STATE OF BUSINESS

Breather

U.S. civilian production will be cut back no more this year, said NPA Boss Manly Fleischmann last week. But the good news was received without cheers; sales were already so slow that many businessmen were cutting back of their own accord.

One of the hardest hit was the textile industry, whose sales have been "slow to lousy" for four months. Textron, Inc., whose rayon weaving mill in Suncook, N.H. closed down for vacations at the end of June, decided to postpone reopening of the plant indefinitely; its nylon weaving plants closed down for two vacation weeks instead of the normal one. Other textile manufacturers followed suit, planned cutbacks of 10% to 50%. There were also spreading cuts in wholesale prices, not only in textiles but in soap (Procter & Gamble and Lever Bros. cut 11%) and in shoes.

Merchants, still plagued by heavy inventories, were also cutting retail prices to move goods faster. The move paid off: sales rose a bit higher than the same time last year, when war-scare buying was at a peak. Retail food prices were still edging up. This week, the Bureau of Labor Statistics reported that retail food prices went up ½ of 1% in the last half of June, pushing the food-price index 12% above the pre-Korean level. But there were surpluses—and probably lower prices—ahead. Farm planting, said the Agriculture Department, is at the highest level since 1933. In the stockyards, even the price of beef eased off a bit, as a heavy flow of cattle came to market. But most businessmen still thought the lull was just a temporary breather.

COMMUNICATIONS

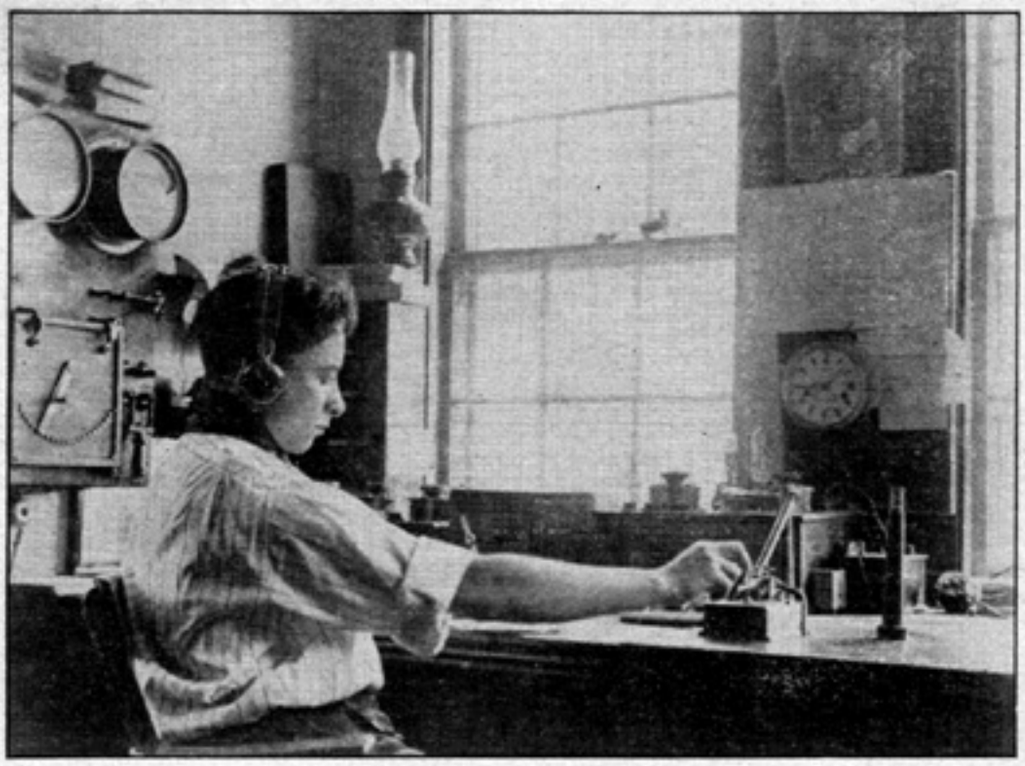
The General

(See Cover)

The public scored David Sarnoff's Radio Corp. of America with a lost round last year in the great color TV fight with Columbia Broadcasting System. Sarnoff did not stay down. Last week he showed the television industry a new tube that receives clear, true color, and he showed the public that RCA's color system can do what CBS's can not: color programs broadcast by RCA can be received in black & white on present sets without any change. It looked as if radio's miracle man had not run out of miracles.

For months, Wall Street speculators have been betting on Sarnoff. So far this year, RCA stock has risen from 16⅜ to 21½, CBS fallen from 33 to 25½. This trend is the more remarkable because six months ago RCA was apparently caught flat-footed when the Federal Communications Commission decided to license the CBS "whirling disc" system for commercial broadcasting. RCA promised a much better system, one that existing TV sets would receive in black & white (unlike the CBS method) without any change in the sets. But the color RCA showed FCC last fall was mushy and CBS's was clear. FCC decided not to wait.

Even then, old radiomen kept their eyes on Sarnoff. He is the man who put radio in the home—and never forgets it for a waking moment. He is boss of RCA with its 52,000 employees (including those of the 238-station NBC radio and television network), of 13 manufacturing plants which turn out millions of radios, TV sets and hundreds of different electronic gadgets, of a research staff which year in & year out develops new wonders. Would Sarnoff, who boasts that he was born about the same time that the electron was discovered (as if they were somehow twins), allow himself to be bested in the next great advance of the industry that he had led for two decades? Those who knew Sarnoff's vast ability—and his vast pride—thought not. They listened when, coldly eying the FCC decision, he said: "We may have lost the battle, but we'll win the war."



SARNOFF AT NANTUCKET
After a disaster, orders from President Taft.

Secret Weapon. To get the weapon he needed, Sarnoff prodded RCA, not a nimble organization, into an amazing burst of speed to improve its color system. Last week, in his Radio City Exhibition Hall, Sarnoff put on a demonstration for some 200 radio and television reporters, who saw a 20-minute program starring Nanette Fabray and Singer Yma Sumac on RCA's new color tubes.* There was no blurring or running of colors, even in the fastest movement, *e.g.*, a pair of performing lovebirds flapping their wings. As a show topper, an RCA mobile unit focused on a swimming pool near New York where a troupe of swimmers and divers performed. The outdoor telecast, which RCA explained could just as well be a football game or boxing match, came through almost as clearly as the studio show.

Within two months, RCA will start putting on similar public color demonstrations on 100 receivers which will be moved from city to city all over the U.S. By broadcasting its color show last week on its regular channel, RCA also showed TV set owners that its system is compatible, *i.e.*, it could receive the broadcasts in black & white. (RCA can also convert existing sets to color.) The new tube's performance was so impressive that such TV competitors as Allen B. Du Mont, who has opposed any form of color up till now, changed their minds. Said Du Mont: "The RCA picture was good enough to start commercial programs immediately."

Sarnoff is far more cautious. He says: "Commercial color television on a big basis is still two to five years away. Material shortage, NPA cutbacks on TV production and defense orders will delay it. On top of that, it will take a long time to get the bugs out of mass production of the color tube."

Many a TV man thinks that Sarnoff's five years is too long. One big reason is that when FCC made its decision last fall, TV setmakers were almost solidly against the CBS system, because they were up to their ears in orders and wanted to make no changes that might upset sales. Now,

* In RCA's system, the color-television camera breaks a picture down into three colors (red, green and blue). These color impulses are broadcast, picked up by a television receiver circuit, which sets off three electronic "guns" (one for each color) inside the picture tube. They project the picture on the face of the tube so fast (1,800 times a minute) that the three color pictures blend into a single all-color one.

TV manufacturers are up to their ears in unsold sets, are more likely to grab at RCA's system, which they think will get customers buying again. RCA has already given manufacturers the blueprints of its color system, to make sets (on a royalty basis)—if FCC gives the go-ahead.

Whatever technical or bureaucratic difficulties may lie ahead of RCA's color system, it was clear from last week's demonstration that Sarnoff was fighting his way out of a tough spot.

For more than 50 of his 60 years, Sarnoff has been doing just that. Driving through obstacles is his habit, his joy, his bitter necessity. He says: "There are three drives that rule most men: money, sex and power." Nobody doubts that Sarnoff's ruling drive is power. Says a deputy: "There is no question about it, he is the god over here."

The Hermitage. American business biography abounds in up-from-the-bottom stories; few are quite so dramatic and revealing as Sarnoff's. Owen D. Young said that Sarnoff had lived "the most amazing romance of its kind on record." Horatio Alger himself could hardly have done it in one book; he would have needed *Adrift in New York, Nelson the Newsboy, The Telegraph Boy* and *Joe's Luck or Always Wide Awake.*

Sarnoff was born in 1891, eldest son of a poverty-stricken family in the tiny (pop. 200) Jewish community of Uzlian, in Russia's province of Minsk. His father, who came of a trading family, wanted him to become a trader. His mother, who came of a long line of rabbis, insisted that he become a scholar. Sarnoff remembers that in the world of his childhood, prestige was based not on money but on "the possession of knowledge."

When David was four, the dispute over his future ended; his father departed alone for America. His mother, a strong-willed woman, promptly packed David off to her uncle, a rabbi who lived in a hermitage in Korma, about 150 miles east of Minsk. For about five years David stayed there, the only boy in the hermitage, up at 6 to begin his studies of the Talmud that lasted until 9 at night. He was lonely and he remembers those strange years with bitterness. The grey beards in the hermitage did not teach him to count. But those years trained his memory (2,000 words of the Talmud a day) and his reasoning powers. He was set simple ethical problems to work out. Sample: "If you saw an article lying in the street, what rights would you have to it?"

This tutelage ended when David was 9½. His father in America sent for his family. David, his mother and a brother took a ship at Libau, Latvia. "I had never even seen a picture of a ship," says David. His mother, afraid of forbidden food on the ship, had cooked, according to strict orthodox rules, a great hamper of bread, cakes and pickled meats. She explained that these were to be their only food on the voyage. David saw the food hamper being lowered into the hold. Afraid that it would be lost and he would starve, he dived after it into the hold, dropped 50 feet, scrambled about until he found the hamper and was rescued by a seaman. A sailor who spoke Russian told him: "You'll do all right in America."

Peter Stackpole—Life

RINGMASTER & ELZA BEHRMAN
After a surprise, head-holding for Toscanini.

He had to. When the Sarnoffs arrived in New York, they found the father broken in health. Ten-year-old David, who could not speak English, became the chief breadwinner for the family, which soon included two more babies. At 4 in the morning, he left the family room on the lower East Side to deliver the Jewish *Morning Journal*, ran errands for a butcher before going to school. He saved enough money to buy a newsstand, sold papers after school until late at night. David, who had a fine soprano voice, also earned $1.50 a week singing in the synagogue. At 15, on the day before he was to get $100 for singing during the Jewish holy days, his voice began to change. It was a disaster. He had to quit grammar school to look for a full-time job.

Thos. Coke Knight Associates

GUGLIELMO MARCONI
After sound, sight.

"Incidentally Me." He found one (at $5 a week) as an office boy, saved $1.50 to buy a telegraph key, and taught himself the Morse code. Soon he talked himself into an office job with American Marconi, the U.S. subsidiary of Marconi's British-owned company. The magic of wireless captured the boy's imagination; so did the personality of Marconi. "I carried his bag, delivered candy and flowers to his girl friends. I admired the simplicity of his approach to problems."

Up to this point, David had merely reacted with extraordinary energy to the responsibilities thrust upon him. Luck put him into the communications business, but had nothing to do with his next step. What he did next may have stemmed from the training in the lonely years in the hermitage at Korma: he sat down and thought out the path to his future. He noted that the company's wireless operators knew nothing about the office and that the office staff knew nothing about wireless. He decided that, as the business grew, it would need a man who knew both.

Sarnoff got his first operator's job on Nantucket Island, a job so lonely that few operators wanted it ($70 a month, $40 home to mother). David used his spare time to study books on wireless as tirelessly as he had the Talmud. Soon his expert "fist" could send 45 words per minute steadily for eight hours—a pace not many could equal. After two years there, he got himself transferred to Long Island, at a $10 cut in pay, so that he could go to night school, where he finished a three-year electrical engineering course in twelve

months. When his big chance came, he was ready for it: he was an operator in the Marconi wireless station, atop John Wanamaker's Manhattan store, on the night of April 14, 1912, when he picked up a message from the S.S. *Titanic:* "Ran into iceberg. Sinking fast." For three days & nights, the nation waited breathlessly while Sarnoff, going without sleep, provided its only news of the disaster and survivors. President Taft ordered all other stations off the air to enable Operator Sarnoff to catch the messages.

Sarnoff notes that the *Titanic* disaster "brought radio (and incidentally me) to the front." As a result of the disaster, Congress passed a law requiring every ship with more than 50 passengers to carry wireless. American Marconi set up a school to fill the sudden demand for operators; Sarnoff became an instructor at the school, rapidly moved up the ladder to commercial manager.

The Music Box. In 1915 he wrote a historic memo to his boss. Experiments had already proved that wireless could broadcast speech as well as signals,* but since anybody could "listen in" on such messages, the wireless companies thought the lack of privacy robbed radiotelephony of any commercial value. Sarnoff realized its possibilities. In his memo, he proposed to build a "Radio Music Box . . . to bring music into the house by wireless . . . Receiving lectures at home can be made perfectly audible; also events of national importance can be simultaneously announced and received." In the turmoil of World War I, Sarnoff's memo was ignored.

At war's end, the U.S. determined to end the British wireless monopoly. At Government urging, General Electric's Vice President Owen D. Young got G.E., Westinghouse, United Fruit and A.T. & T. to pool all their wireless patents and jointly organize RCA. It took over American Marconi—and Sarnoff. As RCA's chairman, Young was so impressed with Sarnoff's vision and knowledge of wireless theory and practice that he made him general manager.

Sarnoff dug out his old 1915 memo and tried it on Young, who liked the "music box" idea. But RCA's directors were willing to risk only $2,000. Sarnoff gave a demonstration that woke them up. He borrowed a Navy transmitter and helped give a blow-by-blow broadcast of the 1921 Dempsey-Carpentier world championship fight. It created a sensation; about 200,000 amateur wireless operators and others with homemade sets heard it, and spread the news of the wonder so widely that the public clamored for sets. RCA quickly developed the "music box," and both G.E. and Westinghouse began making it, with RCA acting as wholesaler.

Everyone thought that Sarnoff was foolishly optimistic when he predicted that $75 million in boxes would be sold within three years. Actual sales: $83 million. David Sarnoff, a prophet with honor, was soon radio's wonder boy, teeming with ideas. Why not, he proposed, put radios and phonographs in a single cabinet, save space, cut costs by using the same loudspeakers. Sales of such combinations soared. Why not start a radio network to improve programs, broaden the market for sets? At Sarnoff's urging, RCA founded NBC and the Red network. Two months later, the Blue network was added.

Copyright Karsh

FRANK FOLSOM
A weakness eliminated.

Changing the Tune. The radio field was being invaded by so many newcomers that Sarnoff got worried; he thought RCA should expand into other fields. But RCA's profits were needed to keep pace with the mushrooming radio business; there was little left for the kind of expansion he had in mind. So Sarnoff began his famous

Fred Lyon—Rapho-Guillumette

VLADIMIR ZWORYKIN
An eye invented.

* Reginald Fessenden had made such a broadcast in 1906, when wireless operators at sea were startled to pick up the unearthly sounds.

series of expansions without cash; he traded RCA products and stock for the companies he wanted. RCA had developed the Photophone, a device for talking movies, and traded rights to it to Radio-Albee-Orpheum and F.P.O. Productions, Inc. for 65% of their stock. The name was changed to the Radio-Keith-Orpheum (RKO). To get into the manufacturing business on its own, instead of remaining only a wholesaler of sets, RCA swung an even bigger deal: RCA took over Victor Talking Machine for $150 million worth of RCA preferred and common stock, a price that Wall Street thought far too high. RCA profits continued to soar. In 1929, the company that had hesitated to spend $2,000 on Sarnoff's music box grossed $176,500,000 as a result of it, netted $15.8 million, and was one of the sensations of the big bull market.

Radio stock went soaring from $2.50 to $549 a share, was split and resplit. Insiders made killings in radio pools, but Sarnoff had a reputation for keeping aloof from such shenanigans. At their height, he sailed to Europe to help Owen Young set up the Young Plan for German reparations.

When Sarnoff came back in 1930, he was elected president of RCA and faced the Depression. It was forcing many a radiomaker to the wall, but Sarnoff kept on driving ahead. In 1932, the Department of Justice forced G.E. and Westinghouse to give up their 51.3% control of RCA (by distributing their RCA holdings to their own stockholders). In this way RCA achieved independence, but as part of the deal Sarnoff also had to pay off $17.9 million that RCA owed its parents. He did it partly when he turned over to them RCA's new skyscraper headquarters in Manhattan (which G.E. still uses for its executive office), partly when G.E. and Westinghouse wiped out $8,900,000 of the debt. RCA had outgrown the building, anyway. For new quarters, RCA took over the biggest building in Rockefeller Center and handed out 100,000 shares of preferred stock as part of the deal.

By then, the Depression had hit hard enough so that Sarnoff decided to lighten ship. He started selling off control of RKO and later, on orders of FCC, sold the Blue network (it became the American Broadcasting Co.). In RCA's stock-swapping years, it paid no dividends. The first one was not paid until 1937, nearly 20 years after the company started. Sarnoff has thought it more important to plow earnings into research to keep up with the electronic world. And profits from research have often been a long time acoming.

Brave New World. Television is the best example. In 1923, Dr. Vladimir Zworykin, Westinghouse's Russian-born wizard, invented the eye of the modern TV camera—the iconoscope, and developed the kinescope. Sarnoff then called television "a dream whose shadowy outlines are beginning to appear on the far horizon," and set to work to make it come true. In 1928, RCA opened an experimental TV station in New York and during the next 20 years poured $50 million into television. At the opening of New York's World

NANETTE FABRAY & RCA COLOR BROADCAST
Lovebirds flapped unblurred wings.

Fair on April 30, 1939, Sarnoff made the first U.S. commercial telecast with the words: "Now at last we add sight to sound."

But even so it was not until after World War II that the mass production of TV sets began.

Out of RCA's big research headquarters at Princeton, N.J. Dr. Zworykin (who joined RCA in 1929) and his colleagues, under Vice President C. B. Jolliffe, brought many other startling developments: the electron microscope, the infrared "sniperscope" which enabled World War II G.I.s to knock off skulking Japanese troops at night, "shoran" for accurate blind-bombing. In World War II, RCA turned out an estimated $500 million worth of devices for the armed forces. Now it has big defense orders, many for products no one else can make.

Sarnoff is no scientist, yet of all RCA's activities, research is nearest his heart and he is one of the few top men of the industry who can talk to scientists without an interpreter. And research represents tomorrow, expansion, new success which David Sarnoff, after the painful insecurity of his early life, still seeks.

Collector's Items. Modesty, false or otherwise, does not disguise Sarnoff's power and success. His chill blue eyes shine with impatient energy, his boyish, scrubbed-pink face radiates cockiness. All 5 feet 5 inches of his bull-necked, bull-chested figure bristles with authority and assurance. He dresses with conservative, expensive elegance, even carries a gold frame to hold matchbooks.

At RCA he makes all the top decisions, is brusque with slower-witted underlings. He insists that every memo to him must be no more than a page, but allows himself more latitude, has written memos as long as 30 pages. A collection of his better memos, bound in gold-tooled leather, is a prized Sarnoff possession.

To record his accomplishments more fully, Sarnoff keeps a man working on the history of RCA and his life & times (unpublished, it is now in its twelfth volume). He is proudest of the fact that President Roosevelt made him a brigadier general for his work in organizing communications for SHAEF, and he wears a gold ring with SHAEF's flaming sword insignia. He likes to be called "General," and everybody at RCA does so. Even his wife & sons Robert, an NBC vice president, Edward, an electric appliance distributor, and Thomas, an ABC employee, so refer to him.

Again & again, he makes two points about his own personality: 1) he loves music, 2) he does not love money.

In the teeth of the realities of commercial radio and TV, he tries sincerely to hang on to his dream of the "music box." Sarnoff gets much of the credit for the fact that radio has helped to change America from musical illiteracy to a nation where millions know and love good music. Sarnoff's original idea was that makers of radio sets would sponsor cultural programs. To this day, he has little knowledge of radio advertising, and he despises cheap radio entertainment.

Sharps & Flats. Sarnoff's closest friends are from the musical world. Occasionally, such friends as NBC Music Director Sam Chotzinoff, Jascha Heifetz, Vladimir Horowitz, etc., stage elaborate costume parties at Sarnoff's home. At a surprise party for Toscanini, the Maestro was shown to the sixth floor when he arrived, asked if he had a reservation, was finally led into what seemed to be a nightclub. A blare of jazz assailed the conductor's ears. Sarnoff acted as ringmaster in a circus act while Elza Heifetz Behrman, sister of Jascha Heifetz and wife of Playwright S. N. Behrman, rode a make-believe horse. Toscanini sat with his head in his hands all evening, would not look at the show, and was not amused.

Last year, for Sarnoff's birthday, the

group staged a satire. Chotzinoff, impersonating Sarnoff, sat at a breakfast table, surrounded by telephones, talked into all of them at once, pounded the table, chewed up cigars. Sarnoff was amused.

Sarnoff likes to tell people that he is not a man of big wealth. Considering that he has been for 20 years at or near the top of an expanding industry, this is a sensational statement—and people who ought to know believe it. He has 5,000 shares of RCA stock and a $200,000-a-year salary.

His home life is as elegantly comfortable as that of any non-millionaire in the world. The Sarnoff home in Manhattan has six floors, 30 rooms, two patios, a barbershop and a projection room. In almost every room, including the servants', are radio and TV sets, with tuning gadgets concealed among the furnishings.

This ménage is presided over by his French-born wife, Lizette, whom he met and married 34 years ago in The Bronx. Sarnoff explains the courtship: "I could speak no French. She could speak no English. So what else could we do?"

Major Weakness. Sarnoff's lack of interest in some of the commercial aspects of radio may account for the fact that RCA's brilliant record in research and financing has not been equaled by its sales record—until recently. The man who has done much to eliminate this weakness is Frank M. Folsom, onetime vice president of Chicago's Goldblatt Bros. and Montgomery Ward, and chief of the procurement branch of the Navy during World War II, who joined RCA Victor in 1944.

As RCA chairman, Sarnoff lets President Folsom handle most executive details. Folsom is thus the empire's only heir apparent, but at 57, he is close to Sarnoff's own age. There are a few able younger men coming up, but RCA's major weakness is lack of a solid second echelon of younger executives. Its size often makes it hard for RCA to turn fast enough to cope with the crack team of Paley and Frank Stanton at smaller CBS.

Slow but Sure. CBS got the jump on RCA, not only in color, but in putting on the market three years ago the slow-playing record that revolutionized the phonograph business. Not long after that, CBS raided NBC's radio shows, snatched away such top stars as Jack Benny, Amos & Andy. At the time NBC lost the stars, it looked as if it would be hard hit. But Sarnoff has a way of coming out ahead, despite defeats. After the rumpus over the long-playing records died down, business for all record companies, including RCA, picked up. Thanks to the astounding spread of television, the network has hardly missed its radio stars.

To Sarnoff, these were all skirmishes, nothing to scare him from his plans to expand RCA into new territory. He is already itching to put RCA into the electric-appliance business, NBC into the movie business (to make films for television), and is planning a "pay-as-you-hear" TV system which would not depend on telephones as does Zenith Radio Corp.'s system (TIME, June 4). Above all, he is confident that the vast sums he has

poured into research will continue to pay off with more spectacular advances than even his color television tube.

"Electrons," he points out, "can supply the brains for the control of machinery, respond to light, color, a wisp of smoke—the faintest touch or the feeblest sound. Today, these electrons can follow a chart, a blueprint or a pattern more accurately than the human eye. Some day, they may even respond to smell and taste. Who would dare predict the future? He is a rash man who would limit an art as limitless as space itself."

ADVERTISING

Corrupt Substitute

At an international advertising conference in London last week, British Adman J. B. Nicholas offered his views on sex appeal in advertising. Said he: "Sex appeal . . . is a corrupt, lazy substitute for the romantic appeal. Sex appeal offers few novelties and they soon bore, whereas the romantic appeal affords inexhaustible possibilities of humor, charm and sentiment." How did Adman Nicholas define advertising sex appeal? Said he: "Oh, you know. Legs and all that sort of thing."

PUBLISHING

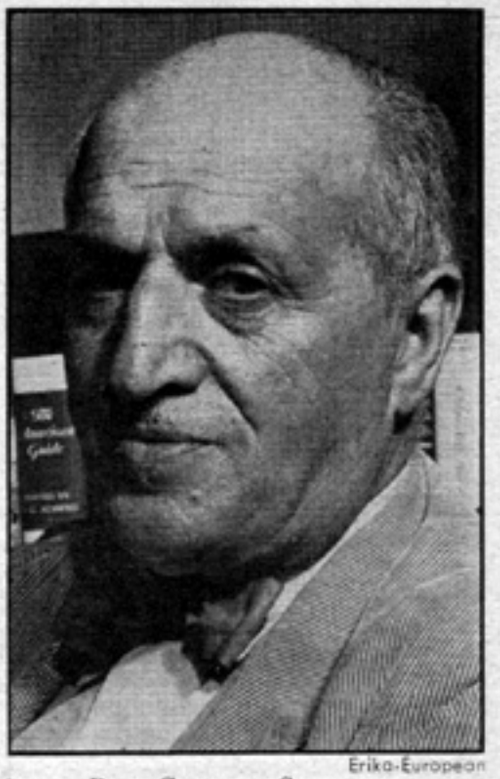
Battle of the Booksellers

After burying its nose in the book publishing business for more than a year, the Federal Trade Commission leaned back and issued a complaint last week that was a bestseller along U.S. Publisher's Row. The Commission charged that Doubleday & Co. and five other publishers* violated federal antimonopoly laws by allowing the book clubs to sell their books at cut-rate prices, while retailers were required to sell the same titles at fixed prices.

The FTC action was a victory for the 3,200 U.S. booksellers, who have been fighting a guerrilla war with the book clubs ever since Harry Scherman founded the Book-of-the-Month Club 25 years ago, brought cut rates and mass merchandising to the book business as well as scores of imitators. Book-of-the-Month Club leases printing plates from publishers, pays them 10% of the selling price of every book. Club editions not only undersell regular trade copies by as much as 40%, but the clubs give away many free books as "dividends."

Under the Counter. To fight the clubs, many retailers shoved the regular trade editions of book club selections under the counter, refused to recommend them to their customers. Others, like Manhattan's big Brentano's bookstore, signed up clerks as Book-of-the-Month Club members, then peddled their books to customers at regular retail prices.

But the clubs prospered. By 1950, there were 60 book clubs in the U.S., with a $100 million income, about 30% of all U.S. book sales. With 2.5 million members on their rolls, the clubs say that they have created a brand-new reading public. Says Book-of-the-Month's Scherman: "The retail bookstore—as a method of distribution in the U.S.—does not begin to do a thorough job." The clubs depend on the nation's 41,000 post offices for distribution, mail most of their books to towns under 100,000, which have few bookstores. Many a publisher reckons that book club and other reprint rights and sales to Hollywood are the only things that keep him in business.



Erika-European

BOOK CLUBMAN SCHERMAN
A bestseller made bad reading.

The Same Terms. Book stores charge that cut-rate book club competition helped depress retail sales to $250 million for the last four years, while rising costs have squeezed store profits to ¾ of 1%. The book stores' solution: force publishers to lease their plates to retailers on the same terms they give book clubs.

The publishers insist they have always been willing to do this. Said Doubleday President Douglas M. Black: "Any retailer that will bid and pay can lease plates. If any bookseller wants to start a book club there's nothing to stop him."

* The others: Harper & Brothers; Houghton Mifflin Co.; Little, Brown & Co.; Random House; Simon & Schuster.

AVIATION

Trouble for United

United Air Lines this week was forced to ground its six DC-6Bs, the line's biggest and fastest planes, and lop 9,300 miles off its normal 188,000 miles of flying schedules. Reason: the pilots would not fly them unless they got extra pay for the job. The issue, a major factor in the pilots' ten-day strike against United last month (TIME, July 2), popped up again in mediation conferences. The Air Line Pilots Association, said United, had agreed to discuss the question of higher wages for flying the DC-6B. But at the mediation table, the line charged, A.L.P.A. refused to talk things out. The pilots' union had nothing to say.