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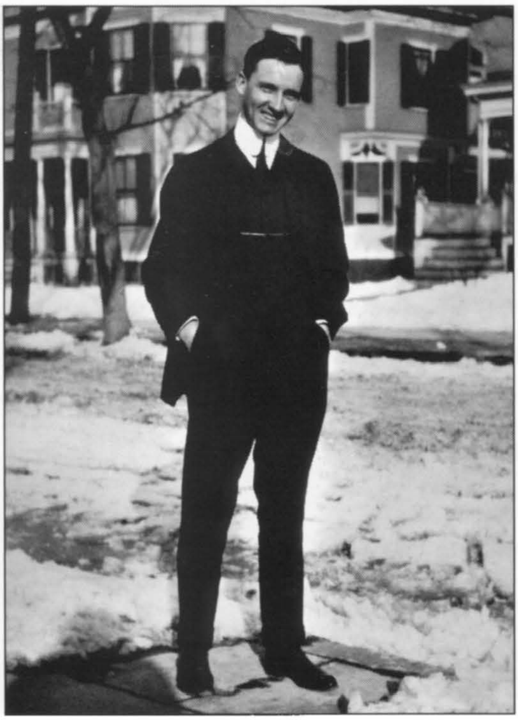
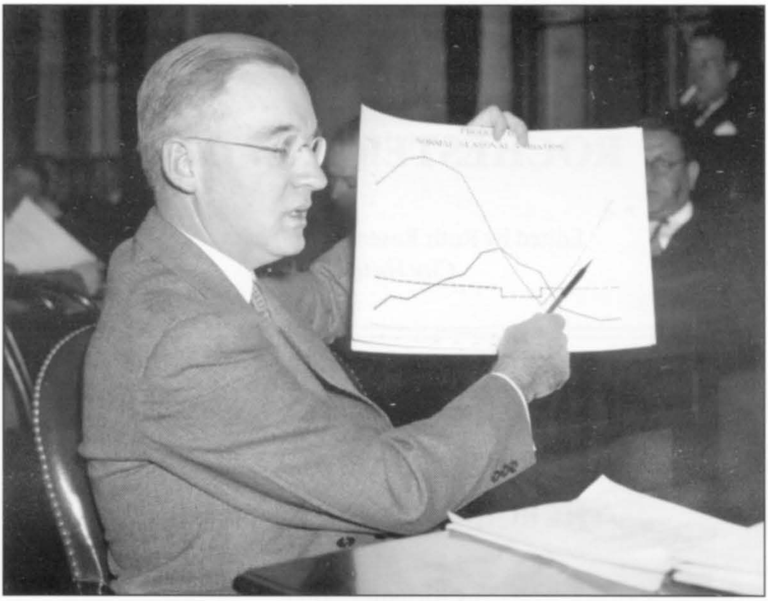
MARION B. FOLSOM AND THE ROCHESTER PLAN OF 1931

by Richard E. Holl





In this undated photograph, Marion B. Folsom testifies before a Senate Committee investigating profit-sharing plans. Folsom opposed the establishment of a tax exemption or tax rewards that encourage profit-sharing. (Eastman Kodak Company)

Cover:
A youthful Marion B. Folsom in a casual moment in this undated photograph. (Eastman Kodak Company)

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Evolution of a Businessman

Marion Bayard Folsom must be ranked among Rochester's leading businessmen and citizens of the 20th century. An intimate of George Eastman, Frank Lovejoy, and other notables, Folsom worked for the Eastman Kodak Corporation for five and one-half decades. At various points, he was assistant treasurer, treasurer, and a member of the Board of Directors of the Corporation. He was also well-acquainted with government, having served presidents Franklin D. Roosevelt, Harry S Truman, and Dwight D. Eisenhower in numerous capacities. Certainly, Folsom displayed a valuable ability to change with the times and to adapt to new circumstances that stood him in good stead with corporate heads and chief executives alike. His intelligence, innovativeness, and flexibility distinguished him from the average businessman—be it in Rochester, New York State, or the nation.

Nowhere is Folsom's adaptability and sophistication on better display than in the case of unemployment insurance. During the 1920s and 1930s, he studied unemployment insurance extensively and his views on the subject underwent considerable revision. He originally embraced private unemployment insurance, which he urged Eastman Kodak to establish for its workers. With the onset of the Great Depression, Folsom became the driving force behind the Rochester Plan, proposing that more than a dozen firms in Rochester take up a general unemployment insurance plan simultaneously. Finally, Folsom came to advocate federal-state unemployment insurance under the Social Security Act of 1935.

Folsom's metamorphosis on unemployment insurance was one he repeated several times later, with regard to health care and other issues. In each instance, he made the transition from private company action through associationalism (informal business-

Rochester just a decade prior to Folsom's arrival in the city in 1914, fresh from Harvard with a Master's Degree in Business Administration. The city greatly needed him for in the 1930s Rochester was in the midst of the Great Depression that held the world in its grip. Marion Folsom worked for Eastman Kodak developing a plan to ease the economic effects on workers as well as businesses. (Rochester Public Library) government cooperation) to sustained, intensive, rather more formal public-private partnership. This pattern constituted an effective response to rapidly shifting economic and political conditions. Folsom's adjustments permitted Eastman Kodak to move more smoothly through difficult times; they benefitted thousands of workers at his firm; most of all—when combined with the programs of other enlightened businessmen—they helped reshape the structure and role of the American state, leaving American corporate capitalism as a whole stronger than it would have been otherwise.

Marion Folsom was born on November 23, 1893 in McRae, Georgia. Folsom's parents, William and Margaret, were well known around the little town for their affluence and public-spiritedness. From the beginning, young Marion enjoyed educational and cultural advantages which many other children lacked. In his home, he developed a thirst for learning and a desire to help others. These characteristics became thoroughly ingrained in him and manifested themselves repeatedly throughout his business career.[1]

Marion's childhood and adolescence were filled with the usual pursuits of a southern boy, but he did show an unusual aptitude for organization. He went to school in McRae. When classes were out, he roamed about the small town looking for adventure and playing with friends. Fishing, in particular, appealed to him. One of his favorite spots was the Little Ocmulgee River, where he caught catfish and daydreamed. At age 12, he started working in the family's general store. There, he first became interested in business and soon improved his father's bookkeeping system. Not yet a teenager, he already displayed a proclivity for organizational thinking that marked his later life.[2]

Known for his quick mind and academic affinity, Marion was destined for college. He enrolled at the University of Georgia, the state institution of higher learning, graduating with an A.B. in 1912 at the early age of 18. From Athens, he moved north—where he would spend most of the rest of his life. The lure of Harvard drew him in this direction, proving too great to resist. Two years later, in 1914, Folsom earned his Masters of Business Administration (with highest honors) from the Crimson.[3] Already, he showed an intellectual precocity that made him an attractive hire for any company lucky enough to get him.

After a personal interview with George Eastman himself, Eastman Kodak—maker of cameras, film, and other photographic equipment—brought Marion Folsom on board in October 1914.

During his first three years on the job, Folsom's boss was Frank W. Lovejoy, company general manager. While in the general manager's office, Folsom focused on the "big picture," learning the administrative and financial in's and out's of this large corporation. He was being groomed for bigger and better things though he still had to prove himself to his superiors.

World War I intervened at this juncture. Folsom volunteered for an assignment with the First Officers Training Camp. Soon, he earned a commission as a second lieutenant in the United States Army. He rose to captain, seeing action in Europe with the Twenty-sixth Division. Crossing the English Channel, Folsom was aboard a ship that was torpedoed by a German submarine. Surviving this attack, he fought in France against the Germans and later received an honorable discharge.[4]

Back home again, Folsom satisfied his bosses that he was ready to move up the corporate ladder. He climbed rapidly. Named statistical secretary in 1920, he constructed Kodak's first effective statistical department: it enabled the firm to execute cost-benefit analyses. By 1921, the Georgian became assistant to President Eastman—performing all manner of difficult tasks. In 1930, Folsom was promoted to assistant treasurer. By this point, he had reached the ranks of upper management and enjoyed the confidence of both Eastman and Lovejoy.

Rochester society also embraced Folsom and he was rewarded with the normal associations of a man on the make. By the early 1930s, he was a member of numerous local business and civic organizations including the Rochester Chamber of Commerce, the Y.M.C.A., and the Rochester Council of Social Agencies. Folsom used these outlets to expand his contacts, publicize his evolving economic views, and exercise his humanitarianism.

On the eve of the Great Depression, then, three points are clear: Marion Folsom's personality had taken mature form; he had already met the important people who helped shape his business philosophy; and his future interests were coming into better focus. A mild-mannered, soft-spoken man, Folsom possessed a logical and analytical mind. Seemingly imperturbable, he worked long, hard, and efficiently to achieve his objectives and was not easily deterred. Concerned with the welfare of Kodak workers, he often looked after their interests but was careful to shield his humanitarianism from more hard-boiled managers who found it hard to think in anything other than strictly economic terms. Influenced in part by Eastman and Lovejoy, Folsom stressed over and over again that profit considerations could be effectively joined to worker well-being. Eastman and Lovejoy had advocated a broader, more meaningful approach to labor-management relations since before Folsom came to their concern, endorsing such things as bonuses for workers, vacations with pay, and profit-sharing. Other pioneering businessmen, including Henry Dennison of Dennison Manufacturing Company and Gerard Swope of General Electric, took similar positions.[5] These businessmen did not have to provide non-wage benefits, nor was it customary for business to do so at this time, but they chose to and Folsom thought this approach sound. Indeed, he ultimately moved beyond his Eastman Kodak mentors. As early as 1921, only five years after Dennison Manufacturing Company implemented the first private unemployment insurance plan in the U.S., and long before there was federal welfare, Folsom proposed that Eastman Kodak set up a company unemployment insurance plan to protect laid-off workers. For a full decade, he argued his case within the Kodak hierarchy until he finally got his way. By that stage, given the severity of the Great Depression, he was able to convince many other Rochester firms to participate in the same general unemployment insurance plan.

The Great Depression struck the nation hard. After the Stock Market Crash of October 1929, business investment plummeted and overproduction in consumer durables industries resulted in growing layoffs. A lack of working class and middle-class purchasing power, stemming in part from a general maldistribution of income in the United States, further contributed to the deepening economic crisis. Bank failures in the early 1930s added their share to the general misery. By 1933, the American unemployment rate was 25%, the nation produced only a little more than half the goods and services that it had four years before, factories of many types were running at a fraction of capacity if

President Roosevelt came to Rochester in 1932 as Governor and again in 1936 and 1940 as President. He is seated here (left) with his wife Eleanor and Rochester Mayor, Charles Stanton. (Rochester Public Library) they were lucky enough to escape closure, and discharged workers routinely queued up in bread and soup lines.[6]

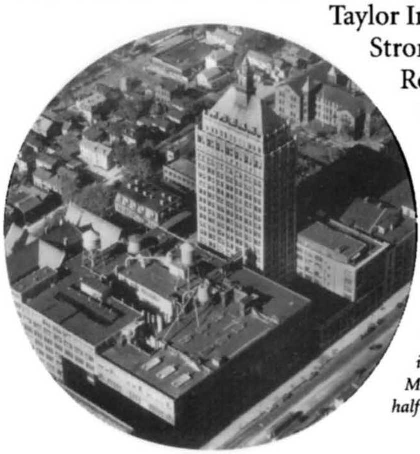
Though the Great Depression was not as bad in Rochester as it was in many other industrial cities, it was bad enough. Old, struggling industries such as textiles and shoes took predictable hits. Of 39 Rochester clothing companies, half closed their doors forever. Thousands of clothing workers were thrown out on the streets. Even stronger firms that stayed open and resisted laying off their men felt the ill effects of economic cataclysm. Hickey-Freeman, to cite just one example, held the line against discharges by cutting employee hours and spreading the available work but absorbed a 16.5% loss in place of its usual profit in 1932. Shoe plants also shut down, some never reopening and many workers were forced to find another way of supporting themselves. The construction industry stagnated. Automobile sales plunged. While Rochester banks remained open, unlike the situation in many other places, bank dividends were cut. Even Eastman Kodak, the town's largest employer, made larger than usual layoffs though the worst did not come until 1933.[7]

Other evidence of upheaval might be noted. The city government responded to massive joblessness by initiating work-relief projects. Unfortunately, these projects were not sufficient to soak up all the unemployment. Worse still, the work-relief projects drove Rochester into deep indebtedness, triggering an economy dive in 1931. Subsequent Republican administrations sought to balance the Rochester budget, slashing appropriations for education, the Rochester Public Library, and the Rochester museum. On March 6, 1930, even before the Republicans came into power, communists organized a 3000 person march through Rochester to protest unemployment. The Rochester Unemployed Co-Operative League marshaled a large group of men willing to exchange their labor for food, rent, or clothing. The Family Welfare Society established a Bureau for Homeless Men while the city operated MacSweeney's Hotel. MacSweeney's held up to 2200 destitute men at any one time, supplying them with a cot, blanket, and a square meal. Rochester did not escape having its own bread lines and soup lines though they were shorter than most.[8]

These horrendous developments provided Marion Folsom with the edge he needed, calling forth the Rochester Plan of 1931. Back in 1921 and 1927, Folsom had put forward unemployment insurance schemes for the consideration of Eastman Kodak's management. These schemes fell victim to the opposition of plant managers and to the brevity of the recessions.[9] Neither effort succeeded. Times, however, had changed by 1931. The Great Depression was no recession at all, but the worst depression in world history. It continued for year after year with no sign of abating. The depth and duration of this depression coupled with the obvious need to counteract it, both nationally and in Rochester itself, worked in Folsom's favor. Under prevailing circumstances, he was able to overcome all opposition and establish unemployment insurance within his own firm and others.

On February 18, 1931, James E. Gleason publicly announced the Rochester Plan. Gleason was president of the Gleason Works, a Rochester machine tool company. In his position as chairman of the Industrial Management Council of the Rochester Chamber of Commerce it was only natural that he act as spokesman for an unemployment insurance plan that involved 14 Rochester businesses.[10] Just the same, Folsom had been won over to the idea of unemployment insurance fully 10 years before and had pushed it ever since. He was the man who had worked tirelessly behind the scenes, at Kodak and as a member of the Industrial Management Council, to see this plan come to fruition. He was the principal architect of the Rochester Plan.

Indeed, Folsom had been in touch with about twenty Rochester companies in the period immediately preceding Gleason's announcement. Eastman Kodak, of course, had come over to Folsom's position first and was the largest of the participating firms with some 13,000 workers in Rochester alone. Folsom's arguments persuaded 13 other concerns, both large and small, to join up. They included the Gleason Works, optical pioneer Bausch & Lomb, Taylor Instrument Companies, Stromberg Carlson, and the Rochester Telephone Corporation. The smallest of the 14 firms had only 45 employees. All told, the Rochester Plan covered 26,000 workers,



Eastman Kodak Headquarters about 1940 was the tallest building in downtown Rochester and by some opinions, the most beautiful with its inspirational finial gracing the top of the tower. Marion Folsom worked for Kodak for more than half a century. (Rochester Public Library) which amounted to roughly one-third of Rochester's industrial labor force.[11]

Each company retained its own autonomy under the general plan. In other words, the Rochester Plan constituted a guide for action on the subject of unemployment insurance and represented a consensus that this was a positive good but there would be no joint management or pooled unemployment reserve fund. Instead, each company was to manage its own unemployment system—though they would closely resemble each other—and raise its own, separate unemployment reserve fund. Then, if discharges occurred, necessitating payouts, the money would be available.

Because the depression was so widespread and pervasive, and novel solutions so unusual, newspapers and magazines all over the country reported the many details of the Rochester Plan. The fourteen signatory companies pledged to provide unemployment insurance for their workers who earned less than $50 per week and had been on the job for at least one year. If an eligible worker in any of their firms was laid-off because of poor economic conditions that individual would receive up to $18.75 per week. Benefits were to be paid at the rate of 50% of the average weekly earnings of the unemployed person until the maximum was reached. Benefit payments would last for six to thirteen weeks depending upon length of service. A worker with one year on the job would receive 6 weekly payments or a total of $112.50. As seniority increased so, too, would the amount of money. A worker with five or more years of service would get the maximum of 13 weeks of benefits or $243.75. Payments to unemployed workers could not be made immediately since it would take each company time to build up an adequate unemployment reserve fund. The Rochester Plan proposed that each company impose up to a 2% payroll tax to raise the money and allowed two years for the necessary funds to be amassed. The employers were to finance the entire plan; employees had no money subtracted from their pay checks. Only if an emergency arose, jeopardizing the solvency of the fund, would a 1% tax on all remaining workers be employed in order to replenish the fund. Under these terms, any employee thrown out of work on January 3, 1933 or later—because of the malfunctioning economy—would be eligible to claim unemployment insurance. After a two week waiting period, during which he registered with the Rochester Public Employment Center and made a good faith effort to find new employment, the employee was to show up at his company and collect his first unemployment insurance check.[12]

Marion Folsom as a young man in 1926 with the Management Advisory Committee. Folsom had been hired by George Eastman in 1914. Seated, left to right: William G. Stuber, President and General Manager: standing, left to right: Lewis B. Jones, Vice President in charge of Sales and Advertising; James Havens, Vice President and Secretary; Marion B. Folsom, Assistant to the Chairman of the Board, and Office Manager; Dr. C. E. Kenneth Mees, Director of Research; James H. Haste, General Manager of Kodak Park. (Rochester Public Library)

While Folsom was unquestionably the guiding light of the Rochester Plan, he was not in it alone. Indeed, as we have seen, he had implored other firms and businessmen to take part and his outreach efforts made valuable use of civic connections and extended far past them to local government, state government, and philanthropic organizations. By this stage of his career, Folsom had clearly moved beyond unilateral company action, or a simple privatism, to embrace what some historians have labeled associationalism.[13]

Folsom's involvement with the Rochester Unemployment Committee (RUC) and the afore-mentioned Rochester Public Employment Center illustrates his associational approach. The Rochester Unemployment Committee, which had been formed early in 1930, sought to "reduce unemployment and mitigate its evils." Its membership came from business, labor, the legal profession, the clergy, the academy, and politics. Altogether, Folsom counted 136 men and women connected with the organization in one way, shape, or form including himself. In the collective effort to alleviate the ill effects of joblessness, the Unemployment Committee advocated the creation of a central employment bureau in Rochester and it promoted a variety of employment stabilization methods.[14]

One result of the Rochester Unemployment Committee's work was the appearance of the Rochester Public Employment Center in 1931—the "central employment bureau" that Folsom and his RUC compatriots wanted. The Rochester Plan mandated that a discharged employee report to the Rochester Public Employment Center as soon as possible after being laid-off. There, the employee registered with the agency in the hope that he could find a job as good or better than the one he had just lost. As long as the employee did this, and took reasonable steps to secure a new job, he maintained eligibility to receive an unemployment insurance check once the two-week waiting period elapsed. In this way, the company knew that the employee was making a real effort to secure another position and if none could be had would dutifully make the appropriate payment. The employee benefitted as well, increasing his chances of finding a new job.

More to the point, the creation of the Rochester Public Employment Center was made possible only by the type of cooperation that is at the heart of associationalism. The Rochester Unemployment Committee had helped forge the institutional linkages, and supplied much of the coordination, that insured funding for the new agency. Ten percent of the budget to operate the employment exchange came from local employers and the other 90% from state government and philanthropic interests. Frances Perkins, New York State's Industrial Commissioner, had obtained a law allowing the state to accept private funds for the operation of employment exchanges. Rochester businesses chipped in, state funding was forthcoming, and the Russell Sage Foundation, the Rockefeller Foundation, the Laura Spellman Rockefeller Fund, and philanthropist Sam A. Lewisohn added the rest. By working together businessmen, other civic-minded local leaders, the state, and philanthropy constructed the Rochester Public Employment Center, which became an integral component of the Rochester Plan.[15]

Even better than his business colleagues on the Rochester Unemployment Committee, Marion Folsom knew the value of employment stabilization techniques. Many methods of employment stabilization existed and they all had their place. Companies at the cutting edge of the field had developed planning and statistical departments to forecast demand for their products with an eye toward spreading out overall production evenly throughout the 12 months of the year. This approach effectively counteracted seasonal unemployment, a lesson Eastman Kodak had already learned and used with telling effect in the production of its Kodak, Brownie, and Hawk-Eye cameras and film. Rather than lay-off workers, a company could also shift them from their normal job to necessary maintenance or construction projects. Spreading work, a la Hickey-Freeman and the Standard Oil Share-the-Work Campaign of 1932, might be employed as a way to hold on to a company work force. These are but a few examples of employment stabilization techniques which were in vogue during the 1920s and

1930s. Collectively, these techniques were deployed to maintain employment to the greatest extent possible and prevent painful terminations.[16]

Unemployment insurance, from Folsom's perspective, needed to be understood as another form of employment stabilization. Jobless workers would undoubtedly benefit from unemployment insurance payments, which would alleviate a part of their distress, and Folsom recognized and approved of this fact. Nevertheless, he saw unemployment insurance primarily as a means to spur management to retain workers. Without unemployment insurance, managers simply let their workers go when demand dried up. Unfortunately, the company incurred a hidden cost: when the economy improved new workers had to be hired and trained. They were less valuable than the old workers. Better for everyone concerned, Folsom thought, to maintain the work force through tough times and have trained labor when the business cycle turned upward. With unemployment insurance, management had a definite incentive to keep workers and reap the rewards from their exertions. Why lay-off workers if the company got no labor from them and also had to pay unemployment insurance benefits? Unemployment insurance, it seemed logical enough, gave management a decided incentive to work hard to find innovative ways to retain their workers. Thus, unemployment insurance promoted continuous, sustained employment and minimized the costs of labor turnover.[17]

Folsom's expectations for unemployment insurance were high indeed. Combined with other employment stabilization methods, unemployment insurance not only promised a stable work force

Adolph Zukor, head of Paramount Pictures (seated left) holds the framed George Eastman Centennial stamps with (standing left to right) Thomas J. Hargrave, chairman of the Board of Eastman Kodak Company, Marion B. Folsom, Asst. Postmaster Albert J. Robertson. Seated next to Zukor is Dr. C. E. K. Mees, vice president in charge of research at Eastman Kodak Company. (Eastman Kodak Company)

and lower labor costs but even moderation of the swings of the business cycle. More constant employment for workers increased their contentment with the company, made strikes less likely, and helped regularize production, sales, and profits. Conceivably, these results aided in sustaining prosperity. When the economy began to slide, as it inevitably would, unemployment insurance and other employment stabilization techniques minimized the destructive effects of recession. Even in depression, Folsom reasoned that unemployment insurance payments increased buying power and therefore exerted a salutary effect.[18]

Given the complexity of the national economy, and the forces that bore upon it, Folsom recognized that some firms and industries would have an easier time stabilizing employment than others. Procter & Gamble, for example, could stabilize much more easily than General Motors. The demand for Procter & Gamble soap, its major product in the early 1930s, was constant and uniform—making it easy to determine how much to produce each month. The demand for cars, however, varied with season and style. More cars were sold before the end of the model year, just before a new model appeared, and sales success depended in part upon how well customers liked the new model. Yet Eastman Kodak, Dennison Manufacturing Company, and other progressive firms had successfully dealt with similar problems : Kodak, for instance, had spread output evenly from month to month despite a heavier demand for cameras and film during the summer. This way it did not have to discharge workers during the winter and simply ran down their inventories when summer demand came.[19]

Foresight and planning were indispensable to achieve positive results and Folsom strove to spread this doctrine. With the Great Depression intensifying, he had jumped into action. The Rochester Plan was the tangible result. From Folsom's point of view, it was likely to achieve three positive outcomes and had at least the potential for a fourth that would dwarf all the others combined. First, the Rochester Plan almost certainly would maintain employment levels in Rochester at a higher level than would have been possible otherwise. Second, it stood to stimulate the local economy. Third, if lay-offs occurred after January 2, 1933, it would alleviate some incalculable measure of human suffering. Finally, he hoped the Rochester Plan—and related ideas—would spread from city to city across America and constitute some antidote for economic disaster. The Rochester Plan, it should also be said, possessed the obvious advantage that it brought together private enterprise and state government in a relatively non-coercive way. Folsom supported associational initiatives such as this one but like most businessmen was still leery of federal government intervention and a more forceful brand of statism.

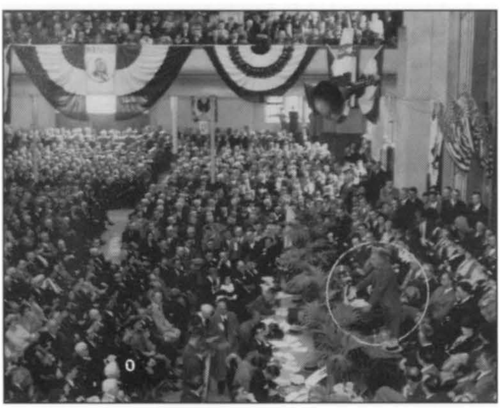
Other voices chimed in. Businessmen, state officials, and labor shared their opinions on the Rochester Plan. Not surprisingly, Rochester's bankers, manufacturers, and industrialists tended to support the plan and sounded much like Folsom, while sentiment in Albany and among trade unionists was either mixed or critical. Raymond N. Ball, president of the Lincoln-Alliance Bank & Trust, declared that the "unemployment benefit plan as adopted by a group of Rochester industries is the most constructive step yet taken in the interest of further stabilization of industrial employment by any group of representative industries in any industrial city in the United States." Dr. Meyer Jacobstein, former congressman and president of the First National Bank & Trust, stated that the plan "is bound to have its influence on other communities." Roland B. Woodward, executive vice-president of the Rochester Chamber of Commerce, forecast that "a great many more concerns" will "join the plan, not only in Rochester but in other cities which will see the merits of the proposal and adopt it." Industrial Commissioner Frances Perkins approved of the decision of the fourteen Rochester firms to live up to their "moral obligation to stabilize employment" but thought that the benefits were paltry given the magnitude of the crisis. By December 1932, she already supported a compulsory state unemployment insurance scheme that was under consideration by Governor Franklin D. Roosevelt. The Central Trades and Labor Council called the Rochester Plan "well meaning" but "paternalistic." It also objected to the fact that the plan would cover "only a very small percentage of the city's workers," agreed with Perkins that the benefits were too small, and asked for state and federal unemployment insurance instead. Folsom, of course, wished nothing more that to bring additional workers under the umbrella of the Rochester Plan and contended that the benefits were not meant to give workers a regular wage but only to help tide them over for a short period until they could be rehired by their old concern or locate a new job.[20]

From late February 1931 to January 1933, the Rochester Plan firms set about building up their respective unemployment insurance reserve funds. A more and more treacherous economy, which victimized President Herbert Hoover and thrust Governor Roosevelt into the White House, greeted their efforts. Eastman

Kodak put aside less than 1% of its payroll for an unemployment reserve fund but still managed to accumulate $100,000 a year. Other participating businesses put in anywhere from 1% to 2% of their payrolls in an effort to ready themselves for the growing likelihood of payouts in the first month of 1933. In the end, the eight largest companies, including Kodak and Bausch & Lomb, reached the target amounts for their unemployment reserve funds. Unfortunately, Folsom noted that the six smallest firms "simply couldn't stand the gaff during 1932 and 1933 and had to give the plan up. . .."[21]

The economy hit dead rock bottom in January 1933, at the precise moment when the Rochester Plan began to cover workers. Lay-offs shook virtually every Rochester industry—textiles, shoes, construction, automobiles, machine tools, optical equipment, photography, and many more. The eight remaining firms of the Rochester Plan experienced their share of unemployment. Even Eastman Kodak was effected. Kodak had announced lay-offs scheduled for January 1 and carried them out. Workers at the Kodak Park plant pretty much escaped, but terminations at other locations occurred.[22]

The Rochester Plan, obviously enough, was to be put to a stern test. After registering at the Rochester Public Employment Office and checking back with their former employer, discharged workers received their first unemployment insurance checks in late January and February 1933. Benefit payments from Eastman Kodak to its old employees amounted to approximately $21,000 in 1933, $5000 in 1934, and $150 in 1935. By 1936, economic activity picked up enough so that lay-offs there ended and unemployment insurance payouts stopped. Bausch & Lomb, Taylor Instrument, the Gleason



New York Governor, Franklin Roosevelt, standing at the speakers' podium, spoke to a crowded Convention Hall in Rochester in the Fall of 1932. The city's Rochester Plan was in action, but it was soon evident that it could not provide the massive relief needed by workers during the Great Depression. Folsom later worked under the newly elected President Roosevelt's administration as a member of secretary of Labor Frances Perkins' Advisory Council on Economic Security. (Rochester Public Library)

Marion B. Folsom is sworn in as Secretary of Health, Education and Welfare while Secretary of the Treasury Humphrey and President Dwight Eisenhower look on. (Eastman Kodak Company)

Works, and the other firms also lived up to their commitments—disbursing each and every check that was due.[23]

Folsom, James Gleason, Edward Bausch, and the others were pleased enough with certain aspects of this experiment. Workers got the money they were entitled to, which was of assistance during a bleak time and certainly better than nothing. Purchasing power in Rochester was boosted, if only slightly. All three men, and the other managers, thought they were "saving money by stabilizing." Eastman Kodak, after all, had spent only $26,150 on unemployment insurance out of a total fund of $400,000, less than the interest on the principal, and a good case could be made that the added inducement to managerial efficiency and subsequent minimization of labor turnover more than made up for even that small cost.[24]

Folsom put it this way. Just before implementation of the Rochester Plan, corporate executives at Kodak let plant managers know that they would be held accountable for future unemployment and that it would not reflect favorably upon them if benefit payments were too high. Suddenly, he recounted, plant managers became much more interested in the planning and statistical department of the firm and its data was tapped and used much more frequently than before. The plants that had witnessed considerable labor turnover earlier soon rectified this problem. A number of these plants experienced almost no lay-offs by 1935-1936.[25] That experience was repeated with the other firms. Yet all was not well, despite gains of this type.

The Rochester Plan faltered because so few firms picked it up. In Rochester itself, only fourteen companies signed on in 1931 and just eight were left by 1933. These eight firms proved to themselves that unemployment insurance was a sound idea. Just the same, most Rochester firms rejected that idea and more than two-thirds of its industrial workers were not covered at all. Nor did the Rochester Plan spread beyond the city to other municipalities across America. In 1931, counting the Rochester Plan firms, only 29 companies and 176,000 workers nationwide were under unemployment insurance.[26] By 1935, still fewer firms embraced this concept as companies retrenched, instituted cost economies, and increasingly abandoned non-wage benefits.

Incomplete coverage doomed the Rochester Plan. Inside Rochester and out, resistance to unemployment insurance was strong. Businessmen never lacked for reasons to oppose it. Old-fashioned businessmen, conservatives if you will, clung to the traditional view that a company must pay its workers a wage but owed them nothing more. They might "dismiss the subject with the statement that they do not like doles and that it is a step toward communism."[27] Other industrialists, with some justice, criticized the Rochester Plan because it seemed too costly at a time when profits were down or non-existent. Some said the Rochester Plan was too difficult to administer and maintain. They could not or would not grasp the arguments of men like Folsom.

Folsom's own ideological odyssey continued, carrying him gradually away from privatism and associationalism toward some other alternative. He now acknowledged that although he would like unemployment insurance and other non-wage benefit plans "adopted on a voluntary basis . . . we know that is asking the impossible." Speaking before the Rochester Y.M.C.A. on September 25, 1934, as the Great Depression continued to rage and the Rochester Plan showed its impotence, he admitted that "private relief failed."[28] Associational linkages, whether constructed by Folsom, Frances Perkins, or Herbert Hoover, had not done the job either. Something more was needed in the face of economic cataclysm. Sometime in 1934-1935, Marion Folsom completed his transition from privatism through associationalism to support of a full-fledged public-private partnership involving sustained, intensive cooperation between the business community and the federal government. In keeping with his newfound conviction, indeed symbolizing it, Folsom accepted a federal-state unemployment insurance proposal which would ultimately render the Rochester Plan obsolete.

Folsom's views on unemployment insurance had evolved markedly over the course of a decade and one-half. In the 1920s, he backed private unemployment insurance put forward by a single firm. By 1931, he supported an unemployment insurance plan which involved many firms and attempted to spread coverage throughout an entire industrial city. In that same year, testifying before the United States Senate Investigating Committee on Unemployment Insurance, he remarked decisively that any "government system (of unemployment insurance) was absolutely impractical, because its administration would be under political control." Shortly thereafter, trying to find some middle-way solution to inadequate coverage, he proposed that government should compel all employers with more that 10 persons on their payrolls to establish their own unemployment benefit plans. Finally, Folsom embraced the federal-state unemployment insurance system that the Franklin D. Roosevelt administration was pushing in 1934-1935 and he worked hard for its legislative passage as a member of Secretary of Labor Perkins' Advisory Council on Economic Security.[29]

Folsom, therefore, became one of only a handful of businessmen—corporate liberals all—to play a part in the formulation of the Social Security Act of 1935. He endorsed the Act in general, including unemployment insurance. His reasoning should not surprise us: federal-state unemployment insurance would cover a majority of American companies and workers rather than the tiny minority covered under the Rochester Plan. Additionally, the political winds blew strongly in this direction anyway and Folsom deemed it more constructive to participate than to withdraw. Folsom, Henry Dennison, and Gerard Swope saw to it that business was represented in the legislative process and that its input was received.

The Social Security Act mandated that each state construct its own unemployment insurance law. New York was no exception. By 1938, the New York State Unemployment Compensation Act had gone into effect and Eastman Kodak, Bausch & Lomb, and the other firms which had taken up the Rochester Plan seven years before abandoned it. The New York State Unemployment Compensation Act had statutory standing; it superseded and effectively replaced the old Rochester Plan.[30] Suffice to say, the amount and duration of benefits stipulated by the new law were about the same as those offered under the defunct Rochester Plan—perhaps only a bit more generous. As Folsom recognized, the big advantage that the statute offered was greatly expanded coverage. In effect, the corporate liberals—repudiated by moderate and conservative businessmen—had gone to the federal authority and obtained what they wanted most. Though Folsom would later voice reservations about some of the new state unemployment insurance laws, because 12 of 48 (including New York's) initially lacked employment stabilization features or for other reasons, he felt that he had done about as well as could be expected given the rapidly shifting economic and political conditions of the mid-1930s.[31]

The latter part of Folsom's career proved to be even more distinguished than the first part. He moved up within the ranks of his own company and increasingly devoted himself to public service at the highest levels. Eastman Kodak made Folsom its treasurer in 1935 and he served as a director of the corporation from 1947 until his retirement in 1969. After completing his assignment with the Advisory Council on Economic Security, Folsom became successively a member of the Federal Advisory Council on Social Security, a division executive of the National Defense Advisory Commission, a founder of the Committee for Economic Development, and vice-chairman of President Harry Truman's Advisory Committee on the Merchant Marine. Throughout these years, he continued his association with both the Business Advisory Council of the U.S. Department of Commerce and the United States Chamber of Commerce.[32]

When Dwight D. Eisenhower swept into the presidency in 1953, Folsom's attachment to the Republican party, his continued emphasis on business-government cooperation, and his record of achievement recommended him highly to the new administration. Secretary of the Treasury George M. Humphrey named Folsom Under Secretary of the Treasury. In this position, he wrote the first complete revision of the American tax code since 1876. This matter was a highly sensitive one, but Folsom dealt with Congress in the same quiet but effectual way that had become his trademark in the business world. Representatives and senators applauded him for his common sense and diplomatic manner.[33]

Having proven his value, President Eisenhower selected Folsom to be the second Secretary of Health, Education, and Welfare, replacing Oveta Culp Hobby. Ike appointed Folsom to this post in 1955. At HEW, fittingly enough, Folsom managed the social security apparatus he had done so much to construct. Folsom left Health, Education, and Welfare in 1958, returning to Eastman Kodak and working there until his retirement.[34]

In his final years, Folsom increasingly occupied himself with family and hobbies though he never entirely departed from public service. His devoted wife, the former Mary Davenport, was by his side as she had been since their marriage began back in 1918. He had two surviving children, Marion, Jr. and a daughter Frances, and two grandchildren. Folsom liked to putter around in his vegetable garden, where he grew tomatoes and prided himself on his asparagus bed. He finished a stint with the Federal Advisory Council on Employment Security in 1969-1970 and sat on the National Health Advisory Council from 1970 on. Recognition for his distinguished service to the United States and its people was not in short supply: by this point he had received honorary degrees from the University of Rochester, Syracuse, Tufts, Brown, Swarthmore, and many other schools as well as the Albert Einstein medal for Citizenship and the Bronfman prize for public health achievement. Folsom died of complications from a stroke on September 28, 1976, during the nation's bicentennial celebration, at age 82. The nation honored him with burial in Arlington National Cemetery.[35]

Marion B. Folsom's career spanned more than half of the 20th century. From 1914 to 1969, he contributed his considerable talents to Eastman Kodak Corporation. There, he first exhibited the traits that served him so well: intelligence, modesty, persistence, and flexibility. The issue of unemployment insurance reveals to us his modus operandi. He formulated an elaborate scheme after exhaustive study, sold it to Eastman and Lovejoy, only to have it blocked by middle management during the 1920s. Despite that setback, he persevered, adjusted, and triumphed. With the Great Depression as a backdrop, he not only brought Eastman Kodak over to private unemployment insurance but 13 other area firms as well. The Rochester Plan of 1931 was the result. Folsom hoped that it might stabilize employment by providing managers an inducement not to lay-off workers. This idea proved sound, but too few companies in Rochester and even fewer elsewhere adopted it. In fact, the Great Depression was so severe that the combination of all forms of private and associational endeavor failed to remedy it. Confronted by this inescapable truth, Folsom gradually embraced sustained, intense, rather more formal cooperation between business and the federal government as a means to counteract the depression and achieve his other aims. From the mid-1930s on, he joined with Democratic and Republican administrations, U.S. senators and representatives, federal civil servants, and like-minded businessmen to bring about the changes he sought. Folsom helped write the Social Security Act of 1935, which provided federal-state unemployment insurance among other things and still influences us today. He supported old-age pensions, minimum wages, maximum hours, and government sickness benefits. As Secretary of Health, Education, and Welfare, he helped shape and extend the "mild welfare state," albeit cautiously and always with fiscal restraint in mind. As late as the 1960s, he came over to the Kennedy plan for medical care for the elderly to be financed under the Social Security system. His evolution from privatism through an associational phase to public-private partnership complete, he recognized the wisdom of judiciously using state power to bring about beneficial social change. Like corporate liberal colleagues Dennison, Swope, and some few dozen others, Folsom injected a degree of rationality and humanity into corporate capitalism that it had lacked before and gave it greater political relevance.

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ENDNOTES

The author acknowledges Cathy Branson, Donna Collins, Robert Hodges, Andy McIntire and Rick Smoot for their help with this article.

1 *Current Biography,* 1950, p. 146.
2 *New York Times,* September 29, 1976, p. 46.
3 *Saturday Evening Post,* December 3, 1955, p. 132.
4 *Ibid.,* pp. 132-134.
5 Information about Eastman Kodak's profit-sharing plan, and other non-wage benefits that it provided, can be found in M.B. Folsom, "*Wage Dividend Plan and Industrial Relations Program of Eastman Kodak Company,*" pp. 1-2, November 21, 1938, Speeches, Volume II (Tab 27), Marion B. Folsom Papers, University of Rochester Library, Rochester, New York. Works related to like-minded businessmen include Kim McQuaid, "*Henry S. Dennison and the 'Science' of Industrial Reform, 1900-1950,*" *American Journal of Economics and Sociology* (January 1977) : 79-98 and David Loth, Swope of G.E. (New York: Simon and Schuster, 1958).

6 Two valuable overviews of the Great Depression and the New Deal are William E. Leuchtenburg, *Franklin D. Roosevelt and the New Deal,* 1932-1940, New York: Harper and Row, 1963, and Anthony J. Badger, *The New Deal: The Depression Years,* 1933-1940, New York: Hill and Wang, 1988.

7 Blake McKelvey, "*The Men's Clothing Industry in Rochester's History,*" Rochester History (July 1960) : 26-27; McKelvey, "*A History of the Rochester Shoe Industry,*" *Rochester History* (April 1953) : 24-25; Gerard Muhl, "*Paying for the Dreams: A Short History of Banking in Rochester,*" *Rochester History* (April 1987) : 14.

8 McKelvey, "*A Panoramic Review of Rochester's History,*" Rochester History (April 1949): 22; "*Rochester in Retrospect and Prospect,*" (July 1961) : 23-24; "*A History of Social Welfare in Rochester,*" (October 1958) : 12-13; Rochester *Times-Union,* March 6, 1930, p.l; December 20, 1932, p.8; December 28, 1932, p.9.

9 See, for example, Eastman Kodak Unemployment Benefit Plan Proposal, p. l, January 13, 1927, File Folder 2, Box 39, Folsom Papers.

10 Rochester *Times-Union,* February 18, 1931, p. 1 and p. 23.

11 Ibid.; *Nation's Business,* April 1931, p. 104.

12 Eastman Kodak Company Unemployment Benefit Plan, pp. 1-5, December 22, 1932, File Folder 3, Box 39, Folsom Papers; Unemployment Benefit Plan, pp. 1-5.

13 Two books that employ the concept of associationalism in useful ways are Guy Alchon, *The Invisible Hand of Planning: Capitalism, Social Science, and the State in the 1920s,* Princeton, New Jersey: Princeton University Press, 1985 and David E. Hamilton, From *New Day to New Deal: American Farm Policy from Hoover to Roosevelt,* 1928-1933, Chapel Hill, North Carolina: University of North Carolina Press, 1991.

14 M. B. Folsom, "*Responsibility of the Individual Community Toward the Unemployment Problem,*" pp. 2-9, February 27, 1931, Speeches, Volume I (Tab 12), Folsom Papers.

15 Chapin Hoskins, "*Will the 'Rochester Plan' Solve Unemployment?,*" Forbes (June 1, 1931) : 27.

16 For discussions of employment stabilization measures, see Henry S. Dennison, "*Unemployment Relief—a Burden or an Investment?,*" System, the Magazine of Business (June 1926) : 795-796 and, "*Responsibility of the Individual Community Toward the Unemployment Problem,*" pp. 6-7.

17 See, for example, "*Responsibility of the Individual Community Toward the Unemployment Problem,*" especially pp. 15-16 and

Folsom, "*The Social Security Act*," p.1, January 9, 1936, Speeches, Volume II (Tab 1), Folsom Papers.

18 "*Responsibility of the Individual Community Toward the Unemployment Problem*," p. 15.

19 Roger S. Makepeace, "*Stabilizing Factory Employment*," *Harvard Business Review*, January 1932: 250-256; "*The Social Security Act*," p. 2.

20 Rochester *Times-Union*, February 18, 1931, p. 23; December 3, 1932, p. 9; "*14 Plants Employment Aid Opposed by Labor Council*," pp. 1-3, March 6, 1931, Folder 5, Box 39, Folsom Papers.

21 Glenn A. Bowers, "*Employment Security*," *Factory and Industrial Management* (April 1931) : 647-648; "*The Social Security Act*," pp. 2-3.

22 "*The Social Security Act*," p. 2.

23 Ibid., pp. 2-3.

24 Ibid., pp. 2-8.

25 Ibid., pp. 2-3.

26 Rochester *Times-Union*, February 18, 1931, p. 23; Hoskins, "*Will the 'Rochester Plan' Solve Unemployment?*," p. 14.

27 "*Responsibility of the Individual Community Toward the Unemployment Problem*," p. 10.

28 "*The Social Security Act*," p. 1; Marion B. Folsom Speech to Y.M.C.A., September 25, 1934, Speeches, Volume I (Tab 41), Folsom Papers.

29 *Saturday Evening Post*, December 3, 1955, p. 136.

30 See, for example, "*The Social Security Act*," p. 5, August 14, 1935, Speeches, Volume I (Tab 48), Folsom Papers.

31 M. B. Folsom, "*Should Social Security Plans Be Extended Now?*," p. 10, February 5, 1943, Speeches, Volume III (Tab 14), Folsom Papers.

32 *Current Biography*, 1950, pp. 146-148; 1976, p. 467.

33 *Saturday Evening Post*, December 3, 1955, p. 132 and p. 136.

34 *New York Times*, September 29, 1976, p. 46.

35 Ibid.; Who Was Who in America, Volume VII, 1977-1981, p. 200; The *Times-Union*, September 29, 1976, p. 12B. [LC1]

Back cover:
Hundreds of unemployed and destitute men were served Thanksgiving dinner by the People's Rescue Mission and other social services. This photograph was taken on Thanksgiving Day in 1938.
(Rochester Public Library)