P R O C E E D I N G S

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NATIONAL PAINT, VARNISH AND LACQUER ASSOCIATION, INC.

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THURSDAY MORNING SESSION

October 27, 1938

The meeting convened at ten-thirty o'clock, Dr. R. A. Plumb, presiding.

CHAIRMAN PLUMB: I am exceedingly sorry, gentlemen, that we have to start this program fully half an hour late.

I think we all agree that probably the greatest value of a convention of this kind is the quality of fellowship that always seems so unique at one of our conventions, fellowship that just naturally develops a sense of friendliness and out of that friendliness we create the backbone of confidence which is so necessary and essential to the solidarity of our Association, but with the fellowship we certainly have to balance off with programs, and we are very fortunate in having a very, very outstanding quality program for this morning.

Our Association, gentlemen, has a great many goals. A great many goals that have been set up through the last fifty years have been accomplished and have made outstanding contributions. We still have many more goals, new ones, coming into our program year after year. I think one of the goals, however, that goes on from year to year (and I am satisfied each year marks rather satisfying progress) is the general improvement in the ethical practices in our industry.

I think you will agree with me that one of the greatest tributes to American business has been the improvement in ethical practices of the business man with the public. The old story of "The buyer beware" is just about as dead as King Tut, and I think if there is any finer tribute that can be paid to American business it is the fact that the buyer today can feel so thoroughly confident of the quality and the service of whatever product he is buying.

In our goal, however, we must continue to show growth and progress in creating a little better understanding and finer sense of confidence and cooperation between competitors. Someone told me out here yesterday that he didn't think any industry needed a code of ethics, he thought as long as we just generally as gentlemen subscribed to the Golden Rule that that was all we needed, and I reminded this gentleman that I would agree with him in part that the Golden Rule might be a good general principle as a constitution, but we certainly have to have the by-laws in our codes of ethics and in the setting up of the business practices which represent really the rules by which we can keep the game of business clean.

I am sure the first item we have on our program is interesting to every man here, certainly interesting and pertinent to everyone in trade sales, and I certainly share your happiness that we have the speaker that we do have this morning to present it. I can hardly conceive of anything quite as superfluous as to undertake a conventional introduction of Mr. Jarden. You know him for his congeniality and his affability and the fine overwhelming measure of hospitality which he is giving us in his job as Chairman of the Entertainment Committee. Mr. Jarden, however, right through his life has made many contributions and continues to maintain his interest and helpfulness to our Association.

Mr. Jarden, we are very happy that you are here this morning to present this exceedingly interesting and, as I say, pertinent subject of "Free Deals--Prizes and Premiums."

Mr. Jarden, if you please! (Applause)

MR. WM. H. JARDEN, Jr.: Mr. Chairman and Gentlemen: I am somewhat stepping out of my role as Chairman of the Entertainment Committee. I am not here to entertain you this morning, but to give you, well, on the radio, it is a censored word, but I can tell you that the word begins with "h".

I feel I enjoy the friendship of most of you men to the extent that you will not construe any remarks I may make as personal. I shall try to employ the Lindbergh spirit and say "we," for to a more or less extent most of us have been guilty of certain practices. To this end, therefore, if I enumerate certain horrible examples, I do so not to hurt anyone's feelings, but to drive home my point.

... Mr. Jarden then read his prepared paper, with the following interpolation:

Following the second paragraph on the first page, Mr. Jarden said:

I think we should not confuse the matter of free deals with legitimate advertising, such as window displays, store displays, and so forth.

I am under the impression, gentlemen, that some of us have conscientious scruples. You know we grind our paint, put it up in nice little packages, put a price on it, and then apparently come to the conclusion that the darned stuff isn't worth the price we are charging for it. So as to relieve a guilty conscience, one concern throws in a brush with every can to make it seem legitimate. Another fellow, feeling that his competitor is nothing but a cheap piker, decides to give away a fire extinguisher with each can of his paint. Not to be outdone, another bird decides that his conscience can be satisfied with nothing less than a chair or piece of lawn furniture with each sale; another one gives away an electric clock, and still others a mirror, ladder, some kitchen utensils, and so on down the line.

But this paint industry of ours is original if nothing else and one concern no doubt repenting for charging so much for a gallon of varnish, sells another gallon for one cent. But here's a clever idea, one of our brothers having been terribly conscience stricken for charging so much for six gallons of enamel, gives away six gallons of flat paint, absolutely without any charge.

Time is the only element which prevents me from keeping you here for an hour or so reciting the various and sundry ways that members of our industry have displayed their ingenuity in shame-facedly disposing of their ill-gotten gains or profits, if any.

It's a beautiful racket, but the consuming public is catching on to us. They are beginning to understand that the paint doesn't cost anything to make and unless you give them a living room suite, an automobile, or something of equal value with each can of paint, they are not going to bite any longer.

... Mr. Jarden then finished reading his paper ... (Applause)

"FREE DEALS"

ADDRESS BY WILLIAM H. JARDEN, JR., AT THE ANNUAL CONVENTION, NATIONAL PAINT, VARNISH AND LACQUER ASSOCIATION, OCTOBER 27, 1938, AMBASSADOR HOTEL, ATLANTIC CITY, NEW JERSEY.

By "sticking my neck out", I got myself this job of presenting the subject of "Free Deals" and especially to present to you the statement of your National Trade Sales Committee which went out to the members of the industry under date of October 17, 1938 from your National headquarters.

However, I welcome the opportunity of saying a few words about it as one of the smaller manufacturers in the trade sales field because I have felt for some time that the growing practice of offering all kinds of premiums in the shape of gifts of unrelated merchandise, of prizes and awards of various kinds, which does not result in the purchase of paint which might not otherwise have been purchased, the furnishing of free goods in the shape of extra amounts of one's own products, the practice of offering one-cent sales, of giving free samples except for predetermined legitimate use instead of as a device to cut prices and the offering of staple merchandise, such as linseed oil, etc., not generally manufactured by the industry at less than the resale market price in order to influence a paint sale, was reaching a point where it was becoming destructive to the profit structure of the industry and displacing constructive sales efforts based on the merits of our own products by a frantic effort on the part of some manufacturers to outdo others in the extent, variety and value of their magnanimity.

Let's look this thing straight in the face. If I get out a special "Free Deal" offer and it turns out to be a flop, I am the one that loses by it not only insofar as the money loss is concerned but it affects my prestige and standing with customers in the trade generally. On the other hand I know that all my competitors will be familiar with it in twenty-four hours or less and if it proves to be a good thing, some of them are very likely to not only match what I am doing, but go me one better.

And so, the vicious circle continues until as a matter of business selfpreservation, we get to a point where we have to cut it out and then probably our customers express disappointment and our salesmen are sore because they have had what they considered a means of easy selling taken away from them.

Maybe it is an old fashioned idea, but I am sure there are many of you who agree with me that we are in business for the purpose of making a legitimate profit and to that end, we desire and intend to sell our own products on their merits at prices consistent with the cost and service rendered. I can't help but feel that it would be a reflection on my Company every time we might resort to the giving away of something for nothing in order to induce a buyer to purchase our products. I would rather feel that our customers bought paint and varnish from us because of the quality of our goods and the service which we render to them. Certainly I feel much greater assurance of future business from customers who buy our products in that manner than I do from any number of transient accounts which we might put on our books because of a gift of some kind which enticed them to place one order and which probably does not result in any follow-up business.

If a manufacturer offers an assortment of goods at a price of, say, $25.00 and offers to give something free with it worth $5.00, it is the equivalent of a 20% gift or cut in his price or whatever you may wish to call it.

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From my experience in this industry, which goes back a good many years, I do not know of any companies which have amassed fortunes for their stockholders out of their profits. It is my impression that the margin of profit of most people in our industry is a close one, certainly not sufficient to permit of the price cuts which result from the practices we are talking about.

I feel that the National Trade Sales Committee should be highly complimented by all of us for the clear and correct statement which they have issued to the members of the industry on this subject. While I understand that the definition of "Free Deals" as set up in their statement is substantially the same as the provision which originally appeared in the code of this industry under the National Industrial Recovery Act, I am glad to see that the Committee recognized the possibility of creating new business thru prizes or awards which might be offered to final consumers where the purpose and effect obviously is to stimulate and create such new business. Where there is a genuine opportunity to add to the sum total of business done, such inducements may properly be in order but when offered to regular and continuous purchasers, such as painters and maintenance accounts, it can only result in manufacturer "A" taking some business away from Manufacturer "B" with the result that "B" will, as a natural d efensive act, do something to offset and probably attempt to beat what "A" did, and as I have already said, in the final analysis, the result is demoralization, a reduction or perhaps elimination of profits and nobody benefits.

I realize, of course, that many manufacturers in the industry have their particular pet merchandising plans, and I have been told by some manufacturers that they favor the statement as made by the National Trade Sales Committee on this subject, provided an exception would be made to take care of the particular thing they want to do. Obviously if exceptions were made to accomodate the desires of each manufacturer, the statement wouldn't mean anything and might better be left unsaid.

I think we ahould all know what prompted this. I am informed by the National Headquarters that they received a letter under date of March 21, 1938, from one of the smaller manufacturers discussing the growth of this practice, the last paragraph of which letter reads as follows:

> "For the future welfare of the painting contractor and for the interest of the paint industry as a whole, we request that you do something to squelch this deplorable condition before it is too late. It will utterly destroy the high standard of the industry's business ethics - it will kill all incentive for good, wholesome competition."

That letter was followed by others from various sources along the same lines. On one day last week communications on this subject were received from three manufacturers, one in St. Louis, one in Nashville, Tenn., and one in Memphis, Tenn. The accumulation of requests from various sources that something be done about this resulted in the matter being referred to a meeting of the National Trade Sales Steering Committee on April 6. By its authority the subject was referred to the local Trade Sales Committees in each community where there is a local association and many months have been given to its consideration.

The statement was finally approved at a joint meeting of the National Trade Sales Committee, the National Trade Sales Steering Committee, and the Council for Paint Styling at a meeting held in Chicago on September 15, and ordered sent to all members of the industry.

Your National Association has no authority even if it chose to make use of it to require observance of the ideas set forth in this statement. It is the deliberate conclusion of this National Committee after a long period of consideration and has been submitted to the members of the industry in the belief that it would be helpful to them to get such a broad, cross section of opinion and that such a statement at this time might tend to discourage further growth of the "Free Deals" practice and possibly result in a diminution of it to the advantage of the individual manufacturer and the industry as a whole.

It is not the proposal of the National Trade Sales Committee, as I understand it, that there should be any agreement among the manufacturers with respect to this matter. It is, however, hoped that the principles set forth in the statement itself do meet with the general approval of the members of the industry, and to determine whether or not that is the case, I hereby move that —

> "The National Paint, Varnish and Lacquer Association in convention assembled in Atlantic City, October 27, 1938, hereby expresses its approval of the principles set forth in a statement issued by the National Trade Sales Committee and mailed to all members of the industry under date of October 7, 1938, discouraging the use of "Free Deals", premiums, prizes and other devices being employed to promote the sale of products of this industry, and suggests that the statement be considered carefully and that so far as consistent with each manufacturer's own situation, its recommendations be observed."

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CHAIRMAN PLUMB: We have a motion before us. I am sure the motion was very clearly read and you understand it. Do I hear a second to the motion?

... The motion was seconded by Mr. J. E. Ingram ...

CHAIRMAN PLUMB: The motion is open for discussion.

MR. M. D. SWARTZ (Baltimore, Md.): Do I understand that the resolution wishes the abolition of the "Free Deal" only to the painter, contractor, and does not pertain to the "Free Deal" when it is given to the ultimate consumer? In other words, is the one-cent sale all right if it is to the ultimate consumer?

MR. JARDEN: "Prizes and Awards: This does not refer to prizes and awards given within a manufacturer's own organization, nor does it refer to prizes and awards offered and directly distributed by the manufacturers to the final consumer or prospective consumer, such as home owners and so forth, where the purpose and effect obviously is to stimulate and encourage new business."

CHAIRMAN PLUMB: I think that answers the question pretty well. Is there any further question?

MR. ALBIN SCHUMANN (New York, N.Y.): I would like to ask the question, is the National Association wishing to go on record to the effect that premium selling is illegitimate?

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Premium selling is an absolutely legitimate way of selling merchandise. One man gives a premium, another man gives a banquet for a hundred and fifty painters; you can read of a half-dozen of them all over the country. Now, if you can sell for cash under the premium method, I would like to know what is wrong with it.

MR. JARDEN: It seems to me, gentlemen, that two wrongs do not make one right.

MR. SCHUMANN: I asked a question! Is premium selling a legitimate business?

MR. JARDEN: Well, there are various interpretations of it.

MR. SCHUMANN: You are trying to outlaw premium selling, which is legitimate selling.

PRESIDENT TRIGG: I think the answer to Mr. Schumann's question is that premium selling is not illegal. Does that answer your question, Al?

MR. SCHUMANN: But we are trying to outlaw it.

PRESIDENT TRIGG: The purpose of this action would be to discourage the growth of it in this industry, as Mr. Jarden has said. That is your statement, isn't it, Mr. Jarden?--for practical reasons, not legal reasons.

MR. SCHUMANN: Is it more practical for these fellows to give painter parties? They are giving them dinners now at two and a half a head, and there are darn few premiums which you would give out in blocks of a hundred and fifty at $2.50 a head. Let's be honest about it; don't just play with the big shots.

MR. SWARTZ: I think if you are going to start on this question of premium selling being legitimate, you get pretty wide as to what is legitimate. Is it legitimate for a small institution that has done a good deal of sales work to get a customer and have him taken away by reciprocity by a large institution? I think that premium selling is an excellent method of selling merchandise for the small concern and just as legitimate as it would be for a large concern to advertise or to sell by reciprocity or to give dinners to painters. I don't see any difference as far as the pushing of premiums to the point where they become unprofitable is concerned. I think the individual manufacturers take care of that. Some people push terms to a point where it becomes unprofitable; some people prices. I do not think we ought to outlaw premium selling.

CHAIRMAN PLUMB: Is there any further discussion? I can only add that in the consideration of the Committee, I do not think we are proposing to go definitely on record as outlawing or obsoleting premium selling at all. The practice of "free deals" in the past in the industry has been vicious in some directions.

It is a practice which, if it goes on, accumulates and becomes more vicious. The action of the Committee is simply a recommendation or a suggestion of a code of practice that we felt at least was a direct, practical benefit and advantage to our industry as a whole.

MR. SCHUMANN: I will make an amendment to the motion that we accept the Committee's report without resolution.

... The motion was seconded by Mr. Swartz ...

CHAIRMAN PLUMB: Is there any further discussion? We must act on this second motion first. The motion that is before us at this time is that assembled here in Convention, we are accepting the report of the Trade Sales Committee and the presentation of Mr. Jarden, which he has made so impressively, but without the resolution./ Have I stated that clearly? Are you ready for the question?

PRESIDENT TRIGG: May I say a word before you vote on that? Might I have a copy of that resolution, Mr. Jarden?

I want to read the resolution once more to you so that you will be sure to know what it says. This is the resolution that Mr. Jarden has moved that we adopt:

"The National Paint, Varnish and Lacquer Association, in Convention assembled," and so forth, "hereby expresses its approval of the principles set forth in the statement discouraging the use of 'free deals,'"--not abolishing, but "discouraging the use of 'free deals,' premiums, prizes and so forth , and suggests"--now, this does not order anything, but it suggest that each of you consider the statement carefully and that so far as consistent with your own situation, the recommendationbe observed.

I don't know how any statement could be fairer to the interests of every manufacturer. It merely brings the matter sharply to the attention of every one, asks you to consider it and then consider your own interests and act accordingly.

I want to tell you men that the demand for action on this matter has come from many, many independent and unrelated sources and in every instance, it has been from a smaller, independent manufacturer.

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I would like to read to you a communication that came to us from one of the clubs. This is a communication that came from the Milwaukee Paint, Varnish and Lacquer Association under date of June 17, 1938. The Milwaukee Club said:

"Some of our members are becoming quite alarmed over the tendency for paint manufacturers and distributors supplying premiums for the purchase of paint. These premiums range from fishing tackle, luggage, mirrors, cooking utensils, and so forth. If this practice continues to expand it is going to develop into quite a racket. We are having a meeting of our executive committee to discuss this subject next week. It occurs to me," this came from the President of the Milwaukee Club, "however, that the central office ought to start hammering away at this trade practice by writing frequent articles to appear in the official bulletin of the Association. I am wondering if this matter has been discussed or any action taken by the Executive Board. Do you find that it is a growing menace in the industry generally? The practice is certainly increasing by leaps and bounds here, and before we know it the paint manufacturers will be giving away automobiles."

I have got plenty of other data from other sources if any of you want to see it here, but I do want just to read to you one letter that came from a small manufacturer whom perhaps some of you may know, Ira Parker & Sons Company, of Oshkosh, Wisconsin. That came in the day I left Washington to come to Atlantic City, and it is therefore the last communication on the subject I have seen.

Ira Parker & Sons Company say: "Your letter of October 7 is very much appreciated, and in line with your plea we first want to register that the Ira Parker & Sons Company have at no time sold any of their products through the medium of free deals, and so forth. We, however, know that we are having this to contend with in our territory by some of our competitors, and we could name them if we so desired, but we trust that your letter will reach them as it did us and that it will have some action in stopping this sort of sales policy. We trust that you will be successful in your campaign to stop this very disagreeable method of getting business."

I wanted the men to be familiar with that.

CHAIRMAN PLUMB: Thank you very much, Mr. Trigg.

Is there any further discussion, fellows? Our time is going along rather rapidly, but we will hesitate a moment for any discussion if you want to continue it.

We have the motion before you to accept the report and recommendations of the Trade Sales Committee but without the resolution. I think I will ask all in favor please to raise their hands. Maybe we can count them. All in favor of this motion of accepting the report of the committee but without the resolution please raise your hands. ~~I will~~ have to ~~ask you to stand up~~. ~~(1 hand was raised)~~ 2 All opposed to the motion, will you please raise your hands. The motion is lost.

We go back to the first motion, gentlemen, the motion as proposed by Mr. Jarden and seconded by Mr. Ingram, and as Mr. Trigg has explained it to you. All in favor of this motion please manifest it by saying "aye," contrary "no." It is carried.

Now that the motion has been considered, I personally feel, in my interest in this steering committee of our trade sales, that our Association has made a very definite step forward, and I think you will look back with satisfaction on this.

I am just going to make a little rearrangement of our program, with the full understanding and cooperation of Dr. Gardner, and ask Dr. Gardner to make his presentation at this time. I could not conceive of anything quite so superfluous as to try to introduce Dr. Gardner to you. He has the esteem and many deserved tributes of the members for the outstanding leadership he has given to the technical progress of our industry. I am sure if we came to a convention at any time and did not have the treat of an address by Dr. Gardner, that convention would be just that much incomplete. I know as I come to the conventions I always look forward to one of the high points as the address by Dr. Gardner.

At this time, Dr. Gardner, will you come to the platform? (Applause) Dr. Gardner is talking to us this morning on an opportunity for tremendously increasing the sale of our products in the painting of brick, cement and stucco surfaces.

DR. HENRY A. GARDNER: Mr. Chairman and Gentlemen: I have a three-page paper which won't take very long. It is divided into three parts, the potential market, the psychological aspects, and the practical application of paints to brick and stucco surfaces.

... Dr. Gardner read his paper, with the following interpolations:

No. 1, p. 1: Yesterday I got some further figures from Philadelphia which show that there are 390,000 single dwelling units of brick in the City of Philadelphia alone. That is in the urban area.

No. 2, p. 4: In other words, the only difficulty in painting brick is the mortar joints. Brick is one of the simplest things to paint, but the mortar between the bricks is one of the hardest things we have to paint, and that is where the special treatment must come in.

No. 3, p. 4: These emulsion paints brush with extreme ease, dry rapidly with great hiding power, and have great promise for this purpose of painting brick structures.

No. 5, p. 5: In closing, I just want to point out that there is only one thing to guard against in the painting of brick, and that is the mortar joints. If you have developed a mortar or crack filling liquid to take care of the mortar joints, then you can apply ordinary linseed oil house paint or any other type of paint with satisfactory results, but brick, you know, has practically no expansion or contraction as compared to wood. Wood expands across the grain to the extent of about four per cent; brick and steel expand less than one-tenth of one per cent, practically no expansion, and that is why a painted brick structure will last from ten to twenty years and very often will last that long without showing flaking, so we have an ideal surface in brick structures to apply the products of our industry.

How are we going to get it across to the public? You can take a paper like this and send it to your salesmen and your dealers and to every master painter in the country, and that might be of some little help, but before you do that you should have faith in this project and, as Mr. Trigg said yesterday, you should first paint your own factory, your own paint factory.

I visit a great many factories during the year, and practically all paint factories are housed in old dingy looking red brick buildings that have never been painted. Unless you as manufacturers have faith in your own products and immediately paint up your own factories, the entire exterior surface, there is little hope of putting across this project.

Thank you. (Applause)

K.106 Gardner

MILLIONS OF ACRES

A Discussion of the Possibilities in the Painting of Brick and Stucco

By Henry A. Gardner

Potential Market. A survey of 64 representative cities shows that over 9 million people living in these cities occupy 2 1/2 million dwelling units. Of these, 82% are built of wood and 16% of brick and stucco. Nearly 60% are single family dwellings. This would indicate that there are over 230,000 single family houses in these particular cities, of brick or stucco. Many of these houses should be painted, but it is probable that few of them have been. If this relationship holds for the rest of the population, we can assume that there are about 38 million dwelling units in the United States, regardless of the type of material used for construction, and 10 gallons of paint per year for the interiors and exteriors would suggest an immediate potential market for about 400 million gallons of paint.

In many cities throughout the United States, the ratio of brick to other forms of construction material in the urban areas is much higher than the 16% referred to above. For instance, in Philadelphia nearly 90% of the single family residences are of brick. In Washington 74%, in Pittsburgh 52%, in Salt Lake City 61%, and in Wilmington, Del., 50% of the dwellings are constructed of brick. On the other hand, nearly one-third of the houses in Oakland, Calif., are of stucco, while in San Diego 25% and in

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Minneapolis 35% of the dwellings are of stucco. All of these represent urban markets for paint, that have hardly been touched. Even in rural districts where frame construction is usually predominant, some states have a large number of brick or stucco buildings. For instance, in Utah nearly 30% of the farm houses are of brick, and the percentage is close to 10% in Maryland, New Jersey and Vermont. Over 6% of the farm houses in California are of stucco, and stucco houses appear in significant number in a large number of states. Some figures in this direction are of interest:

Brick	
Albuquerque, New Mexico	25.5%
Fargo, North Dakota - -	15.9%
Pueblo, Colorado - - - -	18.8%
Des Moines, Iowa - - - -	10.8%
Minneapolis, Minn. - - -	37.7%
Sacramento, Calif. - - -	20.3%
San Diego, Calif. - - -	22.5%
St. Paul, Minn. - - - -	21.0%

Stucco and Brick	
Asheville, N. C. - - -	15.1%
Boise, Idaho - - - -	14.4%
Casper, Wyoming - -	15.0%
Lincoln, Nebraska -	14.4%
Reno, Nevada - - - -	28.2%
St. Joseph, Mo. - -	18.5%
Williamsport, Pa. -	28.0%
Oklahoma City, Okla.	22.5%
Richmond, Va. - - -	45.8%
Wheeling, W. Va. - -	23.8%

While the above figures may serve to impress the paint manufacturer with the tremendous possibilities for paint upon brick and stucco dwellings, there is an even greater field for brick that has been used in other structures. For instance, the writer's guess is that the amount of brick used in dwellings is only one-fourth of that used in the construction of factories, warehouses, schools, hospitals, public buildings, and apartment houses. For every 100 million gallons of paint that would be required to decorate the brick and stucco dwellings in America, there is surely a market for at least 300 million gallons to decorate and protect the other types of buildings referred to above. It is probable that these figures are conservative.

Psychological Aspects. A film of paint, properly applied, flows out and dries to a satin-like, gleaming white or tinted film, the durability of which far exceeds that of rubber. This film closes the pores and capillary tubes in the brick and mortar joints, which act as traps for dust and dirt, and through which passes the water from the cold, driving rains of the winter. This water causes the dampness and wall discolorations all too commonly associated with improperly constructed brick houses, and the energy required to vaporize this water means an appalling increase in the fuel bill.

The dark colored structure, which absorbed 85% of the light falling on it, has been transformed into a glistening one that now reflects 80% or more of that light. This means that the interior of the structure will be ten degrees cooler in the summer months. It means that the entire neighborhood will feel the exhilarating effect of bright, clean, cheerful surroundings. It means that a general cleaning up of surrounding properties will be started, grass plots will be cared for, flowers will be planted, and "Spotless Town" will come to life again. Civic pride will be awakened, and people will be proud, rather than ashamed, to live and work in such a locality. Dirt and disease will retreat before the attack of paint, and insanitary, disease-breeding areas will disappear. Crime likes darkness and flees from light. Interiors of factories, including paint factories, warehouses, garages and other structures made of common brick will be painted, and six times as much light will result. More cheerful working conditions and fewer industrial accidents will occur. The light wells of brick office buildings will be painted, and the brightness of interiors will then be increased in some instances twenty times. Property values will be increased with the increasing desirability of the area, and sales will be stimulated.

Truly a can of paint is a store house of light and health. Paint is like a lilting melody. It is the liquid poetry of preservation and pulchritude.

Practical Application. Before painting, see that cracks between the bricks and mortar joints or openings in the stucco are properly pointed up. On old weathered brick or stucco surfaces, no special treatment is needed before paint is applied. On new construction, a water wash of zinc sulphate to neutralize the lime, especially in mortar joints, is often advisable.

After the structure has become thoroughly dry--whether old or new--apply a priming coat of paint consisting of spar varnish and containing an equal volume of house paint or color in oil. Or apply a specially designed brick and stucco paint made on a varnish base. One or two subsequent coats of high quality exterior house paint in white or desired light tint may then be applied. Some users prefer a gloss finish, while others prefer a dull finish for the final coat

Newly devised resinous emulsion paints which are thinned with water are now coming into use for the priming and finishing of brick and stucco structures in certain areas. On special types of brick structures, other types of water paints have also been used.

no 4

no 5

CHAIRMAN PLUMB: I know Dr. Gardner will be glad to answer any questions. He has covered a great deal of territory. What a challenge to our merchandising department of the industry! You must have some questions on this exceedingly interesting and exceedingly broad subject. What are they? Apparently, Dr. Gardner, you put it over about a hundred per cent because everyone is thoroughly satisfied.

We are moving along very nicely in our time. I should like to ask President Trigg to introduce the next speaker.

PRESIDENT TRIGG: Mr. Chairman and Gentlemen: We are highly honored in having with us today the Director of the National Bureau of Standards. There are few men who have had such valuable experience in the field of chemistry and who have utilized their technical training and experience in practical application to the everyday lives of our people as a whole. This gentleman has occupied many important positions in educational fields and at the head of important government departments. In addition to his present responsibility as Director of the National Bureau of Standards, he is a member of the National Advisory Committee for Aeronautics, Chairman of the Subcommittee on Aircraft Materials, ~~member of the Aero-Dynamic~~ Subcommittee, Chairman of the Federal Specifications Board, Member of the Federal Fire Council, National Conference on Weights and

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Measures, Trustee of the National Geographic Society, and member of the Board of Directors of the American Standards Association.

As Director of the National Bureau of Standards he has for many years been familiar with and taken a constructive interest in the paint industry, and it is our very good fortune that he has been good enough to come here today to talk to us, and I have very great pleasure in presenting to you, Mr. Chairman and Gentlemen at this time, Dr. Lyman J. Briggs. (Applause) b-1

DR. LYMAN J. BRIGGS (National Bureau of Standards): Mr. Chairman, Mr. Trigg, Members of the Association and Guests: It is a great pleasure for me to be with you today. In the interest of conciseness, I shall read my address. I trust that your reaction at its close will not be that that was received by a certain gentleman who recently gave an address over the radio. He said, you first read your address; second, you read it badly; third, it would have been better if you had not read it at all.

Over 600 years ago during the reign of King Edward the First, a group of North German merchants came to England and established one of the famous guilds of that time. These men came from out of the East and were known in England as "Easterlings." They brought with them a silver currency that had already been well established in their own country and their coins were of such uniform weight and excellence as to command much favorable comment in England. So, the story goes, the name of the group, Easterlings, came to be applied in shortened form to the currency itself, and thus we have the familiar name, "sterling." These coins consisted of 92.5 per cent of pure silver, and 7.5 per cent copper. A pound sterling was actually a pound (Troy) of silver and copper in these proportions.

Through all the intervening years this formula defining "Sterling" has been handed down to us and was further perpetuated by Congress in 1906 when the National Stamping Law was passed, which forbids the marketing of an article with the word "sterling" on it unless it contains the proportion of pure silver designated by this old formula. The term is now universally recognized as a mark of quality even in other senses; thus we speak of a man of sterling character.

I have dwelt upon this because it is such a well-recognized example of formula-labeling, with its roots going back to mediaeval times. To be sure the actual percentage of silver is not given on the back of a teaspoon, but the word "sterling" fixes the silver content. The standard has become so widely accepted and approved as to be practically irrevocable.

Other provisions of the National Stamping Act of 1906 dealt with the marking of plated articles. Unfortunately the act did not define such terms as "gold filled" and "rolled-gold plate," and they were later used so loosely as to provide little or no protection either to the consumer or to the conscientious manufacturer. This situation has, however, now been cleared up by the industry itself, with such assistance as the National Bureau of Standards was able to give. Three commercial standards promulgated by the Bureau are now in effect, dealing with the marking of articles made wholly or in part of gold and platinum. The industry has set up all these standards voluntarily; they can be modified upon the request of the industry; and in effect they supplement the National Stamping Act, so that no further legislation now appears necessary. Manufacturers are free to use these labels or not as they choose, but if the labels are used the industry sees to it that they are used fairly. To the best of my knowledge this voluntary, informative labeling is working out to the distinct advantage of manufacturers and consumers alike.

Other commercial standards developed at the Bureau have likewise resulted in a vastly improved understanding between buyer and seller, and they have all been arrived at by voluntary action. Informative labeling is an essential feature of this relationship.

Consumer Organizations

Consumer organizations and other groups which have as one of their primary functions the development of information of interest to consumers have increased tremendously during the past ten years. These organizations are not only national in scope, but regional and local as well. They distribute information concerning standards, specifications, quality, grades and prices, and they organize study groups on the subject of intelligent buying.

Consumer cooperatives form another important part of the consumer movement. While not yet as powerful and influential as similar organizations in Europe, they have begun to acquire capital, and they are receiving technical aid through endowments set up for this purpose. Their volume of business is increasing yearly, and some of them have gone beyond retailing and include mail-order houses and cooperative wholesale organizations. They are giving much attention to standards, informative labeling and performance.

A number of educational institutions are now offering courses in consumer education. The household purchasing agents of tomorrow are being taught the principles of wise and intelligent purchasing. They are being told how to judge commodities on a price and quality basis, and what to look for in the way of informative or quality labels.

Congressional Interest

The interest of Congress in Federal legislation designed to help consumers to buy intelligently is clearly shown in bills which have recently been introduced. For example, the Schwartz Bill, which passed the Senate at the last session, requires that all fabrics containing wool shall carry labels showing the percentage of virgin wool, reclaimed wool and other fibers present in amounts of 5 per cent or more. The Huddleston Bill proposed to authorize the National Bureau of Standards to adopt and prescribe marks indicating the quality, durability, usefulness, size, strength, grade, composition, etc., "of all of the objects of commerce, and to adopt regulations for the use of such marks." A third bill introduced by Mr. Boren in the last Congress provides for the creation of a "Performance Standards Board empowered to direct the establishment of performance grade for any designated product, when in the public interest." When the Board finds this advisable in the case of any product, "the Director of the National Bureau of Standards shall then cause to be set up standard grades for such product, based upon performance to the consumer only." This bill strongly reflects the interest of consumers in the development of quality specifications and standards of performance.

Recently Congressman Sumners of Texas proposed to the Temporary National Economic Committee a system of Government labeling of all commodities entering into interstate commerce. One of the objectives of this proposal is to enable the consumer to judge the value of products irrespective of their source, and thus to help small producers who are in competition with larger concerns.

These measures indicate the interest of members of

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Congress in legislation that will help the consumer to buy intelligently. I cite them simply to indicate to you the direction the tide is taking.

Formula Labeling of Fertilizers

Years ago another great industry of this country, the fertilizer industry, was confronted with a formula-labeling problem very similar to your own. The farmers wanted to know how much available plant food various fertilizers contained. State laws requiring the formula-labeling of fertilizers were being enacted. Yet the industry failed to see the handwriting on the wall, took no constructive step to adopt a simple uniform labeling procedure that would give consumers the necessary information without needless refinements and frills; labeling that would be acceptable in States that had no fertilizer law. The manufacturers had the matter in their own hands at that time, yet they took no constructive action, and what has been the result? Today forty-seven out of our forty-eight states have laws requiring the formula-labeling of fertilizers. Moreover, these laws are far from being uniform, and some of them have requirements that are needless and burdensome.

There is no question as to the value of the formula-labeling of fertilizers. It enables the farmer to buy to meet his needs, and it protects both the farmer and the conscientious manufacturer against worthless products. But it must be kept in mind that any increase in the final cost of fertilizer, whether it be cost of compliance with the law or cost of enforcement of the law, must ultimately be passed on to the consumer or the taxpayer. The cost of enforcement or of compliance may be so excessive as to become burdensome or even prohibitive. Dr. C. J. Brand, executive secretary of the National Fertilizer Association, speaking of this matter, says:

"Too often legislation is proposed for the purpose of getting information, when such information is of no value whatever to the purchaser except to satisfy some idle curiosity."

Another Opportunity Lost

Let me give you another example: Some years ago the Sealers of Weights and Measures from a number of States requested the National Bureau of Standards to establish type requirements for various weighing scales and other measuring devices in order that these requirements might be uniform throughout the States. This action required legislative authority, and at the hearings before Congress the manufacturers of weighing scales bitterly opposed the measure, and it was defeated. Now comes the curious climax. Some years later these self-same manufacturers came to the Bureau, manfully admitted that they had made a mistake in judgment, said that they were now being confronted with the possibility of forty-eight sets of regulations, instead of the single one which they had opposed, and asked that the matter be reconsidered. The state officials, however, replied that they had now established their state regulations, and were not disposed to reopen the question. Thus the scale manufacturers lost an opportunity for constructive action that would have been helpful to their whole industry, and to the consumer as well.

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Formula Labeling of Paints

For the reasons I have indicated, I hope that the National Paint, Varnish and Lacquer Association will not be confronted with a multitude of State laws with a multiplicity of requirements. I say to you earnestly that in my judgment the best way for you to forestall such a situation is for your Association ~~itself~~ to ~~take some definite~~, progressive action regarding the formula-labeling. The consumer is justly entitled to such knowledge of the products offered him for sale as will enable him to make an intelligent choice. He needs this information, and consequently he is going to do all he can to get it. The National Bureau of Standards receives hundreds of thousands of ~~letters each year~~ requesting technical information, and many of them are about paint. You have a great opportunity to give the consumer the information he needs, and I believe he will deeply appreciate such action on your part. After all, his viewpoint is no different from your own when you assume the role of buyer. You want information regarding the things you buy for your factory, but you have facilities to test the products you propose to buy. The over-the-counter purchaser does not.

I wish to make it clear that the National Bureau of Standards has no legal jurisdiction in this matter. We have no police power, nor do we want it. The Bureau is, however, deeply interested in the informative labeling of manufactured goods and desires to lend its friendly offices to manufacturers and consumers alike to bring this about. Consequently, I was deeply interested when your Executive Committee advised me of its decision to recommend to your Association the universal adoption of formula-labeling of exterior house and building paints, barn and roof paints, floor paint and wall finishes and primers. I assured your President of the cooperation and support of the National Bureau of Standards in this action and of our desire to assist you in every way possible. I think it is important for you to take this progressive step voluntarily and not await the time when you may be obliged to do so. By taking this step yourselves, you are assuming a progressive leadership in your industry, and if you successfully maintain that leadership with consumer interests always in mind, an era of increasing confidence and greater business is before you. The decision is yours to make and the credit belongs to you. (Applause)

CHAIRMAN PLUMB: Dr. Briggs, the convention is greatly honored by your presence here and what seemed to me to be a very delightful address. It was sensible, reasonable, and logical, and was presented with such a friendly attitude. I am sure I am reflecting the feelings at this moment of everyone in this room, Dr. Briggs, when I say we sincerely thank you.

Again your next speaker is very well known to all of you. As Chairman of the Board of the Devoe & Raynolds Company, and as a member of the Executive Committee of our National Association, Mr. Kountze has given unselfishly and untiringly of his time and talent for the promotion of the best interests of our industry. Mr. Kountze has taken a great deal of special and particular interest in this subject of quality standards, and I think we are very fortunate to have Mr. Kountze here this morning and to undertake this assignment on "Quality Standards."

Gentlemen, Mr. Kountze! (Applause)

MR. DE LANCEY KOUNTZE: Gentlemen, I will try to make this as brief as I can, but I think it is necessary to rehearse somewhat what is back of this entire formula labelling situation.

... Mr. Kountze read his prepared paper, with the following interpolations:

No. 1, page 2: Also on that point, companies that have research laboratories possibly would find that there is no need of continuing them, because if there were not any incentive to improve the product--and improvement of the product, of course, would inure to the benefit of the consuming public--there would be no need for research laboratories.

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No. 2, page 6: The effect of all this as I see it, is, 1, no manufacturer is obliged--and please listen to this very carefully to formula label his products. Such action would be entirely voluntary; 2, it leaves to each manufacturer the determination of his formulas based on his own best judgment; 3, if he puts the formula label on his packages, it will probably be considered by the purchasers thereof as an evidence of good faith and, in any event, he will then have put himself in a position where he frankly states what his material is made of and more than that, he should not be called upon to do.

No. 3, page 6: Mr. Chairman, I would like to offer

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the following resolutions:

RESOLVED: That the National Paint, Varnish and Lacquer Association in Convention assembled at Atlantic City, October 27, 1938, in consideration of the interests of the consumers of paint products and recognizing the desirability of wider dissemination of information which will aid the public in the selection of suitable paints, hereby records its opinion that formula labelling ~~in~~ of all exterior house paints and building paints, barn and roof paints, floor paints (interior and exterior) and wall ~~finishes~~ paints and primers, in simple ~~form~~, terms in ~~as well as~~ what is generally known as ~~a~~ the trade sales line, should-- now, that wording is important--should be universally adopted by members of this industry. (Applause)

"QUALITY STANDARDS"

ADDRESS BY de LANCEY KOUNTZE AT THE ANNUAL CONVENTION NATIONAL PAINT, VARNISH AND LACQUER ASSOCIATION, OCTOBER 27, 1938, AMBASSADOR HOTEL, ATLANTIC CITY, NEW JERSEY

All of the Class A members of this Association, which includes manufacturers of paint, varnish, lacquer and allied products, were advised in a letter from Association headquarters, dated September 20th, of the action of your Executive Committee at a meeting held in Chicago on July 14th, expressed in a resolution recommending voluntary formula labeling of certain products. This advise direct to manufacturers has been followed by favorable discussion in the trade press so that it is assumed all interested parties are familiar with it.

However, let me present the resolution of the Executive Committee again. It reads as follows:

"THE EXECUTIVE COMMITTEE OF THE NATIONAL PAINT, VARNISH AND LACQUER ASSOCIATION HAVING CAREFULLY CONSIDERED THE INTERESTS OF CONSUMERS OF PAINT PRODUCTS, AND THE DESIRABILITY OF A WIDER DISSEMINATION OF INFORMATION WHICH WILL AID THE PUBLIC IN THE SELECTION OF SUITABLE PAINTS, IS OF THE OPINION THAT FORMULA LABELING OF PIGMENTED PRODUCTS, IN SIMPLE TERMS, IN WHAT IS GENERALLY KNOWN AS THE TRADE SALES LINE SHOULD BE UNIVERSALLY ADOPTED BY MEMBERS OF THIS INDUSTRY."

For many years it has been the traditional attitude of your Association to oppose efforts to pass laws in various states requiring that formulas should be stated on the labels of the products of this industry, and efforts to pass such laws over the past considerable number of years have not succeeded. The first such law was adopted in North Dakota in 1905 and North Dakota action was followed by nine states which set up legislation not identical with North Dakota but intended to accomplish the same general purpose. Most of these laws, by the way, vary in some particulars from the others. In other words, they are not uniform in their provisions.

The main objections of the industry to formula labeling have been based upon the feeling that such information did not serve to inform the average buyer regarding the quality of the paint purchased, that it would retard progress.

Your Executive Committee has consistently sustained this position notwithstanding the fact the subject has been before them on numerous occasions, the last time being in June, 1935.

I am giving you this brief history at the beginning of what I have to say to you in order that we may all recognize the situation and have it in the record of this meeting.

The development of consumer pressure not only as applied to the paint industry but other industries as well has been developing at a rapid rate in recent years.

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Dr. Briggs, Director of the National Bureau of Standards, has just told you of the situation in the broad phases of it. Our discussions with the Bureau of Standards have convinced us that the demands which they are formally and informally receiving in an increasing volume from consumers and retailer organizations and groups engaged in general educational activities for some form of standardization or quality certification of merchandise for the benefit of "over-the-counter" buyers of paint and paint products must be recognized; that something must be done about it; and that in the absence of some voluntary action on the part of the members of this industry, there will be other steps taken to accomplish the purpose through the enactment of federal or state laws or otherwise. It is the feeling of the Executive Committee that we can no longer safely continue to ignore the growing insistence for some measure of assurance to "over-the-counter" paint buyers with respect to the quality of the material itself.

Already from sources, official and unofficial, have come suggestions as to what should be done by manufacturers to satisfy the consumer pressure.

Among other such suggestions was one which the National Bureau of Standards felt obliged to make in a letter which they sent to a list of producers outlining a plan "to encourage manufacturers to employ labels on commodities which they are willing to guarantee to comply with the requirements of certain nationally-recognized specifications". It is assumed that their reference to "nationally-recognized specifications" probably means government specifications, as we know of no other nationally-recognized ones in the paint field. In their communication, the Bureau makes specific reference to "small quantity buyers or over-the-counter buyers", and I quote from their letter the following paragraph:

> "it is our belief that the impetus being given to the consumer movement at the present time and the demand by consumer for factual information concerning the kind and quality of goods they buy should make this plan worthy of consideration."

A bill was introduced in the last Congress (too late for consideration) to create a "Performance Standards Board empowered to direct the establishment of performance grade for any designated product, when in the public interest".

Representative Hatton W. Sumners of Texas, Chairman of the House Judiciary Committee and a member of the National Economic Committee (so-called Monopoly Investigating Group) is credited in the daily press with a plan to accomplish through Congressional action "government inspection and certification of commodities moving in interstate commerce which could then be sold under a government grading, making their value and quality readily discernible to the consumer".

In New York State a "Department of Consumers" is included among propositions to be submitted to voters in the New York Constitutional Convention. An Officer of the American Labor party in recommending such a department is reported to have said it would include an advisory board for "recommending and passing on legislation pertaining to consumer problems; restrict advertising claims to actual merits of the product; maintain a research staff to determine standards and competitive retail prices; and represent consumers before regulatory bodies".

>#1 Your National Association has been dealing with this problem for a considerable length of time with some of the lumber producing associations who have demanded of our industry that they be given a "yardstick" by which to measure the quality of paint used on buildings constructed of wood. Incidentally, let me say here that

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under date of October 6, 1938, Dr. Wilson Compton, Secretary-Manager of the National Lumber Manufacturers Association, of his own accord wrote your National Association as follows:

> "I have just seen the report of the action of your Executive Committee recently recommending to the paint industry that the labeling of the paint containers include a full disclosure of the composition of the paint.
>
> You know that this meets an issue in which our lumber industry has been much interested for a long time. We congratulate you on this constructive step which we hope and believe will be found to be beneficial alike to the manufacturers, distributors and users of paint."

A questionnaire of the National Purchasing Agents Association recently issued, in which they asked the question: 'Should N. A. P. A. encourage and assist governmental and other agencies establish more universal standards and specifications'.

These are merely examples. There is a volume of detailed information showing the growing and persistent demand, which it is wholly impractical for me to present to you here, but it is available to any one especially interested. (Let me summarize this by listing some of the organizations in contact with the National Bureau of Standards, or with your National Association, or otherwise dealing with this problem:

Among them are Consumers' Union (claimed membership $60,000), Consumers' Research (claimed membership 55,000-60,000), Consumers' National Federation, Consumers' Cooperative League of the U. S., Consumers' Retailer Relations Council (having in its membership National Retail Dry Goods Association, which it is stated, intend to contribute $50,000 annually), National Council Parent Teachers Association, American Association of University Women (55,000 members), General Federation of Women's Clubs (75,000 members), Home Economics Association (12,000 members), National Better Business Bureaus, National Association of Better Business Bureaus, Advisory Committee on Consumer Interest of New York World's Fair (receiving cooperation of Rockfeller Foundation), Household Finance Co., American Association of Advertising Agencies, Consumers' Cooperative Associations, Consumers' Cooperative Service, Inc., Twentieth Century Fund, Inc., Consumer Distribution Corp., Pollack Foundation, Ohio Farm Bureau Federation.)

The Executive Committee considered in detail all of the accumulated evidence and concluded that it would be destructive to the best interests of the members of this industry to be a party to or to permit, if it can be prevented, regimentation of our future formula procedure and thereby in its effect take away from each manufacturer his right to continue to formulate his products as he sees fit. Any plan which contemplates grading based upon the ingredients used therein, whether such statement of composition is arbitrarily confined to certain materials, as would be the case if they were made on a government specification, or permitted the use of certain ingredients within stated limitations, would necessarily result in the long run in each manufacturer making practically an identical product, leaving little or nothing but price competition. Furthermore, it seems clear that any attempt to deal with this situation through grading based upon physical performance would be almost impossible of accomplishment, that it would lead to great confusion and dissatisfaction and be practically impossible from a policing standpoint in the future.

Any voluntary grading plan would likely defeat its own purpose and do more harm than good for the reason that this thing, if voluntarily done would not prevent any manufacturer from making use of an established grade designation even though prior approval for its use had not been received from some authorized source. This, of course, might in time be corrected if those interested in the plan, including the manufacturers, were willing to spend substantial sums of money in a continuous publicity campaign to educate the public to look for a certain type or design of marking, the use of which could be controlled. Under any system of grading it seems quite clear that it would only be a matter of time before compulsory legislation, Federal or State, or both, would be demanded to control and regulate the situation. It does not seem likely that our Industry desires to submit itself to the uncertainties of such legislation in the form in which it might be finally adopted.

(Your Executive Committee after carefully weighing all of the evidence and a thorough consideration of the situation concluded that the circumstances required an expression of opinion from them to the industry and that the public's demands should be recognized and that the interests of the industry would be best served by such action as contained in their resolution.

The effect of this is -

1. No manufacturer is obligated to formula label his products - such action would be by voluntary action.
2. It leaves to each manufacturer the determination of his formulas based on his own best judgment.
3. If he puts the formula label on his packages, it will probably be considered by the purchasers thereof as an evidence of good faith, and, in any event, he will then have put himself in a position where he frankly states what his material is made of and, more than that, he should not be called upon to do.)

After all, the consumer is interested in the appearance and the preservative properties of the paint film when applied to his home or other buildings. The manufacturer cannot, no matter how good his paint may be, guarantee the final results. Too many things can happen between the paint can and the finished job. Any broad, general designation on a label might easily confuse and deceive the purchaser to believe that it guaranteed the finished job. Formula labeling is in effect the guarantee of the manufacturer of the contents of the package, and it is our belief that this is as far as the manufacturer can go or should be asked to go.

In discussing this matter with some of the officers of the Bureau of Standards, we were asked why, if the hingle industry, for instance, which had had a lot of trouble and had taken steps to rectify a bad situation, had been able to work out a plan of specification, it could not be done by the paint industry. The answer to that, of course, is that shingles are made by nature and man only cuts the shingles to conform to the requirements of the architect, and the contractor, and weathering

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conditions, and treats them. This is very simple compared to what the paint manufacturer does. He has to take all the ingredients derived from nature and scientifically, put them together, and then, after that is done, treat them and mix them in a great many different ways. In our opinion, the two situations are not analogous.

After all, probably one of the most important matters of the whole question and the one that the consumer should really look to is the character of the manufacturing concern which makes the product. This applies not only to paint but to practically every commodity which is used and manufactured by man in our civilization.

From the public's standpoint, there can be no doubt but that formula labeling will raise the average quality of paint as sold throughout the country. This will result from the fact that manufacturers of very low quality paint will probably find it necessary to improve their formula in order that the statement of composition on their label will be more creditable. In this connection, it is recognized that there is a market for lower cost paints under certain conditions and this market will, no doubt, continue to be supplied with the full recognition of the fact that the price level does not permit of the highest grade materials. There is, however, some considerable amount of paint being marketed which is not creditable to the industry and which cannot be said to serve any good purpose from any point of view. As an illustration, let me refer to a product which the Scientific Section of your National Association recently had occasion to analyze due to a complaint made regarding it. The pigment in this paint contained less than one and one-half percent each of white lead and zinc oxide, 8.4% of zinc sulfide, and the balance inert, while the liquid portion contained 77% of water and 7% of petroleum spirits. If the manufacturer of this paint were confronted with the necessity of putting a formula statement on his label, it is evident that he would change the composition radically or he would not get any business.

Certainly whatever this industry can do to keep the quality standards of its production on a basis consistent with the price charged and the purpose for which the material is to be used, will be definitely for its future welfare in every way.

While it can hardly be expected that the general run of consumers will take much interest in formula labels or that they will become ingredient conscious, it is reasonable to expect that dealers will give attention to it and that each manufacturer, in his own way, will inform and educate his dealers with respect to his own products.

A survey recently made by the Census Bureau of the U. S. Department of Commerce showed that 30% less house paint was sold below a price of $2.00 per gallon in a formula labeling state than in an adjoining state which has no formula labeling law. Other paint products not requiring a formula label in the state where labeling of house paint is required showed no improvement based on the price paid, but with some items the price level was actually lower than in the adjoining state which had no formula labeling requirements. The result of this survey definitely supports the statement that universal formula labeling will raise the average level of paint quality. Let me call your attention to the fact that your Executive Committee, through the Special Committee to which this matter has been assigned, has temporarily at least limited the recommendation for voluntary formula labeling to "exterior house and building paints, barn and roof paints, floor paint (exterior and interior) and wall finishes and primers". This was done because it is realized that the greatest public interest in this situation is in these particular products and because the Committee recognizes the complications and difficulties which would arise in connection with the proper statement of analysis of all pigmented products. Some manufacturers in the industry not maintaining their own laboratories on an extensive scale would find the task of formula labeling all pigmented products difficult, and subject perhaps to some inaccuracies occurring. To simplify the matter from their standpoint and, at the same time, to give a satisfactory response to the consumer pressure and demand, the products involved at this time have been limited as stated, and the Executive Committee at a meeting held yesterday ratified the action of the Special Committee in that particular.

The Committee also feels that the nomenclature should be simplified so that the ordinary citizen will know what makes up the contents of the can. With this idea in mind, your Scientific Section under Dr. Gardner has drawn up "Nomenclature for Formula Labeling", copies of which you have received undoubtedly. Your Committee believes that this will be an aid to simplifying the entire situation.

This whole development, as I am sure you will appreciate, has had mature and deliberate consideration, it meets with the approval of the Bureau of Standards as Dr. Briggs has told you, which Bureau must of necessity be the government clearing house for matters of this kind. The recommendation is made to you with the full belief that the action is timely, necesseqry, constructive and will prove to be to the benefit of the public and of the industry in the future.

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CHAIRMAN PLUMB: I am sure, Mr. Kountze, the applause reflects the appreciation of this Convention for your very conclusive and well presented discussion of this subject. Do I hear a second to Mr. Kountze's motion?

... The motion was seconded by Mr. Schumann ...

CHAIRMAN PLUMB: The motion is now open for discussion.

MR. DAVID G. YARNALL (Philadelphia, Pa.): I have always been opposed to formula labelling. In years gone by, we had many contentions with different states and the Legislature in regard to adopting formula labelling bills. We even went so far as an organization to get out what we called our model paint bill and endeavored to get those states in passing a bill, to adopt that measure.

So long ago as 1909, in correspondence with Colonel Callahan, at the time that some part of the government sent out an inquiry to all manufacturers as to whether they would be willing to certify to certain things of their manufacture (and it was at that time we felt that the government was interfering with our own business), I wrote to him that if the thing were continued to a conclusion, it looked to me as though the government was likely to exercise supervision of our business and regulations and eventually would come to the matter of ownership, of not only our business but all other businesses.

I do not think that formula labelling will be a safeguard to the consumer because the consumer of house paints and so forth is not conversant with the technical construction of paint and does not know whether or not the paint is good. But I believe that the time has come for us to adopt a measure of this kind and I think the committee has acted very wisely in producing this resolution. If it had not been seconded, I would have been very glad to second it.

CHAIRMAN PLUMB: Thank you very much for that contribution.

MR. BYROM J. SMITH (Indianapolis, Ind.): I think that Mr. George might easily have used one of his excellent expressions yesterday to describe this situation. As I recall it, he said that business must for its own good, furnish most of the facts and brains for its own self-preservation, or something to that effect. Otherwise, they might be furnished by some agencies less interested or less competent.

I think that the significant feature about the remarks that Mr. Yarnall made is that many of the gentlemen attending this Golden Jubilee Convention can well remember why the paint language laws were started in 1905; conditions that do not necessarily permit discussion at this time.

As for the practicability of it, this morning I took occasion to check over the few cans and labels in the paint show and found that of those that I could see--and I don't guarantee that this is a cross-section--but of those that I could see, more than half already prominently displayed a formula.

Just one more thought: The matter of classification as reviewed concerning other industries is not entirely foreign to thinkers around the fringe of the paint industry. There has been recently a rather influential individual who makes a study of paint for the public benefit, whose work has been recognized as worthy in many ways, and who seriously proposes to classify paints, as many of you are well aware. His efforts were discouraged through the objections of the Scientific Section, a few resolutions passed by various production clubs and many others. If anyone doubts the complication of paint quality classification, even by this same party's own admission, I think that Uncle George would be glad to furnish that data from the records of the official digest.

CHAIRMAN PLUMB: Thank you very much!

MR. HARRY C. SOFFER (New York, N.Y.): I was up half the night, thinking what I might say today and along came Dr. Briggs and Mr. Kountze and said everything I had to say, so I will just drift along in a general way.

I am for formula labelling a hundred per cent, not because I think it can produce any spectacular results, but because it is a constructive suggestion, and it makes me happy that it comes from the Association.

There was a time when I was strongly imbued with a feeling that the consuming public smarted under the doctrine of caveat emptor, which means, "Let the buyer beware." Pardon me for getting into Latin. That is because I didn't know any better years ago. I did not realize or understand the men of our industry, particularly the men of our Association, who are very zealous of the policies they have toward the consuming public. As a matter of fact, this doctrine of caveat emptor has lost a great deal of its force in this country because we are an enlightened people, thank God, and you can't fool us and you can't fool the consuming public for very long.

But getting back to formula labelling, I remember some years ago, I had some conferences with Mr. Trigg and other men of the industry on a related matter, and I walked away from these conferences with the impression, the conviction, that the Association was really doing everything possible to benefit the consuming public, and mind you, I am using the word "benefit" rather than the word "protection," because I want to repeat that for my contacts with the men of this industry as against their honesty and as against their integrity, the consuming public really needs no protection.

However, formula labelling in my view is a very good thing because it should create competition between manufacturers in making better paint, for it is understandable that if I were to tell the folks what goes into the making of our paint and if you were to tell them what goes into the making of yours, very soon we would vie with each other in our anxiety to produce good paint, and to the benefit of the consuming public. And mind you, the consuming public ought to be very willing to pay for this benefit.

As for the manufacturers themselves, it occurs to me that 50 per cent of profit on good paint--that may be a big percentage of profit, I don't know--50 percent profit on good paint is far more acceptable than 50 per cent profit on poor paint. As to the consumer, if he pays 50 per cent less for a compromise paint, he is not saving a blessed thing.

And so I say to you, it seems to me it is a good thing all around, and I am sincerely hoping, men of the Convention, that you will embrace this proposal by our Association fully and in the spirit in which it is offered, so that everybody may benefit from it. Thank you! (Applause)

CHAIRMAN PLUMB: Thank you very much, Mr. Soffer! I must ask you to make your discussions rather brief now, as time is getting short.

MR. LOUIS V. FOX (New York, N.Y.): It is plain that the formula labelling of paint is for protective purposes, but it is also plain that for producers of certain types of paint there is no protection whatsoever. The question of wall finishes, for instance, is one that has been discussed by the manufacturers of calcimine for many years. I do not believe that there is any such law to cover calcimine. I wonder whether that wording might not be changed to include finish and wall paints.

CHAIRMAN PLUMB: I would like to have Mr. Kountze answer your question because he knows exactly what is contemplated in the resolution. Mr. Trigg also could probably speak on that.

PRESIDENT TRIGG: Mr. Fox, it may be that you have not been in touch with the developments in the Wall Paint Division on this matter. The Division has a recommendation, have they not, Mr. Kiefer, as to formula labelling of calcimine products?

MR. LAWRENCE KIEFER: Yes. Mr. Elton had that resolution some time ago, I believe, on formula labelling.

MR. ELTON: The Steering Committee, of the Calcimine and Water

Paint Division, did recommend that all manufacturers of casein paints use the formula on all packages. That was published to the industry about a month ago.

MR. FOX: I understand that that applies to casein paints only. There is a difference, of course, between a casein paint and a calcimine paint.

PRESIDENT TRIGG: Well, Mr. Chairman, the discussion in our committee with the National Bureau of Standards contained a suggestion that the formula labelling be limited to outside house paints. We met with Dr. Briggs and a number of his associates who have been in daily touch with this problem, and it was finally decided that if this industry was going to do a job in this matter, we need not be called upon to label all the various miscellaneous odds and ends of our production, but that we should put the formula label on the principal products in which, after all, the public is interested.

We know as practical paint men that those products in which the public has an interest are outside paint, inside paint, including the floor paint, which is inside.

The decision to do that was, I should say, based upon a desire to indicate to the consuming public a willingness on the part of this industry to do what seemed to be something to their benefit in including the few principal products which we manufacture.

I do not think that, Mr. Fox, any of us, in using the term, "wall finishes," had in mind calcimine as such. We were thinking in terms of the oil paints that are manufactured by the industry generally. I should say that perhaps it might be understood by us that that is what this resolution referred to, and the subject of whether or not the calcimine manufacturers or interior wall finish manufacturers desire to put formula labels on their products is something that they should consider themselves, and now or later on, make recommendations which, if they favor it, can be promulgated by your national association. Does that satisfy you?

MR. FOX: Would you say wall paints instead of wall finishes?

PRESIDENT TRIGG: All right; I see no objection to that.

CHAIRMAN PLUMB: If acceptable to you, wall finishes and wall primers will be changed to wall paints and wall primers. I think we have had a good discussion on this exceedingly interesting subject and I think we had better take up the motion now. I would like to dignify this by asking all those in favor of the resolution of Mr. Kountze to manifest their approval by rising. (A majority of the members arose) All those opposed, please rise. (One or two members arose) I think this is a very fine tribute, Mr. Trigg, to the splendid progress made, and I think this meeting will go down in history as one of which we will be proud.

10-28-38

MR. S. R. MATLACK
Methodist Hospital
Philadelphia, Pa.

I WAS DIRECTED BY THE CONVENTION IN SESSION HERE TODAY TO NOTIFY YOU OF YOUR UNANIMOUS ELECTION AS TREASURER OF THE NATIONAL PAINT, VARNISH AND LACQUER ASSOCIATION AND TO EXPRESS TO YOU THE CONVENTION'S BEST WISHES FOR A SPEEDY AND COMPLETE RECOVERY. YOUR MANY FRIENDS MISSED YOU AT OUR MEETINGS.

REUEL W. ELTON,
Secretary

FORMULA LABELING APPROVED
AT FIFTIETH ANNIVERSARY CONVENTION
of the
National Paint, Varnish and Lacquer Association, Inc.
October 27, 1938

RESOLVED: That the National Paint, Varnish and Lacquer Association in convention assembled at Atlantic City, October 27, 1938, in consideration of the interests of the consumers of paint products and recognizing the desirability of wider dissemination of information which will aid the public in the selection of suitable paints, hereby records its opinion that formula labeling of all exterior house paints and building paints, barn and roof paints, floor paints (interior and exterior) and wall paints and primers, in simple form, in what is generally known as the trade sales line, should be universally adopted by members of this industry.

Copy
Orig. + 5

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Building specs

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The next speaker has just completed four years of very constructive and helpful service in the Federal Housing Administration in Washington. During that time he has served and directed the merchandising and the sales and advertising division and at the present time he is Director of the Division of Education of the Federal Housing Administration. I had the good fortune of meeting the next speaker on the train coming in from Detroit on Tuesday evening, and I know from my contact with him that you are going to hear a real virile message and one everyone in this convention will be tremendously interested in and benefited to hear.

I am very happy to present to you gentlemen at this time Bruce Wilson, Director, Division of Education, of the Federal Housing Administration, who will talk to you on Building Sales by Deferred Payment. Gentlemen, Mr. Wilson.

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MR. BRUCE WILSON: Mr. Chairman and Gentlemen: In talking to you this morning I should like to have you know that the particular subject in which I am interested at the moment is the sale of paint for residential purposes, and in so relating the subject I think it is necessary to discuss a little this business of housing. In doing that I have been asked to repeat a story that I have told so many times it has almost put me in the position of Sarah Bernhardt with her five hundred and forty-second performance being her last; this happens to be my last. The story has to do with economic conditions and with business development throughout America during the past two hundred years. You start back with the era before the Revolutionary War period and go into the Civil War. All our great fortunes of America in that period were made in agriculture, the Washington, the Jefferson, the Adams, the Marshall, all those large American fortunes were made by reason of agricultural pursuits.

In those early years, the first fifty or sixty or seventy years, we gradually moved westward, and in building these large fortunes we had a rather odd phenomenon that has carried itself through each time we have done anything big in an industry, and that was the fact that these agriculturists were subsidized by government money, or rather by land in that

11-3

particular case. In developing this agriculture, of course we moved westward and further westward until it became necessary to find some means of providing transportation for the products of the farm. So in the period from 1860 to about the turn of the century we had the very highly organized manufacturing development, we brought about the Bessemer steel process, invented the cotton gin, the sewing machine came into being, and of course the steel processes developed the railroad to a point where the American railroad became the big thing of that age. From about 1860 to 1900 we had all the large fortunes of that era built around the railroad business, the Astor, the Vanderbilt, the Gould, the Green, the Morgan fortunes were all built around the railroad industry, and again we had this tremendous subsidy, this time represented by five to fifty thousand dollars per mile spent by government to induce railroads to go into outlying territories, and actually we built some 275,000 miles of trackage. Condemnation was a part of subsidy at that time. Wherever rail lines needed to go they were put in by that particular method.

To come to the third cycle, which for argument's sake we will say runs from 1900 to the end of 1929, we might call that a distribution cycle. It is interesting because most of us know in detail what happened during the past forty

11-4

years. First, however, let's remember that the third cycle is one of distribution, and there again we have a third group of American fortunes built. This cycle began in 1893 with the development on the part of American manufacturers in producing a type or piece of equipment that they could all get behind or that those interested in the business could get behind and sell to the American people. About 1893 was the first time that we began to manufacture merchandise for direct retail consumer consumption. You may remember the first bicycles with a board between a couple of cartwheels, and later that 8-foot front wheel and an 18-inch rear wheel, and the trick was to stay up once you got there, not only to keep moving. After we brought the bicycle down to wheels of even size, about 1893, the co-ordinated effort of all manufacturers of bicycles produced a sale of some half million units in a very few years. Bicycle clubs sprang up all over, and every young fellow's idea was to become a bicycle racer or at least a hero in terms of that particular industry. The bicycle was the first piece of mechanical personalized transportation that had ever been developed.

In 1900 a similar thing took place around furniture. Whatever that material called haircloth is made of, that was extensively used for upholstery, and we had that terrific architectural abortive rococo design period in which we got walnut and haircloth davenports and all the rest of them, but we sold a tremendous amount of furniture.

Nineteen hundred and seven is probably the most significant single year in the history of this distribution cycle, for the reason that it marks the beginning of time payment financing. It came about through the development in a town in Indiana of what we now know as the Hoosier Kitchen Cabinet. You may remember that they used aluminum the first time commercially for consumer use; it had a gadget on the left that you ground twenty-five pounds of flour through (the trick was to get the flour in, not to get it out) and up above were a half dozen cans for various and sundry items, salt and pepper, above that a dish cabinet, below a cabinet for pots and pans. An interesting thing in connection with that was that that piece of kitchen convenience merchandise sold for $180, and was offered only to American farmers on the basis of fifty per cent down and the balance in six months. At that time there was no such thing as a credit reporting agency for consumers. The cities had no method of determining whether or not a man was a good credit risk on the basis of charge accounts, and the city was such a big place you couldn't find him if he decided to move a few blocks and renounce his payments. They offered this particular type payment plan only to farmers and on the basis of $180 initial sales price, $90 down and the balance in six months.

The period from 1910 to 1917 comes along, and with it we took the whipsocket off the dashboard of the automobile, United States Tire in 1915 brought out the novel tread tire and did such a good job people still ask for it, Cadillac produced a self-starter, and in 1916 Buick, with a snozzle-nosed affair with all the buttons on the dashboard, produced an automobile that could reasonably be expected to run a few blocks without having to get out and get under, as the old song says.

The development of the automobile is likened, by business historians, to the eighth or ninth wonder of the world. That era ended in 1917 with the beginning of the War when we had to turn over the manufacturing facilities that had been built up in this country to the production of war materials.

An interesting thing happened in the latter part of '17 and in '18 and '19. We sold more merchandise of a type to more people in less time than had ever been our experience before. In other words, we developed the emotional desire to buy so extensively that when the Liberty Bond drive started, we sold more Liberty Bonds to more people in less time than had ever been our experience, as I said.

Time payment financing there again came into its own because you could buy a $50 Liberty Bond for a dollar down and a dollar a week or any way you could pay for it.

Now we come to the period from 1919 to the end of 1929. It is very interesting for the reason that it marks the most--what would you call it--exciting merchandising or distribution period that has ever occurred in the history of this country. In 1919 there were operating on American highways only 6,000,000 automobiles. By the end of 1929 that had grown to 27,800,000. In ten years' time we built 21,800,000 automobiles and sold them to the American people. We had sold them so well that a man's importance in his community was measured by the automobile that he drove down the main street, and that is probably the highest example of the development of the emotional desire to purchase that has ever been recorded anywhere in history.

So much for the emotional desire part of it. Let's see what this automotive industry did in these ten years that it developed, as I say, from 6,000,000 to 27,800,000 cars. Who ever heard of the concrete business or the cement business before it became necessary to build American highways? Maybe some of you have never realized that the greatest subsidy that the American government has ever created for any industry was created for the automobile industry by reason of 300,000 miles of hard surfaced highways--paid for by taxpayers, again that phenomenon that has produced or has helped to produce a very large private business.

Along with the cement industry for use in roads the traffic signal business has now become an industry with some thirty or forty million dollars invested in it by various companies. As paint manufacturers unquestionably know, 63,000,000 license plates a year are worth something to the tin plate and the paint business. So you see, every time any large industry comes into being it develops or brings along with it a great number of other businesses.

This cycle when we owned an automobile or rather when we bought an automobile on time and changed that for a new model before we got through paying for the old one, which was the case in very many instances throughout America, this emotional desire to buy an automobile, to buy tin plate, or rather to buy blue paint and chromium and trick upholstery and all the rest of it so that our importance in the community could be marked by the car we drove, all ended at the end of 1929. When Ford, Chevrolet and Plymouth brought out transportation at approximately $800 delivered, it no longer became smart to drive a big car.

We had learned in the automobile industry how to budget monthly payments in relation to monthly income, and more than any other one thing in the course of that tremendous automobile sales period was the very high development of what we now call the deferred payment plan. Some say it was wrong, some say it led into the depression; on the other hand, we have learned to buy on the basis of the way we receive our incomes, and it seems sound to me to budget a man's outgo the same way that your employer budgets the man's income--he pays him twice monthly or four times monthly, and it seems reasonable then that he should spend it the same way, because if anything burns the pockets of the American family it is to have a little extra money there.

Just for argument let's say that this 1929 period that ended the automotive high production cycle started a new cycle, and let's go back and see if we can look ahead a bit and perhaps find out where this new cycle is going to lead us. First let's go back to 1926 and recognize that the refrigeration industry up to 1926 had produced and sold 40,000 units. By the end of 1937, that 40,000 of 1926 had grown to slightly over 9,000,000, over five and a half million of which were sold since 1930.

Then look at the stove industry. The stove business in 1924, '25 and '26 was represented by a cast iron affair that weighed some 750 pounds; its only concession to beauty was a piece of nickel plated rale across the front of the stove that would burn the devil out of your arm if you touched it; there was no insulation in the stove itself, and actually what you had was a central heating plant rather than a cooking plant. Today it is a piece of kitchen equipment that you can buy in any color of the rainbow, it has chromium and nickel plate and all the rest of it so that it really looks beautiful. You can sit on the top of an oven that has a temperature inside of 550 degrees, in comfort. They have developed clocks, gadgets, all sorts of speedometers and other arrangements on these new stoves.

For $6.85, today you can buy a better radio, with better tone, materials, quality, better in every way, than fifteen or eighteen years ago you paid $300 for. The same is true in furniture. While it is a sad commentary on the leather industry, whether we like it or not, leather has given way to products of wool and cotton for upholstery and metal for framing.

Those things simply represent that progress is going on all the time. The important thing from our standpoint and from your standpoint in the paint industry is this: that no item has been sold in the past fifteen years in volume that it has been possible to sell without a deferred payment plan attached to it. That is No. 1. No. 2, and to me much more important because it leads the way for the loan, is that not a single item that has enjoyed a national sale since 1926 has been an item that has not gone into a home. Every single thing you can name that has had any appreciable volume has been something that tended to increase comfort, convenience, or livability.

If that is the case, then it seems to me the next decade or the next big emotional purchase cycle in America has to do with this same home, and it also seems reasonable that within a short time, if this industry can get together, there is no question but that it can excel any of the others in this respect.

There are two divisions in the house business as related to the paint industry. No. 1 is modernization and No. 2 is new home construction. I want to talk for a few minutes about new home construction, because over a long pull that is what is going to develop a tremendous volume of not only paint but anything else that goes into the development of a new house.

Let's first tear a house apart and see what it looks like. A house is divided from the standpoint of consumer purchase into four items. No. 1 let's call essential quality. That accounts for the doors, the walls, the roof, the windows, the foundations, and so forth. You have to have that before you have a house. Two hundred years ago our houses were larger for the reason that we did not have to build into those houses what we have as our second item, mechanical equipment. The only concession to convenience in the house two hundred years ago, the only means they had for bath rooms and electrical fixtures and piping and water and all that, was a fireplace, and the fireplace was the only mechanical contrivance that contributed to the living in terms of house construction. So I say we have this essential quality which is represented by walls, roofs, doors, windows, and so forth. Second, we have this item of mechanical quality. You might call the first item essential, the second a luxury quality, because somewhere along the line you have to draw a line as between essential quality and convenience items and luxury quality. In other words, what is the percentage, for example, that can be allowed for the installation of a central heating plant in the total cost of a house? That is one item that gives you plenty of reason for study in relation to the cost of the building of this home.

I will give you figures in a moment to show you the costs are the important relation.

We have this second item, which is mechanical equipment. There is a line which must be drawn as between the luxury and the essential part of that item.

The third item is the environmental qualities. That may sound highfaluting in a phrase but actually what it means is the proper subdivision of land or lots or property so that the house built on it can have reasonable collateral security in relation to a mortgage loan, and there are a number of requirementsin connection with that. It must be close to schools, it must be close to sunlight, it should be far away from another house or as far away as possible.

An amusing incident in that connection is one that was brought up in a real estate convention a while ago and told to me. It seems that the American real estate business traditionally has used a 25- to 50-foot frontage and a 100-foot depth as the standard size of the lot, and one man told me that the reason for that was that about a hundred years ago it was necessary to put the stable as far back from the house as possible, so they developed the alley for the horse and buggy and the front sidewalk for the front of the house, and the long, narrow lot was the only way to bring about sanitation in relation to that particular phase. Isn't it better to design it

70 x 70 so you can give a man frontage and the effect in housing then is the same as the trick color in the automotive job? That is simply another desire for ownership.

The third item of environmental factors is the financing, and I believe the National Housing Act has provided a system of simplified financing that is operative by almost any manufacturer or any retail outlet, and certainly from a lending institution standpoint is a far better mortgage type of security than they have ever had before.

As to the market for houses, and this goes for modernization as well as new home construction, 87.4 per cent of American urban families earn less than $2500 a year; approximately 57 per cent earn less than $1500 a year. It has been determined that the average man cannot spend more than two to two and a half times his annual income for the purchase of a home. If that is the case, we find by relating one to the other that the median amount or the median sales price that must be charged in order to reach this tremendous market in America is approximately $3,750 for the home, and that must include the lot, it must include the financing, and it must include the house itself. So we have got a long way to go to get to it. No one has any illusions about our being able over night to establish that class of house, but there is evidence that it is being done. Certainly if you go into areas like Los Angeles and San Francisco and some parts of Long Island, you find very creditable structures that are being built at approximately that price.

What, then, is the house that the American people want? Briefly stated it is white, it has green shutters and a green roof, it has Colonial architecture and five rooms, it sells for about $4000. If you want to sell houses and can build them looking like that and to sell at that price, you will sell them faster than you can get the roofs on them, at least that has been the experience of all the developers that have tried it in the past couple of years. What is this white with green shutters business but your color styling which I understand this year is to be a major function of the Association? When you get into architecture, what have you got but a construction styling? The American people have reverted to fundamentals in terms of this country's early history, and they want a Cape Cod, an American Colonial, a Monterey Colonial on the Coast; they are all the same, they are all basic things the American people developed some two hundred years ago. So the architectural end of it becomes your construction styling and the five rooms for the average family of 3.8 becomes your size and need styling, and in terms of financing, the total selling price becomes your price styling.

The paint industry directly, as we see it, has a couple of problems. Remember, I am talking in terms only of residential paint sales. You have this business of modernization sales and the business of new home sales. Without meaning to bore you with statistics, I would like to tell you that the modernization business today is running at about 10,000 jobs per week, and this may amaze you: a study that we made a few weeks ago of the classes of businesses that are gaining or benefiting from this 10,000 a week shows that painting and decorating and wall papering account for just over thirty per cent of all the jobs done, and that is way out ahead of any other classification. If that is correct--and it is on the basis of the notes that have been insured by the Federal Housing Administration--then this business of 10,000 modernization jobs weekly means that there are approximately 3,300 modernization paint jobs being done every week in this country on the basis of money that is borrowed only, and it has been variously estimated during the past three or four years--we have no proof of it and no proof against it--that about two to two and a half times that amount of work is done on a cash basis or on a local credit basis which does not find its way into what we call insured loans. Then in the modernization industry there must be a tremendous volume of business weekly. On that basis let's say some 8,000 to 10,000 jobs weekly are in the paint business directly in terms of residential paint sold for modernization purposes.

How to get at that. You have two problems from the standpoint of the manufacturer's relations with his retail outlet. The problem of modernization, of education, if you want, is different than the problem of education for the man who sells for new house construction. From the modernization standpoint, you sell, you educate if you can, the retail paint contractor, who in turn is supposed to sell the actual consumer of the paint or the man who wants a modernization job done or who can be sold a modernization job. That is not true of new home construction, and in the case of new home construction today we are doing about $23,000,000 a week, which will give you a figure of somewhere in the neighborhood of $16,000,000 a week for new construction or approximately 6,000 new houses a week.

With 10,000 modernization jobs and 6,000 new construction jobs weekly, you cannot now recognize the phase of business with new housing, nor can you afford to do away with the modernization of it.

In this new house business your education is not to the painting contractor in terms of selling the consumer. He never has contacted the consumer. As a matter of fact, the American people don't build this small house; they buy it already built from some realtor, subdivider, contractor, or builder. You see all over America today those urban centers that are building houses, the houses being built for sale, not with any particular customer in mind. The contractor who has accepted the overall contract for the production of that particular house or that group of houses is a man who hires the sub-contractors, and those sub-contractors are the electrial man, the furnace and central heating plant man, the bath room fixture man, the floor contractor and the paint contractor; there are a number of others too, I think there are some thirty-five of them that follow. Your paint contractor in that particular case becomes an adjunct to the transaction, and he himself does not have any direct contact with the consumer, so it becomes an entirely different type of educational job.

Then you have, as I say, these two phases that must be studied by manufacturers if they are to develop a proper retail outlet relation in terms of the class of business that is being done.

In conclusion, I would just like to offer to the paint industry, first, the fact that you must accept the responsibility of dealer education. You must do for the retail dealer today, whether it be paint, building materials, or otherwise, what the automobile industry did to the livery stable operator about twenty-five years ago. Maybe you remember how that came about. The livery stable operator started with the first automobile that he bought, to drive people around the block at five dollars a throw. The next thing he had to do was to buy a second one to keep the first one running. Then he cleaned out the first horse stall and bought one of these Sears Roebuck wrenches that had a screw-driver and hatchet and everything else, for eighty cents, and that became his kit of tools. Before long he knocked out the second car for parts for the first one. Then he took one and made a hearse out of it.

You can go right along year after year, and you find that out of it has developed the retail automotive merchant who has become one of the best advocates and finest outlets in terms of selling merchandise to people that we have ever developed. Your appliance people today, in terms of refrigeration, oil burners, those men in that industry, came out of the automobile industry. The sales of refrigeration, the sales of stoves and washing machines and radios, every single one have been developed around the deferred payment plan. Every one of them has had volume accounted for by reason of the fact that they had a finance plan that the consumer could use easily, simply, and without breaking his back every time he had to make a payment. I leave you that by saying that if you are going to do modernization business in terms of the paint retailer's ability to sell, you have got to get into the deferred payment business. If you are going to do it in the case of mortgages, or rather in the case of new home construction, the same thing holds for that, and I hope in leaving you that I can simply impress upon you two things. One is that if we are all back of this thing, if we are all trying to do it for the reason of personal, private, industrial, manufacturing and retailing profit, there is no reason in the world why this industry cannot become, as has been estimated, twelve times the size of the automobile volume; and, secondly, that to do it it is absolutely necessary for you to get behind some sort of a deferred payment plan to make it easier for this great 87 per cent of our urban families to own on the basis of the way they get their income. (Applause)

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CHAIRMAN PLUMB: You have heard Mr. Wilson's impressive talk on building sales by deferred payment.

You are going to have a treat that you did not find on the program, one that I am very happy to present to you. The man who is coming to the platform to talk to you now has been trying deferred payment and has been practicing it and using it and applying it with a great degree of success. I think we are very fortunate, and I personally take a lot of pleasure in introducing Mr. L. M. Cassidy, associated with the sales directorship of the Johns Manville Company, who will talk to us on deferred payment as being actually applied and successfully so. Mr. Cassidy!

MR. L. M. CASSIDY: Mr. Chairman and Gentlemen: In one respect I feel somewhat under raps in talking to you today on this subject, because I have been asked to tell a story of accomplishment, and whenever you try to tell a story of success you always run the risk of sticking your neck out by doing a little bragging. That is not my purpose. I think it would be interesting for you, however, to hear a few facts with respect to the experience that we have had in the time payment field over what represents a fair cross-section of years.

As business executives you probably all have had the experience of having to sell a tough bill of goods to a board of directors. I question whether any of you have any more difficult job than our company, or than the sales division of our company, had in selling our board back in 1931 on the idea of launching a deferred payment plan in the building materials industry. Very naturally, they took quite violent exception to the very suggestion of it. There was no such thing as background of deferred payment in the building industry. They pointed out that while deferred payment had been successful in previous industries and at previous periods, it had applied to items that you could repossess. Somewhat reluctantly the bill of goods was sold. Then we got in trouble. When I say we got in trouble, we had only started on the selling job, because after selling the board and gettingin the business we had a selling job all along the line. Our sales organization at the outset went to town with it as far as enthusiasm was concerned, but from the standpoint of practical application and getting results out of it, they bogged down very fast. They held sales meetings all over the country. By actual record we held better than a thousand educational meetings in the building trades in 1931 and 1932 on the subject of deferred payment, with very little result. They had a tough rate to sell. Just imagine, we have today under deferred payment selling a five per cent discount rate; in those days the boys had to go out and sell a one per cent a month or a twelve per cent discount rate. They were confused with complicated charts, and our own direct sales representatives at the end of the first year were pretty nearly ready to give up the sponge. If you think it was discouraging with our own men, the second selling job that we had was even more difficult, and that was with the trade, because, like painting contractors, the class of trade with which our company did business was poor merchants, slow to grasp ideas, new ideas, quickly. The average roofing contractor, because it applied stricly to roofing in those days, was very backward about embracing an idea that at that time seemed very radical.

As far as the consumer end of it was concerned, we had very little difficulty with him. That was one very encouraging aspect of the whole program.

After two years of struggle, here was the discouraging picture we had on our hands. After spending a lot of money, promotion-wise and in sales effort, we found that in the first year we had done the grand total of about $250,000 worth of deferred payment business, and in the second year, 1932, we had only done something like a little better than $300,000. We suffered a loss in the actual operation of that deferred payment department, to say nothing of the money we spent on it, promotion-wise. But we stuck to it, because from that early experience these facts were established, and many of them held right through until today.

First, that deferred payment selling or buying, if you want to put it on that basis, of home improvements is popular with the American public.

Second, it had proven sound from a credit standpoint, and that was important because those people who were skeptical of it predicted all types of serious loss. Our actual credit loss for those first two years on that small volume of business was less than two per cent. We also found that the best way to make it work was to make it work in any given area with one, two or three accounts. That gave us courage because we had some accounts that were actually making it a part of their everyday, routine business.

Another thing that gave us courage was the fact that our competition, who were somewhat skeptical of this idea, began to follow us in the industry. We welcomed that because it made our job easier, it meant that educating the consumer would be a much easier job with help from the balance of the industry rather than doing the job ourselves.

Our final conclusion was that we would stay right with it because we felt if we could succeed in individual markets to the extent that we had gone, we could do a better overall job.

Without at this point going on to describe what our results have been to date from that early beginning, I should like to take just a few moments to discuss one phase of this whole subject which I think is all important, and that is simply this, that beyond anything else the attitude of management in any particular industry which is part of the building materials industry--when I say their attitude, I mean their viewpoint of time payment selling--is all important. Just what do I mean by that? Simply this. I think that in those industries where deferred payment has not progressed, it has been due to the fact that management has taken the attitude that deferred payment buying is nothing more than a term of sale, and no worse mistake could be made, because far more important than that, deferred payment is one of the strongest merchandising tools that has ever been created.

Second, management has to have real confidence in deferred payment as a sound form of credit. Let's analyze that for a moment, both from the standpoint of your trade and the consumer. First the trade: an account, whether he be a painting contractor or a painting dealer, may be a very poor credit risk, but have you ever stopped to realize that he is the very man who needs time payment? He is the man whose business time payment can put in a healthy condition, for the simple reason that when he does business on a deferred payment basis, some finance company, some lending institution, is carrying that credit risk in the form of the consumer, and he, the contractor or the dealer, has done business on an actual cash basis, not, as he sometimes does, on a humorously so-called cash basis. So many jobs do we know of where a contractor says, "Oh, it's cash," but is it cash? Very frequently it is a bad debt. He never has a bad debt on a deferred payment job. So the more business that a distributor or contractor can do on a deferred payment basis, the less you have to worry about his credit, the less extension credit that particular account needs.

Now let's look at it from the consumer's viewpoint as to whether it is sound. First, the consumer has the opportunity of buying a quality job under deferred payment, whereas he may be forced into a makeshift job on a cash basis. Let's cite an example right in your own particular product or industry. Take the individual who is desperately in need of some kind of a painting job to preserve the exterior of his house; he has in cash $75 or $100, and that is all he can raise, and he finally is forced into buying perhaps a cheap one-coat paint job. Isn't it far sounder for that individual, who may have an income out of which he can afford a small monthly payment of perhaps five, eight or ten dollars a month, to pay for that job over a period of two or three years and to get a sound quality job that might cost him at the outset $200 but where he is getting true value?

Then, finally, and perhaps more important than any other phase as far as the consumer is concerned--and this is a separate discussion all in itself and I won't take the time to go into it here--manufacturers of all types of building materials today have the responsibility of delivering a package sale to the consumer, stream lining, if you will, the product to the consumer so that the consumer doesn't have to worry about the financing, he doesn't have to worry about the labor, he doesn't have to worry about the product as an individual product. As I say, that is a long discussion, but I merely want to make the point that if we are ever going to do a package sale of building materials so that the home owner can deal with one source, that one source should have as part of his sale or as part of his selling equipment a means of financing; it is just as essential as the product or the labor that goes into the job.

I should like quickly to sum up what our experience has been in time payment selling over a period of eight years from that earlier start that I described to you at the outset.

Let's take a look at the bad side first. You are in the management side of business and you naturally want to know what the troubles are. I will tell you what the troubles are and how we are handling them.

First, there are credit losses in deferred payment business, but they are not as bad as you may think. I checked our losses for a period of eight years. We will be in the game now eight years at the end of this year, and they are slightly under two per cent--not a bad record.

Second, we have a higher percentage of consumer complaints on jobs that are done on deferred payment than those that are done on a cash basis, but not materially higher. It is a case of human psychology, where a man will be more apt to find fault with something that he hasn't completely paid for than a job that he has paid for a year or two before and completely forgotten as far as making a complaint on it is concerned. But that is not nearly as serious as you may think. There is where a job of management comes in as far as the operation of your sales organization is concerned. Your sales organization must be educated to approve contractors and distributors under the use of a deferred payment plan more from the standpoint of their responsibility in workmanship than as a credit risk. That unfavorable aspect can be controlled.

Third, in more recent years we have been subjected to the entrance into several of our industries by so-called high pressure selling artists who have been invited there as the result of the existence of deferred payment, the type of consumer salesman that by high pressure induces the individual home owner to undertake something on a monthly payment basis, promising him everything but the moon. Like poor workmanship or like the subject of complaints, that again resolves itself into the case of management trying to discriminate or take out of approval those accounts that you know will be guilty of that type of practice, because they are not doing you or the industry you represent any particular good.

"Time payment is the means of burdening an individual consumer with an obligation that he is not prepared to assume," is an argument frequently offered. My only answer to that is this: Deferred payment selling or buying, whichever way you put it, is here to stay. Isn't it far sounder for a consumer to assume an obligation on a necessity such as a home improvement or repair than it is an item of luxury?

Now let's take a look at the favorable results that we have encountered over this period of years. So much for some of our troubles and how we have handled them.

Last year our company did little better than $4,000,000 in deferred payments. This year we will do close to $5,000,000. That isn't a particularly outstanding job from the standpoint of volume, but it only tells part of the story, because here is the other half of that story. We know from actual test that every prospect that is developed as a deferred payment prospect results in two other prospects, resulting in cash sales.

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We have run that test time and time again, and it checks. That comes about for this reason: You will have an individual home. We will take it in the case of paint, if you will. He decides to do something about painting up this house because he can finance it on deferred payment, and he, therefore, signifies or announces himself as a prospect, and when it comes right down to a price on the job, he finds that the job isn't going to cost him as much as he had anticipated, and he goes ahead with that job on a cash basis, but the point to remember there is that man may never have developed into a prospect if he hadn't been encouraged by the fact that he could pay for it by monthly payments.

So that when I say we did four million dollars in volume, in reality we did credit about twelve million dollars' worth of our business last year to deferred payment, and whereas we had a sales organization on our hands in 1931 on this whole problem who was skeptical about it, I just want to say if we were to announce tomorrow morning that we were out of the deferred payment business, we would probably have a mutiny on our hands as far as our selling organization is concerned.

But here is another favorable result we have had from deferred payment selling that is probably equally as

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important as the actual cold, hard money we are making out of it in the form of cost business, and that is the fact that deferred payment selling has been the means of making better merchants out of our dealers and contractors selling our line. It is natural where a man has taken enough trouble to master the technic of deferred payment selling, right along with it he has done a better job of promotion; he has done something about making his place a better place for the consumer to come to, and that is important. If it had no other effect than just that, we would be satisfied that it would be worth the effort.

Next, it has increased better selling personnel to certain industries where we are practicing deferred payment. It has opened up new markets, and wherever you have the opening up of new markets, you are going to have the opening up of new outlets, and in turn new selling manpower in those markets, and finally, we have taken business away from products that could serve the same market that we are seeking on certain items, and at the risk of ducking a few rocks here this morning from a bunch of paint manufacturers, I would just like to make a very frank statement, that we have taken a good portion of your market away from you on exterior house painting on the basis of asbestos siding, primarily because the people engaged in doing an

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aggressive selling job of asbestos selling are selling on a deferred payment basis.

Ananalysis of our asbestos siding business shows beyond any question of doubt that the real volume of business that we are getting in that industry is coming from people who are selling on a deferred payment basis.

As I see it, your job in the paint industry is fundamentally or basically the same as our own in putting over this question of deferred payment. You have the problem of a good portion of our trade being a poor credit risk. That problem exists in a good many of the industries where we are selling on a deferred payment basis. You can't repossess your job; neither can we; we can't repossess an insulation job or we can't repossess a roof job. A good part of the trade that you do business with are backward as far as taking up a new merchandising idea is concerned. That same condition exists with certain classes of trade with whom we do business, but they are getting over it and improving constantly.

I want to point out that your product goes into both the interior and the exterior of the home, and we find from experience that whereas originally our deferred payment business was concentrated entirely in exterior items, such as roofing, it has now found its way into the interior of the house in the

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financing of extra rooms in the attic and basement and in the refinishing of kitchens and bathrooms with wainscoting material.

As I see it, your industry has a splendid opportunity to do a better job in deferred payment selling. You can make up your mind to the fact that deferred payment selling is here to stay as far as the American public is concerned. The Federal Housing Administration has done an outstanding job with respect to creating consumer acceptance for deferred payment, but assuming that that job does not continue, deferred selling is still going to exist and still going to grow in the building material industry.

The consumer job is pretty much done. By that I mean there is an acceptance today for the purpose of remodeling or repairs that is pretty widespread. The big job that has to be done, as I see it, in your particular phase of the industry is right with your trade. That was our experience, educating the trade to actually use deferred payment selling gave us the most difficulty, but where in any given market we had one or two accounts adopt it and get business from it, their competition had to follow if they were going to survive.

It is a job that you can't put over necessarily in a few months with just a spasmodic effort. It is a continuous job in order to get it going. I make the prediction that if as

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an industry you don't do the job, that some individual paint manufacturer, or several individual manufacturers, are going to take hold of this deferred payment selling and really put it to work.

In conclusion, I just want to say that it is my feeling that you have a merchandising tool in the bottom of your bag that is loaded with dynamite. I am sure that it is going to pay you dividends if you really put it to use.

Thank you very much. (Applause)

CHAIRMAN PLUMB: Mr. Cassidy, we are certainly very grateful for your coming here today to make this contribution and your willingness to give us this information out of the experience of your own business.

Fellows, I thank you all for remaining. The program has been a little long, but I think it has been one of the most productive and one of the most solid programs we have ever had on trade sales. I am sure you are happy to be here and we are happy to have you, and we are going to recess now until this afternoon.

Thank you very much.

... The meeting recessed at one-ten o'clock ...
