

# STILL THEY BRIDE

## OF THE 12 COMPANIES ON THE ORIGINAL DOW JONES INDUSTRIAL AVERAGE, 11 OF THEM, OR THEIR DIRECT SUCCESSORS, ARE STILL IN BUSINESS

By Gregory DL Morris

NOW THAT THE FOSSIL RECORD clearly shows that some dinosaurs evolved into birds, it should not be such a surprise that almost all of the first 12 companies on the Dow Jones Industrial Average (DJIA) are still around. Their names reek of turn-of-the-century incipient industrialism: Tennessee Coal & Iron, American Cotton Oil, Distilling & Cattle Feeding. But well into the Information Age only one on the debut list of May 26, 1896 is entirely gone. The U.S. Leather trust, the only preferred issue of the first Dow Dozen, was dropped in 1905. The trust was dissolved in 1911, and hardly a trace of the company or the industry remains in this country.

On July 3, 1884, a two-year-old two-page daily bulletin published by Charles Dow, Edward Jones, and Charles Bergstresser, *The Customer's Afternoon Letter*, first listed an index of 11 large stocks, mostly railroads. In 1889 the trade publication became *The Wall Street Journal* and in 1896 the list became the DJIA.

The most recognizable name is General Electric, which proudly claims that it is the only one of the original 12 that is still on the average. GE was indeed on the debut list, but only lasted two years. It was replaced by U.S. Rubber in 1898. GE was back just seven months later and gone again after just another 12 months. GE was back to stay in 1907, this time replac-

ing another original, Tennessee Coal & Iron of Birmingham, Alabama.

U.S. Rubber was likewise on the first Dow Dozen, but was bumped by Pacific Mail Steamship Lines after only six months. After USR returned to displace GE, USR preferred (pfd) joined the DJIA in 1905, replacing U.S. Leather pfd. USR pfd was bumped by General Motors in 1915, and USR common was dropped in 1928.

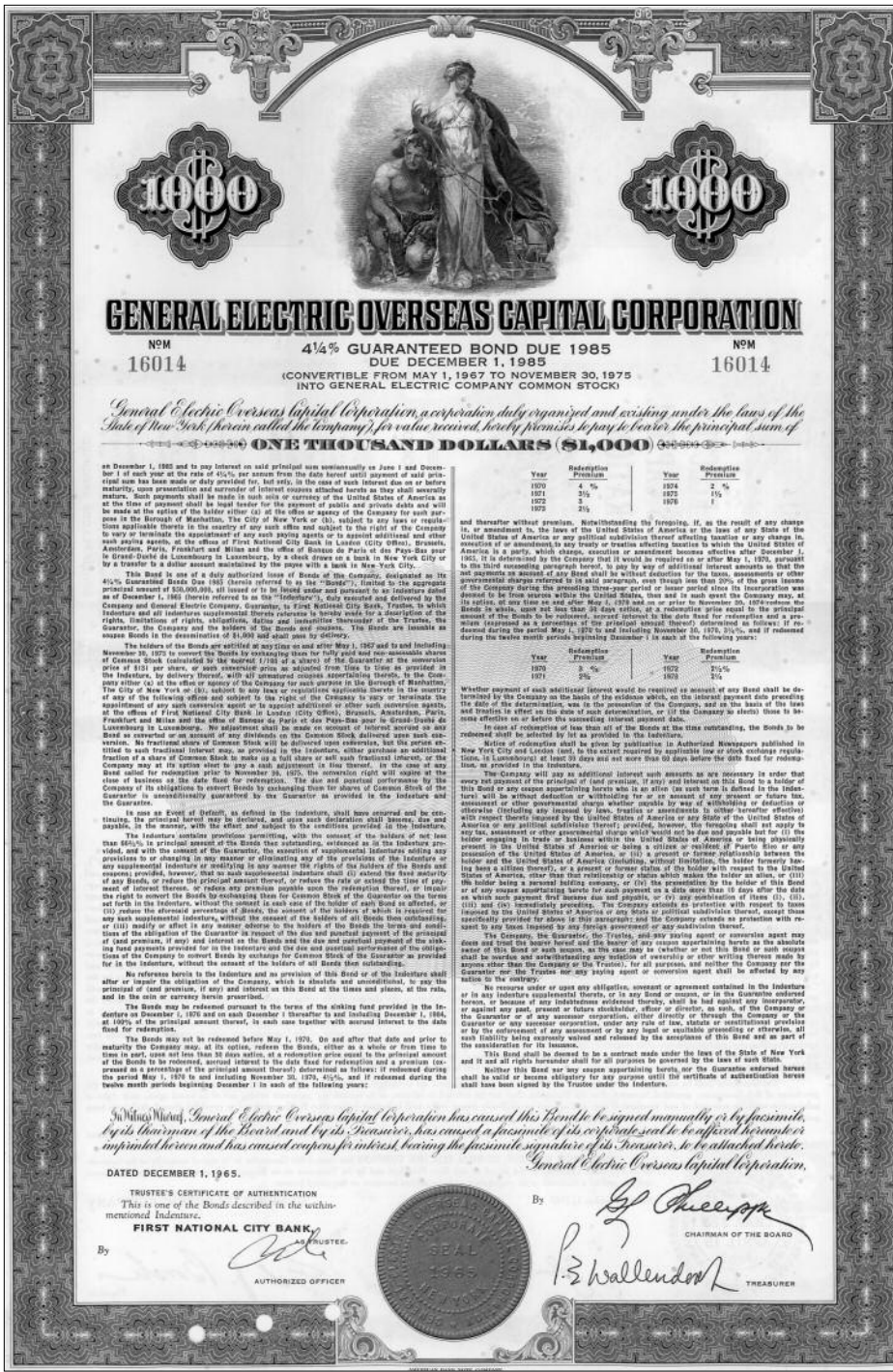
Thirty years later USR merged with Continental AG of Germany to form Uniroyal. A giant tire that the company created for the 1964-65 World's Fair in New York was removed to Detroit and still stands outside Motown's Metro Airport. The brand, too, still stands, but the company itself does not. It merged with B. F. Goodrich in 1986 and that combine was bought by France's Michelin in 1990 to create the largest tire company in the world.

Ninety years earlier the largest steel company in the world was created when Elbert E. Gary and J. Pierpont Morgan bought Carnegie Steel and combined it with their holdings in Federal Steel to form U.S. Steel. Capitalized at \$1.4 billion, it was the world's first billion-dollar company. On April Fool's Day 1901, USS took Federal's place on the DJIA; USS pfd was also added. The second-largest steel company, Tennessee Coal, Iron & Railroad, was one of the original 12. It was founded as the Sewanee Mining Company in 1852, and as late as 1905 was slugging it out with USS for dominance.

Then the Panic of 1907 hit. F. Augustus Heinze had made a fortune in the copper boom that made Butte, Montana the richest hill on earth, but in doing so had made enemies of Morgan and Rockefeller interests. When Heinze came to Wall Street to beard the lions in their den, they bankrupted him. But in doing so, they set off a broader financial crisis. Some of the banks affected were affiliated with TCI, and left the company vulnerable.

Historians debate Morgan's role in precipitating the Panic of 1907, but there is no debate over his pivotal role in ending it. As part of the agreement with the Roosevelt administration, Morgan got permission for USS to acquire TCI, even though No. 1 buying No. 2 was a flagrant violation of anti-trust rules. He also got a sweet deal: the cash price was \$45 million, about six percent of TCI's net worth.

Far from disappearing into USS, TCI continued as an autonomous subsidiary until 1952. By 1972 Big Steel had begun its big swoon, and USS closed and sold the Sloss City Furnaces in downtown Birmingham. But USS still counts TCI's main Fairfield Works outside the city as one of its three main complexes. The last capital project at Fairfield was in 1981; the very next year, USS diversified into energy by buying Marathon Oil, becoming USX Corp. Just five years later USX was dropped from the DJIA—replaced, ironically, by J.P. Morgan & Co.—and the company reorganized into sep-



Company to finance rail, transit and utility ventures in the Midwest. Both Insull and Villard were partners with Thomas Edison in Edison General Electric, the predecessor of GE, but North American was the first name removed from the DJIA, lasting only three months. It made a brief reappearance, from 1928 to 1930.

Villard became a famous railroad magnate and Insull became an infamous Chicago charlatan (see Issue 75, p. 20). North American survived until 1938 when a federal court dissolved it. One of the two biggest successors, Milwaukee Electric Railway & Transportation, was bought by Milwaukee Suburban Transportation in 1952, which went out of business a decade later. The other, Wisconsin Electric Power, grew into Wisconsin Energy in 1987 and We Energies in 2002.

The two other utilities of the first Dow Dozen have simple stories. Named after Pierre Laclede, the fur trapper who founded St. Louis in 1764, Laclede Gas Light began service in 1857. Laclede Gas was dropped from the Dow in 1899, but today the Laclede Group serves 633,000 customers in and around St. Louis. Laclede's Landing is not affiliated with the utility, but the restored industrial waterfront area does have the utility of a brewpub and a light-rail station.

Peoples Gas joined the DJIA in 1898 when it bought Chicago Gas, and it remained there until the first expansion of the Dow from 12 to 20 in 1916. Peoples Gas became People's Energy in 1980 and still serves Chicagoland. The company is no longer based in the Peoples Gas Building, but the gorgeous gray granite and terra-cotta landmark, built in 1911 by the virtuoso of early skyscrapers, Daniel Burnham, still stands in the heart of the Loop at 122 South Michigan Avenue.

National Lead, too, fell out of the DJIA in the expansion of 1916. As NL Industries it is today a major producer of inorganic chemicals, especially tita-

Bond for the General Electric Overseas Capital Corporation, issued in 1965. General Electric proudly claims that it is the only one of the original 12 that is still on the DJIA, although it was only there for two years before being replaced by U.S. Rubber.

arately traded oil and steel groups. Ten years later, U.S. Steel and Marathon became again wholly separate. There are two legacies of TCI and the Panic of 1907. The Sloss Furnaces remain, massive but mute, as a National Historic Site. The other is the Federal Reserve Board, massive

and voluble. The pathetic spectacle of the federal government going cap-in-hand to a private citizen to solve a financial crisis led to the creation of the Fed in 1913. Ten years before the agglomeration of USS, Henry Villard and Samuel Insull started the North American

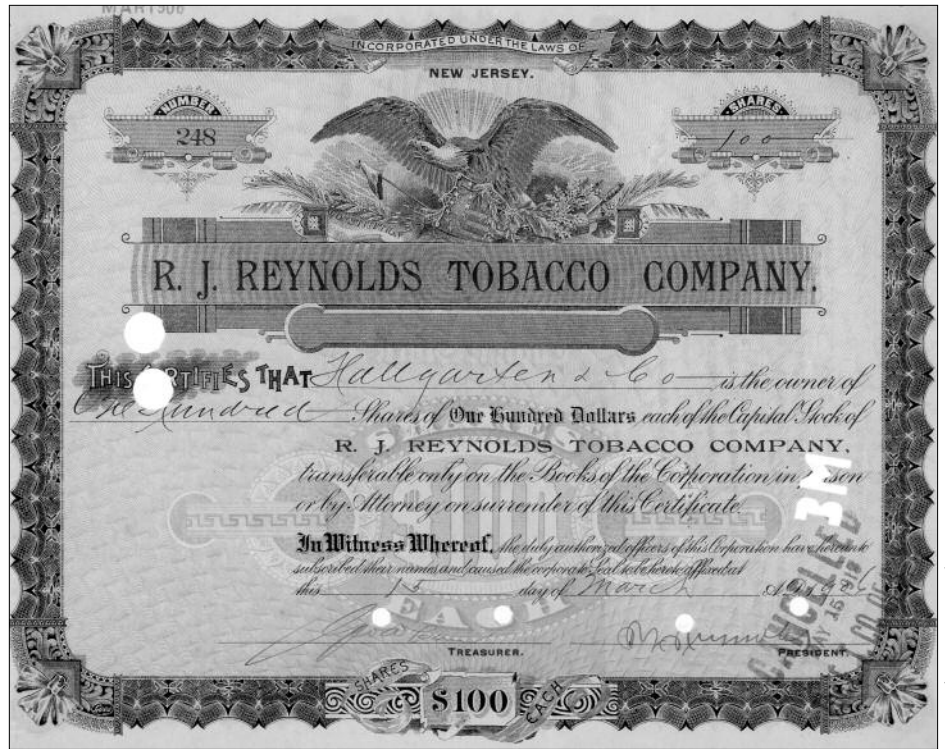
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niium dioxide, the white pigment in everything from correction fluid to Twinkie and Oreo fillings. That is a legacy of the white lead business, and so is The Dutch Boy.

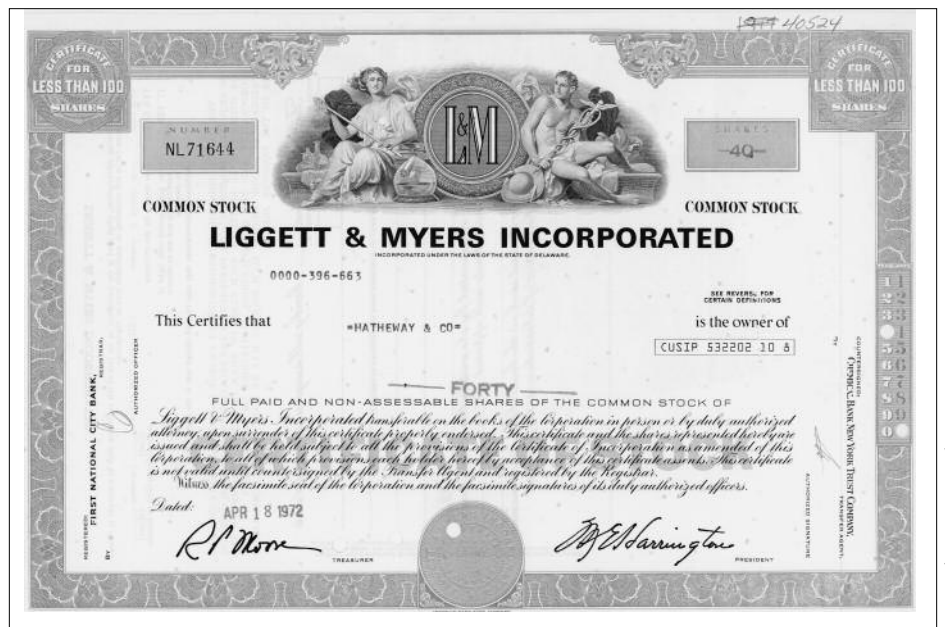
Like cocoa, white lead paint was often made with an alkali reaction called Dutch process. The original Dutch Boy painting was made by illustrator Lawrence Michael Earl in 1907. The model was actually an Irish lad, Michael Brady. In 1976 NL sold its paint business to ELT Inc., which changed its name to Dutch Boy, Inc. Sherwin-Williams bought most of the assets of Dutch Boy in 1980, and still uses the name and logo.

In another small irony, the other chemical company of the Dow Dozen has also ended up in the TiO<sub>2</sub> business—but by a much more convoluted path. Distilling & Cattle Feeding sounds like a strange combination to begin. But brewers and distillers have been selling the dried and compressed “filter cake” from their vats since the time of the Pharaohs. Just a few months after the initial Dow list, DCF became American Spirits Manufacturing and later National Distillers, the “Whiskey Trust” that controlled more than 70 “competing” distilleries. As American Spirits, it was dropped from the DJIA in 1899.

Prohibition in 1920 accomplished what anti-trust campaigners could not, and in 1924, ND became National Distillers Products Corp. to develop industrial alcohol and chemical markets. Five years later NDP began a relationship with U.S. Industrial Chemicals, formerly U.S. Industrial Alcohol, by buying from USI a molasses-based plant outside New Orleans. The repeal of Prohibition in 1933 returned the focus of NDP to potable potions, but in 1949 a new president, a teetotaler, shifted the emphasis back to chemicals and metals. In 1951 NDP and USI merged, keeping the later name. The wine business was eventually sold to interests that are now part of the European



Capital stock in R.J. Reynolds, issued in 1906. R.J. Reynolds was acquired by American Tobacco, one of the original Dow Dozen.



Liggett & Myers Inc. stock certificate dated April 18, 1972. L&M was acquired by American Tobacco.

giant Diageo; the liquor business went to American Brands.

The divestiture was completed in 1987, and the name was changed to Quantum Chemicals. That firm was bought by Hanson PLC in 1993, and

spun back out as Millennium Chemicals five years later. It makes petrochemicals, polymers, and inorganics—but no booze. That legacy was revived by John F. Salisbury, former general counsel for NDP. He bought



Specimen certificate for American Beet Sugar Company, which was replaced on the Dow by Corn Products Refining.

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was named president and the firm was capitalized at \$25 million. Nationwide acquisitions brought in familiar names including P. Lorillard, R. J. Reynolds, Liggett & Myers, and finally, Green's Bull Durham. Pierre Lorillard had begun manufacturing in New York in 1760, making it the oldest tobacco company in the world. A separate subsidiary, Continental Tobacco was formed for chew.

Atco was dropped from the DJIA in 1899 in favor of Continental Tobacco, which was dropped in 1901. The Dow was smoke-free until 1924 when Atco was restored, but it was a shadow of its former self. In 1910 Atco sold a staggering 82 percent of the 8.6 billion cigarettes sold in the U.S. The company could not have chosen a worse time to show such dominance. In the seminal anti-trust year of 1911, seven states, including North Carolina, brought suit and the Tobacco Trust was broken into four companies: a new, slimmer Atco, Reynolds, Lorillard and L&M.

In 1928 Atco's listing was changed to the B-class shares, but two years later was replaced on the list by erstwhile sister company L&M. Two years later L&M was out and Atco B was back. There it stayed until 1985 when Atco changed its name to

the name of his old company from Hanson, and with a couple of partners, now makes potato vodka in Rigby, Idaho under the brand name Teton Glacier. In June 2003 the Beverage Tasting Institute of Chicago ranked Teton Glacier tied for seventh in the world with 93 out of 100 points.

Complex and aromatic as the DCF story is, it pales before the tortuous saga of American Tobacco. Washington Duke fought in defense of Richmond, Virginia at the end of the Civil War, and returned home to Durham's Station, North Carolina with 50¢ in his pocket. He owned 300 burned-over acres, which he sold, renting back some to plant tobacco. His three sons worked the land with him, and they produced Pro Bono Publico brand pipe tobacco. The competition was John Green's Genuine Durham Smoking Tobacco. It sported the label device of a bull, borrowed from a jar of mustard from Durham, England.

The success of Green's pipe tobacco drove the struggling Dukes into the less respectable business of cigarettes. It was also less profitable, because each cigarette was rolled by hand. In 1884 the mechanic for youngest son James Buchanan Duke invented a machine

for making 200 cigarettes per minute. James improved the design, and with the cost of production slashed, profits rolled in. Just four years later W. Duke, Sons & Co. had a sprawling complex in Durham and a plant in New York on Rivington Street. By 1889 Duke had a 38 percent market share.

American Tobacco was created in 1890 when Duke bought out the "Big Four" of the time: Allen & Ginter, Kinney, Kimball and Goodwin. James

### The Original Dow Jones Industrial Average and Successors (ticker)

American Cotton Oil	Unilever (UN, UL [Anglo-Dutch])
American Sugar	American Sugar Refining (private)
American Tobacco	RJ Reynolds (RJR), Fortune Brands (FO)
Chicago Gas	Peoples Energy (PGL)
Distilling & Cattle Feeding	Millennium Chemicals (MCH), (FO)
General Electric	(GE)
Laclede Gas	Laclede Group (LG)
National Lead	NL Industries (NL)
North American	We Energies (WEC)
Tennessee Coal & Iron	US Steel (X)
U.S. Leather (pfd)	none
U.S. Rubber	Michelin (Paris)

American Brands, reflecting a diversification into golf, home fixtures—and beverages, having acquired the liquor business of National Distillers. The broadening did no good, as Philip Morris replaced American Brands on the Dow the same year. American Brands is now Fortune Brands, and is out of the tobacco business.

In contrast to Atco's permutations, the DJIA story of American Cotton Oil is short and sharp: it was dropped in 1901. But the corporate history of ACO is still evolving. The company was formed in 1889 in New Jersey. In a strange series of transactions in 1924, assets were shuffled among several subsidiaries making a division called Gold Dust the parent company. That same year Corn Products Refining was dropped from the Dow after replacing American Beet Sugar just four years before.

Gold Dust absorbed its former parent ACO in 1929, and in 1931 changed its name to The Best Foods, Inc. Best Foods and CPR merged in 1958 to form Corn Products Co., which became CPC International in 1969. CPCI spun off its retail brands as Bestfoods in 1998, but independence lasted only two years until an acquisition by the Anglo-Dutch giant Unilever.

American Sugar is the only Dow Dozen survivor that is now privately held. Henry O. Havemeyer built his first refinery in 1871 on the waterfront in Brooklyn. Six years later he organized Sugar Refineries Company in 1887 with 20 plants. Nine of them were in Brooklyn, and Havemeyer's two were the largest.

Havemeyer's Sugar Trust was ruled illegal in 1891, 20 years before the big trust busts of 1911. He reorganized his own holdings as American Sugar Refining, and resumed acquiring on a slightly more modest scale. In 1897 Havemeyer organized and took a 50 percent interest in Spreckels, a beet-sugar business in California. The Domino brand name was introduced

in 1900, and in 1922 a sign was raised over the Brooklyn plant (the successor sign that still dominates the East River was erected in 1967). American Sugar was dropped from the Dow in 1930.

Spreckels was absorbed in 1963, initiating a flurry of transactions that continue to this day. The name was changed to Amstar in 1970, and the firm was taken private in a leveraged buyout in 1984. Amstar sold the

sugar-beet operations in 1987, and the next year was acquired by the U.K. sugar giant Tate & Lyle. The subsidiary name was changed to Domino Sugar in 1991, then Tate & Lyle North American Sugars in 1998, and finally Domino Foods in 2001. That same year it was bought from Tate & Lyle by Refined Sugars, which revived the name American Sugar Refining. It is based at an old waterfront plant in Yonkers, New York,

*continued on page 33*

## Truth In Advertising: The Dow Jones Services Index

*(heavy industries in bold)*

3M [1]

Alcoa

Altria Group [2]

American Express

AT&T

Boeing

Caterpillar

Coca-Cola

DuPont

Eastman Kodak

ExxonMobil

General Electric

General Motors

Hewlett-Packard

Home Depot

Honeywell [3]

Intel

IBM

International Paper

J.P. Morgan Chase

Johnson & Johnson

McDonald's

Merck

Microsoft

Procter & Gamble

SBC Communications

United Technologies [4]

Wal-Mart

Disney

*Notes: 1) Changed name from Minnesota Mining and Manufacturing April 2002. 2) Changed name from Philip Morris January 2003. 3) Includes Allied-Signal. 4) Owns Sikorsky, Otis, Pratt & Whitney, and Carrier. Source: Dow Jones.*

Only two members of the august body were not exonerated: Oakes Ames and James Brooks. President Johnson had appointed Congressman Brooks a government representative on the UP board in 1867. Brooks promptly demanded that Credit Mobilier issue him stock. Ames arranged 100 shares for him at par value, \$10,000—though at the time the market price was \$20,000. Later he wangled another 50 shares below what a public buyer would have had to pay. As a government director, Brooks was specifically forbidden by the Railway Act from owning stock.

Ames was accused of bribery, using Credit Mobilier stock “with the intent to influence the votes and decisions of said Brooks,” and that he had lied to

Congress about why he gave the stock. Brooks was found guilty of accepting the stock as a bribe in exchange for his votes. Both men were only officially censured.

The disgrace broke Oakes Ames’ heart. He exemplified a 19th century pattern of business ethics, probably never accepting that it was dishonest. His spirit and his health declined, and he died six months later. The worst villain of the affair, Durant, escaped with impunity because he was no longer a member of the board.

So ended the saga. Out of the plunder and corruption by some, along with the honest hard work and integrity of many others, emerged America’s transcontinental railroad, the major engineering

achievement of the century, which made possible the nation’s great westward expansion. **FH**

*Sanford J. Mock is a retired stock broker and document collector.*

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#### Still They Ride

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*Henry O. Havemeyer, president of the American Sugar Refining Co., 1903. American Sugar is the only Dow Dozen survivor that is now privately held.*

just a few miles up the Hudson River from the Brooklyn landmark. In 2002 ASR announced it would cease manufacture in Brooklyn in February 2004, but would retain some packaging operations, and the sign. With a capacity of 950 million pounds per year, the beloved Brooklyn behemoth next to the Williamsburg Bridge was once the largest sugar refinery in the world.

Local, industrial, and historical groups are trying to preserve the plant, but the announcement was just part of an inexorable trend that includes the offshore acquisition of Uniroyal and the closing of the Sloss Furnaces. Today the DJIA is neither an average nor is it industrial. The speculative bubble that ended in the Crash of 1929 included so many splits and distributions that Dow Jones made two important changes. The number of

companies was expanded from 20 to 30, and a divisor of 16.67 was introduced. In a true arithmetic mean the divisor is the number of elements. But to keep the quotient consistent back to 1896 the DJIA became an index. In December 2003 the divisor was 0.13500289.

Of the current 30 names, 18 are retail, service or technology companies. Perhaps in an echo of the original 12, only a dozen of the 2003 names are truly heavy basic industry. Their names reek of turn-of-the-century enduring industrialism: 3M, Alcoa, Boeing, Caterpillar, DuPont, Exxon-Mobil. And General Electric. **FH**

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