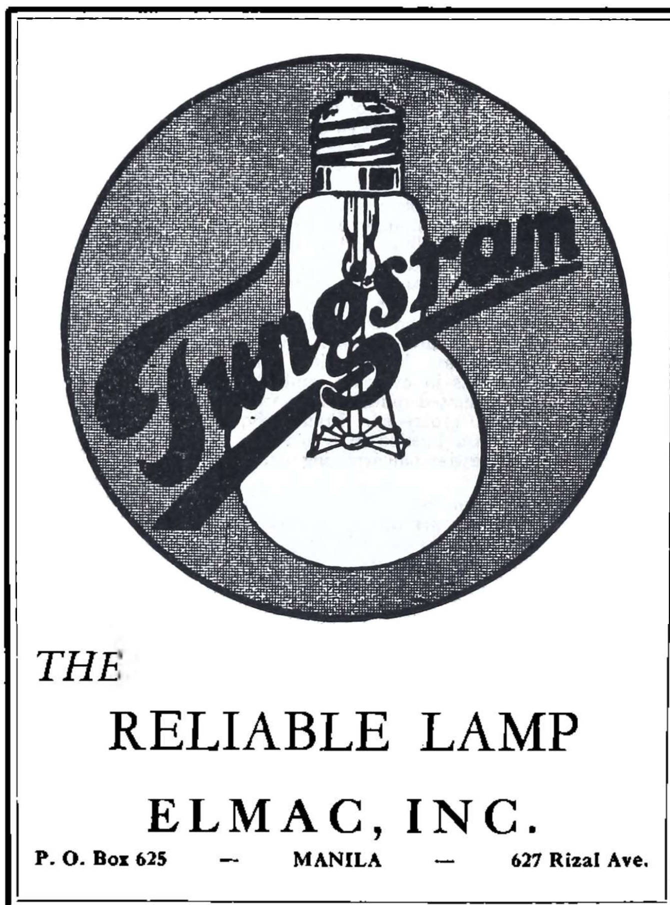
Rubber....

(Continued from page 8)

own rubber company because of what he considered unfair treatment at Firestone's hands. The feud is a lengthy story but I need not dwell on it here, since it can vitally affect the industry only if General reaches the huge proportions of the Big Four companies. That will probably never happen, for Mr. O'Neil is too wary to be caught in the over-expansion net.

The story of Firestone's connections with the various organizations of rubber manufacturers throws a lot of light on the present situation. The first attempt at getting together was the Rubber Club. It soon became the Rubber Association of America, from which Firestone, chafing under any restraint, resigned. A few years later he joined the Rubber Institute of America, rubber's contribution to the Czar craze among the more farcical industries of the nation. General Lincoln C. Andrews, of Prohibition enforcement notoriety, was named head of the Institute, to exercise the same sovereign sway in the tire realm that Will Hays had in the movies and Judge Kenesaw Mountain Landis in baseball. A higher code of ethics was the goal to which this spotless organization aspired.

Unfortunately, Harvey wouldn't stand hitched. In September, 1928, he leaped



the fence by announcing a price reduction in his second-line tires. M. W. Conant, a leading writer in the rubber field, who was formerly on the inside as a composer of lyrical publicity, is authority for the story that each of Firestone's competitors with one hand wrote wires to his branches meeting the price cuts and with the other dashed off hot messages of protest to Czar Andrews. The next day prices were returned to their former levels but considerable damage had been done. One of the big companies is reported to have lost $300,000 during the one day of turmoil. The Akron newspapers missed the story. It has never been printed before.

Czar Lincoln went into exile at the end of a year and the Institute expired, leaving as its contribution to rubber history a record of a $750,000 expenditure in advertising a new Standard Warranty on tires which lifted that vague assurance from a 90-day guarantee against defective material and workmanship to a guarantee during the lifetime of the casing. Since the passing of the Institute the old Rubber Association, now renamed the Rubber Manufacturers Association, has had the field to itself, but with Firestone still off the reservation.

(To be continued)

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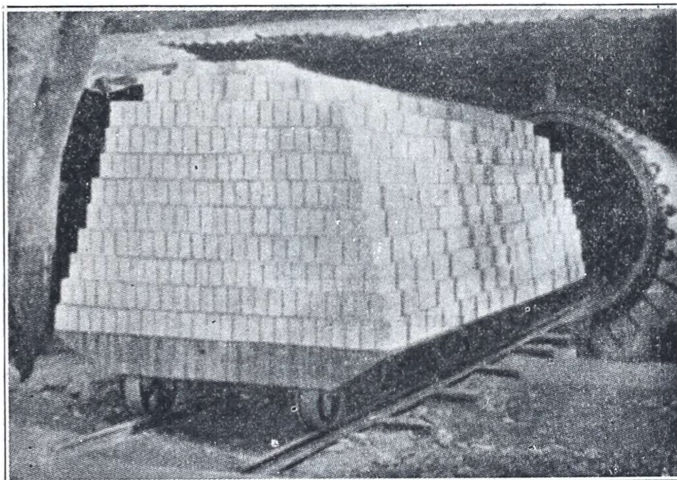

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