What Happened to the Company That Dix Made?

NIKKI MANDELL

In the early twentieth century, progressive employers tried to turn recalcitrant workers into cooperative partners with a menu of corporate welfare programs. One of those employers, Henry A. Dix, took a leap that few contemplated. In 1922 he announced a plan to give his profitable $1 million business to his employees. Dix became famous as "the man who gave his business to his employees." His ownership transfer scheme sought to make the welfare of the workforce the raison d'etre of a modern shareholder-owned corporation. It raised the possibility of building a capitalist society quite different from the one that emerged in the twentieth century. This paper connects the Dix plan to an understudied employer-based movement for industrial democracy and examines cultural, gender, and class dimensions of the Dix transfer from conception through the company's demise decades later.

On December 28, 1922, the *New York Times* reported a story perfectly matched with the spirit of the Christmas season. The front page headline read, "$1,000,000 business given to Employees." Subheadlines revealed more about this amazing story: "Founder of Henry A. Dix & Sons Also Lends $250,000 and Will Guide Workers to Success. Becomes a 50¢ a Year Man. He Wants All to Reap Share of the Prosperity They Have Helped to Build."

Henry Dix's plan to give his business to his employees garnered headlines across the country; two weeks later Dix claimed that he had spoken with as many as a hundred reporters. A follow-up article in the *New York Times* noted that Dix's name had "become known overnight in every newspaper-reading country in the world." In the ensuing years, Dix became "the man who gave his

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business to his employees." Almost a decade later, when a US senator asked Frances Perkins whether she knew of any employee-managed companies, Perkins offered up the Henry A. Dix and Sons Corporation as the sole example. Perkins testified that the Dix company "has been, in recent years, transferred by its previous ownership and management to the employees and they own the stock and elect the management." Two decades after Henry Dix's retirement announcement, and eight years after his death, the engagement of a Brooklyn College coed identified the bride-to-be as the niece of Henry Dix, the man who "left his business to his employees." As late as the 1950s, Dix garnered a spot as one of seventy-eight "important people" featured in *The Speechmaker's Complete Handbook*. This handy guide informed aspiring speakers that Dix "gave away his business and his tremendous fortune to [his] employees, leaving himself penniless, so that he died a poor man after earning a fortune and establishing a highly successful business enterprise."[1]

* * *

I came across this attention-grabbing headline through an accident of digital searching. I knew that American employers pursued many welfare strategies to raise worker productivity and promote labor peace. However, the Dix announcement seemed to be of a different nature altogether.[2] Dix was retiring from business, not looking for ways to improve his business. He envisioned turning his employees into managing shareholders, a move he repeatedly called "simple justice." Two years later, a study of the ownership transfer detailed how the employees would become both shareholders and managers of the Henry A. Dix and Sons Corporation.[3]

1. "$1,000,000 Business Given to Employees," *New York Times*, December 28, 1922, 1. Hereafter cited as *NYT*. Other news accounts include "Million a Year Business Given to Firm's Workers," *Chicago Tribune*, December 28, 1922; "Man Who Gave Workers $1,000,000 Business Calls It Merely Justice," *NYT*, January 7, 1923, XX2; "Giving Away Money Difficult, Dix Says," *NYT*, April 2, 1925, 10; Hearings re: the Establishment of a National Economic Council, Senate Committee on Manufactures, 1931, US Senate, 72nd Congress, 1st Session; "Balinky-Sloane," *NYT*, March 17, 1942, 26; Friedman, *The Speechmaker's Complete Handbook*: 2, 36.

2. Corporate welfare work, also known as welfare capitalism, addressed the labor problem by trying to inculcate workers with the values and habits of middle class Victorian men and women. Employment management, one of the earliest staff functions defining modern managerial capitalism, began as welfare work. Mandell, *The Corporation as Family*; Benson, *Counter Cultures*; Jacoby, *Employing Bureaucracy*; Nelson, *Managers and Workers*; Tone, *The Business of Benevolence*; Zahavi, *Workers, Managers and Welfare Capitalism*.

3. Hultgren, "The Dix Transfer," 406–13.

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This raised an obvious question: What happened to those employees who, in the midst of the 1920s boom and stock market frenzy, had suddenly become owners of a profitable $1 million corporation? The question was made even more interesting by the fact that Henry A. Dix and Sons made women's housedresses and nurses' and maids' uniforms. Like other firms in the garment industry, well over 80 percent of Dix employees were women. What happened when these women became business owners?

* * *

Unfortunately, the company records have vanished down a historical rabbit hole. Despite many references to the Henry A. Dix and Sons Company in progressive-era literature written in the two decades before his retirement bombshell, with few exceptions no one seems to have followed the story.[4] Thus, trying to answer this question turned into a fascinating investigative venture into corporate filings, state business reports, property deeds, probate records, the sketchy remains of lawsuits, city directories, and local newspapers. Its entailed field work that uncovered local lore and tidbits of family stories passed from generation to generation. I discovered the best coffee shop/used bookstore in Millville, New Jersey, where Dix opened his first business and spent an evening enjoying free music and food next door at the "found objects" art gallery that now occupies the site of Dix's Millville factory. Along the way, I have been the happy beneficiary of the generosity of strangers, from the dedicated staff of local historical societies and libraries who carefully preserved many of the scattered shards of this story to the previously unknown colleagues who helped me understand, and in two cases find, some of the more obscure shards.

The story, as it unfolded, is both more and less than the December 1922 headline would suggest. It is more because Henry A. Dix and his company had a complicated history that belies the simple story he crafted for public consumption. It is less because the ownership transfer never materialized. Moreover, based on the evidence, it seems unlikely that it could ever have come to fruition. In one respect, this might be seen as another example of a progressive employers' disingenuous (or cynical) claim to benevolence. However, the devil and

4. The only exceptions to this neglect are Hultgren's article, above, and a biography, discussed later. The Henry A. Dix and Sons Company is one of a score of firms cited for progressive labor policies by early management consultants such as Ordway Tead, Meyer and Daniel Bloomfield, and Boyd Fisher. The National Civic Federation and American Association of Labor Legislation reports make reference to his firm, as well. See, for example, Fisher, "A Series on Profit Sharing," 8; National Civic Federation, *Profit Sharing by American Employers*; Bloomfield, *Financial Incentives for Employees and Executives*, 145; Flexner, "Stabilized Employment in a Garment Factory," 133–4.

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the historical significance of this story are in the detail. That detail beckons us to reconsider the relationship between labor and the development of American corporate capitalism in the twentieth century.

It is impossible to ignore the many ways in which the "labor problem" held center stage during the explosive decades of the second industrial revolution. Many are familiar with the open warfare between workers and bosses and with progressive-era campaigns for protective legislation and urban reform. These "responses to industrialism" had an enduring impact on the fabric of American society, contributing to charges that class consciousness is un-American, to the rise of the regulatory state, and to the contours of our urban landscape. The labor problem had an equally profound, if less studied, impact on business itself. In the short run, many employers tried to solve their labor problems by brute force, using whatever weapons they could muster from court injunctions to hired guns. Although employers won most of these battles, by the turn of the twentieth century big business faced a hostile public and a crisis of legitimacy. At the risk of oversimplification, I would characterize the business response as two-pronged. On the one hand, big business carved out a public role that combined opposition to state intervention with public relations designed to burnish the corporate image. On the other hand, businessmen looked inward, undertaking structural changes in the organization and management of their firms.

The Dix story fits these broad contours. On the public stage, Henry Dix garnered public relations kudos for his retirement gift. On the private stage, he pursued labor policies that minimized union interference (locating factories outside major garment centers) and maximized employee satisfaction (instituting welfare work). However, his employee ownership scheme promised a radically different structural solution to the labor problem, extending far beyond what might be called labor policy. As I will argue, the Dix plan reconceived the ownership and governance structures, as well as the purpose, of the modern shareholder corporation. In this case, the "visible hands" of culture, class, and gender, rather than ideas of efficiency, market control, or even labor control, shaped the transition from a proprietary business to a shareholder-owned modern corporation. The Dix story reveals that there was greater experimentation, and potential, in corporate capitalism during the triumphal Roaring Twenties than has been generally acknowledged.

In these respects, the Dix story confirms recent scholarship that de-essentializes the corporate structure by asking how political, social, and cultural factors might have shaped both the form and function of business. This new historiography highlights the malleability of the corporate form. It calls on historians to examine business and businesspeople as social and cultural, as well as economic

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actors.[5] Women's and blacks' business history have already uncovered important parts of this story, revealing the ways in which hierarchies of gender and race both masked and shaped work experiences and business opportunities. One particularly noteworthy thread in this new scholarship focuses on the extent to which business sectors and firm size were segmented by gender and race. The nature of this segmentation has concentrated scholarly attention on very small businesses. We still know too little about the ways in which social and cultural factors operated to construct the forms and functions of business as an evolving institution.[6]

As Charles Dellheim notes, "the methods and goals of 'big business' were neither universal nor inevitable."[7] Certainly nothing about the Henry A. Dix and Sons Corporation was universal or inevitable. This story is worth exploring not because it was so unique but because Dix was part of a cohort of successful businessmen who purposefully and publicly experimented with the emerging corporate form.

* * *

Our journey begins with the founding of the company.[8] Henry A. Dickstein, quickly Americanized to Dix, immigrated to the United States from Russia in 1892. He was part of the large diaspora of Russian Jews fleeing persecution and economic restrictions.[9] Dix's personal story, however, differed from that of most Jewish immigrants. Born in 1850 near Kiev, Henry Dix was a wealthy merchant when he left Russia to check out opportunities in the United States. Rather than traveling to New York, his American destination was a newly established Jewish agricultural community in southern New Jersey. The Woodbine colony, located forty miles southwest of Atlantic City, had been founded the previous year by the Baron de Hirsch Fund. Loosely modeled on a half-dozen nearby agricultural settlements

5. Lipartito and Sicilia, eds., *Constructing Corporate America*, provides an excellent introduction to this historiography.

6. Benson, *Counter Cultures*; Kwolek-Folland, *Engendering Business and Incorporating Women*; Manko, "A Depression Proof Business Stragegy," in Scranton, ed., *Beauty and Business*; Peiss, *Hope in a Jar*; Sparks, *Capital Intentions*; Gill, "I Had My Own Business," in Scranton, ed., *Beauty and Business*; Walker, *History of Black Business in America*. There is also a growing literature on the political factors shaping big business, presented in terms of an anti-statist response to perceived threats from labor and regulation-minded progressive reformers. Ott, *When Wall Street Met Main Street*; Tone, *The Business of Benevolence*.

7. Dellheim "The Business of Jews," Lipartito and Sicilia, *Constructing Corporate America*, 242. Dellheim's statement is broadly applicable to non-Jewish businesses as well.

8. This account of Henry and his company is informed by Mark Dix's biography of his father, *An American Business Adventure: The Story of Henry A. Dix.* However, it differs in substantial ways from Mark's over-the-top hagiography.

9. Henry Dickstein officially changed the family name to Dix in 1894; *Vineland Daily Republican*, February 3, 1894.

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established by the Jewish Am Olam movement, Woodbine was designed as a mixed agricultural and industrial colony. The de Hirsch Fund screened recruits who had to provide a minimum $200 down payment on their thirty-acre farm sites. Dix's arrival at Woodbine coincided with a major upheaval; open rebellion by the settlers against their sponsor's policies led to a lawsuit and expulsions. It is not clear where Dix fit into this dispute. However, when he returned with his wife, two teenage sons and a niece later that year, they settled in the small town of Millville, about twenty-five miles northwest of Woodbine. Significantly, Millville was the nearest town to a cluster of longer established Jewish agricultural colonies.[10]

By 1894, Dix was running a small dry goods store on High Street, Millville's main thoroughfare. Two years later, he sold the store and opened a garment factory in a brick building behind the neighboring hardware store. Dix explained the move into manufacturing this way, "if a market could be found for the cheap and shoddy wrappers [women's house dresses] which I was purchasing from New York a man might make a fortune by manufacturing a first rate article."[11] He was right. He did make a fortune.

He also made a name for himself, quite literally. Henry Dix's primary marketing tool was his name. He claimed to be the first manufacturer of non-haute couture garments to use sewn-in labels with the company name, "Dix Make." Beginning with housedresses, or wrappers as they were called, Henry A. Dix and Sons quickly moved into the manufacture of nurses' and maids' uniforms. This side of the business achieved a coup of sorts when the Red Cross adopted one of the Dix-Make models as its official uniform during World War I. The US Army and Navy quickly followed suit.[12] Scores of advertisements featuring Dix-Make housedresses and uniforms ran from the mid-1910s through the mid-1950s. In addition to the company itself, retailers from California to New York advertised the trademark company dresses. Major department stores including Marshall Field and Carson Pirie Scott in Chicago and Saks Fifth Avenue and Lord and Taylor in New York City featured Dix-Make dresses and uniforms in their advertisements.[13]

10. Eisenberg, *Jewish Agricultural Colonies of Southern New Jersey*: Chapter 5; Dix, *An American Business Adventure*, 12–3.

11. "An Elegant Banquet," *Bridgeton Evening News*, January 26, 1900, 1.

12. Levitan, *The Firsts of American Jewish History*, 149, 173–6.

13. In *An American Business Adventure*, Mark Dix recounts the difficulty he had persuading his father that the company should advertize its products. Mark dated his success in this endeavor to the late 1910s, which may account for the scarcity of advertisements during the earlier years. A sampling of these ads include *Winnipeg Free Press*, June 21, 1918; *New York Times*, October 25, 1914, March 30, 1939, 6, November 4, 1953, 11; *Trenton Evening News*, January 17, 1920; *Chicago Daily Tribune*, November 14, 1927, November 17, 1952, A1; *Long Beach Independent*, October 31, 1948, 3.

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In addition to his marketing acumen, Dix had chosen his location wisely. Millville was only forty-five miles from the thriving retail market in Philadelphia and 130 miles from the center of the nation's garment industry in New York City. In fact, the company's first big order, totaling $63, came from Wanamaker's Department Store in Philadelphia.[14] Millville and the surrounding Cumberland County area was already a thriving center of manufacture. Many are familiar with it through Lewis Hines's photographs of workers in its major industries: glassworks, cotton mills, and foundries. Dix and a dozen other garment manufacturers in the area drew their workforces from a ready pool of these factory workers' wives and daughters.

Dix also drew workers from the local Jewish agricultural communities. By 1906, the Henry A. Dix and Sons Company ran four factories in Millville and surrounding Cumberland County communities. Two of these, the factory in Millville and one in a converted school building in Bridgeton, seem to have employed women from the local, largely gentile community. One informant recounted his grandmother's fond memories of singing Baptist hymns with her girlfriends while sewing at the Dix wrapper factory in Millville.[15] The other two factories were purposefully located in Carmel and Vineland in order to provide employment to women in the nearby Jewish agricultural colonies. His workforce grew from 12 in 1896 to more than 150 a decade later.[16] In 1907, Dix moved his family and his company's headquarters to New York City. The new twelve-story Dix Building on 14th Street, a few blocks from Union Square, centralized the firm's sales, cutting, and design operations. At about the same time, he closed the Carmel and Vineland factories, most likely in reaction to union organizing and a series of strikes (events that Dix would write out of all accounts of his company's history).[17] In their place, he opened a new factory forty miles from New York City in Somerville, New Jersey, in 1910.

The 1914 *New Jersey Industrial Directory* reported that the Henry A. Dix and Sons Company held capital stock valued close to $90,000

14. Dix, *An American Business Adventure*, 27–31; "John Wanamaker Was His First Customer," *Bridgeton Evening News*, January 9, 1923, 3.

15. Oral Interview with Jonathan Wood, January 10, 2010. Transcript in author's possession.

16. The *Industrial Directory of New Jersey, 1906* reported 150 employees at the Millville factory (230), 160 at Bridgeton (50–2), 50 in Carmel (66), and 35 in Vineland (375–6). While this is possible, it seems more likely that the Millville and Bridgeton numbers reflected slight variations in reports of total company employment gathered at these two sites.

17. *27th Annual Report of the Bureau of Statistics, New Jersey, 1904*, 540, 594; *30th Annual Report of the Bureau of Statistics, New Jersey, 1907*, 631, 634, 637. New Jersey also fined the company for two violations of state labor law in June 1910. *Report of the Joint Committee on Treasurer's Accounts . . . to the Legislature of New Jersey for the fiscal year ending 1910*, 72.

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and that Dix's Millville site was the only garment factory "of any magnitude" in the city. By 1918, Dix's three New Jersey factories employed more than 180 people (forty-nine at Millville and sixty-seven at Bridgeton and Somerville, each).[18] When he retired four years later, the firm reported close to four hundred employees, 115 of whom had been with the company more than three years. Dix capitalized the soon-to-be-transferred company at $700,000.[19]

Henry A. Dix was proud of this business achievement. As he and his son, Mark, told and retold his story they grounded their success first and foremost in a business strategy that placed worker well-being before profits. This is most evident in what came to be a Dix and Sons Company mantra: the company had never laid off a worker and it had never experienced a strike. In a letter announcing the retirement gift to his workers, Dix reflected on the company's wide reputation and the many sales venues for Dix-Make garments, adding, "This volume however does not actually represent the demand for our product, because of our determination not to seek or allow any further expansion." Employment stability was not simply a matter of maintaining stable growth; it was also a reflection of a workforce entirely satisfied with pay and conditions. In Dix's words, "Twenty-seven years without an idle day, except during vacations, twenty-seven years without a strike or lockout or labor troubles." A publisher's advertisement for Dix's biography encapsulated the story: "For ten years Henry A. Dix operated a million-dollar business without a strike, without a shut-down, without a wage reduction and in this amazing narrative his son tells how he handled labor in order to do it."[20]

18. *Thirty First Annual Report of the State Board of Assessors of the State of New Jersey, for the year 1914, Part II*, 107; *Industrial Directory of New* Jersey, 1918, 78, 363, 561. Employment figures for the New York headquarters are quite sketchy. A surviving Industrial Directory recorded seventy-five employees working at Dix's New York headquarters in 1913. *New York Industrial Directory, 1912–1913*.

19. Reports vary on the number of employees at the end of 1922. "Dix Business Goes to Workers," *Bridgeton Evening News*, December 29, 1922, reported "over 300" employees. Less than two weeks later, the same, local paper reported that Dix employed 400. *Bridgeton Evening News*, January 9, 1923, 3. Also, see the number 400 reported in "Making the Grade," n.d. [1922], Folder: Dix, Millville Historical Society (MHS). The capitalization figure is based on the reported par value of stock, which is consistent with the New York state tax receipt, "Treasurer's Office—State of New York," dated December 27, 1922 (County Clerk, New York County). In 1921, R.G. Dun Company gave the Henry A. Dix and Sons Company an A1 rating and ranked its "pecuniary strength" in its "A" category (firms with net worth of $500,000–$750,000), *Merchants, Tradesmen and Manufacturers Financial Conditions for Bridgeton, New Jersey, 1921*. Bridgeton Business clippings envelope, Cumberland County Historical Society.

20. Dix, *An American Business Adventure*, 77–8, 110; "Man Who Gave Workers $1,000,000 Business Calls It Merely Justice," *NYT*, January 7, 1923, XX2; "Dix Business Goes to Workers," *Bridgeton Evening News*, December 29, 1922, 7; "Humanizing, Not Sovietizing, Say Dix and the Workers to Whom He Hands Over Business." Folder: Dix, MHS; "Henry A. Dix" book review of "An American Business Adventure," The Rotarian, February 1929, 2; *NYT*, January 27, 1929, BR7.

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This was not true. Nevertheless, Dix had been a model welfare employer. Company facilities were light and airy with rest rooms offering afternoon tea and large recreation halls where employees held social gatherings. The company did not ask employees to work overtime and did not hire child labor.[21] The company earned the National Consumers' League's (NCL) seal of approval in 1903, the only garment manufacturer in New Jersey to meet the NCL standard.[22] By the 1910s, Dix had introduced the half-holiday on Saturday, and in 1918 the company moved to a five-day work week. Factories shut down annually so that all employees could enjoy a two-week paid vacation.[23] Dix instituted a profit-sharing program in 1914 that granted an across-the-board 6 percent bonus on annual wages to all employees, with a graduated supplement for length of service. A second profit-sharing plan was introduced for managers in 1920. The cost of annual profit-sharing bonuses grew from $10,000 in 1914 to $80,000 in 1922. During the First World War, the company began adding these annual bonuses to the base wage scale for the upcoming year, reporting pay increases that eventually reached 37.5 percent.[24] The few times it served their purposes, or perhaps when something prompted them to remember, Henry and Mark Dix credited Rachel Dix, Henry's wife, for both the ethical commitment and the practical policies of their welfare program.[25] While these welfare policies were as generous as any of the era, Dix went further than most welfare employers when he described the benefits of such labor practices. Whereas John Patterson of the National

21. "Dix Company to Distribute $10,000 Among Employees," *Vineland Daily Republican*, January 13, 1914; "Industrial Relations Within the Henry A. Dix and Sons Corporation," 285–6.

22. Dix, *An American Business Adventure*, 88; Also see, National Consumers' League, *The Consumer's Control of Production: the Work of the National Consumers' League*; "The Work of the National Consumers' League," *Supplement to the Annals of the Academy of Political and Social Sciences*.

23. "Dix Company to Distribute $10,000 Among Employees," *Vineland Daily Republican*, January 13, 1914; "Making the Grade," n.d. [1922]; "Humanizing, Not Sovietizing," Folder: Dix, MHS.

24. "Unusual Romance of Business Revealed in Dix Gift to Workers," *Bridgeton Evening News*, January 9, 1923; "Humanizing, Not Sovietizing," news article in Folder: Dix, MHS.

25. "Wife's Love Prompted Gift of $1,000,000 Business to Men," *The Evening Mail*, n.d. [1922], Folder: Dix, MHS. Unfortunately, I found only one short telegram, on a different matter, reflecting Rachel's voice. She died in 1919, three years before Dix instituted the transfer scheme. Henry's sense of his wife's social ethic is revealed, I think, in his decision, within a year of her death, to give his Westchester County estate to the Young Women's Hebrew Association (YWHA) in Rachel's name. In what might have been a play on Rachel's name, the YWHA named it Ray Hill Camp. The YWHA's surprised reaction to this gift strongly suggests that neither Henry nor Rachel had been involved with the organization prior to the gift. Minutes of the YWHA October 1919–May 1922, Folder 1:5 and Annual Reports, February 1919, February 1925 and January 1927, Folder 1:20, Box 1, Young Women's Hebrew Association Archives, New York City.

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Cash Register Company bluntly asserted that "it pays," Dix suggested that good labor practices did more than pay for themselves. "We found," Dix said, "that the more we gave, the shorter hours we adopted, the more liberal our general policy became, the richer we grew."[26]

* * *

Thus, it was "simple justice," as he said, to give the company to his employees when he retired. Actually, a more accurate headline might have announced that Henry A. Dix had crafted a rent-to-buy plan that would transfer controlling ownership to six of the firm's top managers over a five-year period, if the company remained profitable. All other employees received the right to claim shares of interest-bearing nonvoting preferred stock, based on years of service. The Dix scheme reconfigured a closely held private corporation with one primary shareholder owner (Henry A. Dix) into a complex corporation with hundreds of shareholders and multiple layers of ownership. This restructuring initially resulted in ownership vested in four different types of shareholders, each with a different claim on the company's profits and with a different kind of authority to affect company operations. At the top of this hierarchy was Henry A. Dix himself. He became sole owner of two classes of preferred stock.[27] Below Dix stood a slightly larger class of owners, six of the firm's long-term executives, who received common stock and became the new Board of Directors. The heart of the employee ownership scheme was vested in a third class of preferred stock, available for purchase only by the firm's overwhelmingly female wage-earning employees.

Converting Dix's ownership into preferred stock placed certain opportunities and constraints on the reconfigured corporation. First, it ensured that the reborn company started with substantial capitalization (shares representing Dix's equity in the firm, valued at $550,000). At the same time, this new ownership structure tied up the firm's profits for the foreseeable future. The new charter required that 80 percent of after-tax profits be devoted to two purposes. First, profits had to be used to pay dividends on the preferred stock held by Henry Dix; these

26. "Unusual Romance of Business Revealed in Dix Gift to Workers," *Bridgeton Evening News*, January 9, 1923, 3. Dix attributed increased output from 288,000 to 333,600 garments, 1918–1921 to the shorter workday.

27. "Certificate of Incorporation of Henry Dix and Sons Corporation," filed with state of New York, December 29, 1922. County Clerk, New York County Courthouse, New York. It appears that Henry A. Dix was the sole owner of both Class 1 and Class 2 preferred stocks. However, it is possible that his son, Marcus H. Dix, who both claimed was a co-owner/manager of the company may have held title to some of these shares. The discussion that follows is based on my analysis of both the initial "Certificate of Incorporation" and multiple "Certificates of Reduction of Number and Par Value of Shares and Reclassification of Shares," hereafter cited as CR.

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Table 1 Henry A. Dix and Sons Corporation, as reincorporated January 1923

Class of stock	Shares and value	Ownership and rights
Class 1 preferred Representing the firm's intangible assets	2,500 shares Par value: $100/share Total value: $250,000	Henry A. Dix Cumulative dividends at 7 percent Voting power: one share/one vote
Class 2 preferred Representing the firm's tangible assets[28]	3,000 shares Par value: $100/share Total value: $300,000	Henry A. Dix Cumulative dividends at 1 percent Voting power: one share/one vote
Class A preferred	1,500 shares Par value: $100 Total value: $150,000	Wage-earning employees[a] Noncumulative dividends at 7 percent Nonvoting
Common stock	2,000 shares No par value	Executive managers[b] Became new Board of Directors Voting power: one share/one vote

Source: Compiled by author from certificate of incorporation of Henry A. Dix and Sons Corporation, December 29, 1922, New York.

[a] Stock ownership was not automatic; employees were required to "buy" these shares, as described below.

[b] These shares were automatically distributed among six men.

dividends would amount to $20,000 per year. Second, profits had to be used to retire (purchase) Dix's stock, beginning with the stock representing the firm's tangible assets. If the company was profitable, and if all went as planned, all of Dix's stock would be retired over the course of five years at a draw on company profits totaling $652,500.[29] No dividends could be paid to the company's other owners (the preferred shareholder employee owners or the common stock executive management owners) until these requirements were met.

Thus, the Dix and Sons executive employees had a circumscribed form of ownership. They reaped profits on the condition that they committed at least 80 percent of those profits annually, accruing to just over $650,000, to buying Henry out. Rather than the publicized gift, this was, in reality, a rent-to-buy plan. Henry Dix ensured that his scheme would be followed by arrogating to himself an additional ownership perk: shareholder voting power attached to his 5,500 shares would, inevitably, prevail in any contest with the 2,000 voting common shares held by the executive managers. Since no additional shares could be issued until Dix's shares were fully retired, he was assured voting control until the company had repurchased at least a majority

28. Equipment housed at the company's leased headquarters in New York, the property and equipment at the firm's three factories in New Jersey, as well as the Dix-Make trademark and goodwill. Hultgren, "The Dix Transfer," 407.

29. $652,500 = $250,000 Class 1 preferred + $300,000 Class 2 preferred + $102,500 dividends over the five-year period ($17,500 Class 1/year + $3,000 Class 2/year).

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of his equity in the firm. At that point, the employees would acquire both ownership and operational control.

According to the plan, at the end of five years (1928), ownership would be vested in two quite different groups of employees with two quite different forms of ownership. The mass of employees would hold title to the firm's equity, in the form of Class A preferred shares, for which they would receive a 7 percent annual dividend. The firm's executive managers who were also the common stockholders would be able to collect dividends on their shares only after meeting this obligation to the equity-holding employees. The evidence suggests that Dix designed the company this way so that management would have to provide for the well-being of employees before they could realize any return on their ownership. A further provision restricted the Board of Directors from increasing managers' salaries more than 50 percent. Thus, Dix's long commitment to employee welfare would actually be embedded in the ownership and operating structure of the corporation.

This should not be confused with enhancing welfare work or with equalizing labor and management. Corporate welfare work could entail profit sharing and bonuses. However, the power to give and to take back such benefits was always at the employer's discretion. Companies charged the cost of their welfare programs to labor accounts; they did not credit welfare work to capital or equity accounts.[30]

Further, the Dix plan reproduced the unequal labor-management relationship in the shareholder ownership structure. Wage earners might own a share of the company, but since their employee shares were nonvoting they would have no more say in company policy as shareholders than they had as workers on the shop floor. Wage earners might acquire a claim to a 7 percent dividend on their share of the company, but like their wages, the financial rewards of ownership were prescribed from above. Although the Dix plan promised to turn laborers into capitalists, it used the diffuse corporate ownership structure to perpetuate this basic class division.

The form of ownership similarly reproduced the era's gendered constructions. The modern women of the 1920s reveled in a new-found independence and sense of competence whether that was expressed in the right to vote, a widening in the door to professional careers, or greater freedom to socialize and be more equal partners in marriage. The evidence suggests that the vast majority of Dix employees were unmarried and likely young enough to embrace the world of new opportunities that seemed to be opening up for American women. In

30. Mandell, *The Corporation as Family*, 20.

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fact, one of his Millville operatives became a local star when she was crowned "Miss South Jersey, 1928," one step closer to the Miss America contest in Atlantic City.[31] Beauty contests represented one kind of modernity. The employee ownership plan offered another. Owning part of a demonstrably profitable company launched these women into the previously closed world of corporate ownership and it held the promise of financial independence.[32] Yet, like the increasingly popular beauty contests, and the new woman ideal more generally, Dix's ownership plan did not substantively challenge women's long-standing subordination. It created a passive form of ownership ensuring that these women's business success would be dependent on the leadership acumen of the male executive managers. While the scheme protected the largely female labor force from too much risk, as would come with common stock, it also reserved to the male executive managers the potentially uncapped dividends only possible with common stock.

These executive managers, on the other hand, were to become employee owners of a different sort. Had the plan unfolded as designed, their managerial power would have been enhanced by their control of the voting common shares. Their sizable but stable salaries as managers would grow through unlimited dividends on their common stock. As men, they could be expected to bear the risks as well as reap the rewards of business success. Unfortunately, they were also Dix's "boys" as he called them at the time of the retirement announcement. They would not come into independent manhood (in the form of real ownership control) until they generated sufficient company profits to buy out the founding father, Henry A. In this respect, the Dix plan mimicked the transition occurring in business leadership. Corporate capitalism offered more opportunities to a rising generation of managerial organization men than to aspiring captains of industry. Dix's executive managers might eventually achieve a kind of entrepreneurial manly independence but only if their team performed well and abided by conditions set from above. The Dix plan made it unlikely that any of his boys would contemplate the risk taking that had been the hallmark

31. Although records are limited, I was able to reconstruct the gender and marital status for most of the Millville labor force for 1928 from the city directory. "Miss Emma Lawrence, of Millville, Crowned 'Miss South Jersey,'" *Dollar Weekly*, November 2, 1928, 1.

32. Research in this area is extremely limited. It appears that women as well as men jumped on the shareholder bandwagon as stock ownership exploded in the 1920s. In the early part of the decade, AT&T advertised that one-half of its shareholders were women. One survey credited women with purchasing approximately one-fifth of all new securities issued in 1928. Ott, *When Wall Street Met Main Street*, 2, 151–6, 287, footnote 37.

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of nineteenth-century manhood and had turned a struggling dry goods merchant into a wealthy garment manufacturer.[33]

We can also see glimmerings of an inherent tension between Henry Dix's goal of employee ownership and his sense of managerial prerogative in the provisions made for distributing the employees' preferred shares. In contrast to the automatic distribution of common stock to his executive managers, the mass of the firm's workforce had to purchase their ownership shares. Employees were eligible to purchase an increasing number of shares tied to their length of employment. Congruent with the five-year buyout schedule, company profits would be used to finance these employee purchases. In this respect, the profit function was dedicated first to building the equity ownership of the firm's wage-earning employees and then to guaranteeing a respectable 7 percent return on their invested capital.

As with everything else connected to this scheme, this came with many layers of complexity. Briefly, employees would receive annual profit-sharing bonuses equal to 20 percent of the value of the stock they were eligible to purchase, with a condition: employees could receive 20 percent of this profit-sharing bonus in cash if they invested the other 80 percent in purchasing shares of preferred stock. At the five-year mark, an employee who had entered the plan with five years seniority would have received a total of $160.00 in cash and acquired equity in stock valued at $640.00. The plan allowed each employee to acquire preferred shares up to a maximum par value of $1,000.

* * *

Before examining how this played out, it is worth stopping to consider the Dix plan in the context of its time. Its time, it should be emphasized, was the early 1920s, which is generally more noted for Americans' embrace of big business and for innovations in marketing and management than for labor problems. Why would Henry Dix decide to cap a spectacularly successful business career by setting his company on this new course? And where did this experiment fit in an era when the business of America was business? I was surprised to find one report crediting Henry A. Dix with starting an "epidemic" of businessmen gifting companies to employees. While there is no evidence that anything like an epidemic was underway, it does seem clear that Dix was not alone.[34] He was part of a cohort of businessmen,

33. On changes in the gendered constructions manliness and business, see Barnes, "A New Executive"; Bederman, *Manliness and Civilization*, Chapter 1; Gifford, "The Changing Character of Big Business"; Laird, *Advertising Progress*, 105–7, 207; Noble, *America By Design*, 47–9; Turbin, "Collars and Consumers"; Zunz, *Making America Corporate*, 49, 100–1.

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trade associations, and management consultants who began to respond to labor demands for industrial democracy by embracing their own redefinitions of this ideal.[35]

A tiny handful of these businessmen plunged ahead to experiment with their own versions of industrial democracy. Henry Dennison, of the Dennison Manufacturing Company, and Morris Leeds, of Leeds and Northrup Company, were among the first to test the waters. Both developed schemes that offered a larger policy-making voice to management (through voting stock ownership) and financial participation in the firm's success (through profit sharing). Leeds and Northrup also gave their wage-earning employees a limited voice on shop floor matters (by way of a works council).[36] These provisions offered a kind of softening but not a leveling in the labor-management hierarchy. Morris Leeds, for example, asserted that industrial democracy should provide equality of opportunity rather than equality of power. As Leeds explained, "[t]he final authority rests with the management."[37] It was in this spirit that both Leeds and Dennison promoted managerial shareholding and profit sharing; they believed that active managers, rather than passive investors, should have the opportunity to share in the prosperity they created.

Two of Dennison and Northrup's contemporaries pursued a different kind of industrial democracy. Arthur A. Nash, founder of the A. Nash Company, a Cincinnati coat manufacturer, and John Eagan, president

34. "Little Daughter's Question Made John Borg Give Up Making Money," *Boston Daily Globe*, January 20, 1924, A1. Dix reported receiving praise from a barber who had given his business to his employees, "Humanizing, Not Sovietizing," mis-credited to the *NYT*, December 31, 1922, Folder: Dix, MHS. Other notable examples are discussed below.

35. There was, and continues to be, debate about the various meanings of industrial democracy. For a sense of this discussion from the perspective of contemporary business interests, see the views of Mrs. Warbasse of the Dennison Manufacturing Company quoted in Dewhurst, "Something Better than Philanthropy"; Tead, *Human Nature and Management*, 284. The best introduction to the complicated history of worker and employer movements for industrial democracy is Lichtenstein and Harris, *Industrial Democracy*. Consistent with the historiography on this topic, they identify employee representation as the only employer-based initiative undertaken in the name of industrial democracy during the decade of the 1920s. McQuaid, "Henry S. Dennison," refers to these employers as "New Capitalists." Ott's *When Wall Street Met Main Street* is an important new book which, as is argued here, places stock ownership within the realm of employer-based initiatives for industrial democracy.

36. Edward and Lincoln Filene created the first workers councils in the United States at their Boston department store in 1898, the Filene Cooperative Association; McQuaid, "Henry S. Dennison and the 'Science' of Industrial Reform."

37. Dewhurst, "Something Better Than Philanthropy," 48–51; National Industrial Conference Board, *Employee Stock Purchase Plans in the United States*, 22–3; Dennison, "Why I Believe in Profit Sharing," 120–3; Leeds, "Democratic Organization in the Leeds and Northrup Company, Inc.," 13–7.

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of the Birmingham-based American Cast Iron Pipe Company, attributed their plans to their Christian faith. Nash, who gained notoriety as "Golden Rule Nash," claimed to share management with his workers through an informal and continuous dialogue between himself and his employees. Between 1918 and 1921, he used company profits to provide workers with a majority of the company's stock. However, Nash remained undisputed president of the company and proudly asserted that he had no "system" except brotherly love.

John Eagan was more systematic. Believing that "service to the public and his fellow laborers" must come before "profits and position," Eagan reorganized the company in 1921; department heads, rather than absentee investors, would run the company through a newly created Board of Management. He empowered a Board of Operatives to work with the management on matters related to wages, hours, and work conditions. Unlike Nash, Eagan crafted a plan that would not be dependent on one man's good works. When Eagan died in 1924, his will transferred his majority ownership to the company's employees. Four years later, the employees, a majority of whom were African American, went to court claiming that management had "usurped control of the company." Although the Eagan Plan never materialized as envisioned, in 2003 the company earned a berth near the top of *Fortune* magazine's list of the one hundred best employers in America.[38]

Only one other businessman seems to have attempted anything like the Eagan Plan's combination of employee ownership and employee management. In fact, William Hapgood, founder of the Columbia Conserve Company, undertook the most far-reaching business-sponsored experiment in industrial democracy. In 1917, Hapgood embarked on a decades-long effort to transform his Indiana canning company into a worker-controlled cooperative. Columbia Conserve's employee stock ownership plan purposefully broke the hierarchical business model by vesting managerial control in an empowered works council. By 1930, the employees owned a majority of the company stock and exercised joint ownership and managerial authority through the works council. Hapgood's effort to create a functional industrial democracy struck rough waters as business plummeted during the 1930s. Conflicts erupted over the use of company funds, salary, and benefit cuts and,

38. Nash, *The Golden Rule in Business*, 140–6; "Arthur Nash: Whose Employees Refused to Strike . . . ," 246–8; Todd, *Industry and Society*, 586; Smith, *The Search for Social Salvation*, Chapter 7; Link, *The Paradox of Southern Progressivism: 1880–1930*, 258. "Employee-Owners Sue," *NYT*, April 16, 1928, 10; "A Family's Fortune, A Legacy of Blood and Tears," *NYT*, January 9, 2003, A1.

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eventually, over minority demands for union representation. After a failed effort to bring in outside arbitrators and a number of high-profile confrontations, the courts ordered the employee shareholder trust dissolved in 1943; the company was sold in the early 1950s.[39]

Nash, Eagan, and Hapgood acted on the outer fringes of even the most progressive wing of the business community. As Kim McQuaid noted, "the business press was definitely not interested" in Hapgood's radical ideas which purposely violated the "hierarchical lines familiar to supporters of entrepreneurial credos."[40] Although these outliers received scant mention, there was a lively interest in crafting some kind of industrial democracy that still retained the managerial control deemed essential to modern business operations.

By 1920, labor management had been institutionalized as a distinct function of modern business. Thousands of firms added employment departments to their managerial bureaucracies, charging them with responsibility for hiring and maintaining an efficient and loyal workforce. They, in turn, institutionalized many of the labor practices that had been pioneered in the preceding decades. Historians have examined parts of this story, particularly the spread of welfare work, vocational guidance, and employee representation or works councils (aka company unions) in the 1920s.[41] The Henry A. Dix and Sons Company, like the handful of other experimenters noted above, was an early adopter of welfare work.

Yet, despite employers' best hopes, and the rising prosperity of the 1920s, labor problems persisted. Scores of new books documented what labor investigator John Fitch described in 1924 as "the greatest social problem of our time."[42] Fitch's contribution to this literature, *The Causes of Industrial Unrest*, located workers' unrest in the same factors that had roiled American labor for decades: low wages and frequent unemployment, long workdays and workweeks, hazardous conditions, employer repression, and legislative and judicial

39. From 1917 to 1924, Hapgood sought to build a functional industrial democracy through ever-greater levels of workers' control. In 1925, he added employee ownership through stock ownership. Employees owned shares collectively in an Employees Trust, which exercised their voting rights through a works' council composed of employee shareholders. McQuaid, "Industry and the Cooperative Commonwealth," 510–29; Douglas, *The Columbia Conserve Company*.

40. McQuaid, "Industry and the Cooperative Commonwealth," 517.

41. Bernstein, *The Lean Year*, Chapter 3; Nelson, *Managers and Workers*; Brody, "The Rise and Decline of Welfare Capitalism"; Jacoby, *Employing Bureaucracy*; Kaufman and Taras, *Non-union Employee Representation*; Mandell, *The Corporation as Family*.

42. See, for example, Calhoun, "Labor and Society," 444–8; Persons, "Labor Problems as Treated by American Economists," 487–519.

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collaboration in that repression.[43] Although these problems remained monotonously the same, Fitch argued that it would take more than higher wages or shorter hours to end the struggle between labor and capital. Discontent and unrest, he wrote, were rational responses even for those enjoying higher pay and shorter hours. Something more fundamental was at issue. Increasingly, American workers were demanding "a larger voice in the administration of industry and an equitable share of the net product."[44]

A closer look at the business side of this conversation reveals that it was taking on new dimensions as employers absorbed the lessons of the previous quarter century. One of those dimensions was a willingness to experiment with structural changes in corporate ownership and operation. The relatively short-lived explosion of employee representation plans in the postwar period represented one facet of this.[45] Another was a renewed interest in employee stock ownership and profit sharing.[46] A small number of such plans had been established prior to the 1920s. In most cases, they were instituted as part of a firm's welfare work program. N. O. Nelson Manufacturing of St. Louis and the Procter and Gamble Company of Cincinnati were widely recognized as the first to offer profit-sharing plans in the United States; both companies introduced profit sharing in direct response to the labor upheaval of 1886. Advocates believed that profit sharing would create a unity of interests between workers and their employers. Financier George Perkins, writing about International Harvester's profit-sharing plan in 1911, declared that "Profit sharing, pensions, and the like [give employees a] direct and pecuniary interest in the business." Louis Brandeis explained the value of profit sharing to a US Senate committee, saying that "Wise business men are seeing that, if they want to get the best they can out of the men, the men must work for themselves."[47] Despite such high-profile endorsements,

43. Fitch, *The Causes of Industrial Unrest*. This 1924 title mimics the title of Fitch's fourteen-part series on the Federal Industrial Relations Commission written for *Survey* a decade earlier, "Probing the Causes of Unrest."

44. Fitch, *The Causes of Industrial Unrest*; the quote is from Gordon Watkins' reviewer of Fitch's conclusion, *American Economic Review* 15, no. 1 (March, 1925): 129.

45. Jacoby, *Employing Bureaucracy*, 187–9; Mandell, *The Corporation as Family*, 144–6.

46. I am using profit sharing and stock ownership interchangeably and generically at this point since there was a great deal of overlap between the two. Yet the differences are important. There was a lively debate about the similarities and differences between them, addressed below.

47. N.O. Nelson, "My Business Life," Parts I & II *World's Work*, December 1909: 12387–93 and January 1910: 12504–11; George W. Perkins, "Practical Profit-Sharing and Its Moral," *World's Work*, July 1911: 14619–25; Janet Ruth Rankin, "Profit Sharing for Savings," *World's Work*, July 1914: 316–20.

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very few businesses actually offered these kinds of plans, and many discontinued them rather quickly.

Boris Emmet, writing for the Bureau of Labor Statistics, reported no more than sixty such plans in operation in 1916, with half of those plans established in the previous half-decade. However, interest grew rapidly through the latter half of the 1910s and then took off in the next decade. A National Industrial Conference Board (NICB) study of stock purchase plans (which excluded profit sharing that did not entail stock purchase) found that close to four hundred American firms established some form of stock purchase plan between 1900 and 1927. Confirming the general accuracy of Emmet's earlier study, the NICB listed sixty plans established before 1915. The NICB study identified more than 100 stock purchase plans created between 1916 and 1920, followed by another 162 plans started between 1921 and 1925. Over three hundred stock purchase plans were still active in 1928.[48] A later study connected this pattern to the state of the American economy, finding the first glimmering of interest during the relative prosperity of the late 1880s, a decline with the beginning of the great depression of the 1890s, a notable increase in plans during the prosperity surrounding World War I, a decline again with the recession of 1920–1921, a renewed interest through the 1920s that was, in turn, quashed with the onset of the Great Depression in the 1930s.[49] Emmet's 1916 bibliography confirms the early trends, showing a marked increase in the profit-sharing literature between 1912 and 1916. By that time, an interested employer, like Henry A. Dix, could choose from a small library of more than three hundred books and articles to learn about profit sharing and stock ownership.[50]

Profit sharing and stock ownership continued to attract serious study through the 1920s and beyond.[51] In fact, the Henry A. Dix and Sons Corporation became one of the featured companies in reports on this subject. This literature concerned itself with three general issues. The first entailed an assessment, both philosophical and practical, of

48. "Profit-Sharing and 'Small Business'," 502–3; National Industrial Conference Board, *Employee Stock Purchase Plans in the United States*, 16; in comparison, the NICB reported that the number of employee representation plans exploded from less than 150 at the end of World War I to a peak of more than eight hundred by 1924, then declined to a core of approximately four hundred firms by 1928. Mandell, *The Corporation as Family*, 146; Jacoby, *Employing Bureaucracy*, 187.

49. Flipp, *Profit Sharing in American Business*.

50. Emmet, *Profit Sharing in the United States*, 173–88.

51. Burritt et al., *Profit Sharing: Its Principles and Practices*; National Association of Corporation Training Schools, "Employee Stock-Ownership Plans"; Balderston, *Managerial Profit-Sharing*; Foerster and Dietel, *Employee Stock Ownership in the United States*; Knowlton, *Studies in Profit Sharing*; Flipp, *Profit Sharing in American Business*.

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just exactly what kinds of schemes qualified as profit sharing and/or stock purchase plans. This was often coupled with a consideration of closely related bonus plans. While stock purchase almost always entailed some form of profit sharing (funds made available for stock purchase were typically drawn from company profits), it could be distinguished from profit sharing because the amount of profit dedicated to stock purchase was not set by a predetermined formula for distributing profits.

A second distinguishing feature of this literature was the inclusion of case studies, which identified many companies by name and described the details of particular plans. The business reader could readily acquire the outlines of a plan for his own company without leaving the comfort of his armchair. In addition, he would learn that hundreds of successful companies, including many with household names, had introduced profit sharing and/or stock purchase plans. By the time Henry Dix announced his retirement, this growing club included the American Rolling Mill Company, Dennison Manufacturing Company, Eastman Kodak, Filene's Department Store, Ford Motor Company, Sears, Roebuck & Company, and the Underwood Typewriter Company.[52] In 1928, when the Dix ownership transfer was scheduled for completion, the pantheon of companies offering employee stock purchase plans included Armour & Company, Great Atlantic and Pacific Tea Company, Great Western Sugar Company, Kroger Grocery and Baking Company, National City Bank of New York, multiple Standard Oil Companies, United Shoe Machinery Corporation, and the Zellerback Corporation. The literature dissects hundreds of firms, large and small, well known and obscure, distributed widely across all business sectors that introduced profit sharing and/or stock purchase plans in the 1920s.

While such plans may have been responsive to workers' demands for a share in what they produced, like the Dix plan they did so within the confines of well-established hierarchies of class, gender, and even race. The vast majority of plans linked participation to an employee's income, generally a reflection of occupational class. The higher one's income, the greater his or her investment in the company might be. For example, the Hercules Powder Company permitted employees earning up to $1,000 annually to purchase up to two shares, with a rising scale that allowed those with incomes of $4,000 or more to

52. Ford made the connection between the $5 day wage and profit sharing explicit in a booklet titled "Helpful hints and advice to employees to help them grasp the opportunities which are presented to them by the Ford profit-sharing plan." Also see Burritt, *Profit Sharing*; National Association of Corporation Training, "Employee Stock-Ownership Plans."

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purchase five shares.[53] In many respects, this simply confirmed the fact that the lowest paid workers could not afford to invest in stock; they could not enter the ranks of even nominal corporate ownership. Many firms, like Dix, offered only nonvoting shares for employee purchase, further limiting the power of wage-earning shareholders vis-à-vis company executives. And virtually all plans allowed employees to sell their shares only to the company itself. One effect, for those holding shares in publicly traded companies, was to control the amount of speculative profit an employee might realize on his or her stock investment.[54]

More limited evidence suggests the ways in which profit sharing and stock purchase plans reproduced hierarchies of race and gender. As a more transient workforce, African American men and women of all races were less likely to meet the length of service requirements for eligibility or to amass the years of continuous service generally required to fully pay for their subscribed shares of stock.[55] Most plans penalized short-term workers whose installment payments earned no interest as they accumulated in company accounts. A few companies took note of the problem this created for women who quit for what was considered a legitimate reason, marriage. Sears, Roebuck & Company may have set the standard in this regard. The Sears plan, established in 1916, provided for annual deposits in a profit-sharing account. Employees were entitled to withdraw funds from their account after ten years' continuous service. Substantial penalties attended earlier withdrawals "except in the case of a woman depositor who, after five years' service, leaves to become married, in which case she will be entitled to her full share in the fund." The Crowell Publishing Company, Eastman Kodak, and Firestone Tire & Rubber plans made similar provisions.[56] In contrast to this generosity on behalf of marriage, the Procter and Gamble plan hints at penury on behalf of Jim Crow. White workers at the Ivorydale factory in Cincinnati were eligible to participate; black workers at the firm's southern

53. NICB, *Employee Stock Purchase Plans in the United States*, 133, Appendix A.

54. Ibid; 105, 127–8.

55. Eligibility to participate usually included length of service requirements ranging from six months to five years. Some plans allowed for temporary suspension for approved illness or injury. Virtually all plans required that workers or their heirs sell their shares back to the company when they left employment.

56. "The Sears, Roebuck Profit Sharing Plan," *Survey*, 426–7; quote is from the Sears plan listed anonymously as "Plan No. 12" in Boris, *Profit Sharing in the United States*, 57–8; married women's provisions for other companies are described in Foerster and Dietel, *Employee Stock Ownership in the United States*, 117–8, 122–3, 125–6.

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plants were not. According to company executives, "negroes [were] too ignorant" to enter such a plan.[57]

The third issue that dominates this literature is discussion of employer goals. Employers' primary goals, not surprisingly, were increased productivity and harmonious labor relations. Boris Emmet's 1916 survey found that companies introduced profit sharing to increase efficiency, stabilize their workforce, and improve labor-management relations. Emmet reported that only three employers identified "equitable distribution of the profits" or "justice" as their main objective.[58] The same themes are echoed in later studies. Arthur Burritt organized his 1918 book on profit sharing according to goals with chapter titles successively addressing efficiency, waste, labor stability, industrial peace, effective management, and cooperation. The final section on humanitarian purposes concluded that "profit-sharing plans which rest upon a humanitarian basis or theories of social justice, are the exceptions."[59]

However, studies undertaken during the period of most vigorous growth in the 1920s suggest that other motives may have become more important over time. A study conducted by Princeton University's Industrial Relations program in 1926 found that employers offered stock ownership plans with the expectation that their workers would become more satisfied and, in turn, more efficient and dependable. Yet an element of justice was essential to this formula; such goals could be achieved only if employees found that owning their employers' stock was a good investment. Thus, stock purchase plans necessarily functioned quite differently than traditional welfare policies that provided rest periods, lunch rooms, safety equipment, or even savings plans or annual bonuses. The authors concluded that "the movement can be regarded as part of the general movement for popular ownership of securities." In some respects, this echoes John Fitch's conclusions in *The Causes of Industrial Unrest*; if employers wanted harmony and efficiency, they would have to ensure that workers shared equitably in their business success.[60] Significantly, employee stock ownership portended even more fundamental developments. The Princeton researchers set the tone on the opening page:

> The acquisition by employees of stock in the companies they work for has reached the proportion of a comprehensive movement . . . . Temporarily, at least, it has eclipsed the interest in profit sharing . . .

57. Rankin, "Profit Sharing for Savings," 316–20.
58. Emmet, *Profit Sharing in the United States*, 163, 170.
59. Burritt, *Profit Sharing*; quoted on 188.
60. Foerster and Dietel, *Employee Stock Ownership in the United States*, 1–2, 73.

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> the immediate aim of profit sharing is that the employee, without an investment of money, shall be granted a slice of the profits that would otherwise accrue to the employer. The immediate aim of the acquisition of stock is that the employee shall himself become an employer or capitalist on however reduced a scale, with a claim on profits proportionate to his holdings of stock.[61]

This was not simply idle dreaming. At the time the study was completed, American workers owned company stock valued at over $700 million (equivalent to $8.5 billion in current purchasing power, or put another way, the equivalent of $103 billion relative to current gross domestic product [GDP]).[62] In addition to the sheer magnitude of this figure, employee stock ownership was reaching noteworthy levels at a number of companies. For example, at N. O. Nelson Manufacturing, the first company to introduce profit sharing in the United States, approximately 40 percent of employees owned 25 percent of the firm's capital stock. Swift and Company reported that one-third of its stockholders were employees who held 13 percent of the company stock. American Telephone and Telegraph was looking forward to a similar level of employee ownership within a few years. About 30 percent of the employees of the Murphy Varnish Company of Newark owned 75 percent of the company stock. More than 85 percent of employees of the National City Bank of New York had purchased shares of the bank's stock.[63] The authors concluded that the employee stock ownership movement was in its infancy and that "the best forms of purchase have not yet been worked out." They predicted that "[if] it were to grow at the rate at which it has grown during late years, it could hardly fail to have a bearing."[64]

Employee shareholders were joining the ranks of an increasingly diffuse class of modern corporate owners.[65] Stock purchase plans had moved beyond the confines of welfare work. A few years later, the NICB, an organization not known for its sentimental approach

61. Ibid; 1.

62. Ibid; 62. The current value equivalent is the "relative share of GDP" computation provided by Measuring Worth (http://www.measuringworth.com/uscompare/), recommended by the Economic History Association (http://eh.net/hmit/). Accessed December 8, 2010.

63. Foerster and Dietel, *Employee Stock Ownership*, 62, 64, 147–8, 165–6.

64. Ibid; 94, 97.

65. Ott, *When Wall Street Met Main Street*, examines a multiplicity of factors, 1900–1929, that transformed the American public into willing consumers of investment securities in the 1920s. Ott reports that one-quarter of American households owned some form of securities by 1929, 2. Business promoted public investment as "shareholder democracy" in order to stave off government regulation. Ott argues that Employee Stock Ownership Plans were part of this anti-statist business strategy.

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to labor, emphasized the philanthropic motives behind the employee stock purchase movement. After surveying close to four hundred companies, the NICB described three of the top motives as philanthropic in nature. The fourth motive entailed a "business arrangement" that would secure increased capital for the firm and a return on investment to workers. The "information at hand," reported the NICB, "indicates here a practically bottomless reservoir of new capital, procurable on easy terms . . . an accounting of the value of the plan of securing capital from employees instead of through the regular channels would undoubtedly show a balance in favor of the company."[66] Finally, the NICB, noting the same trend identified by the Princeton researchers, added "imitation or fashion" to the list of motives, concluding that after 1920, the "sale of stock and, in a few cases, bonds, to employees almost took on the aspect of a fashion."[67] Almost a million workers held company stock, amounting to 30 percent of the workforce in firms with stock ownership plans. According to the NICB, employee stockholders owned, on average, $1,300 in company stock; these investments brought "workers' direct ownership of shares in industry to well over $1,000,000,000."[68]

Henry Dix's decision to *give* his company to his employees must be understood against this backdrop. As one of the frequently cited examples in both the welfare work and the profit/stock-sharing literature, the Dix plan contributed to the growing stock ownership movement. Like many who followed, the Henry A. Dix and Sons Corporation had a well-established welfare work program. Welfare features, including clean and safe factories, a five-day work week, and paid vacations, would continue. Dix's decision to turn his employees into stockholders did not indicate a rejection of or disillusionment with these labor policies. The ownership transfer was an extension beyond what the firm was already doing. Profit sharing, which had been in place for wage earners since 1914 and for managers since 1920, would be transformed. Whereas the company had used profit sharing bonuses to raise their employees' base wages over the previous few years, it would now redirect profit sharing to achieve employee ownership.

It was this employee ownership potential, not the option to purchase company stock, that made Henry Dix's plan so radical. There was a vast literature on profit sharing and stock purchasing from which Dix quite likely drew inspiration as well as logistical details for his plan. Although less than a handful contemplated

66. NICB, *Employee Stock Purchase Plans in the United States*, 133–4, 141.
67. Ibid; 41–2.
68. Ibid; 35–40.

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anything akin to employee ownership, this potential was inescapable. This leaves one wondering why Henry A. Dix decided to charge down this path. While the general business atmosphere clearly supported innovation, Dix explained his action as simply "fair" within the existing system, not as some form of social experimentation. However, this begs the question of where he came up with this notion of fairness. Certainly it was not inherent in the structure of modern corporations, in which owners, managers, and workers were becoming increasingly distinct entities with increasingly distinct interests. Nor, it should be emphasized, was it precluded.

I think that we need to turn to Dix's Russian and Jewish roots to understand both the motive for and the structure of this transfer scheme. In this respect, the Dix story makes business sense to the extent that we recognize that the modern corporation was as much a product of social and cultural factors as of the profit motive. There was, I suspect, a direct link between Dix's initial settlement in the Woodbine Colony in southern New Jersey and his later decision to give his company to his employees. The Jewish agricultural communities in New Jersey represented a particular response to the problem facing Russian Jews in the late nineteenth century. The Zionist response is probably better known.[69] The Am Olam movement that inspired the American colonies in New Jersey differed from Zionism in significant ways. According to Ellen Eisenberg, who studied the New Jersey colonies "the early Zionists . . . increasingly saw the Jewish problem as cultural and national." In contrast, she writes, "the Am Olam leadership regarded the Jewish problem as essentially socioeconomic and political." Am Olam's answer was to combat anti-semitism and Jewish poverty by "normalizing" Jewish life. This meant relocating Jews into "productive" work, especially agricultural, and integrating that productive output into the life of the broader, non-Jewish community. Am Olam looked to the United States as the place to achieve its ideal of "producerist" emancipation.

Although no concrete evidence links Henry Dix to this movement in Russia, he most certainly would have been familiar with it. Dix was raised in Kiev, Ukraine, home to the second largest Am Olam chapter in Russia. He moved to the neighboring town of Krementchug, as a young man. Dix was living there in 1882 when the Krementchug chapter sent the first contingent of Am Olam emigrants to the United States, a decade before he and his family emigrated. Around the same time, in the early 1880s, a wealthy Kiev merchant, Herman Rosenthal,

69. Historians place the American agricultural communities within one of three Jewish "autoemancipatory" movements dedicated to economic and political freedom for Russian Jews: Zionism, Am Olam, and secular revolutionism (within the *narodnik* and socialist movements).

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moved to the United States and helped finance an early Am Olam settlement in Louisiana. It is highly likely that Dix would have known of this, if not been intimately acquainted with fellow merchant Rosenthal. Mark Dix remembered their home in Krementchug as a center of community intellectual life. The fact that Dix sent his sons to gymnasia, the intellectual circle of friends described by Mark and Henry's connections to Woodbine, strongly suggest that he had developed a deep interest in these Jewish intellectual ideals. Certainly he was in direct contact with Am Olam pioneers and their descendents in Carmel, New Jersey. On at least two occasions he purchased properties from people involved in the leadership of the Carmel settlement.[70]

The Woodbine Colony to which Henry Dix first immigrated represented a noteworthy variant on the Am Olam settlement idea, heavily influenced by the struggles of these colonies over the previous decade. By the time that Woodbine was established, it was clear that Jewish settlers would not survive by agriculture alone. They found additional support in two ways, which would be embedded in the Woodbine experiment. First, family members took second jobs in local industry to supplement inadequate income from farming. The Woodbine Colony was planned as a joint agricultural and industrial community. Second, settlement leaders depended on financial aid from Jewish philanthropists, including the Baron de Hirsch Fund.[71] The Baron de Hirsch Fund added its own character to the Jewish settlement idea when it decided to establish the Woodbine Colony; it fully jettisoned the Am Olam ideal of communal ownership and provided its philanthropic wealth in the form of start-up grants to individual settlers. Rather than a philanthropic gift, the de Hirsch Fund established Woodbine as a kind of philanthropic investment; settlers were expected to repay these initial grants in full. In contrast to the Am Olam idea of agricultural settlement as a path to Jewish

70. Catherine L. E. Miller and William H. Miller grantors to Henry A. Dix, grantee, October 27, 1903, Record of Deeds, Book 269, 167–8, and Jewish Agricultural Aid and Industrial Society to Henry A. Dix, April 25, 1909, Book 302, 301–2, Cumberland County Clerk's Office, Bridgeton, New Jersey. William H. Miller was a land speculator who recruited Michael Heilprin to bring an Am Olam settlement to his Carmel properties. The primary signatory for the Jewish Agricultural Aid and Industrial Society was Cyrus Sulzberger, a Jewish philanthropist who began providing aid to the New Jersey communities during the early years of settlement. Brandes, *Immigrants to Freedom*, 61–2, 83, 141, 227.

71. Am Olam settlers had relied on philanthropic support from the beginning, with the expectation that successful settlements would outgrow this need. By the early 1890s, it was clear that philanthropic support would be needed for the long run. Eisenberg, *Jewish Agricultural Colonies in New Jersey*, chap.; Dix, *An American Business Adventure*, chap. 1. Joseph, *History of the Baron De Hirsch Fund*.

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integration into the broader society, the de Hirsch Fund supported settlements in order to disperse the exploding number of Jewish immigrants away from American cities.

Dix must have been familiar with and attracted to this variant of the Jewish settlement movement or he would not have applied to join the newly established colony.[72] The fact that he quickly gave up the experiment may be more a reflection of the discord in the community and a new awareness of other opportunities, than a sign that he rejected Am Olam ideals or the de Hirsch Fund program. Abraham Cahan, the editor of the *Jewish Daily Forward*, for example, who immigrated as an Am Olam settler, wrote that it took him "just three days to realize that the establishment of communal colonies was not really my dream. I was not fascinated by village life, by the prospect of laboring on the soil." Cahan pursued his ideals through writing.[73] Dix, who took three months rather than three days to reject farming, would pursue his ideals through business and philanthropic giving.

Henry Dix's entry into garment manufacturing gave practical form to the Woodbine program of combining agriculture and industry. He contributed to what Eisenberg refers to as a "golden age" when all the New Jersey colonies embraced this two-pronged economy, combining industry and agriculture. His first factory, located adjacent to the colonies, created industrial work for the Jewish settlers in Carmel and Vineland.[74] As one garment worker recalled years later, "the older girls, especially, had to work in the Dix Factory . . . to help support the younger members . . . . In my opinion . . . the garment trade was the basis of the livelihood of the settlers."[75] Dix opened the factory as a viable business venture, not as an act of charity. The Jewish Agricultural and Aid Society, which provided support to the struggling New Jersey communities, praised Dix as the only factory owner who did not "exact from us a subsidy" to open his shop in the community.[76] Dix's

72. In later years, Dix would be closely associated with, and a large donor to, philanthropic activities connected to the Baron de Hirsch Fund and its American leaders, including Jacob Schiff and Cyrus Adler.

73. Eisenberg, *Jewish Agricultural Colonies in New Jersey*, 36. Cahan may be better known for his novel *The Rise of David Levinsky*, whose immigrant protagonist achieves the height of financial success only to question the meaning of his achievements.

74. The exact location of his first garment factory is not clear from the record. It appears to have been Carmel. However, he told a gathering at his 50th birthday party that he first opened a factory in the neighboring Jewish agricultural colony of Rosenhayen. "An Elegant Banquet," *Bridgeton Evening News*, January 26, 1900, 1.

75. Carlisle, "Carmel at the Turn of the Century," three-part series in the *Bridgeton Evening News*, January 30, 1971, Folder: Carmel at the Turn of the Century, Cumberland County Historical Society.

76. *The Jewish Agricultural and Aid Society: Annual Report for the Year 1902*, 15.

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decision to close the two factories located adjacent to these agricultural communities suggests his opposition to the growing influence of socialism within the Jewish colonies.

In contradistinction to this, Dix's rent-to-buy transfer plan demonstrated his continued commitment to the de Hirsch Fund variant of the Am Olam ideal. Both groups were dedicated to the proposition that Jews would find freedom by engaging in work that provided a livelihood and that demonstrated their value to the broader society. In a like manner, the Dix transfer scheme presumed that workers and managers would be the instruments of their own economic emancipation. Their ownership of a profitable manufacturing enterprise would be the engine of this freedom. As with the de Hirsch Fund's top-down plan for the Woodbine Colony, this economic opportunity was designed and directed by the financial benefactor, Dix, not by the firm's employees. Similar to the de Hirsch plan for Woodbine, this was not an act of charitable generosity. It was a business transaction. The Baron de Hirsch Fund had fronted start-up monies and loans to the colony's settlers with the contractual expectation that those settlers would repay the Fund's investment to become independent landowners. Henry Dix's rent-to-buy scheme entailed the equivalent of a start-up loan in the form of his preferred shares of stock. As was the case for the Woodbine settlers, Dix's employees (wage earners and managers) were expected to generate sufficient profits from their new company to fully retire his ownership shares.

The Dix scheme shared another characteristic with the de Hirsch program at Woodbine; in both cases, the philanthropic benefactor found himself in conflict with his intended beneficiaries. Woodbine settlers rose in rebellion, sued in court, and some found themselves banished from the colony. Based on Henry Dix's transfer plan, it appears that he sympathized with the de Hirsch Fund's expectation that settlers eventually pay their own way. This was, after all, the bottom line on which the ownership transfer depended. However, paying back the full cost of someone else's investment proved even more difficult for Dix's industrial employees in the 1920s than it had for the recalcitrant Jewish farmers in 1890s Woodbine. As we will see, Dix's employees discovered that the promise of ownership was a mirage.

One final aspect of the Dix story seems inescapably linked to the Am Olam ideals and the larger agricultural settlement movement. As Eisenberg notes, the most significant goal of Jewish agricultural communalism was "'normalization,' or economic, social, and cultural adaptation to mainstream society."[77] This may account for what

77. Eisenberg, *Jewish Agricultural Colonies in New Jersey*, 174.

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appears to be an otherwise inexplicable anomaly in the public record. Dix was a generous and publicly recognized donor to many Jewish philanthropies.[78] Yet references to Dix the businessman rarely mentioned his Jewish connections beyond noting that he emigrated from Russia to escape persecution as a Jew. Although two of his earliest factories were clearly associated with the Jewish agricultural colonies, he excised this connection from public accounts of the company's story. His son's biography recounts Christmas parties held for the firm's employees; Dix reported that he learned English by attending services at the Baptist Church in Millville.[79] When Henry Dix gave himself a 50th birthday party in 1900, the featured speaker was a local minister.[80] Years later, when he announced his retirement gift, Dix made a point of distancing himself from any Jewish connections. He told one reporter that when he moved to Millville "there were no other Russian Jews there and the few Jews roundabout spoke Yiddish, a language none of us knew." Further, Dix explained that "all the plant and department managers grew up with the firm. Eighteen such, including three women, own stock in the business and all are Gentiles."[81] Why would Dix, whose industry was dominated by American Jews and whose philanthropic giving became overtly Jewish in nature, obfuscate his Jewishness? I think this begins to make sense when viewed in relationship to the Am Olam goal of economic and social "normalization." In this respect, Henry Dix's commitment to Americanization might be seen as the realization of his Jewish reform ideals.

78. Among the more noteworthy recipients of his gifts: Jewish synagogues in both Carmel and Millville, New Jersey, the New York Jewish Theological Seminary (for which he was honored with a permanent seat on the Board of Directors), Young Women's Hebrew Association, United Hebrew Charities, United Jewish Campaign, Federation of Jewish Charities, Hebrew University in Jerusalem, Beth Abraham Home for Incurables. With the exception of a $10,000 gift to build a new hospital in Millville and bequests in his will to Tuskegee Institute, Fiske University, and the Henry Street Settlement, all of Dix's philanthropy appears to have gone to Jewish causes or institutions. The *New York Times* also reported that the Henry A. Dix and Sons Company subscribed $50,000 to a liberty loan campaign, May 2, 1918, 4.

79. "Man Who Gave Workers $1,000,000 Business Calls it Merely Justice," *NYT*, XX2.

80. "An Elegant Banquet," *Bridgeton Evening News*, January 26, 1900, 1.

81. Stout, "Making the Grade" newspaper not identified, n.d., c. January, 1923, Folder: Dix, MHS. At least two of Dix's executive managers, Samuel and Fred E. Frank, were Jewish. There is some evidence that a third, Leslie Miller in Bridgeton, may have been the son of the land speculator who sold the Carmel properties to the first Am Olam settlers. The Dix announcement coincided with the rise of the Ku Klux Klan, which garnered significant public support in Cumberland County (including an April 1924 Jubilee Celebration in Millville that reportedly drew a crowd as large as 10,000). Morita, *Bridgeton Impressions: 1686–1986*, 46–8, 52.

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This is not to argue that the Dix story was really a Jewish story. Rather, it suggests the ways in which a particular constellation of social and cultural factors shaped the plan to transfer ownership of the company to his employees. Profitability remained the primary objective, but under the Dix scheme those profits would be directed to a new purpose: the welfare of the workforce. The executive managers, who would hold all the common stock and voting power, would not be able to realize any return on their ownership until the company provided a 7 percent return on capital to the firm's preferred shareholders.[82] And who were the shareholders for whom these managers were "working"? Once the Dix shares were retired, they would be the company's wage-earning employees. In contrast to ideas of partnership embedded in talk about industrial democracy, the Dix plan used the corporate ownership structure to establish a circular dependency and obligation between management and workers.

* * *

The newly restructured Henry A. Dix and Sons Corporation got off to a strong start. Henry Dix provided continuity and paternal guidance as a "50¢ a year man" who regularly traveled into the New York City headquarters from his country home in Westchester County. The new Directors continued to serve as plant managers in locations where they had directed operations for years: Walter H. Felmey in Millville, Leslie L. Miller in Bridgeton, Isaac Nixon in Somerville, and Fred E. and Samuel Frank in New York City.[83] The company prospered. Henry Dix reported that these "boys" were responsible for generating net profits of $60,000 in 1923 and $50,000 in 1924 (their first two years as the Board of Directors).[84]

While Henry Dix still had some kind of hand in the business, the evidence suggests that these men grew in their positions and began

82. It is worth noting that most profit-sharing plans during this era designated six to eight percent of profits to be held for return on capital (with some portion of the remaining profits distributed according to the plan formula). The 7 percent dividend attached to the employee Class A preferred stock was well within this norm.

83. George F. Reiser, who worked for Dix in Millville at least as early as 1903, became the new company president. However, he disappears from the company records after 1924. Reiser, who was living in Orange, New Jersey, at the time of the transfer, appears as a designer of ladies' clothing in Orange City, New Jersey, in both the 1920 and the 1930 census. He may have been the Philadelphia apprentice that Henry Dix hired to develop his first designs in the 1890s. Walter H. Felmey, long-time manager at the Millville factory, quickly replaced Reiser on the Board. Ralph Waltman, living far north of the Dix factories in Lyndhurst, New Jersey, was designated as corporate treasurer in the 1923 restructuring. I have not located any definitive records of his connections with the company after 1925. Fred E. Frank was identified as a General Manager of the company as late as 1948; however, after the 1920s, he was no longer a board member signatory to the corporate filings.

84. "Giving Away Money Difficult, Dix Says," *NYT*, April 2, 1925, 10.

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to place their own stamp on the company. In 1925, Fred E. Frank patented a system "whereby buttons or other fastening devices may be easily removed [to avoid breakage or rusting] . . . prior to laundering."[85] This was not business as usual, but business as forward looking. Frank's invention had the potential to upgrade their product for the new machine age, making Dix dresses more attractive to busy housewives and hardworking nurses and maids. The fact that so many department store ads featured Dix-Make garments by name suggests that the company was responsive to changing consumer tastes. At the same time, the new ownership management team accelerated an expansion of the uniform side of the business. Although uniforms had grown to 20 percent of the company's business during the war, housedresses still accounted for an overwhelming 80 percent of the business. By 1925, these numbers had been reversed, with uniforms accounting for 80 percent and housedresses for 20 percent of the firm's production.[86]

The new ownership management team expressed confidence in their stewardship not only by completing this change in the product line but also, more viscerally, by relocating the company headquarters. In 1925, they left the firm's original New York headquarters on 14th Street to join the rest of the garment industry. The new headquarters on Madison Avenue (near 31st and 5th Avenue) placed them in the heart of the garment district and afforded more space for expansion.

Fred Frank, the general manager at the New York headquarters authored an article for fellow businessmen describing the managerial strategies behind their success. Under the title "Workable Simplification," Frank explained how the firm's manufacturing and inventory systems made it possible for "an overhead staff of fourteen" to manage a workforce of four hundred on the production lines. Among the more noteworthy strategies were a reduction in the number of dress styles from 150 to 40, an early version of just-in-time manufacturing, expansion into countercyclical products (uniform production to even out the seasonal fluctuations in demand for housedresses), decentralization of production to manufacturing plants far from the Manhattan garment district (taking advantage of lower labor costs and less union agitation in New Jersey), and a dedication to good labor conditions that ranged from good pay and a five-day work week to annual vacations and clean workspaces.[87] Perhaps as a harbinger of things to come, the only hint of Henry Dix's retirement gift was Frank's

85. US Patent 1,534,174, issue date April 21, 1925. Image and text of patent application accessed at http://www.freepatentsonline.com/1534174.pdf, December 10, 2010.

86. Frank, "Workable Simplification," 224–6, 254–5.

87. Ibid.

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statement that "Human beings like to be, if even in a small way, capitalists; so we have a simple plan under which [employees] may become stockholders in the company." In this rendition, stock purchase was one among many welfare features to keep workers contented, not a process through which workers would own the company they built.

Nevertheless, Mark Dix's biography, published two years later, leaves the clear impression that the Dix plan not only should, but would, result in employee ownership. Hitting the bookstalls the year that the transfer was to be consummated, 1928, the book gave no hint that there had been any departure from the plan. However, the Certificate of Reduction of Shares, which the company submitted pursuant to the buy-out plan, clearly demonstrates that the transfer would take longer than originally announced. Filed on the fifth anniversary of Henry Dix's retirement announcement, it reveals that the firm had generated sufficient profits to retire $300,000 worth of stock representing the firm's plant and equipment (Class 2 Preferred).[88] This was a truly remarkable achievement, indicating that the company had generated net profits that averaged $75,000 per year through the economic boom of the mid-1920s.[89] Unfortunately, those profits had not been sufficient to repurchase any of the stock representing the firm's intangible assets; Henry Dix still owned $250,000 of Class 1 Preferred stock. The rent-to-buy scheme would continue. If all went as it had during the previous five years, everyone involved might look forward to employee ownership in about four years, circa 1932.

With historical hindsight and minimal math skills, it is not difficult to speculate about the disaster on the horizon. Yet, in many respects the Henry A. Dix and Sons Corporation was well positioned to weather the storm of the Great Depression. As the economy collapsed, the demand for its low-cost women's dresses (wholesaled as dozen-priced dresses) dropped less dramatically than did the decline in demand for higher cost women's dresses (wholesaled as unit-priced dresses).[90] The firm's flexible specialization in both housedresses and

88. "Certificate of Reduction," December 22, 1927.

89. The rent-to-buy plan required that 80 percent of annual net profits be dedicated to retiring the Dix shares of preferred stock. In order to expend $300,000 for this purpose, total profits would have been at least $375,000 over the five-year period (or $75,000 per year on average). This rough calculation does not include the cumulative dividends due on the Dix shares as the absence of company records makes it impossible to determine whether any or how much was paid in dividends.

90. "Housedress Industry Survey," 2. The less severe decline in demand was reflected in less severe declines in overall employment and in lower seasonal fluctuations in these different sectors of the women's clothing industry. As the economy began to recover, employment in the housedress industry increased 20 percent between 1937 and 1939, faster than the 15 percent in the coat and suit sector. Greig, *Seasonal Fluctuations in Employment in the Women's Clothing Industry in New York*, 29 footnote 1, 34 footnotes 10 and 11, 46–51, 55.

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various kinds of uniforms made it possible to quickly fill whatever orders could be generated. This did not save the company or its employees from financial distress. Nevertheless, the company not only survived the Great Depression, but also maintained its core labor force in accordance with Henry Dix's pursuit of stabilizing employment over maximizing profits. As noted earlier, Dix had proudly limited his firm's size in order to avoid the fluctuations attendant on expanding as far and as fast as the market would bear. Part of that stabilization included moving to the five-day work week in response to workers' demands during World War I. A decade later, it was estimated that only 216,000 American workers enjoyed the five-day work week.[91] As the magnitude of the economic collapse began to sink in, the Henry A. Dix and Sons Corporation announced its commitment to this employment stabilization measure.[92] In 1931, no longer able to maintain the promised five-day work week, the company instituted a work-sharing 3.5-day week (for which it earned praise from the American Federation of Labor).[93] This accompanied what must have been a desperate effort to deal with the expansion that had occurred during the heady years of the 1920s. Although some workers clearly lost jobs and incomes necessarily declined with the shortened work week, the firm's depression-era labor force stabilized very close to the size it had been before the flush years of the previous decade.

In addition, the evidence suggests that the company managed to eke out a small profit during the economic depression. Beginning in 1934, it committed $12,000 from profits annually toward repurchase of the Henry A. Dix shares. An Internal Revenue tax case reported that although the company had run a deficit in 1933, it did operate profitably between 1934 and 1937, albeit never exceeding $20,000 in any year; profits in 1936 were $18,475, dropping to $14,588 in 1937.[94]

The more serious challenge for the company came with the death of Henry A. Dix, in June 1933. Dix had attracted press attention for expressing his intention to give away his fortune before he died and for the difficulty he was having in doing so. Despite philanthropic gifts amounting to hundreds of thousands of dollars and the crash in

91. Although he limited workforce growth, Dix reported that production increased substantially when he introduced the five-day week, rising from 288,000 garments in 1918, the year before the change to 333,600 garments in 1921. *Bridgeton Evening News*, January 9, 1923, 3. Bernstein, *The Lean Years*, 72.

92. "Building Gain Seen in a Survey Here," *NYT*, May 5, 1930, 4.

93. "Facts in Figures: Meeting the Crises Plans That Work," *The American Federationist*, 1529.

94. "Memorandum Findings of Fact and Opinion," Henry A. Dix & Sons Corporation v. Commissioner of Internal Revenue, Docket No. 104977, United States board of Tax Appeals, March 10, 1942. A heartfelt thank you to Scott Risley for bringing this tax case to my attention.

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the financial market, he died a wealthy man.[95] In his will, he left generous bequests to his extended family, friends, a handful of former Henry A. Dix and Sons employees, his barber, and more than a dozen religious, philanthropic, and educational institutions. His sons, Mark and Leon, seem to have inherited the outstanding shares of Henry A. Dix and Sons Corporation stock. Mark Dix, as executor of his father's estate, would exercise control over these shares in the years to come.[96]

How would Henry Dix's plan unfold now that its driving force was out of the picture? To what extent had the 1922 reincorporation institutionalized his particular vision, which used the corporate ownership structure as a vehicle to funnel profits to employees? And how would the economic depression affect the pace at which full employee ownership would be achieved?

Coincident with the final settlement of the estate, Mark Dix, as executor, and the common shareholders–Board of Directors signed a contract that revised the powers and obligations attached to the different classes of stock.[97] Although few in number, these revisions substantially altered the employee ownership scheme. Most significantly, Mark Dix, in his capacity as executor of the Dix estate, gained sole voting power. The common shareholders–executive managers, who had previously shared voting power with the Dix shares, lost voting rights (to be reinstated only after the Dix estate shares were fully retired). The motive behind this change might be surmised by noting that the balance of power was very close to tipping in favor of the common shareholders–executive managers. Between 1928 and 1934, the company had retired enough of Henry A. Dix's shares, that his estate enjoyed a mere sixty-vote majority over the common shareholders (2,060 Dix shares versus 2,000 common shares). In addition to ensuring Mark Dix's power over corporate decisions, the 1934 contract also required the firm to retire the Dix estate shares at a minimum rate of $12,000 per year, paid in installments of $1,000 per month. The common stockholders–executive managers seem to have received some compensation for what must have been a heavy-handed exercise of Mark's sixty-vote majority. It is possible that the simultaneous reduction of common shares from 2,000 to 1,000 entailed a repurchase by the company that put money in the pockets of the common

95. "Giving Away Money Difficult, Dix Says," *NYT*, April 2, 1925, 10; "Estates Appraised," *NYT*, July 14, 1934, 26.

96. "Last Will and Testament of Henry A. Dix," July 16, 1931, codicil dated October 28, 1931, Oath and Designation of Executor, October 10, 1933, Probate Petition, October 10, 1933, Surrogate Court, Westchester County, New York.

97. "Certificate of Reduction," July 6, 1934, and "Certificate of Decrease of number of directors," July 6, 1934, "Memorandum Findings of Fact and Opinion," Henry A. Dix & Sons Corporation v. Commissioner of Internal Revenue, Docket No. 104977, United States board of Tax Appeals, March 10, 1942.

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shareholder-executive managers. Most certainly, the contract provided these men with a greater degree of control over whatever profits the firm might generate. In place of the previous requirement that 80 percent of all profits be allocated to retiring the Dix shares, the new structure limited the company's obligations to $12,000 on the first $20,000 in profits, to 50 percent if profits exceeded the $20,000 threshold, and an upwardly sliding scale thereafter.

This deal did not change in the status of the employee shareholders. As of 1934, these employees had purchased only 3,678 shares of the 15,000 shares available to them. Without the company papers, it is impossible to determine the distribution of these employee shares. However, a generic measurement provides some insight into the workers' enthusiasm for the employee ownership scheme. When Henry A. Dix retired, he announced that 115 of the 400 employees had been with the firm for three or more years.[98] Given the demographic makeup of the workforce, it would be safe to assume that close to one hundred of these were women. If we presume that all these long-term employees purchased shares, the 3,678 shares of employee-owned stock would signify an average of 32 shares per worker. This suggests two things. First, employees, both men and women, did participate in the employee ownership scheme. In 1934, the company valued their investment at $36,780. Second, employees owned only a fraction of the $150,000 worth of stock they could have purchased; they had not embraced employee ownership wholeheartedly. Finally, the 1934 deal continued the original provision that employee shares could not be retired until all the Dix shares had been retired. It slightly altered the dividend provisions, deleting the Dix shares' priority claim. Thus, it became possible for the company to pay dividends on the employee shares without having made prior dividend distributions on the Dix shares. Of course, the decision to do so rested entirely in the hands of the voting shareholder, Mark Dix, and the Board of Directors.

One unhappy employee shareholder who tried to cash out at the time of this change discovered the limits of employee ownership. Louis Sharenow sued the company for breach of contract when it refused to repurchase his shares. The court found in favor of the company, arguing that the provision to repurchase employee shares was entirely dependent on the company's profitability.[99] The decision

98. Employees were eligible to participate in the stock ownership program after two years of service, so the three-year measure is only a rough guide to the size of the potential employee ownership pool.

99. "Sharenow v. Henry A. Dix & Sons Corp.," *New York Law Journal*, 22043. It is likely that Sharenow was more than an average employee. Not only was he one of the minority of men in the company's employ, but Dix remembered him with a $4,000 bequest in his will, listing him in the family or friends category.

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affirmed that the employee held an equity interest and that like all corporate owners he would reap returns on that interest to the extent that the company had returns to reap. This was exactly what Henry A. Dix had set in motion with his retirement gift in 1922. Company profits would be dedicated to the welfare of the employees. However, employee ownership would be successful only to the extent that there were profits. As the court noted, the firm had not been profitable in 1934.

Further, the nominal employee owners from the men at the top to the women on the factory floor were still working to buy their company (to retire $150,000 of outstanding Dix estate shares). Henry A. Dix had tried to use the corporate ownership structure to direct the firm's financial success to its employees, albeit without altering the hierarchy of power between management and workers. At the time he passed away, a major element of the employee ownership plan was very close to fruition: the executive manager employees were on the verge of gaining voting control. The 1934 contract effectively destroyed this possibility. Although ownership remained vested in three classes of shareholders, the corporation would, for all intents and purposes remain under the control of a single proprietor, Mark Dix.

Annual filings over the course of the next decade indicate that the company remained minimally profitable. In what may have been a sign of renewed health, in 1939 Henry A. Dix and Sons joined the garment district's westward migration, moving its headquarters two blocks west to 30th Street near Broadway. The company repurchased the Dix estate shares approximately as contracted at the $12,000 per year minimum. However, there were still four hundred Dix shares outstanding in 1944, two decades after Henry Dix "gave" the company to his employees.[100] The company's fortunes seem to have shrunk along with its shrinking ownership base. The Henry A. Dix and Sons Corporation never recovered its pre-depression profitability. Remarkably, the firm's executive management remained largely unchanged throughout this period. Four of the six men who gained notoriety as Henry Dix's "boys" and the future owner managers remained managers and the core members of a very stable Board of Directors throughout the company's long history.

In 1940, as the national economy began to recover, employment at the three factories in New Jersey dropped to 154, a number equivalent

100. "Certificates of Reduction," 12/22/27, 12/14/3, 1/11/38, 12/9/38, 11/30/39, 12/5/40, 12/12/41, 12/2/42, 12/4/43, 5/3/44, 12/11/44, 11/29/45, 1/3/47.

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to the workforce of 1906.[101] Three years later, the same factories employed 136, a number that would remain unchanged from 1943 to 1949. It was during this period of renewed stability that the wage-earning shareholders were finally able to cash out of the decades-long experiment in employee ownership. Between mid-1944 and the end of 1946, the company repurchased all the employee Class A shares. These long-term employee shareholders took home an added $36,780 over the course of two-and-one-half years. One might guess that the wartime recovery prompted aging workers to demand, or the long-term managers to offer, recompense.[102] While it proved impossible to discover what the women on the shop floor thought about the plan when it was launched in 1922, it seems unlikely that they would have objected to its demise in 1946. Many of these middle-aged working wives undoubtedly faced gaps in their household budgets or they would not have spent so many years on Dix's factory floor. The absence of any local lore about the Dix scheme suggests that the experiment itself had been confined to passive shareholding. The absence of significant profits during the 1930s made this passive shareholding even more meaningless. Thus, at the end of 1946 the experiment with employee ownership was largely over.

The remaining employee owners, the executive managers, seem to have finally gained full control of the company. They stopped retiring the Dix estate shares with apparently no repercussions from Mark Dix, by then long-retired in Florida.[103] However, like their employees in New Jersey, these men were aging. Walter H. Felmey, company president and on-site manager at the Millville factory, was seventy years old; Leslie L. Miller and Isaac Nixon, fellow board members and his counterparts at the Bridgeton and Somerville factories, respectively, were in their mid-sixties. The Frank brothers, Samuel and Fred E. at the New York headquarters, were about a decade younger, fifty-nine

101. *New Jersey Industrial Directories,* 1940–1941, 1943–1944, 1946–1947, 1949. Unfortunately, workforce data have not survived for the New York headquarters. In contrast to World War I, the company did not seem to benefit from demand for nurses or other uniforms during World War II. Long-standing company policy to focus on employment stability instead of market share may have been reinforced by the struggle of the depression years. Even if management had pursued wartime contracts, it is quite likely that the government preference for mass producers would have made the firm uncompetitive.

102. City Directories for Millville and Bridgeton, New Jersey, reveal a dramatic change in the age of the company's workforce. Based on the available evidence, in 1928, 35 percent of the women working at the Millville factory were married or widowed; in 1944, over 90 percent of the Millville women were married or widowed. In 1949, 78 percent of the Bridgeton factory women and 50 percent of the Somerville factory women were married or widowed. It is not possible to reconstruct the Bridgeton or Somerville workforces earlier years.

103. Mark passed away in 1953 at the age of 75; his brother Leon died in 1959.

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and fifty-one years of age, respectively. As the industry changed around them, these men proved incapable of, or perhaps uninterested in, sustaining their company over the long term. The Millville factory shut down in 1952, shortly after long-term manager and company president Walter Felmey died of a heart attack at his desk. The employees and local production were consolidated in nearby Bridgeton.[104] Both the Bridgeton and the Somerville factories were closed by 1957. Company president Samuel Frank died at the end of that year. The company gave up its showroom space on Broadway in New York in 1958 and moved out of Manhattan in 1960. Henry A. Dix and Sons relocated to Brooklyn, where it seems to have survived for less than two years before disappearing entirely (from both advertising copy and the city directory). New Jersey revoked its charter as a foreign corporation in 1962. Fred E. Frank, the last man standing, passed away in 1966. Henry A. Dix and Sons Corporation was formally dissolved in 1970.

* * *

The Henry A. Dix and Sons Corporation had weathered the Great Depression, World War II, and a quarter-century ownership buyout scheme. This was no small feat. A study of the New York women's apparel industry estimated that only 13 percent of the companies active in 1950 had been in business for twenty or more years.[105] Henry A. Dix and Sons was in business for over sixty years. Yet, postwar prosperity brought a new set of competitive problems to the women's garment industry and to the lower end housedress industry in particular.[106] The Dix company did not survive those storms. It gave up the advantages of decentralized production, closing its New Jersey factories at the very time that the industry began to shift manufacturing out of New York City to lower cost labor markets. Advertising copy from the 1950s suggests that department store shoppers might be enticed by Dix-Make maid uniforms but not its housedresses. Yet as dress and entertaining styles changed, the market for maid uniforms shrank. The demise of the company was

104. "Walter H. Felmey, 76, Former Mayor, Fatally Stricken," June 17, 1952, newspaper not identified, Folder: Felmey, Walter, MHS. Ages and birth and death dates for other principles were determined through a combination of census, World War I draft registration, Social Security death index, and newspaper obituary records.

105. Hall, ed., *Made in New York: Case Studies in Metropolitan Manufacturing*, 31.

106. Intense competition and changes in consumer tastes prompted a number of contemporary studies of the industry. Hall, *Made in New York*; "Housedress Industry Survey," 1951. Also see Nancy Green's excellent analysis of the spatial changes in the industry, Green, "Sweatshop Migrations: The Garment Industry Between Home and Shop," 213–32.

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undoubtedly related to competitive challenges facing the housedress and uniform sectors more generally.

Henry A. Dix and Sons Corporation failed to achieve one of the defining markers of corporate status: immortality. This, of course, had not been Henry Dix's purpose. Rather, he wanted to make employee welfare the raison d'etre of the business. As Fred E. Frank had explained it to a reporter shortly after the retirement announcement, they were "trying to *humanize this business* in which we have been engaged these years with Mr. Dix."[107] While Henry Dix had relied on his personal ethic to humanize the business while he was at the helm, his ownership transfer scheme was designed to make this more than a matter of managerial discretion. His plan would embed the humanizing mission in the fiber of the business. As employees became owners, the diverging interests of labor and capital would be brought to the same point. It was a radical idea, promulgated through the very conservative instrument of the rent-to-buy plan. Dix denied that he was an idealist or social reformer. Instead, like the de Hirsch Fund plan at Woodbine, the Dix plan was a financial transaction intended to redound to the benefit of all parties. Once his equity was retired, the new owner managers and owner workers would be able to use the profits they earned for their own well-being.

The employee ownership scheme foundered on a number of shoals. One of these was the heavy price Henry set on his equity in the firm. His employees had helped to build a company that they could not afford to buy. The Great Depression made an unlikely goal impossible to achieve. The revisions forced by Mark Dix's 1934 contract with the Board of Directors destroyed the founder's carefully designed transfer scheme.

Perhaps equally important, however, was the way in which the Dix plan may have contributed to a kind of ossification within the firm's executive management. Dix's "boys" spent a quarter-century waiting in the wings to assume managerial ownership of the company. As they waited, they had no incentive to bring new managerial blood into the firm, especially one with such a lean operation at the upper echelons (Fred E. Frank's assertion that fourteen staff managed a production workforce of four hundred is borne out by the sketchy employment records from New Jersey and New York). Once Mark Dix had contracted a guaranteed $12,000 annual income with predetermined increases tied to rising profits, there was little incentive for him to oversee the direction of the company. Provisions

107. "Humanizing, Not Sovietizing, Say Dix and the Workers to Whom He Hands Over Business," December 31, 1922, incorrectly attributed to *New York Times*, Folder: Dix, MHS. Italics added.

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related to the wage-earning shareholders ensured that the Board of Directors could ignore that class of owners entirely. By the time that the remarkably stable Board of Directors actually gained control of the firm in the late-1940s, they had few resources for meeting the challenges of a declining industry. These men seem to have developed identities and expertise as on-site factory managers. They functioned in many respects like Chandlerian middle managers, rather than undertaking the long-range planning that had become the province of Boards of Directors in shareholder-owned corporations. The fact that they were nearing the ends of their careers certainly exacerbated this problem. Additionally, the company they finally inherited had virtually no capacity to finance any significant change of course (the product of miniscule profits combined with declining capitalization as the buyout ground to a halt).[108]

Although the ownership transfer never materialized, the Dix plan stands as a sentinel, reminding us of the still-uncertain nature of corporate capitalism well into the twentieth century. By 1904, when Henry A. Dix filed his first incorporation papers, American governments had abandoned the centuries-old notion that incorporation was a privilege granted in exchange for some kind of public good. In the new industrial era, incorporation had been reinvented to serve private interests, particularly in the form of limited liability and unlimited profits. However, the nature of those private interests was more contested than we might presume from histories of the early twentieth century. The Dix scheme assumed that solving the labor problem was a private interest as well as a public good. Harking back to the Jewish agricultural and industrial colonies that first drew Dix to the United States, the ownership transfer promised to serve the private interests of his employees; as company owners they would achieve a kind of producerist economic independence. Profits from their hard work would be dedicated to purchasing the business which would provide both good working conditions and, if Henry Dix's personal wealth was any measure, dividends sufficient to guarantee economic security to a notoriously marginal laboring class. By transferring ownership to the firm's employees, the Dix plan would put labor to work for itself. In so doing, Henry A. Dix tested the possibilities inherent in the shareholder-owned corporation.

However, Dix's plan for employee ownership never challenged the hierarchies of either proprietary or corporate power. The buyout simply transferred his prerogatives as founder and proprietor into the new corporate business form through the powers attached to his

108. As of January 1947, the company's total capitalization was $33,575; retained earnings accounted for a mere $4,375 of this figure.

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preferred stock. Then, in 1934, at the point when the executive managers were on the verge of attaining majority shareholder control, his son Mark used that power to renegotiate virtually permanent control for the Dix estate. Corporate ownership, as the 1934 contract demonstrated, entailed policy-making power as well as a claim on profits. Neither Henry, nor Mark, nor the executive managers ever considered bringing the mass of the firm's workforce into that policy-making loop. The female operatives might buy a share of the company, they might earn a respectable 7 percent investor's return (after Dix was bought out), but they were barred from active ownership. In the Dix scheme, the employee's preferred stock gave them a tenuous claim on profits, but they were denied the power to vote. No provisions were made to create even the semblance of employee participation as was attempted at Leeds and Northrup and American Cast Iron Pipe.

Dix would become famous as a successful businessman, as a kind employer, and as a generous philanthropist. He enjoyed the praise of fellow businessmen, progressive reformers, and the press while he was alive. His name continued to evoke the possibility of humanity in business long after he died. Dix was not, of course, a passive recipient of this reputation. He crafted a story about his retirement gift that made great press, he granted scores of interviews, and he luxuriated in the rave reviews of his son's timely biography. I think that his story proved particularly attractive to the business community of his era because it validated the notion that the emerging corporate order (characterized by hierarchically managed but diffusely owned companies) could serve ethical ends (especially the end of good labor relations). However, the Dix experiment never confronted the inherent conflict between the hierarchical nature of the modern corporate form and the democratic demands of a truly humanized business.

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