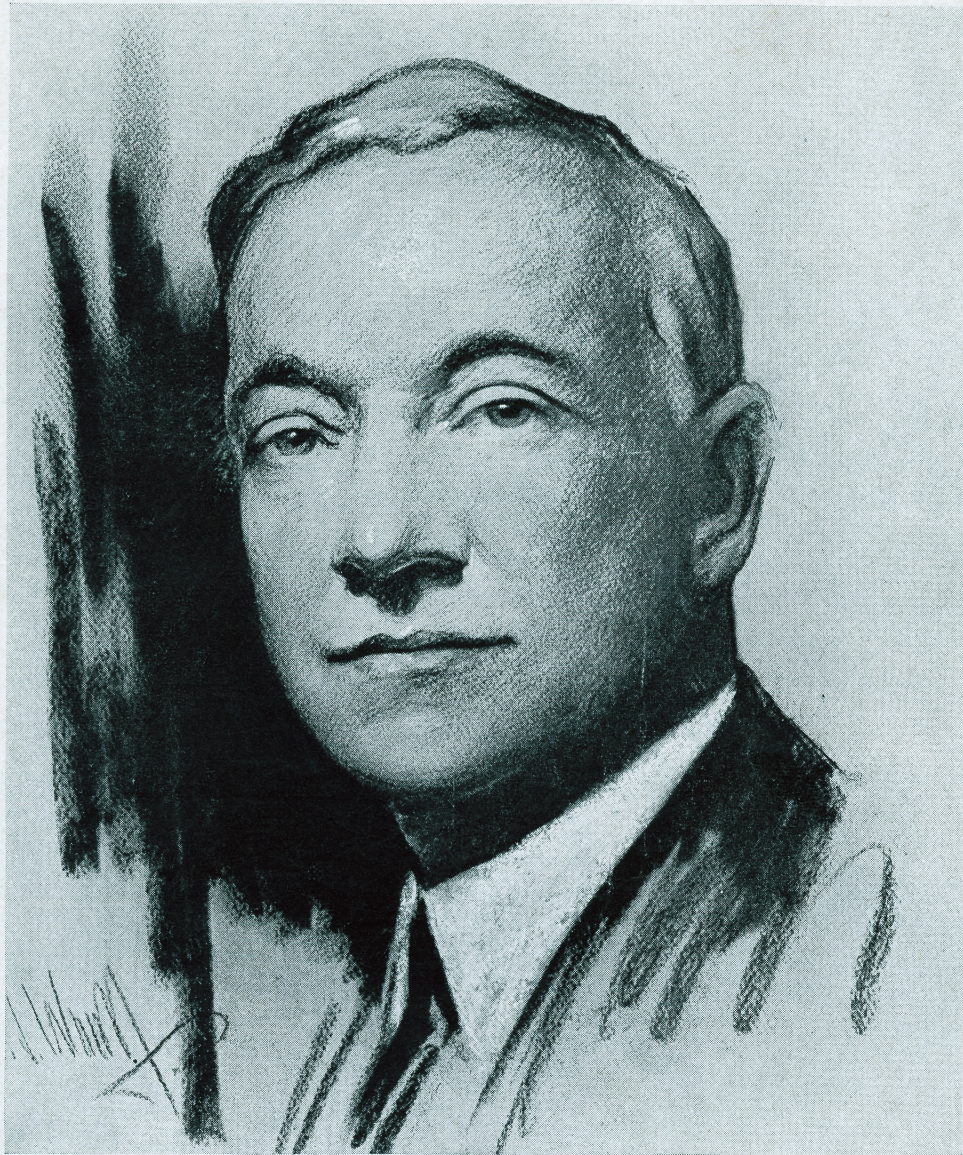


TIME

The Weekly Newsmagazine



Volume XV

CYRUS STEPHEN EATON
of Pugwash, Cleveland and Sumatra.
(See BUSINESS & FINANCE)

Number 8

knows the interior of the earth is plastic. It's possible to get too much weight upon the surface. It's bound to make a dent."

The Railroad Week

Last week railroad men noted well that: **¶** The I. C. C. authorized the Pittsburgh & West Virginia to build a six-mile extension into the Donora, Pa., steel district. The extension was granted over the loud protests of the Pennsylvania, once the great and good friend of the tiny P. & W. Va., changed by the threat of territorial competition into its determined enemy.

¶ The Baltimore & Ohio appeared well on the way to realize its consolidation ambitions. It announced that during 1929 it had acquired more than 250,000 shares of Reading stock, clinching once for all its control of the road over which it gains access to New York. An even more decisive step forward was the approval by the I. C. C. of the B. & O.'s petition to acquire the Buffalo, Rochester & Pittsburgh, for which it has long been angling. This prosperous coal road is a very desirable strategic link between Buffalo and Pittsburgh, the two Great Eastern Gateways. Over it the B. & O. will reach Buffalo, the most important Eastern outlet of the Great Lakes. The road will also be a vital part of the new low-grade freight route between New York and Chicago projected by the B. & O. From the Alleghany Corp. of their allies, the Brothers Van Sweringen, the B. & O. will buy control (84%) of the B. R. & P. for \$14,263,000.

¶ The Shippers' Conference of Greater New York made some telling points

against the I. C. C. Merger Plan. Their specific criticism, that the Lehigh Valley should have been assigned to the New York Central instead of to the Wabash. Their general criticism, a doubt as to the wisdom of increasing the size of rail systems, thus reducing competition and removing responsibility for management further from direct contact with shippers.

¶ The Wabash will shortly submit to the I. C. C. a revised merger proposal which will include an outline of the financing involved. This is in accordance with a letter sent out last week by C. D. Mahaffie, I. C. C. Finance Director, stipulating that details of financial arrangements must be included in merger petitions. The letter went also to the D. & H., the B. & O., and the C. & O., none of which have yet taken action on it.

Deals & Developments

Stone & Webster. Many are the activities of Stone & Webster Inc., and its subsidiaries. Power plants valued at \$1,000,000, representing 10% of the installed central station capacity in the U. S., office buildings, hotels, factories, have been designed and erected by its engineers. Stone, Webster & Blodgett, 66 $\frac{2}{3}$ % controlled, does one of the largest investment businesses in the U. S. Sixty utilities operate under Stone & Webster supervision, while extensive interests are held in many of them. Last week Stone & Webster made known a significant change of policy by offering to acquire all the stock of the Engineers' Public Service Corp., which it formed in 1925, retaining a 10% interest. Further

deals of this sort would place Stone & Webster in actual control of the companies identified with it, making it a holding as well as operating and investing company. To Wall Street the deal came as a surprise, not only because it was a change of policy, but because frequent rumors said that since the formation of Marine Midland Corp. last fall (TIME, Sept. 30) Stone & Webster contemplated disposing of its utility holdings.

Elevators. In the new Empire State Building, being erected in Manhattan by Starrett Brothers, Inc., for Alfred Emanuel Smith and his associates, 66 elevators will be needed. Last week Otis Elevator Co. received a \$2,900,000 contract for this work, the largest elevator contract ever made. Although the New York City building code will hold the speed down to 800 feet a minute (nine miles an hour), the elevators will be operated by machinery capable of going 50% faster.

A. & P. Into 15,000 Great Atlantic & Pacific Tea Co. stores daily troop 5,000,000 customers. During a year they spend more than \$1,000,000,000. Yet, despite the fact that A. & P. buys its food from all over the world, it has never truly served both the Atlantic and Pacific seaboards. Last week A. & P. announced that in Los Angeles next month it will open the first of a series of Pacific Coast stores.

Strange Passage

(See front cover)

It is humidly hot in Sumatra; the intense sunlight encourages luxuriant plant life. One of the chief Sumatran products is, as all the world knows, rubber. South American rubber is garnered mainly from wild trees, carried through jungle paths. In the Far East and Middle East the business is much more highly organized. To handle the product roads have been built, heavy trucks imported; railroad tracks have been laid. The only primitive factor remaining is the labor—cheap labor that can be bought for about 30¢ a day. Loin-clothed natives do most of the work. They slit the rubber tree's bark, gather the soft flowing latex, load it into tank cars. This type of worker has no pride in his job, nor does he become devoted to the boss directly over him. Yet last week perhaps a few of the natives working on some 46,000 acres of Goodyear Rubber Plantation Co.'s Sumatran rubber land heard of a change in bosses, of indirect, remote bosses, for it became known that control of Goodyear Tire & Rubber Co. has definitely passed to the Cyrus Stephen Eaton-Otis & Co. interests.

Mr. Eaton's journey from the herring-savored village of Pugwash, Nova Scotia, to remote control of thousands of natives in Sumatra has been indeed a strange passage. Yet upon him it has left none of the travel marks that are found on most tycoons who have made similar trips from nowhere to the inner circle. He has none of the restlessness of a Ulysses, such as drove the late great Thomas Fortune Ryan from enterprise to enterprise. Nor has he the swagger of a Magellan, such as is found in Motormaker Chrysler.

Most important of the many milestones along the obscure Eaton route was 1905, when he graduated from McMaster's University (Toronto) and descended upon the

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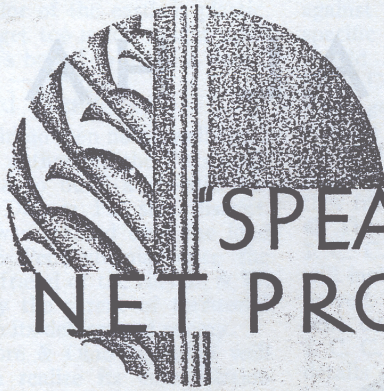
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U. S., settling in Cleveland. In this first excursion there was, however, no quest for a golden fleece. Mr. Eaton's sole purpose in coming to Cleveland was to join an uncle, Dr. Charles Aubrey Eaton,* in spreading the Baptist Gospel, although he himself was never ordained.

Just what extra-curriculum activities engaged Mr. Eaton during the ensuing period is not clear. But something must have kept him busy, for when during the panic of 1907 a member of the congregation made a proposition, he was able to secure some stray public utilities in Iowa. No slow-growing oaks sprang from these little acorns. Within eight years he was estimated to control \$2,000,000,000 of invested money in Mid-West gas, power, light and traction companies. Now he is one of the foremost U. S. utility men, has been especially active in developing the United Power & Light Co.

To account for this rapid expansion, Eatonists give credit to neither stock manipulations nor managerial ability. His special genius is in organization. Speaking in exact, ministerial tones, casting penetrating looks from his blue eyes, he wields great power when it comes to exhorting ancient industrial rivals to quell their jealousies and lock their arms in Christian fashion before fighting the fight for bigger profits.

At his Otis & Co. office Mr. Eaton is taciturn, secretive. It is said only two other men know the complete ramifications of his power. Rash would he be who tried to estimate the total Eaton wealth, yet when one sums up his expenditures it is apparent that such a yield can come only from tremendous capital. Pugwash has benefited from many improvements paid for by Mr. Eaton. Although he seems uncomfortable in the presence of people other than his wife, Margaret, and their seven children, he claims that the Pugwash betterments have been made to lure people there and keep him from being lonely. In Northfield, Ohio, he has a large home, "Acadia Farms," and a large stable, riding being his chief hobby. At the Summit Hunt he stages an annual one-man horse-show, owning most of the entries, most of the club, and winning, between himself and his family, most of the prizes. When in Manhattan he always uses the Biltmore's presidential suite.

After his accomplishments in utilities, Mr. Eaton turned to another great basic industry steel. This he did by purchasing virtual control of the tottering Trumbull Steel Co. Only last month the final details for rounding out his steel plans were announced. Yet since then there have been rumors that his Republic Steel Corp. will acquire a new unit, Gulf States Steel.

After such success in two great basic industries, it was natural that Organizer Eaton should turn to another, to one, indeed, which would welcome his genius for organization. Although, unlike electricity and steel, rubber is not an obviously basic commodity, it has thousands of essential uses. Some, like water-proof footwear, are only useful luxuries, but many of its products are vital—surgeon's gloves, insulation, tires, hosing. But instead of entering this industry with the

*Then pastor of the Euclid Ave. Church; now Congressman (since 1925) from the fourth New Jersey district.

purchase of a small company, Mr Eaton went after a leader.

Goodyear The Goodyear Tire & Rubber Co. was formed in 1898. By 1915 it had become the largest manufacturer of tires in the world. In 1921 it was hard hit by the business depression and was taken over by a voting trust in which Dillon, Read & Co. were leaders. By 1926 Goodyear had become the foremost consumer of crude rubber and the largest producer of finished rubber articles in the world. Stockholders in the company are frequently reminded "MORE PEOPLE RIDE ON GOODYEAR TIRES THAN ANY OTHER KIND", "MORE PEOPLE WALK ON GOODYEAR HEELS THAN ANY OTHER KIND"

An important new development in Goodyear is its large scale entry into the aviation field with the formation of Goodyear-Zeppelin Corp., a subsidiary mentioned as about to form a trans-Pacific airline with Dr. Hugo Eckener

Behind this aggressive aviation policy of Goodyear is Paul W Litchfield, its president. Born in 1875, Mr Litchfield went to M. I. T and joined Goodyear in 1900 as a factory manager becoming president in 1926. A prolific writer on business and economic conditions, he also has had much to say about aviation. A typical Litchfield pronouncement in 1927 was: "The important thing is that the work go on, that in laboratory and workshop, in the air-drome and flashing down the air

lanes, the sons of Martha and the sons of Mary drive ahead on their labors and their researches, testing and trying, discarding and rebuilding, building better ships and still better ones."

With over 200 wholesale distributing points outside of the U. S., Goodyear is a world-wide organization. Ramifications in this country include a 37,000-acre cotton plantation in Arizona, coal mines in Ohio, textile mills in California, Georgia and New England.

Probably Mr Eaton's main reason for choosing Goodyear for his entrance into rubber is because it is the world's largest rubber company. But another is that while many rubber companies are suffering from poor earnings, Goodyear is prospering. A few days after Mr Eaton's control was reported, the Goodyear 1929 statement was released. Its profits were \$19,864,374, the best since 1925, and standing against \$13,327,843 in 1928. Net sales made a new record of \$256,227,067 despite lower prices, while the number of tires sold went up 14.6%.

Since Mr Eaton's policy in rubber will probably resemble his steel methods, it is likely he will first absorb smaller units, then effect a large merger. The Seiberling Rubber Co., whose Frank A. Seiberling is a onetime (1898-1920) president and now director of Goodyear and an Eaton friend, is expected to be the first acquisition. A merger with the U S. Rubber Co., control of which recently passed to the

du Ponts, is regarded as an ultimate possibility.

Conditions. When Herbert Clark Hoover was Secretary of Commerce he wrote "The world has often enough seen attempts to set up private monopolies, but it is not until recent years that we have seen governments revive a long-forgotten relic of medievalism and of war-time expediency by deliberately erecting official controls of trade in raw materials of which their nationals produce a major



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portion of the world's supply, and through these controls arbitrarily fixing the prices to all of the hundreds of millions of other people in the world."

The conditions to which he referred were exemplified by the British Stevenson Act, passed in 1922 and aimed at the stabilization of the price of rubber. The general effect of the Act was to restrict production to about 80% of capacity and to regulate exports so that the price would hover around 30¢. The result was of course that other rubber-producing countries entered into full production, and soon the price of rubber fluctuated over wide margins. The Act was repealed last November, with crude rubber selling around 15¢.

Low prices of crude material caused large inventory losses to companies which had stocked up, serving to unsettle the industry in general. The demand for rubber is inelastic in that it does not expand with lower prices. The result is that lower prices are not offset by increased sales. These conditions were reflected most of all in the tire trade.

Tires. About 80% of rubber is used by the automotive industry and most of this goes into tires and tubes. After a very erratic period, the tire industry is being stabilized through changes in the distributing end. Lowered profits on each unit have made dealers try to increase sales by handling only nationally-known brands. This has helped to eliminate competition among the manufacturers, for whereas there were 250 to 300 tire companies in 1921 there were 115 in 1926, and 85 last



C I N E M A

year of which about 30 are important. While dealers have been eliminating the manufacturers, the manufacturers have been slashing away at the ranks of dealers, whose number has dropped from 175,000 to below 100,000. This has been due to the entry of the companies themselves into retailing, and the establishment of master service stations by Firestone and Goodyear, with Goodyear expected to follow soon.

Control. No individual stock purchases gave Mr. Eaton the Goodyear control. It came in a complex and roundabout fashion, both through the holding of Continental Shares, Inc., which is sponsored by Otis & Co., through the holdings of private investment trusts in the Eaton family, and, in a great part, through stock owned by friends.

In Cyrus Eaton therefore is embodied a new type of U. S. capitalist, not satisfied with merely investing or managing, but directing the flow of invested capital. And, to the especial pride of Clevelanders, he is one of the biggest of first-magnitude tycoons who have their base of operations west of Wall Street.

The New Pictures

Happy Days (Fox). This is one of the new enlarged pictures, samples of which have been issuing from Hollywood from time to time and which, on the Fox lot, are known as Grandeur Pictures. Last year a method was perfected for taking oversized pictures by photographing them on unusually big films, with lenses in proportion, instead of exaggerating an ordinary film in projection. Concoctors of Fox publicity announced that Fox experts had found a way to make films "in three dimensions."

Happy Days proves that this resounding phrase was not accurate. Although a "Grandeur Picture" fills a screen about twice as wide as the conventional size, it is only two feet higher. With its new width the camera can take in two characters talking at the same time in the middle foreground, without switching its eye from one to the other but to make the faces clear the characters must be cut off at the

knee. Another advantage of the wide film is that it makes motion more exciting: moving things can be kept in sight against the same background twice as long as before. Countrysides, large masses of people, street shots, ballet numbers are better in Grandeur, but since the height of the Grandeur projection is practically the same as the old size there is no clarifying of perspective, no three-dimensional relief. Director Benjamin Stoloff has worked hard to show what he could do with choruses, always a baffling problem in conventional-sized films. wavering ribbons of dancing girls issue from two huge shoes; there is a baby carriage big enough to hold a dozen squallers at a time, and a birthday cake that dwarfs the actors. The story involves short vaudeville acts by such stars as Ann Pennington, Tom Patricola, Warner Baxter, Charles Farrell, Janet Gaynor, George Olsen, J. Harold Murray. They put on a benefit performance—no worse than most of the cinema minstrel shows released recently—this time arranged for the destitute skipper of a showboat. Best shots: a riverboat swinging into a Mississippi wharf; a train racing along the Hudson River.

Burning Up (Paramount). The great difficulty with stories in which sport is used as a background against which a nice fellow and a knave compete for a girl, is that the big horse race, or prize fight, or poker game on which love and honor and the happy ending depend, is hard to photograph. Everything moves wonderfully up to a certain point, but after that one of two things must happen: either the spectator struggles with the technicalities of the selected background, or the director shirks the responsibilities of his climax, brushing through it with a shot of a crowd cheering, or Lord Weatherton putting his bet on Spark Plug, or mechanics pulling the charred body of the villain out of a wrecked plane. In *Burning Up*, however, the usual situation is reversed. The little triangle, with its hopelessly puerile dialog, has barely enough momentum to suggest a climax until the climax arrives—this time an auto race. The way the race is worked out, to the drone, like the vibration of gigantic, loose 'cello strings, of the little cars, is the only thrill of this typical program picture. Richard Arlen and Mary Brian have the leads. Best shot: poker game in a small-town commercial club.

Second Wife (RKO). This drama becomes pretentious because of the author's obvious attempts to give to a plot dictated by mechanics, the air of an original and unconventional commentary on life. Differently developed and directed, *Second Wife* might be all that it pretends to be. Its central situation—a conflict between old and new loyalties in the mind of a man who has married twice—is interesting and fairly new to the cinema, but its treatment is routine, its dialog a series of stock company quotations. A little concentration on the material itself could have made more credible the moment when Conrad Nagel, the widower who has married again, has to choose between staying



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