

TIME

THE WEEKLY NEWSMAGAZINE



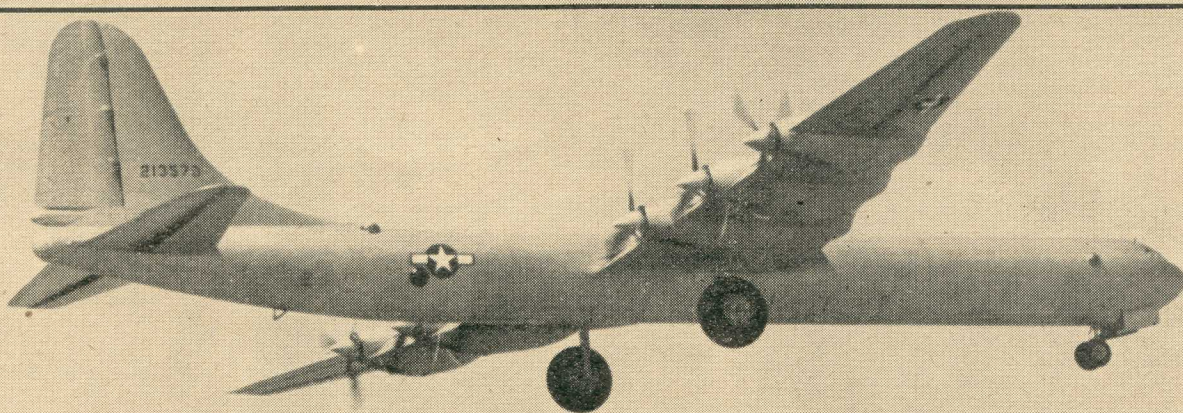
Artzybosheff

FINANCIER VICTOR EMANUEL

Planes, steamships, gas stoves, buses, airlines—and George Allen.

(Business)

BUSINESS & FINANCE



Otto Menge

CONVAIR'S "FLYING CIGAR"

CORPORATIONS

Everything, Inc.

(See Cover)

High up in Manhattan's Graybar Building is a cozy room with a fireplace, bright red & green hunting prints and a volume of Burke's Landed Gentry. Like many a Big Business headquarters, it looks like the hideout of a country squire. This is the home of The Aviation Corp., once as fabulous a flyer in the realm of high finance as the Great Roc itself.

There, this week, amid the old leather and the bright brass, the biggest deal in aviation history was being completed; out of that roc's-egg deal would hatch the biggest aviation company in the world. Consolidated Vultee Aircraft Corp., controlled by Aviation Corp. (AVCO), was being merged with Lockheed Aircraft Corp.

This would make Lockheed a colossus with eight plants, some 44,000 employees, and a \$500,000,000 backlog of orders. The deal had more than mere bigness. It was a shrewd move by both planemakers: their products would fit together like clasped hands. Among them were the shark-bodied Constellation; the fat-bellied Constitution; the six-engined XB-36, the "flying cigar"; the Shooting Star. There would be civilian models, from four-seater personal planes to 400-passenger transports; for the Army & Navy everything from "Flying Jeeps" to four-engined jet bombers.

Under the proposed deal, Lockheed would issue new stock, exchange it for that held by Convair stockholders at a ratio not yet determined, but likely to be about seven shares of Convair for six of Lockheed. On its part, AVCO is expected to trade its Convair stock (26%) for Convair's non-aviation interests, including ACF-Brill Motors Co. and its subsidiary, Hall-Scott Motors, and Consolidated's general manufacturing plant at Nashville. In short, Convair's stockholders would get a piece of Lockheed, and AVCO would get out of the planemaking business entirely. It had plenty of other irons in plenty of other fires.

Deals No. 2 & 3. AVCO was planning to take over completely three companies which it already controls: Crosley Corp. (refrigerators, radios, television and broadcasting stations), New Idea, Inc. (farm machinery) and American Central Manufacturing Corp. (jeep bodies, kitchen sinks & cabinets).

In a third deal, AVCO was planning to buy a large broadcasting station in the Midwest, add it to the present stations it owns, Cincinnati's WLW and New York's WINS. (This week FCC will be asked to approve the deal.)

It was a fast-dealing week for AVCO and a turning point in its short (17 years), fantastic, often odorous history. Germinated by the wild enthusiasm for anything with wings that followed Lindbergh's transatlantic flight, AVCO sprouted from gilt-edged seed (Lehman Brothers; Brown Bros., Harriman and Co., etc.) in March 1929, as a holding company for all branches of aviation. For a time it flew high,

controlling 81 corporations. But soon it crashed into such a welter of squabbles, proxy fights and plain bad management that Wall Street quipped: "AVCO was begotten in sin and carried on in seduction." Not till 1937 did AVCO turn into an honest woman.

By the time World War II came, AVCO was ready to produce. The AVCO family did a superb job. Out of the plants spread-eagled across the U.S. (see chart), AVCO poured an amazing array of products: B-24 bombers, aircraft carriers, a battleship (the *South Dakota*), marine engines, aircraft engines and parts. In four years the AVCO family turned out more than \$4,000,000,000 worth of products. This week the fast-growing empire contracted in one place only so that it could expand in another. The big question was whether AVCO, which had grown great in war, could turn itself into a sort of General Motors in peace.

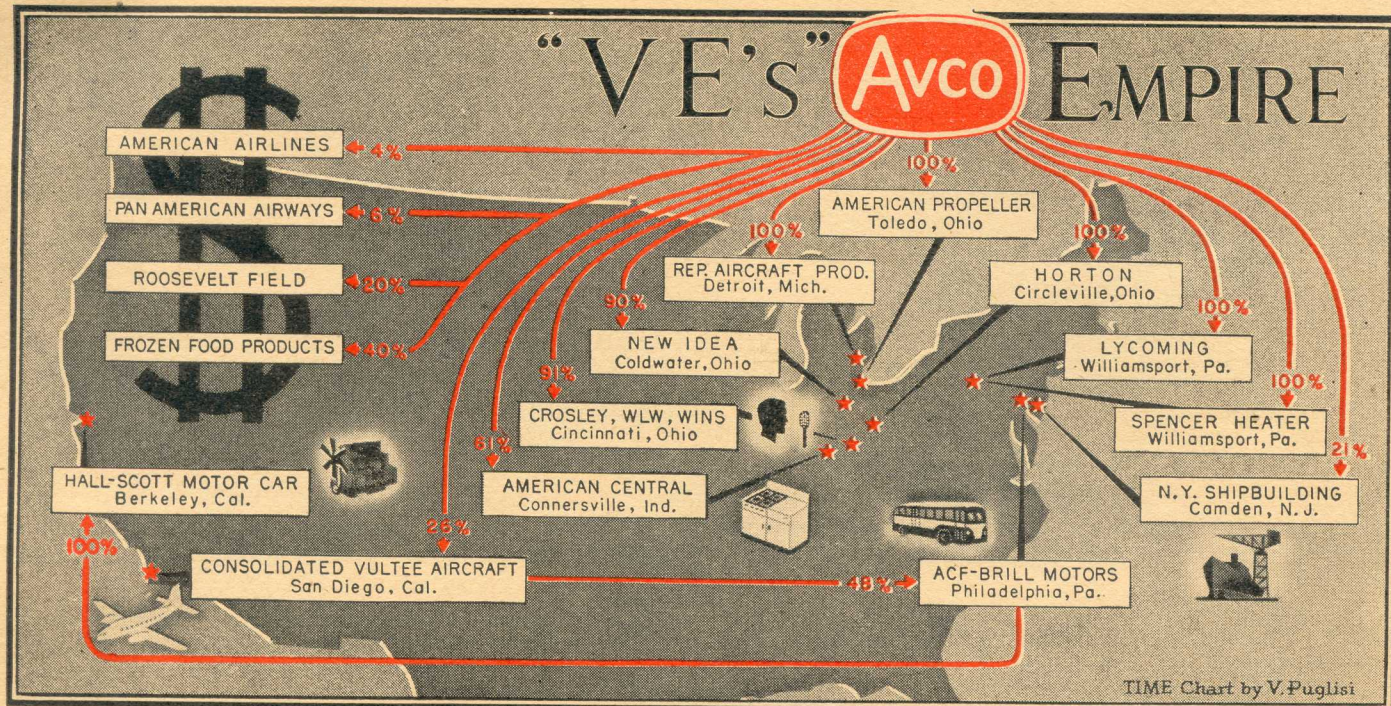
The Dealer. The man who would write the answer to this question was the nimble-witted master of high finance who had turned AVCO into an honest woman: Victor Emanuel, 48, the flamboyant chairman of the board of AVCO (at \$103,400 a year). Suave, swart V.E. (as his associates call him) has a full, flushed face, sleek black hair, a full-lipped smile and a full, round voice; he looks and sounds rather like a serious Jack Benny. He usually clothes himself in pin-striped, double-breasted suits, black shoes, large flowered ties—and a dark air of mystery. He rarely gives interviews, permits no press pictures (most newspaper morgues have only one formal photo of him), keeps in the shadowy background. The mysterious air is partly only his manner. As one friend said: "He'll whisper something in your ear in strictest confidence and you'll walk out and find it in the newspaper."

But it is not only an air: even in Wall Street V.E. is not well known, and there are a score of conflicting opinions about him. Said one Wall Streeter: "He has the most brilliant mind in the U.S." Another: "He's the master of flops." Actually, V.E.'s quick-fingered juggling of billions



EMANUEL & STANLEY BALDWIN
The pink coat phase was short.

"V.E.'s" Avco EMPIRE



TIME Chart by V. Puglisi

in the last 18 years has had results both dazzling and dismal. His whole life has been a series of intricate deals based on his guiding principle: "It is easier to take over a going business than to establish one."

His other favorite maxim is: "Never buck a trend." That was one reason he wanted to get rid of Convair. He was certain that, without big war orders to shore them up, there were too many U.S. plane companies, and that only a few big ones could survive. Convair and Lockheed would do better together, thanks to savings on management, engineering, etc., than they would alone.

Sometimes, in his comfortable office in the Graybar Building, surrounded by his hunting prints, he works 16 hours a day, often seven days a week. Sometimes there are so many deals a-sizzling that even V.E. can hardly keep them straight. Often, when he finds his right hand up to something that would hurt a deal being maneuvered by his left hand, he cries: "Oh, God, the duality of ownership."

This financial multiplicity is even harder on V.E.'s associates. AVCO has one man whose sole job is to keep track of its corporate tangle. Last week he collapsed from the strain.

To save time, V.E. and his wife (they have two sons) live only a few blocks from his office, in a small Park Avenue apartment cluttered with hunting prints, a 1,000-volume sporting library, piles of personal scrap books. He also has a 475-acre farm outside Ithaca, N.Y. He very seldom touches liquor, favors lemonade. His only vice is chain-smoking. To match his thinking, the cigarettes are king-sized.

So is his personal empire. In addition to running AVCO, he is a director in six other companies, has a chunk of stock in mammoth Standard Gas & Electric Co., of which he was once board chairman, and is a special partner in a brokerage house, Emanuel, Deetjen & Co.

The New Dealers. As a side line, he cultivates politics—and politicians. He probably knows his way around Washington better than any other businessman. In these days when political storms determine so much of the business climate, he feels that the views of businessmen are poorly represented where they count. The National Association of Manufacturers and the U.S. Chamber of Commerce, he likes to say, "spend a lot of money saying only what will please their members."

V.E. has seldom failed to present his case adequately to Washington. In his capacity for making friends easily, he has made a close friend of many a once-obscure person, and found him useful later, when he was not so obscure. V.E. met Leo Crowley before he rose to prominence as FDIC chairman, in 1939 put him in as the \$50,000-a-year chairman of sprawling Standard Gas & Electric Co.

When Crowley later became Alien Property Custodian, he in turn appointed V.E. to the board of two of the richest plums in his hands, General Aniline & Dye Corp. and General Dyestuff Corp. Similarly, V.E. met George Allen ten-odd years ago, when the President's jester was just a man around Washington. Says V.E.: "He was a very amusing fellow and I took a liking to him."

This liking took the form, in 1943, of putting Allen on AVCO's board and, in 1944, Convair's board at \$6,000 a year for each. No one seems to know exactly how V.E. benefits from such friendly gestures. In fact, V.E.'s friends at court do not seem to have been able to keep him from being handled, occasionally, as roughly as the N.A.M. Example: last spring CAB forced him to reduce AVCO's 20% interest in American Airlines to 4% under its rule that no company can operate airlines and also build planes.

Nor is George Allen, apparently, entirely sure what he does to earn his \$12,000 a year. He has often laughed at

what a corporation has bought when it has employed him as a director. Said he recently: "I wouldn't have the slightest idea of where to go to buy an airplane. . . . Hell, I don't even know where [Convair's office] is around here."

But both V.E. and Allen seem to find their association satisfactory.

The New Deck. Emanuel's cloak-&-dagger manner and his name (his mother merely liked the name Victor, had no thought of Italy's ex-King) have caused some to suspect him of having an exotic foreign background. Actually, V.E. is as endemically American as flapjacks and maple syrup. He was born in Dayton, the son of a wealthy utilities man. It was a wonderful time and place to grow up in. Only two doors away Charles F. Kettering was working on a magical invention that would start autos automatically; Orville Wright skittered around in one of the first airplanes. Young Victor caught the speed fever, too. After graduating from Longfellow grade school and St. Mary's College (now the University of Dayton), he went to Cornell. But he spent less time on studies than driving around the countryside. (His taste in cars used to lean towards Rolls-Royces; now he owns a Lincoln.) When World War I came, he got his first taste of aviation as a naval aviator.

At war's end, he went to work for his father, who was in poor health. A few years later, in his first big deal, young Victor bought out his father's utility interest. He and Chicago Banker Arthur Cecil Allyn put up about \$750,000, got the rest of the nearly \$5,000,000 they needed for the deal through public stock issues. The new Emanuel-Allyn company (National Electric Power Co.) promptly expanded in all directions, in typical Emanuel fashion, soon controlled 14 utilities sprawled across the nation. The system, and the beautiful map outlining it, so impressed the late Samuel Insull, then

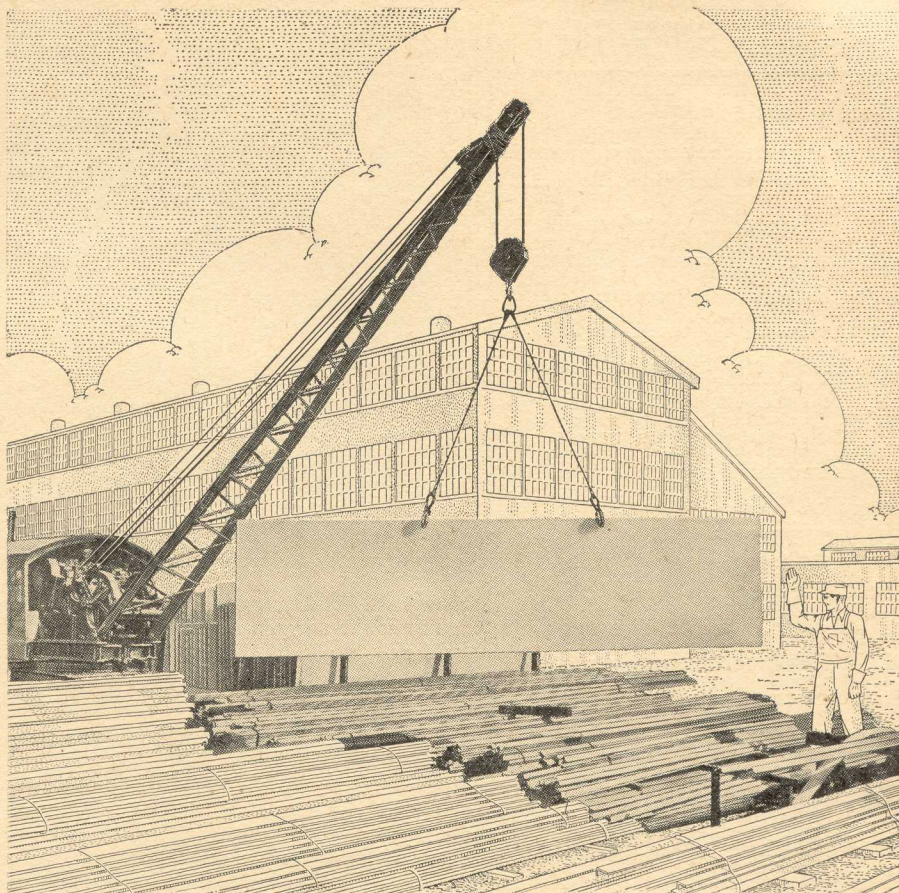
grabbing up utilities like peanuts, that he bought out Emanuel and Allyn, paying them about \$13,000,000.

Quick Tricks. V.E., who had made a pile at the age of 28, now set out to lounge as grandly as he had labored. He went to live in England, added to his stable of horses till he had 125 (now down to nine), bought a large diesel yacht, entered a horse in England's Grand National. The horse fell, but V.E. and his wife, Dorothy Elizabeth Woodruff, whom he had met at Cornell, liked the country. They leased Rockingham Castle, built in Norman times, spent a small fortune modernizing it, soon became known for their lavish parties. For one party, V.E. reportedly imported 300 guests from the U.S., paying their fares both ways. For such didos he won the somewhat dubious title of "The King of Glory." He became master of the exquisitely manicured Woodland Pytchley Hounds, fox-hunted with the Prince of Wales and the present King George, consorted with the Prime Minister, Stanley Baldwin (*see cut*). (At the end of his English period he was also divorced from his wife, who married a mutual friend, then divorced him to remarry Emanuel.)

But pink coats and popinjays were not really his dish. Never really happy unless he is closing—or opening—a deal, he kept a finger in the financial pot. He made friends with the great London bankers, J. Henry Schroder & Co. and Alfred Loewenstein, the hard-headed Belgian who came up from nothing to be rated as third richest man in the world, controlling a worldwide utility empire. And V.E. played the stockmarket. By 1928, when he had just turned 30, he was worth some \$40,000,000—on paper. But it was not enough. It just whetted his appetite.

The Grand Slam. With Loewenstein, Emanuel planned a grandiose scheme to take over just about all the utilities in the U.S. Before the plan went into effect, Loewenstein mysteriously jumped or fell from a plane over the English Channel (V.E. is sure he fell). But Emanuel, backed by the Schrodgers, who had been Loewenstein's bankers, and A. C. Allyn, among others, went ahead anyway. They fixed their sights on the multi-millioned Standard Gas & Electric System. Altogether, they ante'd up about \$60,000,000 and formed the U.S. Electric Power Corp., a holding company with Emanuel as president to take over Standard Gas. But Emanuel & friends couldn't get control because H. M. Byllesby & Co. controlled the voting stock. Emanuel *et al.* ruthlessly forced Byllesby to capitulate by filing a list of charges of misappropriation of funds, mismanagement, etc.

By this coup, Emanuel & friends got control of a utility empire stretching over 20 states and worth \$1,119,000,000. There was only one big thing wrong: the depression had come—and with it the paper empire of USEPCO collapsed. With it Emanuel lost most of his personal fortune. The holding-company act, which was passed to put a stop to just such brobdignagian jiggery-pokery as USEPCO, put the head-



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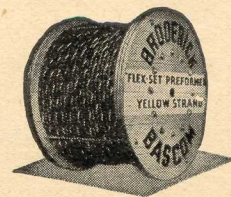
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WALL STREET

Basically Basic

For some years, the nationwide investment firm of Merrill Lynch, Pierce, Fenner & Beane has issued studies of stocks currently important in terms of investor interest, suggests that TIME readers make use of them in arriving at sound investment decisions. Basically basic, the series covers a wide variety of industries, ranges from analyses of railroads and utilities to banks, oils and soft drinks.

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AVCO's A(ALLEN), B(BABCOCK), & C(COSGROVE)

In Wall Street, crossed fingers.

stone on V.E.'s empire. But Emanuel & friends salvaged something good from the wreck. They kept control of Standard Gas and its underwriting, profited on the issues until SEC stopped the practice.

Soon after, ailing Standard Gas went into reorganization, and V.E., who had been chairman of the board, stepped out in favor of Leo Crowley. The great days of financial legerdemain, when a man could run a few electric light bulbs into a utility empire, were gone for good. V.E. looked around for fresh territory. In the sprawling Cord Corp., which then included AVCO as a subsidiary, he found it.

The New Hand. After years of mismanagement, AVCO was so close to death it was hardly breathing. Nevertheless, there were plenty who wanted a chance at the carcass. Errett Lobban Cord, a brash young auto salesman who had skyrocketed up in the golden '20s—and put out a slinky car bearing his name—controlled AVCO. But to a cunning fighter like V.E., with the well-heeled Schrodgers again in his corner, it was the work of only a few months to knock out Cord* and take over the company in August 1937.

With the Cord Corp. in hand, V.E. changed his tactics. The crash of one empire had taught him a lesson. Instead of mushrooming all over, he tried to make some sense out of the rickety maze of companies (45) he had. He wanted to turn Cord, the bad holding company, into a good operating company. One of his first moves was to drop the Cord name, substitute Aviation and Transportation Corp. for the top holding company. Then, like a horse trader, he sold, bartered and junked the money-losing companies in ATCO and AVCO and a holding company of lower degree, Aviation Manufacturing Corp. (AMCO).

But it was touch & go to keep ATCO breathing. One example: AMCO ran short of cash to keep its subsidiaries operating, so it borrowed \$1,400,000 from AVCO. AVCO, in turn, ran short, so it borrowed

\$500,000 from ATCO. ATCO then sold its interest in Checker Cab Manufacturing Corp., and later some new stock and was then able to help out AVCO, which was then better able to help AMCO.

In this Peter-to-Paul manner, Emanuel kept the complicated corporation breathing until he had strengthened AVCO enough so that it could swallow both its parent, ATCO, and AMCO. By then V.E. thought that AVCO could start expanding again. With war in the offing, he had his eye on Consolidated Aircraft Corp. The way he got it was characteristic. Washington didn't like the idea of a key war plant being run from a skyscraper 3,000 miles away. So V.E. simply had one of his small planemaking subsidiaries, Vultee Aircraft Inc., buy Consolidated. (One planemaker described Vultee's designs on Consolidated as "like a flea going up an elephant's leg with lust in its eye.") Under V.E., the Army & Navy had no complaint about the way Consolidated was run.

The New Bid. This expansion and streamlining of AVCO paid off. In 1941 AVCO paid the first dividend in its history—15¢ a share. In 1942 it paid 25¢ and has paid 20¢ in each succeeding year. But the streamlining is not over yet.

Within the next few months, Emanuel plans to merge most of the associated companies (those which AVCO controls) into AVCO, simplify the operating procedures. At the top now is the combined policy-operating group, headed by Emanuel. His right-hand man, president and production boss of AVCO and board chairman of many of the other companies, is Irving Brown Babcock, 55, who learned his production know-how in 20 years at General Motors, was a G.M. vice president and head of its truck division until he joined AVCO a year and a half ago. Babcock's right-hand men are Executive Vice President William F. Wise, who came from Excellco Corp. and Republic Products Corp.; manufacturing Vice President Carl H. Kindl, who came by way of National Cash Register and G.M.; and New York Shipbuilding's John Farrell Metten, a hard-handed, hard-driving production man who turned out \$655,000,000 worth of ships

* Cord settled down in Los Angeles, piled up another fortune in real estate. Last week he boasted: "I've just turned down \$12½ million for [my holdings]."

IOWA POLL

Demos Stick by Truman

Harry Truman has been buffeted politically during the last few weeks, yet 53 per cent of Iowa Democrats consider him the best man to head their 1948 ticket, THE IOWA POLL of The Des Moines Sunday Register discloses.

At the same time, Harold E. Stassen paces a general trend of greater support among Iowans for potential Republican candidates.

Asked if Truman is the best man the Democrats can nominate, Iowans said:

	Total	Rep.	Dem.
Yes	43%	39%	53%
No	27	29	24
Don't know ..	30	32	23

Those who replied in the negative were asked to name a better Democratic candidate for 1948.

In this group, three out of 10 of the Democrats interviewed named Wallace as a better man, with Secretary of State Byrnes next.

If the election were being held today, Iowans' preferences for potential GOP candidates are:

	TRUMAN	STASSEN	Undecided
Today	27%	50%	23%
August	28	45	27
June	30	40	30

	TRUMAN	DEWEY	Undecided
Today	37%	43%	20%
August	41	37	22
June	41	35	24

	TRUMAN	TAFT	Undecided
Today	36%	29%	35%
August	42	28	30

Fifty-six per cent of the same Iowans believe the Republican ticket will win nationally in 1948. Twenty-two per cent feel the Democrats will triumph and 22 per cent are uncertain.

The majority of Iowans have misgivings as to Truman's handling of business, labor and farming problems with 39 per cent saying he is doing only a "fair" job and 28 per cent replying "poor." Twenty-four per cent say "good" and three per cent "excellent."

Des Moines Sunday Register

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61% of All Homes In Iowa*

**And In Central Iowa KRNT
Is The Popular Radio Station**

for the U.S. Boss of AVCO's sales is Raymond C. Cosgrove, who joined AVCO when it bought the Crosley Corp. in 1945.

The Rubber Game. In the cluster of twelve companies these men boss, AVCO has a line of consumer's products ranging all the way from self-sterilizing toilet seats to marine engines.* It has a smoothly functioning distribution system to sell them. And it has a fat backlog in orders. But like every other company, it has had trouble getting into production to fill those orders. For the first nine months this year, the AVCO family turned out \$100,000,000 worth of products, lost money doing it. But last month it appeared to have turned the corner, moved into the black for the first time this year.

Until AVCO gets into peak production, and shows that it can make money doing it, most Wall Streeters will keep their fingers crossed about its future. They are not at all sure that 1) it has lived down its past, 2) it is not now expanding too fast in peace. Nor has AVCO finished expanding.

V.E., who has always been deeply interested in the farm problem (he has championed farmers by praising their co-ops and, more recently, by fighting for decontrol of farm products), got only a taste of making farm implements with his New Idea, Inc. Now he wants a bigger bite. One guess is that Emanuel will soon move deeper into the farm-implement field, may buy up another company. After that, even Emanuel is not quite sure where he is going.

But his goal is still the same as it was 16 years ago: an empire. He tried once, with USEPCO, and failed. This time, with AVCO, he is sure he will win.

* AVCO now makes: radio equipment, FM & television sets, refrigerators, gas & electric stoves, frozen-food storage units, automatic garage-door openers, farm tools, military and commercial aircraft, buses, marine, industrial, bus, and aircraft engines, heating and boiler units, machine tools & dies, kitchen sinks and cabinets.

COMMODITIES

Free Market in Rubber?

Three months ago, the Combined Rubber Committee, composed of six countries, had the world rubber situation all figured out. The supply of crude rubber, the Committee thought, would not stretch enough to meet demand for a year or two. To prevent prices from soaring, the price of crude was pegged at 23½¢ a lb., f.o.b. Far Eastern ports. The British Government agreed to buy all Malayan rubber offered at this price. But by last week the pegged price meant little. So much rubber was pouring into Malayan ports that the price was dropping.

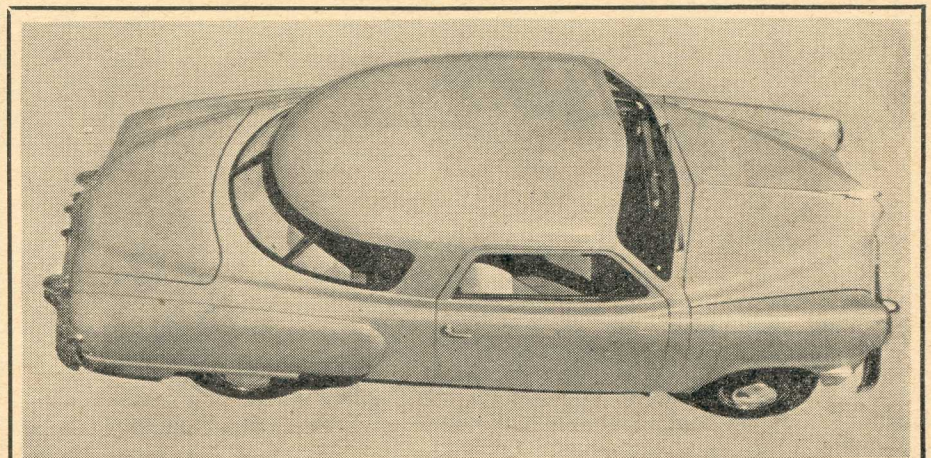
On top of this, the Reconstruction Finance Corp. announced that it had made a deal with The Netherlands to buy all the Dutch-produced rubber allocated to the U.S. at 20¼¢ a lb. f.o.b. in the Far East.

In the face of this, the British Government had stopped buying. Rubber was so plentiful that London gossiped that the British Board of Trade was about to restore a free market. If it did, prices might drop even lower, and the British might have to take a whopping loss on the rubber already bought for 23½¢. To Wall Streeters the moral was plain: if the price of crude rubber, once among the scarcest of commodities, could drop so quickly, how long would the sky-high prices of other "short" commodities stay up?

AVIATION

Right Pew, Wrong Church

The landing at Shannon Airport, Ireland, was routine. As the Pan American Airways Clipper (bound for Lisbon from New York) taxied towards the airport terminal, the pilot snapped an order: "Flaps up." The copilot, who had flown many hours in DC-4s, instinctively reached down with his left hand, yanked the lever next to his seat.



COMING OR GOING?

This low-slung, five-passenger coupé (cost: \$1,232) is the newest model of Studebaker's 1947 model Champion. It has twice as much window space as any of the other models. Studebaker is the only prewar car maker to turn out a radically different postwar car, so far, and the public has liked it fine. Like other automakers, Studebaker has material and manpower problems which have forced a lot of production time out. Nevertheless, it turned out 14,000 cars and trucks last month, expects to make a total of 250,000 cars in the next year.