KIMBERLY-CLARK recorded growth for almost a year after the stock market crash of 1929. Until mid-1930 the “depression had little or no effect on our sales and earnings” which were “the largest in the company’s history,” company president Frank Sensenbrenner told stockholders in his financial report. After June 1930 there was a “material falling off in the sales and earnings,” but at the end of the year the company still boasted more than $3 million in after-tax profits and distributed $1.2 million in common dividends. The year 1931 brought a 44 percent reduction in net earnings, but dividends remained at the previous year’s level.

These statistics confirm the conventional portrait of the Great Depression as a slow downward slide, rather than an abrupt tumble in the immediate aftermath of the stock market crash. In some industries the descent started years before the crash as a result of sector-specific problems. In textiles, obsolete New England cotton mills faced stiff competition from new southern mills and rayon producers. Coal mines, which lost ground to oil refineries in energy markets, performed poorly throughout the decade. Merchant shipbuilding never fully recovered from the sell-off of government surplus tonnage in the early 1920s; the sell-off flooded steamship markets, precipitating a wave of shipyard closures at mid-decade. Pulp and paper performed generally well, but the 1920s hardly roared in troubled subsectors, notably newsprint, where overbuilding in Canada produced price erosion after mid-decade. Kraft paper producers experienced sharply
lower earnings in 1928 as a result of market saturation. Structural instabilities weakened these and other “sick industries” long before the crash, which exacerbated but did not trigger the secular downturn of the 1930s. Faced with deteriorating macroeconomic conditions after 1929, firms in these sectors tried to safeguard their market shares through price competition, which contributed to a deflationary cycle, staggering losses, and a wave of bankruptcies in the early 1930s.³

More versatile industries clustered at the opposite end of the economic spectrum. Producers of consumer durables such as automobiles, refrigerators, and radios introduced a steady stream of new products that yielded above-average returns in the 1920s. The most prominent example is General Motors, which pulled ahead of Ford with a wide model range, technological innovations, clever advertising, and installment plans that lured customers away from its stodgy competitor. Similar dynamics boosted consumer nondurables, including canned food, rayon textiles, specialty tissue paper, and sanitary napkins.⁴

As economic historians have pointed out, firms in these dynamic sectors faced a set of strategic choices at the onset of the Great Depression. Like companies in other industries, they could engage in price competition, grind competitors to dust with steep discounts, and try to keep the concomitant financial losses within manageable limits. But manufacturers of new consumer products faced an alternative that was unavailable to firms in technologically mature industries. Instead of joining potentially destructive price wars, they could develop innovative technologies and refine existing ones through investments into research programs to improve their competitive position with more marketable products.⁵

Its proponents readily admit that this scenario does not describe the actual behavior of most firms in the 1930s. Indeed, they argue counterfactually, if a sufficient number of firms had weathered the downturn with new products, the Great Depression would not have lasted as long as it did; nor would it have been as severe as it actually was. In reality, cotton, coal mining, steel rail, and other mature industries simply lacked the technological potential for strategic product innovation, leaving few alternatives to price wars except cartelization, attempted with mixed results through codes of fair competition under the National Recovery Act. New consumer products industries of the interwar period, however, enjoyed some potential for economically viable product development, as evidenced by the successful
commercialization of nylon, car radios, and tampons which produced healthy financial returns for DuPont, Motorola, and Tampax Sales Corporation respectively. As economic historian Michael Bernstein has argued, conventional analyses of the Depression that diagnose a terminal failure of internally generated accumulation cannot account for these intriguing episodes in the economic history of the 1930s. Bernstein therefore distinguishes between maturing industries that rapidly approached the limits of product development in the interwar period and more dynamic sectors that took advantage of opportunities for economically viable innovation. This analytical framework puts Depression-era business decisions in an intriguing new perspective that looks beyond the crisis management aspects of corporate strategy. If possibilities for profitable competition based on product innovation did exist, how did some firms manage to ferret out these opportunities while most others became embroiled in price wars?

The case of Kimberly-Clark and its subsidiaries offers interesting insights into these problems because management engaged in price wars but also tried to compete through product development and better marketing. As the present chapter demonstrates, consumer nondurables held considerable potential, particularly in hygiene products, where firms had barely scratched the surface of new markets. Kimberly-Clark exploited this opportunity with the successful commercialization of the Kleenex disposable handkerchief. Menstrual hygiene technology held similar promise, but in their worst strategic miscalculation of the 1930s, Kimberly-Clark executives decided to embark on a debilitating price war with Johnson & Johnson that was belatedly settled by the National Recovery Administration. Attempts to compete through product refinement and innovation yielded far better results, as evidenced by a variety of research, development, and marketing programs that buttressed Kimberly-Clark’s balance sheet.

Given a precipitous fall of disposable incomes in the 1930s, this strategy could be carried only so far. Consumer spending declined by 19 percent from 1929 to 1933 as a result of unemployment, a decrease in real wages, and ironclad consumer credit agreements that forced households to devote considerable resources to paying off long-term debts, as historian Martha Olney and others have argued. As is well known, the New Deal did little to alleviate the problem through Keynesian economics; according to business historian Thomas McGaw, “Deficits five to ten times as large as those actually recorded would have been required to restore prosperity.” In light of
these statistics, it is quite remarkable that some firms—including General Motors’s Cadillac division, Campbell, Tampax, and Kimberly-Clark—managed to weather the Depression through successful consumer product innovation.7

As comparisons with other pulp and paper companies in this chapter indicate, Kimberly-Clark remained one of the most financially sound, technologically versatile, and well-managed firms in the industry. Maintaining profitability even when the price war with Johnson & Johnson inflicted punishing financial blows, the company survived the Depression without net losses. Along with Scott Paper, Kimberly-Clark belonged to an elite group of firms that detected business opportunities in markets where most competitors saw problems and obstacles. In another marked contrast to the industry mainstream, however, Kimberly-Clark instituted a fairly conservative system of industrial relations that became an Achilles’ heel in the postwar era.

I.

Financial statistics provide a useful bird’s-eye view of Kimberly-Clark’s general performance. Inflation-adjusted net sales stagnated at $18 million in 1930, falling 9 percent in 1931 and another 20 percent in 1932, when they plateaued for two years (table 3.1). They returned to pre-Depression levels as early as 1935 and showed strong increases for two years until the Roosevelt Recession, whose lingering effects on sales could be felt until 1939. Inflation-adjusted after-tax earnings, perhaps a more telling financial indicator, showed a slightly different trend (table 3.2). After a remarkably strong performance until 1931, profits became anemic the following year and—unlike sales—remained below pre-Depression levels until World War II. They dipped below the 4 percent mark in 1933 and 1934 but recovered the following year. The year 1935 marked the beginning of continuous growth, which—in contrast to the net sales trend—was uninterrupt-ed by the Roosevelt Recession.

Kimberly-Clark derived approximately half of its sizable 1930 and 1931 net earnings from profitable Kotex and Kleenex sales, which were handled by the International Cellucotton Products Company (ICPC). Kotex sanitary napkins continued to sell at 45¢ a dozen, the same price as in 1928. Advertising also continued along the lines of precrash trajectories, supplemented by a new consumer ad campaign called “Only Kotex Feels Like Kotex” that cautioned consumers
TABLE 3.1
Kimberly-Clark net sales, 1929–1939

TABLE 3.2
Kimberly-Clark earnings, 1929–1939
against “dangerous” imitations (figure 3.1). Avoiding product changes and maintaining precrash retail prices during the first Depression years, Kimberly-Clark and ICPC cashed in on the Kotex innovations of the late 1920s. Less than a decade after the launch of the first Kotex marketing campaigns, sanitary napkins were apparently considered basic necessities by Depression-plagued consumers who curtailed their car purchases as early as 1930 but continued to buy sanitary napkins. Once considered an unmarketable product, Kotex was now billed a “business builder” for retailers in ads that claimed, “It is seldom that a woman comes in to buy a box of Kotex that she doesn’t buy two or three other items. It’s a 45-cent item that produces $1 sales.” Kotex sales grew by more than 8 percent annually
in the early 1930s, creating a market that seemed Depression-proof.8

Kleenex underwent significant changes in 1930. Initially leveraged as a cold cream remover, the tissue found widespread use as a handkerchief by consumers who believed that disposable tissues could help prevent the spread of colds. Later developments confirmed that demand for such a product was enormous and that market dominance belonged to the company that capitalized as quickly as possible on the innovative impulse “from the bottom up.” In light of Kimberly-Clark’s record of responsiveness to consumer and retailer needs, it was perhaps not by coincidence that ICPC grabbed the prize only a few months after it started to receive letters from consumers who told management how they used Kleenex. In 1930 general manager Walter Luecke and advertising professional Albert Lasker—seasoned veterans of Kotex marketing—convinced their fellow board members to conduct a consumer study to investigate consumer preferences. Conducted in Peoria, Illinois, the study determined that 61 percent of consumers “thought of Kleenex as a handkerchief, [while] 39 percent thought of it as a cleansing tissue,” one manager later recalled.9

Shortly after the completion of the Peoria survey, ICPC repositioned Kleenex as a disposable handkerchief through a $548,000 advertising campaign aimed at consumers as well as drugstores and department stores. The name designation changed from “Kleenex Cleansing Tissues” to “Kleenex Disposable Handkerchiefs.” Largely as a result of a $1.1 million advertising campaign in 1931, Kleenex captured the lion’s share of the market, with informal surveys indicating that 78 percent of users preferred Kleenex (Ponds disposable handkerchiefs ranked a distant second at 14 percent). The same year, ICPC started producing private brands for large retailers, including “Klenzo” tissues for United Drugs, followed a few years later by “Perfection” for Walgreen Company, “Hazel” for the National Tea Company, and “Wards” for Montgomery Ward. Kleenex sales meanwhile skyrocketed, more than doubling only two years after the product had been repositioned (table 3.3). Capitalizing on the results of the Peoria survey which indicated that consumers liked Kleenex because it was presumably more sanitary than the cotton handkerchief, advertising positioned the product as “[t]he handkerchief for health—to prevent self-infection [!], reduce the spread of colds.”10

From 1932 to 1934 ICPC—embroiled in its sanitary napkin price war
with Johnson & Johnson—drastically reduced its advertising budget, contributing to a slowdown in Kleenex sales.\textsuperscript{11}

In 1935 Albert Lasker, the Chicago advertising executive who sat on ICPC’s board of directors, rekindled Kleenex marketing by proposing a broadcast promotion. After a lengthy debate that centered on the cost of radio advertising, the board approved Lasker’s proposal, launching the first radio marketing campaign in the history of the company which had hitherto relied on print advertising. ICPC joined a group of elite corporations like DuPont, Ford Motor Company, and General Motors which used broadcast promotions to improve their general image or leverage specific products. One of the first Kleenex promotions was aired during broadcasts of the NBC soap opera “The Story of Mary Marlin.” In November 1935 ICPC promised a free Kleenex package to anyone who wrote to NBC’s Chicago station WMAQ to keep the show on the air. The promise elicited 67,300 replies from listeners—the “largest amount of mail ever received by a single NBC station from a single offer,” ICPC claimed.\textsuperscript{12} Encouraged by the results, ICPC a year later offered $10,000 in cash prizes for listener suggestions of a name for “Mary
Marlin’s” baby and for the “best ways to use Kleenex for babies.” The promotion produced 168,207 responses and helped boost Kleenex sales 13 percent in 1937. Two years later ICPC sponsored the new CBS radio show “Her Honor, Nancy James.” In April a $30,000 promotion broadcast during the show asked listeners to answer the question “Why I like Kleenex,” offering 1,000 battery radios as prizes. The promotion resulted in almost 130,000 responses, convincing ICPC to conduct similar campaigns to find out how consumers used Kleenex. In 1939 the company offered a $5 prize for every letter published and received approximately 150,000 “Kleenex True Confessions” over the next two years.

Toward the end of the decade, ICPC broadened the scope of Kleenex retailing beyond department stores and drugstores with a campaign intended to convince grocers to sell the product. Taking a leaf from the Kotex trade campaigns of the 1920s, it launched a nationwide retail contest entitled “Kleenex Time in America” which offered retailers $10,000 in cash prizes for the best Kleenex window and store displays and a $1.50 check for every submission. ICPC received more than 56,000 entries for store displays and 49,000 for window displays, giving Kleenex a secure foothold in grocery stores, which had become important retail outlets in smaller towns. By 1940 Kleenex net sales exceeded $7 million, compared to little more than $1 million a decade earlier. ICPC’s Depression-era marketing campaigns made Kleenex a virtual synonym for disposable handkerchiefs in the American consumer lexicon, where it has remained firmly entrenched until the present day.

II.

The repositioning of Kleenex, arguably one of the greatest feats in the history of consumer marketing, started in 1930. Only one year later the ICPC management committed one of the worst blunders by joining a price war in sanitary napkin markets, with disastrous consequences for the company, its parent company Kimberly-Clark, and other firms in the industry.

Kotex remained the most expensive sanitary napkin on the market until 1931. A reduction effected in 1928 had reduced per-unit retail prices to 3.75¢ from 5.41¢ in the previous year. ICPC and Kimberly-Clark had meanwhile substantially improved product design during the late 1920s to keep abreast of Johnson & Johnson. Fueling the
deflationary cycle of the early Depression years, several competitors cut their prices by more than half, raising eyebrows at ICPC and Kimberly-Clark, whose directors and managers grew concerned about Kotex’s market share. Lasker articulated these feelings at an ICPC board meeting in May 1931, stating, “[T]he extremely low prices offered by competitive makers of private brand sanitary napkins make it very important that the . . . company seriously consider reducing the advertised price of Kotex [boxes] from 45¢ to 35¢.”16

The board apparently needed little convincing, because it approved Lasker’s proposal without further discussion, adopting a 2.91¢ per-unit retail price for 1932.17

The price cut had an immediate and disastrous effect on ICPC’s net earnings, which fell by $2 million, producing the company’s only
net loss of the interwar period (table 3.4). The impact of the 1932 price cut on Kimberly-Clark was cushioned by a vote of ICPC's board to issue $368,000 in common dividends out of surplus, a substantial share of which went to the parent company. Urged by Sensenbrenner, James Kimberly, Mahler, and other Kimberly-Clark executives who sat on ICPC's board, the decision to issue dividends from surplus was decidedly ill advised, however. ICPC's accumulated surplus, which was invested in outside stocks and bonds, performed poorly during the early 1930s as a result of the stock market crisis, requiring a $210,000 write-off in 1931. The 1932 dividend reduced the depleted surplus by 43 percent, leaving a paltry $857,000 for emergencies. Despite the dividend, the sanitary napkin price war had a profound impact on Kimberly-Clark's net earnings because the parent company had grown accustomed to a substantial flow of ICPC common dividends, which had amounted to $1.2 million as recently as 1931. Although Kimberly-Clark executives managed to squeeze at least some proceeds out of the troubled subsidiary, Kimberly-Clark's net earnings tumbled 66 percent from 1931 to 1932. Kimberly-Clark suspended its own common stock dividends in October 1932.18

Unfortunately for everyone involved, Mahler, Sensenbrenner, Lasker, and other members of ICPC's board notched up the price war in 1933. ICPC sales and advertising director Walter Luecke, skeptical of the move from the start, explained in a somewhat contradictory memorandum written a few years after the fact:

We then decided that in order to keep . . . smaller manufacturers, who were springing up very rapidly, out of the field, we would have to sell Kotex at so low a price that these smaller competitors could not exist. So it was voted, against my own wishes and convictions, to put on a sale of Kotex at a price of 2 boxes for 25¢ retail. This was a reduction of the regular price then in force of 25¢ a box. Johnson and Johnson, our principal competitor, started this price war and in spite of my own efforts to convince Johnson and Johnson, as well as my own people, not to cut the price so low, the sale was launched. We sold a 6-months output of our factory in less than 6 weeks. A tremendous loss was taken by both Johnson & Johnson and ourselves.19

While the first part of Luecke's memorandum indicates that ICPC started the price war as an offensive move against smaller competitors, the fourth sentence blamed Johnson & Johnson, making ICPC's
price reduction appear defensive. Be this as it may, Kotex sold for little more than 1¢ per unit in 1933, almost 66 percent less than in the previous year. Fortunately for ICPC, Kleenex by now produced sufficient earnings to offset the steep losses in Kotex sales, enabling the company to report a $200,000 net profit in 1933. To prevent further financial hemorrhaging, however, the board suspended common dividends, depriving Kimberly-Clark of an important source of profits. As a result, Kimberly-Clark’s 1933 balance sheet showed only $444,000 in net earnings in current dollars, a 24 percent decrease compared to the previous year. Combined with a $35,000 loss reported by the William Bonifas Lumber Company, a wholly owned subsidiary of Kimberly-Clark, ICPC’s move forced the parent company to suspend its common stock dividends for all of 1933.20

Sanitary napkin producers ended their price war at the behest of the National Recovery Administration (NRA) in fall 1933. Luecke represented ICPC—with more than 40 percent of the market share still the most important player—in a series of meetings that established uniform codes for packaging and advertising before turning to the all-important question of price stabilization. Chastened by the results of the unsustainable price war, ICPC’s board authorized Luecke to agree to a 67 percent price increase at the NRA negotiations; the increase was supported by Johnson & Johnson and was adopted as a base figure for 1934 retail prices. For the remainder of the decade, per-unit prices stabilized around 1.6¢. Luecke, thoroughly exhausted from the quagmire, resigned as ICPC sales manager and member of the board in 1935.21

To restore the profitability of the battered sanitary pad, management decided to improve production efficiency by transferring Kotex operations from the aging Neenah mill to the Lakeview mill a few blocks down the street. Built by Sears, Roebuck to produce catalog paper, the Lakeview mill had been acquired by Kimberly-Clark in 1929 for more than $1 million and had initially produced a variety of specialty grades. Shortly after the price war the mill was converted to Cellucotton production, but its output was initially converted to Kotex and Kleenex at the Neenah mill. The transfer of operation accelerated in 1936 with the completion of converting facilities at the Lakeview mill which received much of the production equipment previously housed at the Neenah mill. At a cost of almost $1.7 million, Lakeview subsequently added three creped wadding machines and expanded the Kotex and Kleenex production facilities.22

Combined with growing and increasingly profitable Kleenex sales,
the stabilized Kotex prices enabled ICPC to raise its net earnings back to almost $1 million in 1934 and 1935. A trickle of ICPC common dividends started flowing Kimberly-Clark’s way in 1934, but net earnings stood at only $438,000 in current dollars, making it once again advisable for Kimberly-Clark to suspend common dividends. The financial tide finally turned in 1935, when ICPC issued almost $600,000 in dividends, contributing to Kimberly-Clark’s $950,000 net earnings for the year. The parent company reported continually increasing net profits for the remainder of the Great Depression.23

III.

Looking beyond price wars as a means to sustain its Kotex business, ICPC tried to open up new markets throughout the 1930s. Early in the decade it launched one of the first sanitary napkin marketing campaigns that targeted adolescent girls with a pamphlet called Marjorie May’s 12th Birthday, first released in the United States in 1932 (figure 3.2).24 Distributed as an insert in Kotex boxes, by mail, and through retailers, the booklet contained a fictional conversation between a mother and her daughter. It began, “‘Mother, dear, you are the best in the whole world,’ said Marjorie May after her birthday guests had gone home.” Over the next several pages Marjorie and her mother discuss the quiet demeanor of one of Marjorie’s party guests, which mother attributes to “Nature . . . beginning with her a new process of development.” Mother then recalls how she discussed the need for cleanliness years ago, when she told Marjorie that it is “just as important for you to be clean inside as it is to be clean outside.” Mother gets to the heart of the matter several paragraphs later:

In sending you this new physical development, Nature finds it necessary to employ a means of relieving the body of [an] unused substance . . . One of these days, at any hour of the morning or even in the middle of the night, you find coming from you a slightly bloodstained fluid. When you see it, do not be afraid or worried, for this is the first indication that the new development has started.

This somewhat nebulous explanation set the stage for the key paragraph of the booklet:
When this happens, you are to take from your dresser one of these Kotex pads and wear it with this elastic girdle, known as a Kotex sanitary belt. You must tell me the first day this happens, so I can see that you have a box of these little pads for your own exclusive use.

Marjorie—admonished to change pads frequently, bathe regularly, and engage in normal physical activity—thanks her mother profusely. “You are wonderful to have told me about this new experience I am soon to have. I shall feel quite a young lady when the new development comes, because it will mean that I have grown up.”

ICPC advertised *Marjorie May’s 12th Birthday* in Kotex ads of the early 1930s, which often contained a sidebar with a mail-in coupon for the booklet. Headlined “To ease the task of enlightenment,” the sidebar told “parents and guardians, in a spirit of constructive helpfulness”:

Some five million mothers will face the most difficult task of motherhood. Thousands of these mothers will sit down in quiet rooms—and from that intimacy so characteristic of today’s mother and daughter, there will result that understanding so vital to the daughter of today—the wife and mother of tomorrow . . . There
will be thousands of mothers, courageous, intimate in all things but this. There will be thousands too timid to meet this problem—and it will pass—but with what possible unhappiness . . . what heartbreaking experience. To free this task of enlightenment from the slightest embarrassment—the . . . Company has had prepared an intimate little chat between mother and daughter. . . . In this book, the subject has been covered completely . . . in simple, understandable form. It is accompanied by a simple plan affording the child complete privacy.

Like modern-day marketing materials that praise breast-feeding before pitching infant formula, the ad first went out of its way to idealize mothers who had the courage for face-to-face interaction, but then it suggested that there was an easier way: corporate-sponsored enlightenment.

Taken at face value, the Marjorie May’s 12th Birthday campaign was a classic case of what Jürgen Habermas has called the “colonization of life-worlds”—a hostile invasion of the intimate sphere between parent and daughter by a corporate agent of instrumental rationality. Tendered “in a spirit of constructive helpfulness,” the primary purpose of Marjorie May’s 12th Birthday was to ensure that adolescent girls developed brand name loyalty. To accomplish their objective, marketers leveraged the booklet as a substitute for interpersonal communication. Although plausible, this interpretation fails to account for the fact that mothers often failed to discuss menstrual hygiene in words that were intelligible to their daughters—more often than not, there was no life-world to invade. A series of oral history interviews conducted by historian Corrine Krause with ethnic women in Pittsburgh that explored pre- and interwar menstrual hygiene reveals that mothers rarely discussed menstruation-related issues. In the words of one interviewee, “We didn’t learn about [menstruation] at home. We just had to learn it from each other.”25 Viewed from this angle, corporate advice literature punctured a wall of silence, not a fragile sphere of intersubjective intimacy. That said, Marjorie May’s 12th Birthday and similar booklets certainly helped gear mother-daughter talks toward bland commercial themes. “In the twentieth century,” historian Joan Brumberg writes, “intimate maternal conversations with daughters were more often than not about the use of a particular technology or product, rather than about sexuality or reproduction.”26

For ICPC the booklet became an important marketing tool because it established brand name recognition for Kotex among ado-
lescent girls—tomorrow's customers—who comprised a crucial but hitherto largely untapped market for sanitary napkins. Moreover, schools ordered thousands of copies of Marjorie May's 12th Birthday, opening up another new marketing venue for the company. Based on her review of the Krause interviews, Brumberg concludes, "[T]hese programs were extremely effective. Beginning in the 1930s, but especially in the 1940s, almost all the daughters of Slovak, Italian, and Jewish families [in Pittsburgh] were given corporately-sponsored pamphlets . . . either at school or by their mothers."27 Quickly capitalizing on these accomplishments, ICPC commissioned a series of ads specifically aimed at adolescent girls and introduced Junior Kotex in July 1933.28

To further improve Kotex's marketability, ICPC and Kimberly-Clark developed new pad designs. In 1931 the Kotex division of
Kimberly-Clark’s technical department in Neenah developed the Phantom Kotex, whose flat, pressed ends reduced its visibility under close-fitting garments. Launched in 1932 the Phantom Kotex advertisements featured women dressed in evening gowns wearing pads held in place by the Kotex sanitary belt, promising that “the combination makes for complete ease and inconspicuous protection” (figure 3.3). In a 36-month research and development effort, the Kotex division in Neenah also developed a combination pad featuring fourteen regular plies and eight high-absorbency plies, also called “equalizer strips.” After having the product field tested by more than 300 women, ICPC commercialized it in 1933 as the Patented Equalizer that was thinner than regular Kotex but purportedly offered 20 to 30 percent higher absorbency.

IV.

In addition to refining Kotex, researchers developed a variety of other products, including Kimsul insulating material, washable wallpapers, new printing grades, and tampons. The development of Kimsul was based on close collaboration among scientists, engineers, and production personnel, one of the core strengths of Kimberly-Clark’s research programs. Kimsul evolved from insulator lining developed in 1929 at the behest of a refrigerator company. In 1930 Kimberly-Clark supplied refrigerator lining to the Masonite Company, a Mississippi-based manufacturer of hardboard for home construction which marketed the insulator for a year or so. This early venture into construction material failed in 1931 because refrigerator lining was too expensive for home construction, precipitating a search for more economical alternatives. Laboratory researchers in Neenah experimented with a variety of new sizing materials for the Cellucotton insulator and in 1933 settled on emulsified asphalt. To make “black wadding” suitable for building construction, the material had to be fireproofed, a major research challenge because Kimberly-Clark had never developed fireproof products. “A conference was called in which the problem was outlined to the chemists concerned,” according to one contemporary account. “The chemists went to the Research Library at [the Kimberly mill] and read what has been written in scientific journals about fireproofing.”29 After several months of laboratory research, the chemists developed a reliable fireproofing agent, but they encountered a variety of technical problems applying it to Cellucotton.
“Into the mill the chemists went,” the account continued. “They tried to mix the fireproofing agent with the [Cellucotton] beater furnish. When that didn’t work, they tried to put it on from the press felt, and then they tried printing directly on the product itself. And in all these trials the engineers concerned and the operators who would be called upon to run the material in quantity were present to contribute what they knew about machines and about operating problems. Finally a spray was tried, and the result was a success.” Full-scale production began fall 1933 at the Neenah mill, whose capacity was largely devoted to Kimsul when Kotex and Kleenex were transferred to the Lakeview mill. Despite a sharp decline in new home construction, Kimsul sustained the Neenah mill, which doubled its capacity in the late 1930s.

Kimberly-Clark’s wallpaper operations also profited from research-intensive product development in the 1930s. Produced at the Atlas mill in Appleton in collaboration with United Wallpaper Factories, the bulk of Kimberly-Clark’s wallpaper output consisted of Polychrome Duplex and other oatmeal finishes for living rooms and bedrooms. When demand fell off in the early 1930s, Kimberly-Clark physicists teamed up with United Wallpaper chemists and engineers to develop washable wallpaper for bathrooms, an inexpensive alternative to ceramic tiles. Earlier attempts to develop varnish-coated washable wallpapers were largely unsuccessful because moisture variations caused wallpaper to swell and shrink, leaving microscopic cracks in the varnish glaze that eroded its moisture-proofing properties. Moreover, consumers frequently rejected glazed wallpapers because they looked cheap. Kimberly-Clark and United Wallpaper developed a nonvarnish wallpaper stock that derived its water resistance from new types of inks that were applied to the paper base with special printing rolls. The ink converted “the printed surface of the paper into a non-glossy, water resistant product which is ready to hang,” a Kimberly-Clark physicist explained. “The surface of this new wipeable [sic] paper is integrally water resistant and does not depend on a lacquer or varnish coating. To satisfy the buyer who associates gloss with water resistance, methods have been devised which will give the paper this quality.” Marketed by United Wallpaper, washable wall coverings quickly became popular as tile substitutes in bathrooms and kitchens, ensuring the continued profitability of Kimberly-Clark’s wallpaper business in the 1930s.

During the interwar period Kimberly-Clark still defined itself primarily as a manufacturer of printing papers. When demand fell by
almost 25 percent in the early Depression years, accompanied by a similar drop in prices, Kimberly-Clark researchers launched several product development programs in collaboration with the large printing paper mills in Kimberly and Niagara (Wisconsin) and Niagara Falls (New York). These research efforts, which culminated in the introduction of the Kleerfect and Hyfect grades, tried to solve a technical problem familiar to printers around the country. In magazines and books printed on conventional groundwood paper, one observer explained, “The underside of the sheet revealed the telltale marks of the wire screen over which it had passed in the first stages of manufacture” on the fourdrinier machine.\textsuperscript{33} In the early 1930s Kimberly-Clark researchers developed a groundwood production process that eliminated the wire screen marks through machine coating. At a cost of more than $500,000, engineers rebuilt five fourdrinier machines at the Kimberly mill, where Kleerfect and Hyfect were first produced on a commercial scale in 1933. Kimberly-Clark marketed the new grades in a carefully calibrated advertising campaign in 1932, six months before the Kimberly machines churned out the first sheets, assuring printers and paper jobbers that Kleerfect and Hyfect would be available at the same price as conventional printing grades. Kleerfect made a successful debut at the height of the Depression, Sensenbrenner reported in March 1933, requiring “additional equipment to be installed during the next few months to meet the growing demand.”\textsuperscript{34} Over the next two years Kimberly-Clark’s board approved $2.4 million in Kleerfect- and Hyfect-related investments into the Kimberly, Niagara, and Niagara Falls mills. In a somewhat unusual move for a paper company, Kimberly-Clark in 1935 published a lavishly illustrated publication entitled \textit{Discoveries and Inventions Thru the Ages that Have Made Today’s Fine Printing Possible} on Kleerfect paper to demonstrate its printing properties to paper jobbers and printers.\textsuperscript{35}

V.

The mid-1930s marked the beginning of a product contest between sanitary napkins and tampons that has lasted until the present day. To fend off the challenge to Kotex, Kimberly-Clark could have tried to capitalize on widespread consumer fears that tampons were unhealthy and dangerous because they ostensibly served as vaginal plugs or could cause accidental deflowering. However, the company decided to jump on the tampon bandwagon as early as 1934, only
two years after a physician had patented Tampax, which eventually became a market leader. Kimberly-Clark and ICPC launched a carefully crafted research and development program that produced the Fibs tampon. To avoid competition with Kotex, however, most managers and executives conceptualized the tampon as a mere supplement to sanitary napkins, rendering the company’s entry into the tampon market problematic from the start. Consumer surveys of the late 1930s determined that women liked Fibs because of its small size but complained about its lack of absorbency.

The first commercial tampon was invented by Earle Haas, a general practitioner who developed Tampax in 1932. Working in the back of his garage, Haas sewed 5-inch cotton strips together with cord, leaving a string that could be used to extract the tampon from the vagina without touching the cotton. Using a device resembling a set of pliers, he compressed the sown cotton strip into a small roll to form the tampon. He encased it in a set of paper cylinders that enabled women to insert the tampon without having to touch it. Haas named his invention Tampax, a combination of “tampon” and “vaginal pack.” Unable to garner interest among sanitary napkin producers, including Johnson & Johnson, Haas sold his rights to the Denver businesswoman Gertrude Tenderich in 1933. After selling the tampon privately for a year or so, Tenderich and several Denver investors incorporated the Tampax Sales Corporation to market the product nationwide in 1934. By that year several small manufacturers sold a variety of other tampons, including Wix, manufactured by the Minneapolis-based Wix Company.

Kimberly-Clark’s venture into tampons originated in early 1934, when members of the technical department in Neenah started to tinker with various designs. ICPC board member Charles Pearce, who took a keen interest in these efforts, observed in June 1934 that the tampon market held considerable potential and that “we do not want to be the last ones to get in on the business.” At Pearce’s suggestion the Kimberly-Clark and ICPC boards quickly approved funds for further study and full-scale development. In internal communications the tampon was initially referred to as the Kotex Tampax, which did not lend itself to commercialization because Haas had trademarked Tampax in 1932. After considering a variety of possible trademarks, including Koads and Kopaks, ICPC sales managers and advertising agents settled on the somewhat unfortunate choice Fibs, meant to indicate “fibers.” Astute consumers later pointed out to baffled marketers that the brand name evoked entirely unintended connotations,
however. “‘Fib’ is a polite word for ‘lie,’” one woman remarked. “‘Fibs’ suggests something nasty, secretive, unclean. . . . [If] I wanted to buy tampons at a store, I would not buy ‘Fibs’ just because of the awful name.” A nurse seconded this view: “The name ‘fibs’ is to my mind an extremely poor choice.”

Members of the technical and manufacturing departments developed the basic Fibs tampon in coordination with the Michigan-based Grand Rapids Fiber Cord Company. The key design contributions came from Charles Fourness, an engineer and manager in Kimberly-Clark’s manufacturing division in Neenah, who rolled up short strings of Cellucotton surgical dressing, lined the cylinder with cotton fiber, and encased the device in braided yarn to prevent excessive expansion and chafing. Referring to the device as a fiber cord “pledget,” Fourness coated the tip with starch to effect firmness and smoothness for easy insertion. Taking a leaf from Haas’s Tampax design, engineers of the Grand Rapids Fiber Cord Company developed a string that was embedded into the Fibs pledget, enabling users to remove the tampon without touching the cylinder.

After completion of the basic Fibs design, the Neenah technical department conducted a laboratory review of available tampons in fall 1934, compiling a report for distribution among ICPC sales managers and Kimberly-Clark production personnel. Tests determined that all tampons suffered from two major problems. First, the devices were out of shape after use, indicating to researchers that the tampons were unable to withstand vaginal pressures. Second, they “had clots on the ends, showing that they act as plugs. This occurred with all types of tampons, even the small Fibs.” To learn more about other possible shortcomings, the researchers advocated an informal field study.

Lord & Thomas, Lasker’s advertising agency that had handled most of Kimberly-Clark’s and ICPC’s marketing campaigns since 1921, volunteered to distribute tampons among its New York office staff and ask for comments. After trying several brands, staff member Nadja Buckley compiled a detailed statement that alerted ICPC to Fibs’ inferior absorbency. Keenly aware of marketing issues, she cautioned that “the [Fibs] tampon will not be very successful protection for the beginning of the period [when discharge tends to be heavier]. I believe the end [of the period, when discharge becomes lighter] will really prove our best sales talk.” Buckley’s statement was welcome news to ICPC and Kimberly-Clark because it raised the possibility of marketing Fibs as a complement to Kotex sanitary napkins.

Kimberly-Clark meanwhile conducted an extensive field test
among Neenah mill shop-floor workers in October 1934, admin-
istered by female members of the technical department and mill nurs-
es. Most women surveyed found the Wix tampon uncomfortable because it was difficult to insert and remove. Tampax generally received high marks, but many women expressed initial bewilder-
ment. “I am sure that on my own volition I would never even con-
sider using an insert with such a wicked appearance, that is, so painfully stiff and so incredibly long,” one worker reported. “After much consideration, though, I am beginning to appreciate the unusual features of this strange appliance,” she continued, agreeing with other test participants that the applicator was Tampax’s most con-
venient feature.44 Other women felt less comfortable. One reported that she became “very frightened when I removed the tampax [sic] for I felt as if I was pulling all of my organs out of place.”45 Fibs were rejected by some participants who cited problems inserting the tam-
pon, but most—perhaps trying to please management—reported positive experiences, particularly praising its comparatively small size. “As far as appearance goes this one is the least forbidding because of being smaller in size,” one respondent opined. “After struggling with the other three kinds [Tampax, Wix, and Holly-Pax], I would say that this one is possibl[y] the least objectionable.”46 Its small size, presumably Fibs’ most appealing feature, inherently lim-
ited absorbency.

Based on the mill survey results, ICPC and Kimberly-Clark refined the Fibs design in January 1935 and commissioned another field test before releasing the product for full-scale production. Focusing on review comments that indicated insertability problems, the product designers dipped the tip of the tampon into a starch-glycerin solution to “facilitate digital insertion.” The key managers involved in the pro-
ject—Fourness in manufacturing, ICPC sales manager Morton Hague, and veteran Kotex advertising manager Lawrence Meyer—meanwhile discussed the redesigned Fibs with consulting physician Lloyd Arnold. Arnold was a tampon skeptic who claimed that his own Fibs field study with 225 participants demonstrated that only 15 percent of respondents experienced full protection, indicating that Fibs lacked sufficient absorbency. A subsequent consumer test with 93 participants administered in April 1935 contradicted Arnold’s findings, convincing ICPC and Kimberly-Clark to authorize full-scale production without changes. The April survey was biased, however, because instructions suggested that participants use Fibs for the “end of the period.”47 Moreover, the survey did not instruct participants to
compare Fibs to other tampons. One respondent who did make the comparison pointed out that she found “Tampax very satisfactory—more absorbent than Fibs.”

Mill engineers designed and built several tampon machines that were installed in the Neenah mill in early summer 1935. The main production equipment consisted of power-driven braiders, a so-called impregnating machine, drying rolls, a cutting machine, and several converting devices. Two braiding machines, operating at a speed of 8.4 feet per minute each, encased thin Cellucotton strips in a quilt, which was soaked in a starch-glycerin solution on the impregnating machine and then dried on a reel. A cutting machine sliced the quilted strips into pieces slightly more than two inches in length at a rate of 20 feet per minute. After a power-driven pointing device contoured the tip, the tampon was sown together in a stitching machine, looped, inspected, and machine packaged.

The Fibs tampon was released in summer 1935. In July ICPC advertising manager Meyer told three female sales representatives who sold Kotex door-to-door that “we are definitely coming out with a tampon under the name of ‘Fibs’ which will pack 12 to a carton, probably to retail at 25¢.” He also authorized them to distribute free samples to “any woman who expresses an interest in tampons.” Immediate consumer responses were discouraging. The sales representatives reported to Meyer in late August 1935 that customers questioned whether Fibs were as absorbent as other tampons. Meyer wrote an urgent telegram to James Kimberly in Neenah on August 28, requesting detailed laboratory information. The answer arrived several hours later. “The absolute capacity of some of the larger tampons would be greater than our Fibs because there is so much more material in them,” it read. “However our wadding absorbs so much more quickly that in actual use Fibs are just as efficient as the larger tampons because a larger percentage of the wadding in Fibs is used.” When Fibs was finally released on September 21, 1935, Meyer acknowledged its limitations. “As indicated on the carton, Fibs are recommended ‘for the waning days of the period,’” he told his sales staff. “They are not a substitute for a sanitary napkin. They offer invisible protection at a time when requirements are light, usually the last few days, but sometimes at the very beginning of a period.” Meyer’s advertising campaigns, which marketed Fibs as “The Kotex Tampon,” reiterated this confusing message, exacerbating the problem with a poor choice of words. Asserting that Fibs “really solves the problem of days when less protection is needed,” the ad failed to
specify what that problem was, violating one of the ground rules of successful advertising (figure 3.4).

Kimberly-Clark executives tried to ignore the Fibs absorbency problem for over a year, focusing their attention instead on Tampax’s allegedly misleading marketing campaign. James Kimberly stated in December 1937, “Tampax has taken most of the tampon market by a considerable amount of advertising and a lot of extravagant claims. Our lab results show that ‘Fibs’ perform better than Tampax.” In any event, he added, “Tampon products will not be satisfactory for the
entire menstrual period—a pad is needed as a back-up.” In an implicit admission that something was amiss, however, researchers tried to improve absorbency and reduce the bacteria count through a Fibs redesign in 1938. The new design evidently failed to solve the absorbency problem, because a report issued the following year indicated that Fibs still compared unfavorably to other tampons in this category.

The reasons for Kimberly-Clark’s failure to secure a foothold in the tampon market were numerous. Committed to the company’s core business in sanitary napkins, managers and executives were unable to conceptualize tampons as independent products. A combination of technological misperceptions and Kotex marketing traditions may have played a role as well. After touting the superiority of Cellucotton’s absorbency compared to cotton’s for more than two decades, executives and managers had probably convinced themselves that they could produce a smaller tampon than competitors, without a proportional loss in absorbency. Reducing the size of menstrual hygiene products had been a guiding principle of Kotex’s development since the late 1920s, culminating in the introduction of Phantom Kotex in 1932. These trends converged in the development of the Fibs tampon, whose small size accounted for its inferior product quality.

At the time, management could claim that the ill-fated tampon cost the company nothing more than $100,000 in research and development expenses. As a result of consumer bias against insertable devices, tampons captured less than five percent of the feminine hygiene products market of the 1930s. But Kimberly-Clark’s own field studies indicated that young respondents felt somewhat less intimidated by tampons than older survey participants. A 42-year-old business manager, for example, believed that tampons “undoubtedly will please the young moderns. Older women, hampered by old fashioned training and ideas will hesitate to use them. I don’t know why, but I would not feel safe.” A 22-year-old housekeeper, by contrast, was “anxious to try [tampons] again,” and a 26-year-old bookkeeper liked them for “evenings when I go out.” This raised troubling questions about the continued market dominance of sanitary napkins in later decades.

VI.

The price war of the early 1930s and the Fibs debacle notwithstanding, Kimberly-Clark remained one of the nation’s best-performing paper
companies. Maintaining a positive balance sheet, turning Kleenex into one of the fastest-growing consumer nondurables of the decade, launching a Kotex redevelopment program, and experimenting with tampons were no small feats in an industry that suffered above-average financial losses.

A financial survey of the nation’s seven leading pulp and paper companies from 1930 to 1936 confirms this hypothesis (tables 3.5A and 3.5B). Kimberly-Clark’s aggregate $8.83 million profit over the period was higher than that of any other company. At the other end of the spectrum International Paper—whose average annual sales of more than $90 million and assets exceeding $300 million made it the world’s largest paper company—reported an aggregate loss of $13 million from 1930 to 1936, accumulated over five consecutive years. Kimberly-Clark and Scott Paper were the only firms in the group that remained profitable. In 1934, its worst year, Kimberly-Clark still reported a 2.6 percent profit. St. Regis Paper Company, by contrast, reported the most horrendous performance in this category, with negative earnings exceeding 17.6 percent in 1932, followed by a 21.6 percent loss a year later. In these two years, arguably the darkest period in American economic history, the industry wrote its earnings statements mostly in red ink, but Kimberly-Clark still managed to eke out 4.8 and 3.2 percent in profits respectively. Its ability to skirt the economic free fall of the worst Depression years stands out as the firm’s most notable achievement. When the tide finally turned in 1935, most competitors emerged as debt-ridden firms with devalued assets, spending the next several years patching up their finances and reorganizing their battered corporate structures. Kimberly-Clark and Scott, meanwhile, entered the period of slow recovery in the second half of the 1930s in relative financial health, enabling them to invest money into new products and assets instead of servicing colossal debts.

A comparison with IP highlights some of the strategic underpinnings of Kimberly-Clark’s above-average financial performance during the Depression. In the 1920s IP transferred its newsprint operations to Canada to take advantage of lower pulpwood and labor costs, but the sheer scale of its $60 million investments contributed to market gluts in the late 1920s. Unlike Kimberly-Clark’s Canadian newsprint mill in Spruce Falls, Ontario, which could count on the fairly dependable demand of The New York Times through much of the 1930s, IP had no reliable long-term customers, forcing it to bid on annual newsprint contracts in fierce competition with increasingly desperate Canadian mills. When newsprint prices tumbled as a result
TABLE 3.5A
Net earnings of Kimberly-Clark, IP, Mead Corporation, and Union Bag, 1930–1936

TABLE 3.5B
Net earnings of Kimberly-Clark, Container Corporation, Scott Paper, and St. Regis, 1930–1936
in the early 1930s, IP’s Canadian newsprint subsidiary started to produce newsprint at a loss of $7.50 per ton, yielding aggregate losses of $22.8 million over the course of the 1930s.\textsuperscript{58}

IP meanwhile converted its aging American newsprint mills to other grades. Unlike Kimberly-Clark, however, IP shunned technologically challenging products like rotogravure grades or wallpapers that required new expertise and new investments into product-specific mill equipment. Older IP mills instead converted to conventional book and bond papers. Kimberly-Clark’s and Hammermill’s experiences in this sector demonstrated that production and marketing of specialty papers required close coordination with jobbers and printers. But IP kept jobbers at arm’s length, learned little about marketing strategies for book and bond papers, and—unlike Kimberly-Clark—rarely dispatched engineers to help printers solve problems. Moreover, like most other mass producers of printing papers, IP avoided investment-intensive research and development programs, particularly in the Depression. In the early 1930s, when Kimberly-Clark researchers were busy developing Kleerfect and Hyfect, IP fired more than half of its research staff at the Glens Falls, New York, laboratory, leaving the company’s printing paper mills to their own devices. This lack of innovative capacity contributed to the demise of most book and bond paper mills in the IP system during the 1930s.\textsuperscript{59}

The near collapse of IP’s newsprint subsidiary, combined with the decline of its book and bond paper business, produced one of the industry’s worst financial records. Average net losses amounted to 2.79 percent of net sales from 1930 to 1936, compared to Kimberly-Clark’s 6.5 percent in net earnings. IP turned the corner after mid-decade, when it scaled back unprofitable newsprint operations and expanded its consumer nondurable business in kraft paper products through its subsidiary Southern Kraft Corporation (SKC). Created during the 1920s, SKC operated six large paper mills in the southern states; these mills initially produced unbleached wrapping papers for brown shopping bags and related items. When demand for the products slumped in the early Depression, Richard Cullen and other SKC executives decided to retool several mills for unbleached kraft grades. The latter were converted by subsidiaries into a variety of new consumer nondurables, including milk cartons, paper plates, file folders, and high-grade linerboard cartons. Impressed with SKC’s ability to develop profitable new product lines, IP’s board fired company president Archibald Graustein in 1936 and replaced him with Cullen, who orchestrated several large-scale refinancing and reorganization
programs over the next several years. In 1937, to pry loose $2.3 million for long-overdue preferred dividends, Cullen had to convince wary shareholders to approve a recapitalization plan that reduced IP’s stock value by $30 million. The same year, his colleague Sensenbrenner, whose company had not once defaulted on its preferred obligations during the Depression, announced close to $1 million in common dividends to Kimberly-Clark stockholders.  

A look at Scott Paper confirms the correlation between consumer nondurable product lines and strong financial performance in the Depression-era paper industry. Scott Paper was the industry’s star performer, with average net earnings of 10.2 percent on net sales from 1930 to 1936, 36 percent higher than Kimberly-Clark’s respectable record. Scott had carved out a dominant position in the market for paper towels and toilet paper with clever marketing strategies and substantial investments into its Chester, Pennsylvania, mill, widely regarded as one of the nation’s best-equipped tissue paper mills. In the early 1930s Scott invested $1.4 million into a carefully calibrated research and plant equipment program that was designed both to improve the softness of its Waldorf toilet grade by more than 30 percent and to develop “ScotTowels for Kitchen Use,” a new product that was based on its existing line of industrial grade paper towels. Almost doubling its advertising budget at the height of the Depression to $365,000, Scott conducted successful marketing campaigns for the new ScotTowel and other products that helped boost net dollar sales by 18 percent in 1934. The increase enabled Scott to compensate for an 8 percent decline in per-unit price of tissue paper in that year, yielding 9.7 percent growth in net earnings compared to 1933. Although the company invested $3.8 million into a two-year reconstruction of the Chester plant, common dividends grew uninterruptedly from $230,000 (1931) to $1.2 million (1939) in current dollars.

VII.

Although a detailed history of industrial relations at Kimberly-Clark lies beyond the purview of the present study, the topic warrants some attention because labor-management conflicts affected the firm during the postwar decades. The roots of Kimberly-Clark’s uneasy relations with national trade unions, which precipitated a series of strikes in the 1960s and 1970s, lay in the interwar period, when the company tried everything possible to keep national unions out of its mills.
Kimberly-Clark had long been committed to the concept of welfare capitalism, which many employers viewed as “an alternative to Taylorized bureaucracy and to market contractualism,” as historian Sanford Jacoby has pointed out. Beginning in the late nineteenth century, the firm had rented out or sold family homes to its employees in Kimberly and Niagara, Wisconsin, and elsewhere at low prices. In 1910 it had instituted the Kimberly-Clark Mutual Benefits Association which paid out almost $800,000 in benefits over the next eighteen years. In the 1920s company president Sensenbrenner personally financed the construction of a hospital at the Spruce Falls newsprint mill in Kapuskasing, Ontario. In the early 1930s the company increased its payroll by 70 percent to more than 4,000 production workers while instituting the six-hour workday. In the 1930s management cited these policies to buttress its claim that national unions were superfluous because Kimberly-Clark workers enjoyed better working conditions and a higher standard of living than most paper workers.

Kimberly-Clark workers were organized in mill councils, instituted in 1920 to fend off the International Brotherhood of Pulp and Sulphite Mill Workers (IBPSMW) and other national unions. The mill councils—a euphemism for company unions—were composed of workers and management representatives who consistently toed the company line on wages, work hours, and benefits in the 1920s. Their chief task was to develop uniform job descriptions and classifications for all mill occupations in order to support management efforts to systematize production, particularly for Cellucotton, Kotex, Kleenex, and other new consumer items. Although these efforts contradicted the notion of welfare capitalism as an alternative to bureaucratization, Taylorism, and overly formal labor-management relations, the ideology of corporate welfare apparently remained intact. When IBPSMW organizers tried to recruit workers shortly after the passage of the National Industrial Recovery Act (NIRA), “anti-union workers explained to Brotherhood representatives that they enjoyed higher rates of pay and better working conditions and benefits under the company union than did organized pulp and paper workers in the region.”

Kimberly-Clark—eager to keep the unions out, but also determined to participate in National Recovery Administration (NRA) code negotiations to stabilize the troubled sanitary napkin business—revamped the mill councils in June 1933 to comply with NIRA Section 7(a). A committee consisting of twenty-one managers...
and the same number of workers developed a plan to expand council authority beyond wage and work-hour issues; the plan was adopted in a referendum held at all Kimberly-Clark mills during the summer. “The new plan is thorough-going,” Sensenbrenner claimed. “It has ‘teeth.’” To comply with Section 7(a), employees elected mill council members in secret ballots. The seven mill councils were authorized to consider and resolve disputes over “working conditions, hours, pay, supervision, health, safety, hiring, transfer, promotion, demotion, release, insurance, education, housing, recreation, community relations, and similar matters.”65 Every three months local mill councils sent representatives to a five-day general council meeting at company headquarters in Neenah to deal with companywide issues. In November 1933 the councils started a thirty-month occupational analysis and classification program that established “Standard Instructions,” including detailed job specifications, pay scales for hourly rated jobs, and grievance mechanisms. Ratified by the general council in 1936, the standard instructions remained the basis for capital-labor relations at Kimberly-Clark for more than two decades. Sensenbrenner claimed that the program “resulted in some of the straightest thinking we have ever done on administrative problems. Standard instructions which are cooperatively developed provide more workable policies than management alone could devise.”66

Crediting the NIRA with creating a “new spirit of openness,” management portrayed its labor provisions in glowing terms: We feel that paragraph 7-A of the NIRA has done a powerful lot [sic] to build a sound basis of relations between management and employees of Kimberly-Clark Corporation.”67 Mill council members, in testimony before an NRA code committee, raised eyebrows throughout the paper industry by suggesting a minimum hourly wage of 50¢ and Kimberly-Clark’s six-hour workday as industrywide standards. IBPSMW president John Burke, a skilled union strategist, promptly portrayed the Kimberly-Clark proposal as too ambitious, convincing several paper companies to enter collective bargaining agreements with the “reasonable” IBPSMW.68

The Wagner Act marked a watershed in industrial relations across the country. Shortly after passage of the act in 1935, Kimberly-Clark management still claimed that “the new law does not outlaw the Kimberly-Clark Council Plan.” However, management later admitted that the system was legally untenable under the provisions of the National Labor Relations Act, owing to extensive management involvement in mill council affairs. Although the company dissolved
the councils in August 1937, company unionism survived. To pre-
empt national unions which dispatched labor organizers to the Fox
River Valley in summer 1937, management hurriedly recognized the
Employees’ Independent Union (EIU), formed in August 1937 by for-
mer mill council members. (Similar company unions were founded by
employees of three other Wisconsin paper companies but failed to
gain NLRB accreditation.) At its first meeting with the union, man-
agement signed off on a closed-shop system proposed by EIU repre-
sentatives—a transparent attempt to keep national unions out of the
mills for good. By September 1 the company union had enrolled
3,215 of 3,532 eligible employees. Continuing at breakneck speed to
create a fait accompli, management and EIU representatives signed a
contract on September 22 that sanctioned existing labor policies,
including the standard instructions, wage schedules, the basic six-
hour workday, and a 36-hour workweek.69

As could be expected, national unions responded with hardball
tactics of their own. The IBPSMW and the International Brotherhood
of Paper Makers filed a complaint with the NLRB, citing various vio-
lations of the Wagner Act, including company payments to EIU rep-
resentatives. The NLRB, agreeing with the unions that these practices
were illegal, instructed Kimberly-Clark to renounce the September 22
contract, dissolve the EIU, and admit national trade unions to all
future elections. A red-faced Frank Shattuck stated publicly:

Certain technical provisions of the Wagner Act were unintention-
ally violated. The former mill council plan, for instance, had not
been entirely abandoned during the early stages of organization of
the union. Under the council plan the company paid wages to
employees while engaged in council business other than joint bar-
gaining meetings with management.70

Moreover, the company had reimbursed council members for travel
and hotel expenses and had paid the salary of a full-time secretary.
“Such practices,” Shattuck acknowledged, “are named as unfair
under the Wagner Act and, inasmuch as there was an overlapping
between the outgoing council pan and the incoming independent
union, the management is charged with unfair labor practices and the
independent union is labeled as company dominated.”71

While acknowledging the NLRB findings, Shattuck remained con-
vinced that Kimberly-Clark employees were still committed to com-
pany unionism. “So far as we know,” he told a business associate,
“the employees’ attitudes have not changed since the Independent Union went out of existence in October.” Subsequent events confirmed this view. EIU activists organized local independent unions at the Kimberly, Atlas, Lakeview, and Niagara Falls mills. Management supported the movement with an advertising campaign in local newspapers entitled “Kimberly-Clark Industrial Relations Talks” that portrayed national trade unions as unwelcome “outsiders.” The campaign carried over into 1938, when Kimberly-Clark mills held Wagner Act elections. Shortly before the vote an editorial published in the company’s employee newsletter Cooperation claimed that the NLRB ruling of the previous year had been a union-inspired act of willful destruction that threatened democracy itself. “Constitutional representative government worked more genuinely in Kimberly-Clark under the old Council Plan than it works in most of our political subdivisions. . . . Odd, isn’t it, that our national government, through one of its bureaus . . . should drive from existence so wholesome an influence in our national life.” Hinting at dark machinations involving liberal members of Congress, the NLRB, the Roosevelt administration, and above all organized labor, management portrayed national trade unions as agents of an increasingly antidemocratic state. Partly as a result of such rhetoric, most employees rejected the IBPSMW, the International Brotherhood of Paper Makers (IBPM), the International Association of Machinists (IAM), and other national unions that competed in the elections, casting their lot instead with the local independent unions. The independents, unlike the EIU, meticulously avoided management involvement in internal affairs, including company funding of clerical services. Chastened by the events of fall 1937, management did not recognize the company unions until they had received NLRB certification. In 1939 management and company union representatives signed their first collective bargaining contracts. The contracts ratified both the standard instructions and a small wage increase that management had granted voluntarily in 1937; however, they also reinstated the eight-hour workday.

Management’s attempt to keep national unions at bay in the late 1930s was largely successful. Except a handful of trades that were represented by the IAM, the IBPSMW, and the IBPM, most of Kimberly-Clark’s 4,300 hourly workers opted for company unions. As a result, the corporate welfare system instituted after World War I and modified in 1933 remained in place well into the postwar era. Most other paper companies, by contrast, recognized and negotiated with national unions shortly after the passage of the Wagner Act. IP, for example,
long the industry’s bastion of strident anti-unionism, signed its first contract with the IBPSMW and the IBPM in November 1937, supplemented a year later by a multi-mill contracting system that enabled IP to maintain relatively trouble-free industrial relations until the 1980s.

Kimberly-Clark’s system of industrial relations was far more than an anachronism, however. As late as the 1950s company unions represented more than 400,000 American workers in some of the nation’s largest corporations, including DuPont and TRW. Operating with the parameters of Section 7(a) and later the Wagner Act, many company union representatives viewed themselves as independent collective bargaining agents. Some even took positions that exceeded demands raised by trade union leaders, as evidenced by the proposal of Kimberly-Clark council representatives at the NRA code hearings to adopt the company’s six-hour workday as an industry standard. Furthermore, many managers believed that their labor policies met modern collective bargaining standards. Charles Eubank, for example, a Kimberly-Clark industrial relations specialist, remarked at a labor conference in Chicago:

Some of you probably are thinking that I’m either kidding myself or trying to kid you when I refer to a genuinely legislative employee representation plan through which major decisions are really made, and binding contracts really negotiated. Your argument probably is that the management representatives, with their inside information and ability to talk, are able to sell gold bricks or are powerful enough to make the workers feel compelled to agree. . . . But your argument does not apply to an employee representation plan which honestly tries to satisfy today’s requirements by settling major issues. The man who says that elected representatives today are unwilling or unable to aggressively and effectively present their case simply does not know what he is talking about.”

Managers who reiterated these claims in subsequent years neglected to mention that company union objections to management decisions were usually based on the standard instructions first adopted in 1936, a pivotal link between “old” and “new” labor relations that ensured management hegemony. Be this as it may, management was convinced that company unionism contradicted neither the letter nor the spirit of the Wagner Act.

This attitude left management ill-prepared to negotiate with national trade unions, which remained its bête noire well into the
postwar era. Cola Parker, for example, had joined Kimberly-Clark in 1937 as a senior executive, succeeded Sensenbrenner as company president in 1942, and later served as president of the National Association of Manufacturers. Parker regularly referred to national trade union activists as “bosses” who allegedly engaged in “union goonism.” When Kimberly-Clark employees started to join national trade unions in large numbers during the early 1960s, management was stunned and outraged at these acts of “betrayal.” Unaccustomed to collective bargaining procedures that had become routine in large parts of the industry since the late 1930s, Kimberly-Clark became embroiled in a series of labor conflicts that hurt the company at a time when it struggled to maintain its financial viability.

VIII.

Kimberly-Clark emerged from the Great Depression as one of the nation’s most resourceful pulp and paper companies. Despite a steep plunge in profitability and suspension of common stock dividends from 1932 to 1935, it largely maintained its financial viability without increasing its $8 million long-term debts. In 1939 its surplus amounted to $9.2 million—slightly less than that of International Paper, whose assets and sales exceeded Kimberly-Clark’s by a factor of four. Its 150-member research department, whose average annual budget in the late 1930s exceeded $400,000, was the largest and most versatile in the industry. Cellucotton-based consumer nondurables employed more than half of its workforce, a larger share than that of any other paper company except Scott. Failures like Fibs notwithstanding, Kimberly-Clark, Scott, and Hammermill probably knew more about consumer marketing than the rest of the industry combined.

Industry analysts took note, commending Kimberly-Clark for sensible product and financial strategies under extraordinarily difficult circumstances. In 1938 Thomas Foristall, an analyst for The Wall Street Journal, noted in his widely read “Inquiring Investor” column: “Although considerable fluctuation is experienced in its returns, Kimberly-Clark Corp. enjoys a far greater measure of stability than the average unit engaged in the inherently erratic paper manufacturing industry. . . . Benefiting from [an] integrated operating status and from relatively stable demand for products, the company has been able under the worst trade conditions to record ‘black ink’ results.”