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THE ZALE CORPORATION: A TEXAS SUCCESS STORY

DISSERTATION

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By

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The Zale Corporation stands as a remarkable fulfillment of the American Dream. From a single store established in Wichita Falls, Texas, in 1924 by Morris Zale, a Russian Jewish immigrant, Zale's has developed into the world's largest retail jewelry chain.

The study begins by examining economic, political, and social conditions in Tsarist Russia that prompted the Zale family to immigrate to the United States. They eventually settled in Texas where, as a boy, Morris Zale was introduced to the jewelry business by his uncle Sam Kruger. In his first store in Wichita Falls Zale developed the idea of mass marketing his merchandise, and in order to do so he offered credit to his customers. He also made extensive use of advertising. Both of those approaches were revolutionary in the retail jewelry industry.

The company enjoyed modest growth until the late 1940's when it embarked on a massive expansion program, adding dozens of stores annually. This study examines various methods used by Zale's to expand its holdings. In addition, attention is given to Zale's diversification in the late 1960's and early 1970's.

Emphasis is given in the study to Zale's development of a vertically integrated structure. By purchasing diamonds directly from the Diamond Trading Company, an affiliate of DeBeers, Zale's has been able to process the stones at each stage--cutting, polishing, mounting, and marketing. Such an arrangement eliminated middlemen at each step, permitting Zale's to reduce markups and margins and still maintain necessary profit levels.

This study examines several serious adversities that have confronted the company--racial and religious prejudice, the Depression, shortages brought on by World War II, potential competition from a synthetic diamond, and an internal scandal involving Zale's chief financial officer. In each case Zale's managed to emerge from the adversity stronger than it had been previously.

From the outset Zale's objective has been to sell the greatest amount of jewelry to the greatest number of people at the lowest possible price, and this study indicates how successful the company has been in reaching that goal. From its corporate headquarters in Dallas, Zale's currently operates more than 1,500 stores in nine divisions employing 13,500 people. Annual sales exceed \$800 million. A combination of vision, flexibility, and plain hard work have accounted for the growth and development of this Texas-based corporation.

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CHAPTER I

THE ZHIDS

In 600 B.C. the Hebrew prophet Ezekiel foretold of the dispersion of the Jewish people when he wrote, "And they shall know that I am the Lord when I scatter them among the nations and shall disperse them into the countries."¹ At various times throughout their history as a nation, the Jews have indeed been a dispersed people. At times they have been taken away as captives into foreign lands. At other times they have fled to escape persecution. On occasion they have left on their own seeking a better life for themselves, searching for a Land of Milk and Honey. Russia, it would seem, would be among the last places they would go in search of a Promised Land, like the one sought by their fathers when they crossed the Jordan River into the Land of Canaan. Yet, by the early part of the twentieth century some five million Jews, approximately half the world's Jewish population, lived in a region of Russia known as the Pale of Settlement. The area was hardly a paradise in any sense of the word.

Evidence indicates that Jewish communities in Russia date back more than 2,600 years. At times Russian Jews have enjoyed peace and prosperity, but for the most part

they have been victims of harassment, persecution, and intimidation. Russian authorities have been frustrated through the centuries by the unwillingness of the Jews to assimilate into Russian society and to adopt Russian culture. Consequently, they have regarded the Jews as aliens at best and enemies of the state at worst. Although the Orthodox Church became a powerful, entrenched institution in Russia by the twelfth century, it regarded the Jews as dangerous enemies to be both feared and hated. The clergy initiated a spirit of hatred among the Russian people for Jews and Judaism. Zhid, a term referring to any member of Jewish society, became a term of derision, synonymous with enmity toward Christ and the Russian people.²

Despite a growing animosity toward the Jews in Russia, their situation was better than most of their brothers in Western Europe. The Jews in Russia were free men, whereas Western European Jews were legally classified as property of the king. Ghettos existed in many parts of Europe, but there was no segregation of Jews in Russia until the sixteenth century. During the Crusades Jews were savagely massacred throughout the Continent but not in Russia. In fact, many Jews fled to Russia seeking refuge.³

It was not until the latter part of the fifteenth century that attitudes toward Jews in Russia began to change. A proselyting movement, which the Russians called

the Judaizing Heresy, resulted in the conversion of significant numbers of Christians to Judaism. The Russian Orthodox clergy responded with hostility toward the Jews, viewing them as a threat to the established religion. A fear of Jewish influence had existed from the earliest times, and the Judaizing Heresy compounded those fears. Consequently, since the sixteenth century the Russian government has taken severe measures against the descendants of Abraham. Following the Judaizing Heresy, the government barred all Jews from Russian territory, even for temporary purposes. Ivan the Terrible denied a request from Polish King Sigismund Augustus in 1555 to admit Jews from Lithuania into Russia for business purposes. Ivan referred to the Jews as "importers of poisonous medicines and misleaders from the Christian faith."⁴

Determined to rid the country of Jews who were already residing there and to prohibit others from entering the country, the Russian government persistently enacted harsh legislation against them. A 1727 decree expelled all Jews from the Ukraine. They were not permitted to re-enter the country under any conditions, and before leaving they were required to exchange their gold and silver money for copper specie. When the Senate recommended to Empress Elizabeth that Jews be allowed to enter Russia for business purposes, she refused, stating that she "sought no gains

from the hands of the enemies of Christ."⁵ The same anti-Semitic attitudes prevailed during the reign of Catherine II (1762-1796). Consequently, the number of Jews residing in Russia during that time was negligible.

In 1772 the situation changed radically. That year marked the first partition of Poland, and Russia annexed sizable amounts of Polish territory. As a result of the annexation, more than 200,000 Jews were added to Russia's population, since Jews comprised a large percentage of the urban dwellers in the newly acquired areas. Subsequent partitions of Poland in 1793 and again in 1795 placed an additional 700,000 Jews under Russian control. With a Jewish population of nearly one million, the Russian government could not realistically consider banishment as a solution to the "Jewish problem."⁶

Under Polish rule the Jews had enjoyed a large degree of autonomy and had remained a distinctive ethnic group with their own language, religion, and social institutions. Such would not be the case under Russian control. In 1772 the Russian government enacted a policy of restricting the Jews to a specified area of the Empire known as the Pale of Settlement. Stretching from the Baltic Sea on the north to the Black Sea on the south, the Pale encompassed an area of some 386,000 square miles, roughly the size of Texas. Even within the Pale distinctions were made between Jews

and non-Jews. The government imposed double taxes on Jewish merchants and burghers. Jews were encouraged to adopt the Russian language, culture, and religion.⁷

Tsar Alexander I introduced some liberal concepts during his reign (1801-1825) that gave Jews a ray of hope. He offered land, bounties, and special privileges to those Jews who would convert to Christianity, but he received only minimal response. In 1802 he formed the Committee for the Amelioration of the Jews. Since the membership of the committee consisted of men with somewhat liberal ideas, they recommended a minimum of restrictions and a maximum of liberties for the Jews. The Committee recognized that centuries of traditions embedded in the minds of the Jews would not be shaken by force. Upon the Committee's recommendation, Alexander invited representatives of Jewish communities throughout the Empire's provincial capitals to come to St. Petersburg to advise the government regarding the needs of the Jews. That action marked the first time the government had indicated any interest at all in listening to the Jews themselves.⁸ With Alexander's approval the Committee issued the Statute Concerning the Organization of the Jews, which was described by the Jews as a combination of liberties and disabilities. The improved situation was short-lived, however, because of the reactionary attitudes that prevailed in Russia following the Napoleonic conflicts.⁹

The rise to power of Tsar Nicholas I (1825-1855) brought more hardships to Russia's Jews. He issued more than 600 laws and decrees concerning the Jews. Never a friend of Jews, Nicholas described them as "regular leeches."¹⁰ He determined to assimilate them into Russian society by "eliminating their religious fanaticism and racial exclusiveness."¹¹ The most notorious of his anti-Jewish measures was the Statute of Conscription and Military Service, promulgated on August 26, 1827. Under that law Jews were required to furnish recruits for twenty-five year periods of service in the Russian army. The law also called for the conscription of boys twelve years of age. This so-called "cantonist system" provided military training for the boys prior to their entry into the regular army when they reached their late teens. If sufficient numbers of twelve-year-olds were not available for conscription, the Russians utilized boys as young as eight. If the Jewish community failed to meet the required quotas, community elders were subjected to harsh punishments or even to military service themselves. The Russian authorities subjected the Jewish recruits to severe psychological and physical pressures in an effort to convert them to the state church.¹²

The accession of Alexander II (1855-1881) brought liberal reforms to all of Russia and new hope to the Jews.

In addition to freeing the serfs in 1861, granting a degree of local autonomy, and introducing judicial and military reforms, the new Tsar also ended the hated cantonist system. He opened educational institutions to Jewish students and permitted those who completed degrees to live outside the Pale. Conscription laws were amended, easing the military requirements for young Jewish men. The government opened areas to Jewish settlers that had previously been closed to them. Legislation passed in 1865 abolished the Pale for Jewish artisans and their families. These and other reforms indicated that life was improving for Russia's Jews. Although they were still not regarded as political and social equals to the Russian gentiles, they experienced better conditions than they had known in decades.¹³

The improved circumstances came to an abrupt halt in 1881. That year marked a significant turning point in Jewish history comparable to the destruction of Jerusalem in A.D. 70 by the Roman legions. Events that transpired in 1881 radically and permanently changed Jewish life. The catalyst that ignited the changes was the assassination of Alexander II on March 31. Ignatius Grinevsky, a member of a radical terrorist organization known as the "Will of the People," threw a bomb into Alexander's carriage, killing the Tsar. Since several people involved in the assassination attempt lived in the

home of a Jewish woman named Jessica Hellman, the new Tsar, Alexander III, blamed all Jews for the death of his father. There is no evidence to indicate that Hellman was in any way involved in the assassination.¹⁴ Because of the repressive actions taken by Alexander III against the Jews as revenge for his father's death, many Jews fled Russia. For twenty years they left their homes, and most of them came to the United States. They came at the rate of 35,000 per year, swelling America's Jewish population to more than 700,000 by the early twentieth century.

Alexander III attempted to extend the Russian language, religion, and culture over all his subjects. The goal of his so-called "Russification" program was to simplify the programs of governing such a diversity of nationalities. Ethnic minorities such as Poles, Letts, Finns, and Armenians were all branded as enemies of the State, but the Jews were the most severely oppressed. Once again the government ordered them back to the Pale and levied special taxes on them. Legislation was enacted that prohibited them from conducting business on Sundays and banned them from all government service and denied them admission to the bar. Conscription laws once again required long periods of military service for Jews but denied them the opportunity to become officers. An 1893 statute made it a criminal offense for Jews to use Christian names.

The plight of Russian Jews of that era was summed up in a statement by the Over-Procurator of the Holy Synod, Constantine Pobedonstev, who said that the "Jewish problem would not be resolved until one-third emigrated, one-third converted to Russian Orthodoxy, and one-third disappeared" ¹⁵ To encourage the emigration of Jews, Minister of the Interior Count Nicholas Ignatiev announced that the western border of Russia would be open to the Jews and their emigration would not be subject to any restrictions. In other words, Jews were not free to move from place to place within the Empire, but they were free to leave it. ¹⁶ The Tsar himself reminded his advisors that, "We must not forget that it was the Jews who crucified our Lord and shed His precious blood." ¹⁷

Not all action taken by the government was merely intimidation, harassment, and discriminatory legislation. Following the assassination of Alexander II in 1881, the government began a policy of open bloodshed and massacres known as the pogroms. Although such atrocities had been carried out against the Jews as far back as the mid-seventeenth century, they did not compare in number or in intensity with the ones that occurred during the reigns of Alexander III (1881-1894) and Nicholas II (1894-1917). In April, 1881, only a few weeks after Alexander had come to the throne, mobs screaming "Bei zhidov! [Smash the kikes!]," attacked the Jewish citizens of the village of

Elisavetgrad, demolishing houses and businesses. Raping, killing, and pillaging, the mobs met no opposition from the authorities. Within the next ten days, the cities of Kishinev, Berezovka, and Anaevo were the scenes of similar attacks against the Jews. Mobs stormed the synagogue in Kiev on April 23, ransacking the building and tearing the Torah to shreds and trampling it into the ground.¹⁸

The abuses against the Jews resumed in 1891. On March 28 of that year the government issued a decree expelling all Jews from Moscow. Minister of Internal Affairs, Ivan Durnovo, issued the decree after the Tsar told him, "My brother Sergei [newly appointed Governor General of Moscow] does not want to go to Moscow until the Jews are cleaned out."¹⁹ By June more than 20,000 Jews had been driven from the city. Some of them had resided in Moscow for more than four decades. The Police referred to the High Holy Days that year as "Kike hunting season."²⁰

Nicholas II, who came to power in 1894 following the sudden death of Alexander III, did nothing to protect the Jews from persecution. In fact, it was during his reign that the most vicious of all the pogroms occurred. The site was again the city of Kishinev. Aroused by a belief that the Jews of that city had killed a young Christian boy to draw his blood for use in a Jewish religious ritual, Russian mobs attacked the Jews, committing horrible atrocities. The authorities stood by and took no action to

protect the victims. All in all, thousands of Jews were murdered, and millions more were left destitute as a result of the pogroms.²¹

Not only did the Jews of the Pale have to cope with the fear and terror of the pogroms, but they also had the added misery of extreme poverty. The Russian peasants experienced poverty but not to the degree that the Russian Jews did. In the Jewish villages of Russia, known as the shtetl, there were only two classes of people--the poor and hopelessly poor. The typical shtetl consisted of a market place surrounded by a jumble of wooden shanties. The slum-like conditions provided a graphic illustration of the depths of poverty in the shtetl.²²

In 1901 in the depths of poverty and in the dark days of the pogroms a son was born to Samuel and Libby Zalefsky, who named their firstborn Morris.²³ The Zalefskys lived in the village of Shereshov on the southwestern edge of the Pale of Settlement. Home was a single room with an earthen floor. The Zalefskys were devoutly Orthodox in their Judaism. On Fridays they would go to the river to get some fresh yellow sand to sprinkle on the floor of their home as a purification ritual. The diet, limited though it was, was strictly kosher. Freedom was non-existent. A Russian nobleman owned all the acreage around the village, and Jews were expressly forbidden to go anywhere near it.²⁴ Morris Zale's recollection of life in Shereshov provides a graphic

illustration of what life was like for Jews living in the Pale of Settlement in the early part of the twentieth century:

It was a small village of four maybe five thousand people where we lived. I have no way of knowing for sure how large it was. After dark we were not allowed on the streets because some drunk would pick up a Jewish kid and just beat the hell out of him and nobody would do anything about it. We were poverty-stricken and scared to death just like everybody else was.²⁵

Despite the poverty of the village in general and the Zalefsky family in particular, provisions were made for widows, orphans, and other needy members of the community. Like many Jewish families in Shereshov, the Zalefskys kept a box called a pushkeh in their home in which they deposited a few coins periodically. At times there was hardly enough food for the family, but if a beggar came by asking for something to eat, Mrs. Zalefsky gladly shared what little provisions they had with him. Such a spirit of generosity had a profound effect on Morris and his younger brother William because decades later those two brothers would be active in extensive humanitarian and charitable endeavors.²⁶

For most people, immigration is a deliberate and conscious choice. While many issues may contribute to the ultimate decision to pull up stakes and leave family, friends, and loved ones, the dual factors of repulsion and attraction working together often explain why millions

of people chose to leave their homelands for new environs. Put simply, conditions were so deplorable where they were they felt they could stand it no longer. Combined with that feeling was the belief that conditions were so good where they were going that no price would be too high to pay in order to get there. Those two factors explain the decision reached by Samuel Zalefsky to leave Russia and emigrate to the United States.

The horrors of the pogroms, coupled with the daily destitution characteristic of the Pale of Settlement, made virtually any move attractive. Knowing that conditions would not improve made the move even that much more appealing. Samuel Kruger, Libby Zalefsky's brother who had left Russia at the turn of the century, sent letters back to the family in Russia describing his wonderful new life in the United States. Kruger had been drafted into the Russian army and was on active duty when the Russo-Japanese War broke out in 1904, but he was on leave when war was declared. Reluctant to fight for a Tsar who had been so cruel to Russian Jews, Kruger decided to desert the ranks and leave the country. He managed to evade the authorities and escape from Russia. Eventually he made his way to New York. At first he was disillusioned with his new home because he was experiencing poverty almost as severe as he had known in Russia. News of oil discoveries lured him to Texas. Although he did not know where Texas

was or appreciate the oil's significance, he felt that the Lone Star State would be an improvement over his current situation. He settled in the thriving community of Fort Worth. A watchmaker by trade, he found his services in great demand by the railroad employees of Fort Worth. His letters had a profound impact on Zalefsky. The desire to escape the poverty and the daily horrors of the Pale, combined with the lure of the vast opportunities apparently available in the United States, convinced Samuel Zalefsky to make his move.²⁷

Arriving at a decision to leave was the first step in a long and complicated process. A major obstacle confronting the emigrant was raising the finances needed to get out of the country. This was no small task in light of the extreme poverty of the Pale. Assuming sufficient funds could be secured, the emigrant was faced with the problem of finding a way to get out of the country. According to an 1881 government decree, the western frontier of Russia was open to Jewish emigrants. However, they were required to have a passport in order to leave the country legally, and it was virtually impossible to obtain that document. Slipping across the border under cover of darkness or bribing guards were common methods utilized by the fleeing emigrants as they made their escape.

Financed with money he received from his brother-in-law, Samuel Kruger, Zalefsky left Shereshov in 1903. Mixed

emotions marked the departure. There was the anticipation of a better life in America, the Land of Milk and Honey. On the other hand, there was an air of sadness and anxiety because there was not enough money to take the entire family. Libby Zalefsky and her two small sons would have to remain in Shereshov. When Samuel Zalefsky established himself in the United States, he would send for them.²⁸

After settling in New York City, Samuel Zalefsky found work as a house painter. From his meager earnings he sent money back to his wife in Russia. It was five long years before there was enough money to bring the family to be with him in New York. In 1908 Libby Zalefsky began her trek to the Promised Land with seven-year-old Morris and five-year-old William. She managed to slip across the Russian border into Germany, where she and the boys boarded a train for Rotterdam. From there they booked passage, steerage class, on a ship headed for the United States. Both terror and excitement gripped the hearts of the travelers who had never before even ventured out of their own village.²⁹

Although the voyage from Europe to the United States was faster, cheaper, and safer than it had been in previous decades, passengers in steerage class had many discomforts to endure. The steerage compartment was little more than a cargo hold six to eight feet in height. There were two, sometimes more, tiers of metal bunks from the floor to the

ceiling, but each traveler had to furnish his own mattress and bedding. Some of the larger ships crammed as many as 2,000 passengers into such accommodations. In addition to the crowded conditions and the total lack of privacy, the immigrants were likely to fall victim to any number of diseases which thrived in such an environment. The passengers often cooked their own meals in a communal galley, but they could purchase food prepared on board the ship. Morris Zale remembers their food being brought to the steerage compartment in a wheelbarrow. Toilet facilities varied from ship to ship, but they were almost always inadequate. Since few of the immigrants had traveled by ship before, seasickness was a common malady. It was under these conditions that Libby Zalefsky and her two sons came to the United States in 1908.³⁰

Until 1890 immigration control was primarily the responsibility of the states. Reports of abuses, inefficiency, and inadequate facilities prompted the federal government to conduct an investigation of the entire immigration process. The Ford Committee, appointed by Congress in 1889, questioned the ability of the states to cope with the magnitude and character of the immigrants who were coming into the country at that time. In 1855 New York City had begun utilizing Castle Garden to receive and process the new arrivals. The facility there was a massive structure built in 1807 as a fort. It was located

on a small island on the west side of the Battery. By 1890, with literally thousands of immigrants pouring into New York every day, it was obvious that the Castle Garden facility was inadequate and that the state of New York was not equipped to handle such an enormous project.³¹

In the early part of the nineteenth century state officials had been concerned primarily with protecting the immigrants against the hardships of America. By the end of the century the emphasis was to protect Americans from potentially dangerous elements of immigrants. A congressman remarked that "The most ignorant, most wretched, and least desirable people of certain parts of Europe now crowd some of our largest cities."³² New federal legislation required extensive mental and physical examinations for each immigrant seeking admission to the United States. Authorities attempted to bar "idiots, insane persons, persons likely to become public charges, those suffering from loathsome and dangerous contagious diseases, and those convicted of a felony or other infamous crimes involving moral turpitude"³³

The examination of new arrivals began almost as soon as the ship docked. A uniformed official pinned an identification tag on the clothing of each new arrival. A number inscribed on the tag corresponded with one on the ship's manifest. Inspectors watched the new arrival climb stairs carrying his luggage, looking for physical problems that

may surface under such conditions of physical stress and exertion. Officials would hand the immigrant a stamped identification card, scrutinizing him as he examined the card, watchful for defective eyesight. If authorities suspected an eyesight problem, the immigrant would be administered the dreaded examination for trachoma in which the doctor, using a glove buttonhook, would turn the new arrival's eyelid inside out. The doctors probed the immigrant's scalps for lice and examined facial expressions. Certain expressions were thought to be indications of mental disorders. The authorities marked a letter with chalk on the clothing of some of the new arrivals as they proceeded to the next point in the inspection. The letters were a code for various disorders (L for lameness, X for mental disorders). Those who did not pass the medical examination were detained for further inspection. Sometimes rest and proper food would be sufficient to enable the individual to pass the later examination.³⁴

Following the medical examination came the question and answer session for needed information--name, nationality, marital status, occupation, American sponsor, and criminal record. Since the questions were asked rapid-fire fashion and in a strange language, this phase of the inspection was especially unnerving to the already frightened and exhausted immigrant.³⁵

Because New York City was by far the most popular point of arrival of the immigrants, Congress abandoned the Castle Garden facility and set up immigration processing operations at Ellis Island just off the New Jersey shore. A wooden structure built there to receive immigrants burned in 1897. The next year the federal government began construction of an enormous complex of red brick buildings that would house the immigration processing depot. That facility, which was completed in 1901, would provide millions of new arrivals with their first taste of American life. The floor space of the main building was divided into aisles by rows of iron railings which reminded the immigrants of prison bars. Already frightened, confused, and exhausted, the immigrants viewed the Ellis Island experience as "the nearest earthly likeness to the final Day of Judgment, when we have to prove our fitness for Heaven."³⁶ Some newcomers referred to Ellis Island as a cross between Devil's Island and Alcatraz, calling it the "Isle of Tears" and "Heart-break Island." Because of the massive numbers of people to be processed, authorities often herded the immigrants through like so many cattle. Although 80 percent of the immigrants passed the inspection with minimal disruptions, they all realized that failing the various examinations could mean their being denied entrance into the country.³⁷

Samuel Zalefsky was at Ellis Island to meet his wife and sons and to identify himself as their provider to the authorities. After five long years the family was reunited in a strange land thousands of miles from the Pale. The Zalefskys were typical "greenhorns," awed by the radical change in their environment. In only a matter of weeks they had gone from a medieval, oriental Russian society to bustling, urbanized, industrialized America. Zalefsky moved his family into a fifth-floor apartment in a six-story tenement on New York's Lower East Side. By 1900 it had become the most densely populated area of New York City with more than 700 people per acre. The Tenth Ward, approximately half a square mile in area, bulged with a population of 82,000 people. The Lower East Side was a conglomeration of shops, factories, and peddlers with push-carts selling everything from pots and pans to damaged eggs. The entire area reeked of filth, disease, and decay.³⁸

Besides the horrid living conditions, New York City's Jews were once again confronted with bigotry and prejudice. In September, 1908, Police Commissioner Theodore A. Bingham attributed 50 percent of the city's crimes to Russian Jewish immigrants, although they comprised only 25 percent of the city's population.³⁹ A scurrilous publication entitled Protocols of the Elders of Zion was then circulating in many parts of the country. Published first in 1903, the

document was alleged to be the secret minutes of a Zionist Congress of 1897 which outlined a Jewish conspiracy to take over the world. The distribution of the Protocols obviously aroused anti-Semitic feelings, especially in New York where so many Jews lived. Many Jewish immigrants felt they had merely traveled in a circle with a ghetto at the beginning and another one at the end.⁴⁰

Once more the dual factors of repulsion and attraction worked together to bring about another move for the Zalefsky family. The filthy, crowded, fast-paced life in New York was not to their liking. Although it was better than what they had known in the Pale, it was not the Land of Milk and Honey they had envisioned. They continued to receive letters from Sam Kruger in Fort Worth. He had established a successful jewelry business in "Cowtown," and he stressed in his letters that Texas, not New York, was the land of opportunity. In 1910 Samuel Zalefsky decided to move his family from New York City and join his brother-in-law in the Lone Star State.⁴¹

NOTES

¹Ezekiel 22:15, KJV.

²Louis Greenberg, The Jews in Russia (New Haven: Yale University Press, 1944), 1, 4.

³Ibid., 5.

⁴Ibid., 7.

⁵Peter the Great created the Governing Senate in 1711. He intended for it to function as an executive body in his absence from the government center, but he ultimately transformed it into a permanent administrative body. The Tsar appointed the members of the Senate, and they served at his pleasure. Sidney Harcave, Russia: A History (New York: J. P. Lippincott, 1964), 109.

⁶W. Bruce Lincoln, In War's Dark Shadow: The Russians Before the Great War (New York: Dial Press, 1983), 211.

⁷Max Dimont, The Jews in America: The Roots, History, and Destiny of American Jews (New York: Simon and Shuster, 1980), 155-57.

⁸Greenberg, Jews in Russia, 9.

⁹Ibid.

¹⁰Michael Florinsky, Russia, A History and Interpretation, Vol. 2 (New York: MacMillan, 1958), 806.

¹¹Ibid.

¹²Greenberg, Jews in Russia, 10.

¹³Virginia Cowles, The Romanovs (New York: Harper and Row, 1970), 185-87.

¹⁴Harcave, Russia, 306.

¹⁵Ibid., 323.

¹⁶Lincoln, In War's Dark Shadow, 216.

¹⁷Ibid., 213.

¹⁸Ibid., 212.

¹⁹Ibid., 217.

²⁰Ibid., 218.

²¹Ibid., 220-22.

²²Irving Howe, The World of Our Fathers: The Journey of the East European Jews to America and the Life They Found and Made (New York: Simon and Shuster, 1976), 10.

²³Morris Zale, personal interview, conducted in Dallas, Texas, June, 1983.

²⁴Ibid.; "Kosher" is a term meaning upright or clean according to Jewish dietary laws. Under those laws certain foods are forbidden altogether and others must be prepared according to rigid specifications.

²⁵Ibid.

²⁶Ibid.

²⁷"The Krugers: Texas Pioneers" (San Antonio: Institute of Texas Cultures, 1978), videotape; Morris Zale interview.

²⁸Morris Zale interview.

²⁹Ibid.

³⁰Alan M. Kraut, The Huddled Masses: The Immigrant in American Society, 1880-1921 (Arlington Heights, Illinois: Harlan Davidson, 1982), 49.

³¹U. S. Congress, H. Rept. 3792, 50th Cong., 2nd sess., 1889.

³²Ibid.

³³Statutes at Large 27: 365, 569 52nd Cong., 2nd sess., 1893.

³⁴Kraut, Huddled Masses, 55-6.

³⁵Ibid., 57.

³⁶Howe, Land of Our Fathers, 42.

³⁷Kraut, Huddled Masses, 57.

³⁸Howe, Land of Our Fathers, 69.

³⁹New York Times, 7 Sept. 1908; Carl Wittke, We Who Built America: The Saga of the Immigrant (Cleveland: Press of Western Reserve University, 1939), 332.

⁴⁰Harcave, Russia, 406.

⁴¹Morris Zale interview.

CHAPTER II

GONE TO TEXAS

When the Zalefsky family arrived in Fort Worth by train in 1910, that town had a population of 30,000 people and a colorful past. Named for Mexican War hero General William Jenkins Worth, the community had begun as a military outpost established by the United States government in 1849. It was one of eight forts stretching from the Red River to the Rio Grande to protect Texas settlers from marauding bands of Comanches. Fort Worth's link with the cattle industry came when Jesse Chisholm routed his famous cattle trail through the area in 1867. For the next fifteen years drovers herded millions of head of longhorn cattle from San Antonio to various Kansas cowtowns, and Fort Worth became an important supply station along the route. In 1884 the Continental Meat Packing plant began operations, and six years later the famous Fort Worth Stockyards was opened. In 1896 the city hosted its first Fat Stock Show, an event which has become a Texas tradition. Because of its long and colorful association with the cattle industry, it is little wonder that Fort Worth has come to be known as "Cowtown."¹

In addition, Fort Worth became an important railroad center in the latter part of the nineteenth century. The Texas and Pacific, the Southern Pacific, the Santa Fe, and the Missouri, Kansas, Texas (Katy) railroads all had lines through Fort Worth, connecting the city with every part of the nation. Three home-based railroads, the Fort Worth and Denver City, the Fort Worth and New Orleans, and the Fort Worth and Rio Grande, added to the town's significance as a railroad center.²

Fort Worth offered tremendous potential and various opportunities for ambitious and industrious people like Sam Zalefsky. His early years there, however, were anything but auspicious. The family first lived in a three-room house on Third Street, and then moved to East First Street. Zalefsky continued to work as a house painter, the trade he had practiced since his arrival in the United States seven years earlier. The family took in boarders to help share rental expenses, and they kept a cow in the back yard to provide milk for the family's needs. On occasion, there would be some surplus milk to sell, helping to supplement the family's meager income.³

The Zalefskys found a small but active Jewish community in Fort Worth when they arrived. The city's Orthodox Jews organized a congregation, Ahavath Sholom, in 1893 and built Fort Worth's first synagogue that same year. In 1908 Charles Blumenthall came to Fort Worth to serve the

congregation as its first fulltime rabbi. The Reform Jews organized Temple Beth-El in 1902, giving Fort Worth two Jewish congregations by the time the Zalefskys arrived in Texas. In keeping with their previous beliefs and practices, the Zalefskys associated themselves with Ahavath Sholom, the Orthodox congregation.⁴

Jews had established themselves not only in Texas but throughout the South by the turn of the century. Although there were Jewish settlers in Texas prior to the Civil War, their numbers did not increase significantly until the 1870's. The extension of the railroad through the Lone Star State appears to have been a major factor in attracting Jewish merchants and businessmen to Texas.⁵ In 1878 Charles Wessolowsky, an assistant editor for an Atlanta-based publication known as the Jewish South, began a tour of Alabama, Mississippi, Louisiana, Arkansas, and Texas, visiting Jewish communities in those states. Letters to his editor in Atlanta described some surprisingly strong Jewish communities in some rather "un-Jewish" places. In many small towns and larger cities throughout the South there were B'nai Brith chapters, benevolent societies, cemetery associations, community centers, and other Jewish institutions. In addition, temples and synagogues were being organized.⁶ Jews were observing the High Holy Days and other festivals in such places as Selma,

Alabama; Baton Rouge, Louisiana, Farmersville, Mississippi; and Jefferson, Texas.⁷

A census taken by the state of Texas in 1887 listed 5,527 "Hebrews" residing in the state. Approximately 20 percent of Texas Jews lived in Dallas, but Marshall, Waco, Corsicana, Houston, Tyler, Jefferson, Galveston, and San Antonio all had sizable Jewish communities.⁸ On his southern tour Wessolowsky visited Jewish communities in Fort Worth, Sherman, Dennison, Paris, Mexia, Corsicana, Texarkana, Ennis, Marlin, Rockdale, Palestine, Hearne, Calvert, Brenham, and Giddings.⁹ Although the size and strength of those communities varied, they were a recognizable segment of the cities and towns where they were located.

Between 1907 and 1914 more than 10,000 Jews entered the port of Galveston enroute to homes in Texas and various other locations throughout the Midwest and Southwest. Jacob Schiff, a Jewish philanthropist from New York City, provided a half million dollar grant to establish the Jewish Immigration Information Bureau (JIIB), or the "Galveston Movement," as it was popularly called. The million or so Jews who lived in New York at the time were crammed into squalid accommodations not unlike those they had left behind in Russia and other areas of Eastern Europe. Schiff believed that the new arrivals would have

better opportunities available to them if they moved to other parts of the country. Rabbi Henry Cohen of Galveston directed the project, which resembled a travelers' aid society. Cohen or some other representative of the JIIB would meet the new arrivals as they landed in Galveston. Following a short welcoming address delivered in Yiddish, he helped them clear customs and took them to the Bureau Offices for a meal and a bath. As soon as possible, the JIIB sent them to their new homes. Using a network of communications with various Jewish communities throughout the region, the Bureau matched the skills of the new arrivals with existing job openings, often providing transportation to the desired destination. The Jewish Immigration Information Bureau dispersed thousands of Jews throughout Texas and neighboring states through the Galveston Movement before it came to an end in 1914 with the outbreak of war in Europe.¹⁰

Like countless other immigrants who came to the United States, Morris Zalefsky was eager to put his unpleasant experiences in the "old country" behind him. The rabbis in the Pale had been able to keep the Russian Jews culturally distinctive, but there was no power that was able to keep them from Americanizing themselves. Many Jewish customs, traditions, and beliefs that were sacredly and religiously followed in the Pale were modified or dropped altogether in American Jewish communities.¹¹

Young Morris Zalefsky welcomed the opportunity to become Americanized. He enrolled in school in Fort Worth shortly after his family arrived there, but he spent much of his time in his uncle's jewelry store. Since there was no local or state funding to purchase textbooks for students, each pupil had to supply his own. To earn the money he needed for school expenses, Morris got a job in his uncle's store on Saturdays and after school. This marked Morris' entry into the business that would become his life. His job involved, among other things, cleaning the cut glass items on display in Kruger's. Customers handling the merchandise left it marked with fingerprints, and Kruger was a stickler for spotless displays. He accepted no excuses from Morris if he found smudges on any of the items on display. Because Kruger would not tolerate carelessness or mediocrity, Zale assessed those years that he spent in his uncle's store as some of the best training he could have received.¹²

Kruger's was typical of the jewelry stores of the early twentieth century. Since credit was unheard of in the jewelry business, and the merchandise was so expensive, the average, working-class individual rarely went into a jewelry store, let alone made a purchase there. According to Morris Zale, Kruger would not even wait on a customer that he did not know personally. The well-to-do customers

that frequented jewelry stores in those days were referred to as the "carriage trade."¹³

Two events occurred in Morris Zalefsky's life in 1914 that proved to be significant. First of all, he contracted a severe case of typhoid fever which almost took his life. His illness required hospitalization and an extended recovery period at home. Second, it was at that point that young Morris' formal education came to an end. Lacking the money he needed to buy his books and to meet other necessary expenses, he simply could not afford to go to school anymore. He had completed the seventh grade. His formal education had concluded, but his practical education was just beginning.¹⁴

It was approximately 1911 when Sam Kruger moved his operations to Wichita Falls from Fort Worth. The discovery of oil in the Wichita Falls area lured him there just as oil had first attracted him to Texas from New York.¹⁵ The discovery of oil had brought a boom to the entire region of North Central Texas. Burkburnet, Breckenridge, and Ranger all became boom towns, and Sam Kruger opened jewelry stores in each of those locations in addition to speculating in oil business himself. Morris Zalefsky left his parents in Fort Worth and joined his uncle in Wichita Falls in 1920. Two years later twenty-one-year-old Morris Zale went to Burkburnet to manage Kruger's Jewelry Store there. In spite of his relatively young age, Zale already had nearly

a decade of training and experience under the watchful eye and stern hand of Sam Kruger. It was at this time also that Morris Zale changed his name from Zalefsky. He explained that he wanted to be as American as he could, and changing his name seemed to be one way to demonstrate his Americanism.¹⁶

Burkburnet's entry into the oil business had been rather modest in 1912. When, however, a gusher known as "Fowler's Folly" came in on July 29, 1918, producing more than 2,200 barrels of crude daily, Burkburnet became the epitome of the oil boom town. Bootleggers, gamblers, prostitutes, and other undesirables hurried to Burkburnet to ply their trade along with tool pushers, roughnecks, and roustabouts. Businessmen and merchants like Sam Kruger and Morris Zale were also attracted to such places to take advantage of the prosperity that accompanied the discovery of oil. Although they had no intention of going into the oil fields, the merchants realized there was a demand for certain goods and services and an ample supply of money in the hands of the oil field workers, thus providing an excellent business climate.¹⁷

Morris Zale's stay in Burkburnet was a brief one. He and his uncle disagreed over some of the store's operational procedures, and Zale decided to leave. In addition, the oil boom had begun to decrease in Burkburnet. He

headed for the small community of Graham, located seventy-five miles south of Wichita Falls. Graham, the county seat of Young County, was experiencing an oil boom of its own at that time, and Zale saw it as a good place to start out on his own. The first settlers had come to that area as part of the Peters Colony, an empresario grant awarded to William S. Peters by the Republic of Texas in 1841. Under that arrangement Peters agreed to bring some 600 families to the area over a three year period. Each family was to receive 640 acres, and Peters received ten sections of land for each 100 families he brought into the area. He brought an estimated 1,700 settlers, but legal complications arose when Texas joined the Union in 1845. Because of questions that arose concerning titles, settlement declined, but in 1851 the United States government established a second string of forts just to the west of the ones that had included Fort Worth. Fort Belknap, located near present-day Graham, was the northern most of these forts. The fort was named for William G. Belknap, a West Point professor and former army officer who had served in the War of 1812, the Seminole Wars, and the Mexican War. The presence of a military outpost made the area more attractive to potential settlers who feared the roaming bands of Comanches who often raided the vicinity. In 1871 Edwin and Gustavus Graham purchased 125,000 acres in Young County at an average price of fifty cents an acre.

A community bearing their name sprang up on their land, and the settlers engaged in cattle raising and salt processing for their livelihood. Because of the discovery of oil in the area, Graham's population soared from 900 in 1900 to more than 2,500 by 1920, an increase of almost 300 percent in two decades.¹⁸

Morris Zale arranged with a Mr. Bradfield, owner of the City Drugstore on the east side of the town square, to rent space in the drugstore for \$50 a month. With money he borrowed from his uncle, Sam Kruger, Zale went to Fort Worth and bought some display cases and other fixtures for his new "store." From there he went to Dallas where he acquired some merchandise from jobbers. Now he was ready to begin his career as an independent businessman in Graham. He was eager to combine some of his own ideas with the lessons he had learned working for his uncle.¹⁹

The Graham Weekly Leader contained the following announcement:

The Zale Jewelry Company has opened a new store in the City Drugstore on the east side of the square. Mr. Morris B. Zale is the proprietor. He has been with the Kruger Jewelry Company of Wichita Falls for several years and knows the jewelry business. He has a beautiful store and will carry the best jewelry²⁰

Although he was both eager and ambitious, Zale was confronted with a number of obstacles. The days were long and gruelling. He was usually in the store by seven each morning, and it was often past midnight before he

returned to his room in one of the local boardinghouses. This was his daily schedule since City Drug was one of the few businesses in Graham that remained open seven days a week. In addition to his own business, he often assisted Bradfield by waiting on customers, arranging displays, and sweeping floors.²¹

Zale broke with tradition in the jewelry business by trying to attract lower and middle income customers along with the so-called "carriage trade." This move was not so much a matter of innovation as it was sheer necessity. Since he was just starting out and struggling, Zale needed every customer he could get. Since the average wage earner did not normally frequent jewelry stores, Zale had to develop methods to attract them into his store, and some of his methods were unorthodox, to say the least. Sanger Brothers in Dallas was the regional distributor for Victor Talking Machines, and Zale obtained an authorized dealership to sell Victrolas, as they were called, in Graham. He placed one of the talking machines outside the store and blasted "Turkey in the Straw" across the town square. Since the talking machines were not common in Graham, people were lured to City Drug to gawk at the mechanical music maker. From there Zale hoped to attract them inside and sell them some jewelry, a Victrola, or some records.²²

In those days jewelers rarely advertised, and when their ads did appear in the newspapers, they tended to be

low key. Once again Morris Zale broke with tradition. He used the local newspaper, the Graham Weekly Leader, regularly in an attempt to attract customers. His advertisements were big, bold, aggressive, and innovative, a characteristic that Zale would use extensively as the Company expanded in later years.

During his stay in Graham Zale became active in community life. He joined the Retail Merchants Association, and he tried to join the local Masonic Lodge. Some of the lodge brothers attempted to block his petition, but others refused to "blackball" him, and he was eventually accepted. He became friends with Virgil Tidwell, the town banker, and other prominent people in the community. There were some attitudes in Graham, however, that worked against him. His hard work and innovative ideas were no match for prejudice and bigotry. Like countless other rural communities across the nation at that time, Graham boasted a large, active chapter of the Ku Klux Klan. Morris Zale was a likely target for their hatred and violence.²³

The twentieth century Klan was a revival of an organization that had been born in Pulaski, Tennessee, in 1866. The Klan of the Reconstruction era, aimed at frightening Blacks out of their newly won rights, was relatively short-lived. It disappeared by the early 1870's, but the mentality that had spawned such an

organization lived on in the minds of many Americans. William Joseph Simmons, the son of a Reconstruction era Klansman, revived the organization in 1911. He had failed at several occupations, including stints as a Methodist minister and traveling salesman. He had a passion for fraternal orders as evidenced by his having joined more than a dozen different Masonic organizations, as well as the Woodmen of the World.²⁴

The Klan enjoyed modest success in the early days of Simmons' leadership, but when he added Edward Clarke Young and Mrs. Elizabeth Tyler to his staff, the membership mushroomed. Young, a former newspaperman, and Tyler, an attractive widow, put their talents to work in an organization called the Southern Publicity Association, a fund raising operation. Through that organization they had raised money for such groups as the YMCA, the YWCA, and the Salvation Army. With a program developed by Young and Tyler, Klan membership rose to some 4,000,000 by 1924 with active chapters in Indiana, Oregon, Oklahoma, Michigan, as well as in states in the Deep South.²⁵

The Klan of the 1920's targeted for retribution not only Blacks but also Catholics, Jews, and foreigners. They insisted that the only true Americans were white, Anglo-Saxon Protestants. In addition, the Klan professed to be the guardians of public morality, taking upon itself the responsibility of punishing those who violated what the

Klan considered to be acceptable standards of decency. The Klan of the 1920's is reminiscent of Americans' attitudes in the 1850's as manifested in the "Know-Nothing" movement, and again in the late nineteenth century in the American Protective Association (APA). Extremism in intolerance, nativism, and vigilante activities were characteristics of all three movements.²⁶

Z. R. Upchurch, Young's chief subordinate, went to Houston in October of 1920 to participate in the Confederate Veterans' Reunion. While there, he enlisted hundreds of new members for the KKK within a matter of days. Simmons arrived in Houston near the end of the week-long activities and rode in a parade staged by the Confederate veterans. Following the parade the applicants whom Upchurch had registered for Klan membership gathered in an open field near Bellaire outside of Houston and organized the first Ku Klux Klan chapter, or klavern, in Texas. Over the next several months a number of klaverns were formed in cities along the Texas Gulf Coast. Within a year Texas, with 80,000 Klansmen, was the leading Klan state in membership, power, and influence. By 1925 Klan membership in the Lone Star State had risen to some 425,000 with active chapters in large metropolitan areas as well as in small rural communities.²⁷

By February of 1922 Klavern 176 of the Imperial Realm of Texas was in full operation in Graham. In March a trainload of Graham residents traveled to the nearby community of Breckenridge to witness and/or participate in a KKK rally and parade. Later that month Colonel J. G. Camp, a "distinguished Southern orator" from Atlanta, Georgia, addressed a large crowd assembled at the Young County Courthouse, informing them about the principles and objectives of the Klan. He spoke for two hours, and the crowd interrupted his remarks several times with their applause. Over the next several months Klavern 176 was active and visible in Graham, and the local newspaper, the Graham Weekly Leader, printed several articles reporting their activities. In September of 1922 the Klan held an outdoor rally and initiation ceremony two miles south of town on Bunker Road. A crowd estimated at 5,000 attended as 100 new members joined the Invisible Empire as members of Klavern 176. Similar ceremonies had already been conducted in July and again in August of that year. The editor of the Weekly Leader, Edgar McClendon, apparently anti-Klan in his views, estimated membership in the Graham Klavern to be 900.²⁸

The Klan's activities climaxed in Graham in the summer of 1923. A half page advertisement in the newspaper announced a Klan parade to be followed by a rally featuring several speakers. Some 10,000 to 12,000 persons gathered

along the main streets of Graham to watch the parade. Cars parked three to five deep lined the square and principal streets. Estimates indicated that as many as 3,000 automobiles were in town that evening. All the street lights were extinguished as the hooded Klansmen began their march. Led by four mounted Klansmen carrying American flags and flaming torches, the marchers paraded double file on North Elm Street near the depot. They moved south to Oak Street and then disappeared into the night. They regrouped outside of town on a hillside to perform a ceremonial cross burning.²⁹

Morris Zale viewed the growing strength of the Ku Klux Klan in Graham as a sign of personal danger. Being both foreign-born and Jewish, he was a likely target for their hatred. He recalls, "I was the only Jew in town I was just a kid trying to make an honest living and not bothering anybody. When I saw that cross burning, I was scared to death."³⁰

His fears were not unfounded, as the KKK had a well earned reputation for violence and atrocities. In Beaumont the local Klansmen had tarred and feathered two men for "immoral conduct." In the small East Texas community of Tenaha, a woman was stripped, beaten, and tarred and feathered by the KKK who charged her with bigamy although no charges or complaints had ever been filed against her in court. When a Michigan minister denounced the Klan in a

sermon, the hooded knights of the Invisible Empire branded the letters K K K on his back. In Tulsa, Oklahoma, local Klansmen took a Jew and, after stringing him up by his hands in a tree, took turns beating him. After the beating they dumped him from a moving automobile on an isolated country road.³¹

Aware of what the KKK had done to those who were targets of their wrath, Morris Zale felt that his only choice was to leave Graham as quickly as he possibly could. He had noticed that customers were boycotting his store, and he became concerned that they might take more drastic action. He also felt an obligation before leaving town to pay off his debts. In order to do that he decided to hold an auction, a method often utilized by jewelers in need of quick cash. After having set a date for his sale and securing the services of an auctioneer, Zale learned that he must have a permit in order to conduct an auction. When he went to the Young County Courthouse to obtain the permit, he was told that it was illegal to hold an auction in Graham. At that point Virgil Tidwell, the local banker and "the best friend I had in town," according to Zale, intervened, and with his help, Zale was able to hold his sale. After paying off most of his debts, Morris Zale left Graham for what he hoped would be greener pastures, namely Wichita Falls.³²

The two years he spent at Graham were difficult ones to say the least, but Zale considered them to be extremely beneficial. "I didn't have much formal schooling, but I received quite an education at Graham. It was like Harvard, Yale, and Oxford all rolled into one. I learned some of the greatest lessons of my life in that drug-store."³³ He was now ready to apply some of those lessons amidst his new surroundings in Wichita Falls.

NOTES

¹Leonard Sanders and Ronnie C. Tyler, How Fort Worth Became the Texas Most City (Fort Worth: Amon Carter Museum of Western Art, 1973), 5-6.

²Oliver Knight, Fort Worth: Outpost on the Trinity (Norman: University of Oklahoma Press, 1953), 125-29.

³Personal interview conducted with Morris Zale in Dallas, Texas, June, 1983.

⁴Knight, Fort Worth, 165; A History of Congregation Ahavath Sholom, 1892-1980 (Fort Worth, 1980), 10-14; Morris Zale interview. The three main Jewish denominations are Orthodox, Conservative, and Reform. Orthodox Judaism rigidly follows the written law and strictly interprets the oral laws such as the observance of the Sabbath and dietary laws. Orthodox services are conducted in Hebrew. Reform Judaism is a more liberal interpretation of both the written and oral laws. They conduct their services in English. Conservative Judaism is a middle road between Orthodox and Reform Judaism, making some changes but trying to stay within the spirit if not the letter of the oral and written laws.

⁵The Sanger Brothers provide a good example of Jewish merchants following the railroad across Texas. They moved north with the Houston and Texas Central in the late 1860's and early 1870's, establishing a store in each temporary terminus, including Bryan, Hearne, Calvert, Kosse, Groesbeck, and Corsicana. They eventually made Dallas their headquarters when the railroad reached that city. See Joseph Rosenberg, The Sangers: Pioneer Texas Merchants (Austin: Texas State Historical Association, 1978).

⁶Louis Schmier (ed.), Reflections of Southern Jewry: The Letters of Charles Wessolowsky (Atlanta: Mercer University Press, 1982); Audrey Daniels Kariel, "The Jewish Story and Memories of Marshall, Texas," Western States Jewish Historical Quarterly 14 (April, 1982); Rabbi Henry Wessel, "A History of the Jews of Tyler and Smith County, Texas," Robert Glover and Linda Brown Cross (eds.), Tyler and Smith County Texas: An Historical Survey (Tyler: American Bicentennial Committee of Tyler and Smith County,

1976), 201-10; Carol Tefteller, "Diaspora to Texas: The Jewish Community in Frontier Jefferson," The Jefferson Jimplecute, 30 May 1974; Tommy Stringer, "A Most Unlikely Canaan: A Brief History of the Jewish Community of Corsicana, Texas," Journal of Regional Cultures 1 (Spring, 1981), 47-55. The American Israelite, a periodical published in Cincinnati served as a newsletter for Judaism throughout the United States. Virtually every issue contained articles reporting Jewish activities in several Texas communities in the late nineteenth and early twentieth centuries.

⁷Schmier, Reflections of Southern Jewry; The Jewish High Holy Days are Rosh Hashana (New Year) and Yom Kippur (Day of Atonement), both of which are held in the fall, usually in late September or early October. There are several other Jewish festivals and holy days such as Pentecost, Passover, and Hannukah, but only Rosh Hashana and Yom Kippur are designated as High Holy Days.

⁸L. L. Foster (ed.) First Annual Report of the Agricultural Bureau of the Department of Agriculture, Insurance, Statistics, and History, 1887-88 (Austin: State Printing Office, 1889); Terry G. Jordan, "The Forgotten Texas Census of 1887," Southwestern Historical Quarterly 85 (Spring, 1982), 401-8.

⁹Schmier, Reflections of Southern Jewry.

¹⁰W. Phil Hewitt, The Jewish Texans (San Antonio: Institute of Texas Cultures, 1974), 16; West of Hester Street 16 mm, (Dallas: Media Projects, Inc., 1983).

¹¹Virginia Cowles, The Romanovs (New York: Harper and Row, 1970), 218.

¹²Morris Zale interview.

¹³For a description of typical jewelry operations in the late nineteenth century, see Joseph Purtell, The Tiffany Touch (New York: Random House, 1971); See also Morris Zale interview.

¹⁴Morris Zale interview.

¹⁵Kruger Family records in possession of Sam Kruger's daughter, Bert Kruger Smith, Austin, Texas; "Krugers: Texas Pioneers" (San Antonio: Institute of Texas Cultures, 1978), videotape.

¹⁶Morris Zale interview.

¹⁷Walter Rundell, Early Texas Oil: A Photographic History, 1866-1936 (College Station: Texas A & M Press, 1977), 95.

¹⁸Carrie J. Crouch, A History of Young County, Texas (Austin: Texas State Historical Association, 1956); Rupert Richardson, Texas: The Lone Star State (Englewood Cliffs, New Jersey: Prentice-Hall, 1981), 144-45.

¹⁹Morris Zale interview.

²⁰Graham Weekly Leader, 23 Nov. 1922.

²¹Morris Zale interview.

²²Ibid.; Dallas Morning News, 15 May 1962; Rosenberg, Sangers, 88.

²³Morris Zale interview.

²⁴William P. Randel, The Ku Klux Klan: A Century of Infamy (Philadelphia: Chilton Publishers, 1965), 182-85.

²⁵Ibid., 190-96.

²⁶Ibid., 252, 290; The Native American or "Know-Nothing" Party held a convention in Philadelphia in 1856 and adopted a platform to resist the "corruptive tendencies of the Roman Catholic Church and to see that "Americans only govern America." The American Protective Association (APA) was organized in 1887 in reaction to the massive numbers of "new" immigrants pouring into the United States from Eastern Europe at that time. The APA opposed Catholics, Jews, political radicals, and those they classified as "racially inferior."

²⁷Donovon D. Tidwell, "The Ku Klux Klan and Texas Masonry," Transactions, Texas Lodge of Research 14 (June, 1979), 163-65, 170.

²⁸Graham Weekly Leader, 2 March 1922; 30 March 1922; 7 Sept. 1922.

²⁹Ibid., 28 June 1923.

³⁰Morris Zale interview; There was one other Jewish merchant in Graham at the time, a jeweler also, but he had converted to Christianity and attended church regularly with his wife. Consequently, he was not regarded by the other members of the community as a Jew.

³¹Randel, Ku Klux Klan, 204-6.

³²Morris Zale interview.

³³Ibid.

CHAPTER III

A NEW START

Following his unpleasant experiences at Graham, Zale was eager for a new start, and Wichita Falls offered several attractions for an aspiring entrepreneur like himself. Wichita Falls was a raw, rugged frontier settlement which owed its beginnings to the coming of the railroad. Attempts to bring the iron horse to the area in the 1870's had failed, and the handful of settlers who lived in the vicinity had to rely on the "T. B. & W." (Two Bulls and a Wagon) to get needed supplies. The arrival of the Fort Worth and Denver City Railroad in 1882 guaranteed a bright future for Wichita Falls, which was incorporated seven years later. Agriculture provided a strong economic base for the region, especially after the introduction of irrigation in the area.¹

Wichita County experienced an oil boom in the early part of the twentieth century with discoveries at Electra in 1911. The development of the Petrolia field in neighboring Clay county added to the boom of the Red River Uplift area. Situated midway between Electra and Petrolia, Wichita Falls became a regional headquarters for oil field equipment and supplies. Nine refineries

operated in Wichita Falls, and the community was the center of much of the business activity associated with the oil industry and development in the region. The Wichita Falls Central Stock Exchange did a lively business, and lease men set up operations literally on the streets. Oil discoveries at Iowa Park, twenty miles west of Wichita Falls, and at Burkburnet, a dozen miles to the north added to Wichita Falls' importance as an oil center. Morning and afternoon commuter trains left Wichita Falls daily, carrying both men and equipment to the surrounding oil fields. Since housing was limited in the smaller communities like Iowa Park and Electra, many of the oil field workers lived in Wichita Falls, the largest town in the area. The thriving, vibrant economic climate obviously was appealing to an aspiring young merchant such as Morris Zale.²

In addition to the promising economic climate, Wichita Falls had a small but active Jewish community when Morris Zale returned from Graham in 1924. No longer would he be the "only Jew in town" as he had been in Graham. A conservative congregation, the House of Jacob, organized in 1923 with some forty-four Jewish families included in the membership. The congregation had been meeting for some time prior to 1923 in temporary locations before they erected a permanent meeting place at Fourth and Lamar Streets. The Reform Jews of Wichita Falls

organized Temple Israel and in 1920 moved into their new facility at 1008 Burnett Street. Both congregations experienced modest growth, particularly during the oil boom years of the 1920's.³

The citizens of Wichita Falls appeared to be more tolerant and understanding towards Jews than the citizens of Graham had been. Although there was a klavern of the Ku Klux Klan in Wichita Falls at the time, it was not nearly as conspicuous as in Graham. In addition, attitudes towards the Klan were beginning to change. The KKK had wielded tremendous political power in Texas in 1922 when Earle B. Mayfield, an admitted Klansman who was known to have received Klan support, soundly defeated James A. Ferguson in a race for the United States Senate. Ferguson had strongly condemned the KKK throughout the campaign, so his defeat indicated the political clout which the Klan carried in the state at that time. By 1924 the situation, however, began to reverse. In that year's gubernatorial race the Klan suffered a major setback when Miriam "Ma" Ferguson defeated a Klan-backed Dallas judge, Felix Robertson, by 100,000 votes in the Democratic primary. From that point the power of the Klan began to decline. Editor Ed Howard wrote some strongly anti-Klan editorials in the Wichita Daily Times, and other community leaders as well began speaking out against the Invisible Empire and its principles. Such an atmosphere was appealing to

a young Morris Zale, who had been "scared to death" by a Klan cross burning only months before in Graham. He could feel reasonably certain that threats, boycotts, and intimidations, while still a possibility, were less likely to occur in his new surroundings.⁴

In addition to the friendlier atmosphere and the brighter business prospects, there was yet another factor that attracted Morris Zale to Wichita Falls. Sam Kruger, Zale's uncle who had been so helpful to him, had recently vacated a building at the corner of 8th and Ohio in downtown Wichita Falls, a location he had occupied since 1920. He moved one block up the street to 8th and Indiana, and Zale assumed the lease agreement his uncle had signed with the building's owner, Bob Waggoner, for \$250 per month. He began filling the display cases left behind by his uncle with merchandise he had brought with him from Graham and with other merchandise he obtained from various suppliers. Now he was ready to begin his own business and to test some of his then innovative and somewhat revolutionary business ideas.⁵

On March 17, 1924, seven stockholders organized the Zale Jewelry Company with shares issued at \$100 par. Morris Zale and Sam Kruger with 133 and 150 shares, respectively, were the major stockholders. Mrs. Sam Kruger owned thirty-five shares; William Zale, Morris' younger brother, had eleven. Bertha Mae Kruger and Aaron Kruger,

children of Sam Kruger, had ten shares each. W. E. McBroom owned a single share. Morris Zale was named company president; William Zale, vice president; and W. E. McBroom, secretary-treasurer.⁶

Twelve days later, March 29, 1924, the first Zale's store opened its doors in Wichita Falls. Morris Zale was the merchandising manager, and William Zale was in charge of advertising. In addition to the Zale brothers, the first employees included Pauline Neal, head of the silverware department; D. C. Littlepage, credit manager; Tess Trotter, manager of the collection department; and Boyd Mayes, collector. In addition, Hugh M. Smith, who had worked with Zale in Graham as a watch repairman and optician, moved to Wichita Falls with Morris Zale and joined the new operation.⁷

Morris Zale was toying with a revolutionary new idea, revolutionary at least in the jewelry business of that era. Installment buying had soared to tremendous popularity in the United States by the 1920's when Zale opened his first store. Consumers, considering it "old fashioned" to limit their purchases to the amount of their cash balance, began to "exercise their credit." Automobiles, radios, electrical appliances, pianos, sewing machines, and furniture were among numerous items that American consumers were purchasing "on time." The widespread extension of credit was a major factor in the rising prosperity of the 1920's. The

deferred payment plans broadened markets of American businessmen and enabled consumers to acquire items immediately which they might never have obtained otherwise. Because of the apparent prosperity, the confidence of both buyers and sellers increased, making the so-called budget plans all the more appealing. Thus, both production and sales increased dramatically during this period. By the middle to late 1920's, economists estimated that 15 percent of all retail sales in the United States were on an installment arrangement. Although no accurate figures exist on the total volume of installment credit through the period, estimates are that in 1929 sales on installment plans approximated \$7 billion.⁸

The jewelry business had traditionally been strictly a cash-and-carry operation. Since credit was proving to be so successful in so many different areas of the economy at that time, Morris Zale became convinced that it would work in the jewelry business also. By offering credit to his customers, he could see the possibility of developing a mass market for his merchandise instead of being limited to the "carriage trade" clientele that jewelers catered to at that time. He would do for the jewelry business what Henry Ford was doing in the automobile industry; that is, he would make his product available to the masses. "The Lord must have really liked common people, because He made so many of them," remarked Zale. He saw in those common

people a market for his watches, rings, silverware, radios, and phonographs. Not only would diamonds be a girl's best friend; they would be every girl's best friend.⁹

Morris Zale's ideas concerning credit were not totally original with him. He had read of some jewelry stores in the Detroit area that were experimenting with the idea, and he was also aware of some Chicago stores that were extending credit to their customers. Mo Allison, a supplier for Sam Kruger, had some connections with a firm in Chicago called Olsen and Eban, which was having some success with the credit business in its jewelry operations, and Allison persuaded Zale to investigate the possibility of implementing credit in his Wichita Falls store. Allison arranged with Olsen and Eban for Zale to go to Chicago for a period of on-the-job training in their store. They shared with him some of their ideas, informed him how their credit operations functioned, and warned him of some pitfalls to avoid. Zale returned to Wichita Falls all the more certain that credit would work in his new store. According to Zale, the extension of credit was a primary reason for the success of his business from the outset.¹⁰

The availability of credit brought people into the store that had never done business with a jeweler before, but another important factor in the extension of credit was that it kept customers returning to the store. As they came in each week to make their installment payment,

they would notice other items which they would like to have. Making payments of a dollar a week on an initial purchase of \$50 meant that the customer would be in the store every week for a year. This enabled the store personnel to get to know the customer extremely well, and, hopefully, if he maintained his schedule of payments, to build a positive relationship with him. As the buyer trimmed his balance down, and if his credit remained good, he often made additional purchases, which he added to his account. This merely continued the process. Just as the Victrola and "Turkey in the Straw" lured customers into the City Drugstore in Graham, promises of easy credit and a warm, friendly atmosphere brought buyers to the 8th and Ohio store in Wichita Falls.¹¹

The Zale approach to credit was somewhat unique. Unlike many installment plans, Zale viewed credit only as an instrument for selling his merchandise rather than as a money-making procedure in itself. No carrying charges were added to the cost of the items purchased on credit. Neither did he raise prices of items that were sold on credit. In fact, he promised to refund money to any buyer who could purchase the same merchandise cheaper for cash. Instead of using credit for a profit-maker, Zale hoped to increase profits by expanding his volume of sales. Credit was simply a means to get customers into the store to make that original purchase. The company archives contain

letters and embossed "certificates of credit" which were mailed to buyers who had met their payment obligations. Naturally, the letters encouraged them to return to Zale's for future purchases. The lenient credit policy and the flexible payback schedule did indeed keep the customers returning. Although the ads read "a dollar a week," Zale at times accepted as little as 25 cents if he thought the customer was acting in good faith. A down payment of one cent was all that was required to make purchases of many items.¹²

Coupled with the innovative ideas in regard to credit was Zale's new approach to advertising. The advertising industry had become big business in the 1920's, promoting the sales of numerous products available to the American consumer. Frederick Lewis Allen, noted observer of the 1920's, commented that he did not care who made the laws of a country if he might write its national advertising.¹³ Advertising experts studied the psychology of the market, trying to determine what made people choose the products they bought. Advertisers planned campaigns to appeal to the wants and needs of the buying public. Jewelers had seldom advertised, and when they did, utilized a low-key approach. Their ads tended to be more like announcements than true advertisements. Bold and aggressive ads had proven successful in Graham, and William Zale, who assumed responsibility for the advertising aspect of the new

business, continued the practice in Wichita Falls. Zale's ads in the Wichita Daily Times promised quality merchandise at low prices while emphasizing the liberal credit policies of the new store. "Buy on dignified credit Pay one cent down and a dollar a week," proclaimed the ads. Customers not completely satisfied could expect a full refund. "I back every Gruen watch with the same confidence that I back a Zale diamond. Any time a Gruen watch proves unsatisfactory, bring it back and get a new one."¹⁴

The new ideas worked beyond the Zale brother's wildest dreams and expectations. Zale's "Creed," published in the Wichita Daily Times, proclaimed, "I am after the biggest jewelry business in Wichita Falls" At the end of the store's first year of operations, Zale announced that "Six thousand satisfied customers have placed their stamp of approval on this establishment." To celebrate the store's overwhelming first year of success, Morris and William Zale announced a special first anniversary sale in a special section of eight pages in the Wichita Daily Times. The advertising layout set a record for space in any Wichita Falls newspaper at the time. In fact, the editor inquired throughout the state and could find no mercantile house in any line of business that had ever used more space for advertising in a single issue.¹⁵

Zale believed there were four basic reasons for the store's early success. First, the fair and friendly

treatment of his customers was a major reason the business prospered in its first year. "The weather report at 8th and Ohio is always fair and warmer, " read the newspaper ads, and Morris and Bill Zale made every effort to make the forecast an accurate one. The unique nature of the jewelry business requires that it be built on a solid foundation of customer trust and confidence. Since the average buyer has only a limited knowledge of diamonds and other jewelry items, he is vulnerable to unscrupulous salespersons. Therefore, he relies on the jeweler to provide him with accurate information about the merchandise he is buying. From the outset Zale made it a policy to tell his customers exactly what they were buying in terms of karats, points, color, and other vital information. His goal was to take as much of the gamble as possible out of the purchase of a piece of jewelry. He wanted them to know they were getting quality merchandise. "You don't cheat people in a small town like Wichita Falls and expect to stay in business very long," he recalled. He considered Wichita Falls his home, and he hoped to stay in business there for a long time. An honest, straightforward approach in dealing with his customers was a must if that was to happen.¹⁶

A second factor contributing to Zale's early success was providing his customers with quality merchandise at the lowest possible prices. Refusing to stock "junk," Zale carried nationally-known brands of watches, jewelry,

and silverware. Since he was dealing with a working-class clientele for the most part, prices had to be in their range of affordability. Felix Gibson, who worked in the oil fields of Burkburnet during the boom era, recalled that he was paid three dollars a day for a ten hour work day.¹⁷ With those kind of wages, credit and low prices were a necessity if Zale were to attract customers from the working class. Elgin Paramount watches sold for \$17.50 and wrist watches for \$15.75. A blue-white diamond mounted to individual design was advertised for \$25. A fifty piece set of "1847" Rogers silverware, "good enough for the White House table," was priced at \$67. On occasion Zale offered free gifts to customers such as a thirty-two piece set of china with the purchase of \$15 or more. Since Zale's was depending on profits coming from selling to a broad-based market, he reduced his markups and sold his merchandise at a lower price.¹⁸

Third, Zale's liberal credit policies added to the store's overwhelming success in its first year of operations. By extending credit to a market that previously had been untapped by the jewelry business, Zale developed an entirely new group of customers. The one-cent down payment made it possible for almost anyone to own items that previously would have been out of reach. Zale's advertisements promised an extension of credit with a

minimum of "red tape." Customers were not required to bring in their "family album" when applying for credit at Zale's. This is not to say that Zale's made no credit check on prospective credit customers. In fact, quite the opposite was true, and every effort was made to insure that a prospective buyer could be counted on to meet his obligations before Zale would sell to him on an installment arrangement. Handwritten notes on old credit sheets indicate that much effort went into locating customers who had fallen behind in their payments and to collect either money or merchandise from them. Zale's files contain the following form letter that was mailed to customers who were behind in their payments:

JUST WHAT ARE YOUR INTENTIONS REGARDING THIS ACCOUNT? Are we to judge from your silence that you do not intend to pay this bill? If not, then surely you can let us hear from you.

You understand, of course, that the merchandise belongs to us until it is paid for. If it is your desire to keep the merchandise, then you must pay for it. DO NOT PUT THIS MATTER OFF. It is imperative that it be attended to at once, or we will be forced to take steps to protect our interests.

"I never promised anyone that I was giving them something for nothing," remarked Morris Zale. "This is a business, and you have to make a profit to survive. After all, I'm not running a Sunday school."¹⁹ In the early years of the business, Zale assessed his customers generally as honest, hard working people who paid their bills on time.

Loyal, dedicated employees also contributed to the early success of the business. Zale tried to instill from the outset a familial relationship with his employees and to make them feel as if they were part of the company. The store stayed open from eight in the morning until six in the evening on weekdays and until ten at night on Saturdays. Employees often stayed past closing time, however. As long as there were people still on the streets, they were potential customers. Both Morris and William Zale, along with other employees, went to the store on Sundays to clean and stock the displays. "Nobody can build a business like this by himself," remarked Morris Zale. From the beginning he considered "his people" as one of the company's main assets.²⁰

Among those "loyal, dedicated employees" were Morris Zale's two sons, Marvin and Donald. Both were involved in the Wichita Falls store from their earliest recollections. Marvin and Donald each remember serving as "doorman" at the store, opening the door and welcoming customers as they came in. Marvin remembers that he was so small that he was able to hold to a restraining bar across the door and ride the door as it closed. Both boys worked on Saturdays, after school, and during summers. Donald worked in the New York office one summer when he was only thirteen. When the office manager complained to Morris Zale that she could not find a dependable delivery boy, he sent

Donald to New York for the summer. He lived at the YMHA (Young Man's Hebrew Association) at 91st Street and Lexington Avenue and rode the subway to the office each day. "I wasn't totally on my own," he recalls, "since my uncle (Abe) was living in New York, but it was quite an experience for a thirteen-year-old boy from Wichita Falls." Marvin began working with Sid Lipshy in the summer of 1943 in Oklahoma City, and he worked in various stores during his high school years. Thus, both men have literally grown up with the business and each currently holds an executive position--Donald as chairman of the board and Marvin as head of the New York operations.

Zale's enjoyed continued success throughout 1925 and held a second anniversary sale similar to the one they had conducted the previous year. The year 1926 proved to be an important one for Zale's, for it was that year that Ben Lipshy, one of the company's key figures, began working for Zale's on a fulltime basis. Morris Zale married Lipshy's sister Edna in 1925, and he offered his young brother-in-law an after-school job at the jewelry store. When Lipshy graduated from Wichita Falls High School in 1927, he became a fulltime employee and over the next half century would make valuable contributions to virtually every phase of the company's growth and development.²¹

The minutes of Zale's Board of Directors meeting held in Wichita Falls December 31, 1926, indicate how well

things were going for the company at the time. The Board voted to raise president Morris Zale's salary to \$10,000 per year and vice president William Zale's to \$7,500, both sizable stipends in those days.²²

It was about that time that ominous signs began emerging, foreshadowing difficult times ahead for the then-sound economy. In 1927 the American Refining Company, one of Wichita Falls leading employers, collapsed and its owners declared bankruptcy. Many people were thrown out of work because of the shutdown, creating a widespread ripple effect throughout the community. Since the owners of the refinery were among the town's leading citizens, a widespread feeling of uncertainty spread throughout the community, raising doubts about the economic stability of Wichita Falls in general.²³

In addition to the economic problems in the oil industry, area farmers were suffering from a general decline. Not only were farmers in North Central Texas experiencing difficulty, but the entire agricultural industry throughout the nation was undergoing problems. American farmers had enjoyed a boom in the years during World War I, but with the end of the war came a decline in demand for American farm products abroad. When agricultural production resumed in Europe, the American export market collapsed. In 1919 United States agricultural exports totalled just under \$4 billion. That total was cut in half within two years and

continued to decline over the next several years. From 1921 through 1925 Europe absorbed 53 percent of the total United States agricultural exports. The rate fell to 45 percent by the end of the decade. The high tariff rates imposed by the Fordney-McCumber Tariff Act of 1922 made it even more difficult for farmers to sell their products abroad.²⁴

Farmers tried to solve their economic woes by increasing production. Businesses tended to contract their operations during the post-war crisis, preventing drastic price declines. Farmers, on the other hand, tried to produce more crops. This simply added to the already abundant surpluses, driving prices even lower.²⁵ With both oil and agriculture, the area's two leading industries, showing signs of weakening, businessmen in Wichita Falls, Morris Zale included, became concerned about the town's economic future.²⁶

Because of the darkening economic climate in Wichita Falls, Morris Zale concluded that the 8th and Ohio store might have reached its full potential. The store was doing well, but he was concerned if there would continue to be enough business to support his family, his brother William, and the store's other employees. He concluded that the best alternative available to him was to open a second store in another community.²⁷

C. C. Cabiness, a longtime Wichita Falls banker and friend of Morris Zale, had recently moved to Tulsa, Oklahoma, attracted there by an oil boom. Located on the Arkansas River and the main route of the Santa Fe Railroad, Tulsa's development closely paralleled that of Wichita Falls. Situated on land allotted to the Creek nation, Tulsa's final plotting was carried out under an arrangement between the Dawes Commission and Creek leaders. When Oklahoma joined the Union in 1907, Tulsa's population was 7,000. By 1920 that figure had increased to more than 72,000. All was not harmonious in the new city, however. Thirty-six people lost their lives in a bloody race riot in Tulsa in 1921, and the KKK held a massive initiation ceremony there during that same year.²⁸

Despite those drawbacks, Tulsa was attractive to Zale for several reasons. First of all, because of the recent oil discoveries in the area, Tulsa's economy was booming, which made for a potentially lucrative situation. Both Tulsa and Wichita Falls were centers for surrounding oil field operations and rich agricultural regions. The similarity of the two communities made Tulsa attractive to Zale since he would be dealing with the same type of people he had already had success with in Wichita Falls. Cabiness, Zale's banker friend from Wichita Falls who had recently moved to Tulsa, agreed to back Zale in his new

endeavor, so Morris Zale began to pursue the possibility of opening his second store.²⁹

The 8th and Ohio location in Wichita Falls had been a key factor in the success of the first store, and Zale was determined to find an equally good location for his new store in Tulsa. At that time a business concern called the United Cigar Stores conducted surveys in various communities to determine levels of traffic at different locations around town. When they determined the most heavily travelled intersections, United Cigars would try to locate a store there. When Zale arrived in Tulsa in 1928 to survey the prospects of locating his second store, United Cigars had a vacant building. They had one of their stores in half of the building and were eager to rent the other half. Because of their reputation for selecting choice sites, Zale felt that the available building would be an ideal location for his store. He drove to Shawnee, Oklahoma, where the real estate agent handling the property was located, and he put up a \$500 option to lease the building. The rent would be \$9,000 annually. Although the rate seemed unususally high, Zale thought it was not that much out of line. Real estate was at a premium in boom town Tulsa; consequently, all rental property was expensive, especially in prime locations.³⁰

After finding a store from which to do business, Zale's next concern was to acquire some merchandise. He went to New York to see various suppliers and companies whose lines were not already available in Tulsa. He visited with officials of International Silver Company, among others, and told them of his plans for his new store in Tulsa. He intended to continue buying from them for his Wichita Falls store and paying them for the merchandise as he had been. Although he had a commitment from Cabiness for \$10,000, Zale felt that it would be at least a year before he could begin paying the New York suppliers for the merchandise he would need for Tulsa. Although some of the suppliers turned him down, Zale was able to convince enough of them that his plan would work so that he was able to secure enough merchandise to begin operations on September 1, 1928. Morris Zale and his cousin, Max Kruger, worked day and night for several weeks to get the store ready to open for business. On one occasion several weeks before opening the Tulsa store, Zale had worked well into the night getting things ready. Tired and dirty, he returned to the Mayo Hotel where his wife and son were staying. Seeing what a despicable sight Zale was, the desk clerk stopped him as he tried to get on the elevator to go to his room. It took much persuasion and finally a confirmation from Mrs. Zale that indeed this bedraggled man

was her husband before he was permitted to go up to the room.³¹

"We opened our Tulsa store with no capital, but with a whole lot of credit," Zale remembers. He then began to implement the same policies and philosophy that he had found successful in Wichita Falls: an emphasis on the credit business, an appeal to mass markets, bold, aggressive advertising techniques, and an insistence on honesty, integrity, and fairness in dealing with customers.³²

William Zale, who was single at the time, went to Tulsa to manage the new store, while Morris remained in Wichita Falls. The two stores were independent of each other. The chain store concept with its centralization of operations was still in the future as far as Zale's was concerned. Although William Zale was the actual manager of the Tulsa store, he remained in close contact with his brother in Texas. In fact, on occasion they "traded stores." Morris would go to Tulsa for a period of time, and William would return to Wichita Falls to run the store there. Consequently, the two men were aware of the operations of both stores from a firsthand point of view.³³

The Tulsa store prospered in the vibrant economic climate of that boom town. The principles and concepts

which Zale had found successful in his first store in Wichita Falls were working in Tulsa as well. The Board of Directors, meeting in August of 1928, declared a stock dividend of 50 percent. Although both stores were doing well, Morris Zale kept a close eye on every penny in an effort to keep expenses at a minimum. Handwritten company ledgers indicate that no expense was too small to overlook, as there are entries as little as five cents for a pencil.³⁴

Abe Zale, the youngest of the three brothers, joined the company in 1930, and he remembers an incident that further illustrates how closely Morris and William watched every penny. When Zale's moved their location in Wichita Falls from 8th and Ohio to 8th and Indiana, Abe Zale helped by painting the inside of the new store. After he finished, his hair was speckled with paint, and he went to the barber shop for a shampoo. "I thought Morris was going to kill me when he found out about it," Abe remembers. "He didn't know why I couldn't wash my own hair instead of paying 75 cents to have it done."³⁵

With the success of the Tulsa store, the Zale brothers began considering a suitable location for a third store. Oklahoma City, capital of the Sooner State, seemed to be a logical site. Situated some ninety miles southwest of Tulsa, Oklahoma City had been created in a single day,

April 22, 1889. On that morning the area had been nothing but a bald prairie, but by nightfall thousands of people had participated in what would be the first of five land runs to open Oklahoma to settlement. Bustling towns sprang up at Oklahoma City, Guthrie, Stillwater, and Norman on that single day. Oklahoma joined the Union in 1907 as the forty-sixth state, and the area around Oklahoma City flourished, particularly after the state capital was moved there from Guthrie in 1910. The city's fortunes improved even more in 1928 when oil was discovered in the area and wells were drilled on the grounds of the capitol itself. Because of the prosperity of the region and the presence of a familiar market, Morris and William Zale settled on Oklahoma City as the location of their third store, and in 1929 they began operations there.³⁶

Besides adding two new stores in the late 1920's, Zale's also added a number of key employees. M. E. "Mo" Gimp and Morris Zale had been friends since Zale's early days in Wichita Falls at the 8th and Ohio store. At that time Gimp worked for his brother-in-law, a diamond importer, and he sold merchandise to Zale. When he tired of the travel which his job required, Gimp approached Zale about a job, offering to work for no salary. He joined Zale's in the summer of 1929, the first non-family member to become part of the company's management team. Along

with Morris and William Zale, he became a rotating manager, alternating between Wichita Falls, Tulsa, and Oklahoma City. Gimp would prove to be one of Zale's most important figures over the next five decades.³⁷

In addition to Gimp, the company also added Sid Lipshy to its operations. In 1928 he replaced his older brother Ben in the record and phonograph department in the Wichita Falls store, enabling Ben to transfer to the jewelry department. Sid Lipshy remained a vital contributor to Zale's expansion and development until his death in 1974.³⁸

In August of 1930 nineteen-year-old Abe "Brunkie" Zale joined his two older brothers in the company. In keeping with Jewish customs, Morris Zale as the oldest son in the family, felt responsible for his younger brothers, and thus included them in the business. Abe Zale's first responsibility with the company was in the Oklahoma City store and was rather general in nature. He arranged window displays, waited on customers, and performed other routine duties. Morris Zale trained his youngest brother with the same severity and strictness that he had received himself from uncle Sam Kruger. Clean and attractive displays were a must. On one occasion Morris bought dozens of men's rings from a supplier, and he told Abe to count them. As he handled each rings in counting them, Abe left them marked with his fingerprints.

Of course, his next job was to wipe each ring spotless. As he gained experience, Abe Zale joined the rotation system that developed among his brothers and Gimp, and he was involved in various phases of the business in several locations.³⁹

Management used the same approach in opening the Oklahoma City store as he had practiced in Tulsa. He went to those suppliers and companies that had little or no representation in Oklahoma City, secured merchandise from them, and promised to pay them in a year. The building where he located the store was owned by Consolidated Retail Stores of St. Louis and was situated at 311 Main Street in downtown Oklahoma City. The lease was for \$10,000 per year. Because of the good location and the healthy economic climate, the store did well, holding its own with Zale's other two stores.⁴⁰

Zale's was enjoying a prosperity that was sweeping the nation as the decade of the 1920's came to an end. Since the company's beginning in 1924, Zale's had made remarkable strides. The firm had expanded to three stores, all of which were doing well. Several key individuals had joined the company, adding their talents, abilities, and enthusiasm to the growing company. Zale's had gambled on some revolutionary and innovative concepts and practices, and the gamble was paying off. The company declared

its first stock dividend, indicating a bright future ahead. Just when things were beginning to look up, the "Crash" came, plunging the nation into economic disaster. Zale's, like countless other American businesses, would be forced to adapt to a struggling economy. The 1930's would prove to be some of Zale's most challenging years.

NOTES

¹Michael Duty, Wichita Falls: A Century in Photographs (Wichita Falls: Midwestern University Press, 1982).

²Walter Rundell, Early Texas Oil: A Photographic History, 1866-1936 (College Station: Texas A & M Press, 1977), 93-96. The term "Red River Uplift" refers to the oil-bearing geological formation found in many of the counties of North Central Texas that border the Red River.

³Records of the House of Jacob Synagogue and Temple Israel, Wichita Falls, Texas, provided by Rabbi Leo Brenner. Morris Zale held membership in both congregations. He served as president of one and vice president of the other simultaneously. Such an arrangement was not unusual in small Jewish communities such as Wichita Falls.

⁴Rupert Richardson, Texas: The Lone Star State (Englewood Cliffs, New Jersey: Prentice-Hall, 1981), 385-87; Joe B. Frantz, Texas, A History (New York: W. W. Norton, 1976), 173-74.

⁵Morris Zale, personal interview, conducted in Dallas, Texas, July, 1983.

⁶Minutes, Zale Jewelry Company Board of Directors, 17 March 1924.

⁷Ibid.; Morris Zale states that he has no skills as a repairman himself. "I am a merchant," he says, and he leaves such technical aspects as repairs to those who have mechanical talents.

⁸George Soule, Prosperity Decade: From War to Depression, 1917-1929 (New York: Holt Rinehart and Winston, 1964), 157; Frederick Lewis Allen, Only Yesterday 1931 reprint, (New York: Bantam Books, 1959), 119.

⁹Morris Zale interview; "Diamonds for the Masses," Fortune Magazine, 70 (Dec. 1964), 134-37.

¹⁰Morris Zale interview.

¹¹Ben Lipshy, personal interview, conducted in Dallas, Texas, May, 1983.

¹²Morris Zale interview; Wichita Daily Times, 10 April 1925.

¹³Frederick Lewis Allen, Only Yesterday, 122.

¹⁴Morris Zale interview; Wichita Daily Times, 10 April 1925.

¹⁵Ibid.

¹⁶Morris Zale interview.

¹⁷Morris Zale interview; Personal interview conducted with Felix Gibson, 9 May 1978, tape and transcript on file in Navarro Collge Oral History Collection, Corsicana, Texas.

¹⁸Wichita Daily Times, 10 April 1925.

¹⁹Morris Zale interview.

²⁰Ibid.

²¹Ben Lipshy interview.

²²Minutes, Zale Jewelry Company Board of Directors, 31 Dec. 1926.

²³Morris Zale interview.

²⁴George Soule, Prosperity Decade, 131, 232-33.

²⁵Ibid., 232.

²⁶Morris Zale interview.

²⁷Ibid.

²⁸Angie Debo, Tulsa: Creek Town to Oil Capital (Norman: University of Oklahoma Press, 1943); Scott Ellsworth, Death in a Promised Land: Tulsa and the Race Riot of 1921 (Baton Rouge: Louisiana State University Press, 1982).

²⁹Morris Zale interview.

³⁰Ibid.; Ledger of Business Transactions of the Zale Jewelry Company.

³¹Morris Zale interview.

³²Ibid.

³³Ibid.

³⁴Zale Ledger, 2 Jan. 1929.

³⁵Abe Zale, personal interview, conducted in Dallas, Texas, August, 1983.

³⁶Allison Marriot and Carol Rachlin, Oklahoma, the Forty-sixth Star (New York: Doubleday, 1973); Berlin B. Chapman, Oklahoma City: From Public Land to Private Property (Oklahoma City: Oklahoma Historical Society, 1960).

³⁷Morris Zale interview.

³⁸Sid Lipshy memoirs; tape recorded on file in Zale Corporation archives, Dallas, Texas.

³⁹Abe Zale interview.

⁴⁰Morris Zale interview; Zale Ledger.

CHAPTER IV

ZALE'S FACES THE DEPRESSION

When Herbert Hoover was sworn in as the nation's thirty-first chief executive on March 4, 1929, he boldly asserted that the United States was on the verge of abolishing poverty within the nation. Six months later the economic structure collapsed, ushering in the "Great Depression." Noted historian and economist John Kenneth Galbraith has outlined four conditions that, in his opinion, made the Great Depression inevitable. First, he noted there was an unequal distribution of wealth in the United States. The economy of the 1920's depended on a heavy consumption of luxury items and the willingness of the wealthy to invest monies that they did not spend. Although wages for the working class increased, so did prices. Consequently, both profits and income of the wealthy increased significantly. Tax laws were amended in such a way to benefit those in the upper income brackets. Any lack of confidence in the minds of the well-to-do regarding the economy affected their willingness to spend and/or invest, thereby producing adverse economic results.

Secondly, Galbraith suggested that in imbalance in foreign loans contributed to the economic disaster. At the outbreak of World War I the United States owed various countries around the world a total of \$3 billion. Because of Allied orders for American products during the War, the United States became the world's leading creditor nation with claims approximating \$6 billion. The world's financial center shifted from London to New York. Prior to the war the United States held less than 25 percent of the world's gold reserves; by 1921, nearly 40 percent. As a debtor nation the United States had exported more goods than it imported, using the difference to pay the principal and interest on debts. The situation reversed, however, when the United States became the world's leading creditor nation. It then became necessary to import more than export, notably from the countries which owed money to the United States. It was only through the sale of goods that the debtor nations would have the money to pay their debts. Otherwise, the creditor must either forgive the debt entirely or arrange new loans to pay off the old ones. The United States chose to use the latter method. Loans, such as one of \$50,000,000 to Peru, as well as some to German municipalities, proved to be unsound, resulting in defaults. The sharp reduction of American exports, coupled with the outright default on several sizable

foreign loans, shook the confidence of the American investors and producers, adding to the impending crisis.¹

Corporate structure and organization also added to the problem, according to Galbraith. The widespread existence of massive holding companies whose sole purpose for being was to hold stock in corporations which also held stock in other corporations themselves. The pyramid-type structures were sometimes six to eight tiers high and extremely complex. The pyramids would last only as long as the company earnings at the bottom were secure. Any disruptions of dividends of the underlying company would affect upstream companies, and eventually the entire structure would collapse.

The most obvious condition of all regarding the coming Depression was, in the views of Galbraith, the stock market boom. Wild upsurges led to uncontrolled speculation by those dreaming of overnight wealth. Since capital gains were the only real concern of such "investors," they increased their opportunities for fast profits by buying on the margin, or on credit. When new investors stopped entering the market, prices began leveling and then declining. Panic selling set in, and the stock market came crashing down.²

To complicate the economic problems, the nation suffered from a lack of leadership. President Warren G.

Harding, in the opinion of many historians, was incompetent himself, and he appointed many inept people to his administration. His successor, Calvin Coolidge, lacked both ability and courage and was noted for "masterly inactivity for which he was so splendidly equipped." Secretary of Commerce Herbert Hoover could foresee problems, but he chose not to deal with them. Economic advisor Charles Raskob was of the opinion that anyone in the country could become a millionaire by speculating in the stock market. Effective leadership was conspicuously absent as the country spiraled toward collapse.³

Although the nation in general was enjoying unparalleled prosperity in the mid-1920's, historian William Leuchtenburg notes that the prosperity experienced by the United States at that time was harmful in the long run. It led to a concentration of power in a business class with limited experience in social leadership. Because of the nation's prosperity, it was thrust into a position of world leadership that it was unprepared to assume. The United States, like all industrial nations, was undergoing a drastic transition from being a predominantly rural, traditional, provincial society to one that was urbanized, industrialized, and secularized. The changes were so dramatic and so rapid that the nation struggled to make the necessary adjustments. Arthur M. Schlesinger, Jr.

adds that despite material contentment among Americans of the 1920's, there was a mounting psychological and spiritual discontentment. He maintains that a spiritual crash preceded the economic one.⁴

As the Depression approached, the Zale Jewelry Company consisted of three stores, all of which were doing well. Records indicate that sales among the three stores were relatively equal, with the Tulsa store usually running slightly ahead of the other two. Zale's objective was to sell the greatest amount of jewelry to the most people at the lowest possible price, and the company was making significant progress toward achieving that goal in the three cities where it was doing business.⁵ The company declared its first dividend on 31 August 1928. There were undivided profits of \$22,565 to be distributed among the stockholders. The Board of Directors raised the annual salaries of Morris Zale and William Zale to \$15,000 each. Sales for the three stores totalled more than \$421,000 with more than \$371,000 of that total coming in the form of credit sales.⁶

It might be assumed that a business dealing only in luxury items like jewelry would be particularly vulnerable during times of economic difficulty. In reality, such a business is only somewhat vulnerable. As the current company president, Donald Zale, explains, "There is not one customer out there who needs a single item that we have to

sell. We have to create a demand for every product."⁷ The jewelry business does have, however, one intangible asset. Ben Lipshy, who served as company president for fifteen years, comments, "People like to give gifts, and in our society there are many occasions during the year that call for gifts. Zale's has built its business on that foundation."⁸ Morris Zale adds, "People will find a way to buy engagement rings and wedding rings, even before they think about a home, household appliances, or other necessities. They will buy birthday gifts, gifts for anniversaries, Christmas, Valentine's, and several other special occasions." Zale's has tried to take advantage of that fact by increasing their advertising and promotions immediately prior to traditional gift-giving occasions. Company files contain letters mailed to "preferred customers" in mid-October encouraging them to take advantage of pre-Christmas sales. Newspaper ads reminded customers of upcoming special occasions, like graduation and Mother's Day, that called for gifts. Zale's, of course, advertised an excellent selection of items available at competitive prices and obtainable under convenient terms. Company records indicate that such efforts were successful, as sales increased during traditional gift-giving seasons. Even during the Depression, when people's purchasing power was drastically curtailed, they continued to buy, at least in limited amounts, gifts for those special occasions.⁹

As the Depression deepened, however, Zale's business began to decline rapidly. By 1933 sales from all three stores totalled only \$126,000 , with only \$13,500 of that coming from cash sales. Customers who had faithfully met their weekly credit payments for months or even years suddenly quit making their payments and dropped out of sight. No doubt they were victims of the massive wave of joblessness that was sweeping the nation. Unemployment figures reached 25 percent, and Zale's, like countless other businesses, was drastically affected by the lay-offs.¹⁰

By the late 1920's the oil industry in both Tulsa and Oklahoma City was beginning to suffer, primarily because of overproduction. The problem intensified in 1930 when the largest oil field of all, the East Texas field, was opened. With no production limits at all, wells were pumped at maximum levels, glutting the market with crude. The price dropped from \$1.10 a barrel to ten cents a barrel in 1931. Obviously such a low price provided little incentive for investors and developers to search for more oil. Since it cost producers approximately 27 cents a barrel to lift the crude from the well, they were losing 17 cents on each barrel sold. The curtailment of the oil industry in Oklahoma and North Texas added to the already mounting economic problems.¹¹

Cotton production in West Texas provided a major source of income for farmers in that region. In an attempt to raise farm prices, the federal government enacted sharp production restrictions under the Agricultural Adjustment Act. In 1933 fourteen counties in West Texas had produced more than 340,000 bales of cotton. Allotments for 1934 allowed those same counties a maximum of only 190,000 bales, a reduction of 45 percent.¹²

Since both oil and agriculture were suffering economically, Zale's faced a gloomy outlook for the future. Many of their customers had relied on those two industries for their livelihood, and installment buying and new purchases of any kind naturally would be affected by the crisis. Records indicate that there were days when the store in Wichita Falls sold virtually nothing. Other days more merchandise was returned by customers than was sold. Rents, salaries, utilities, and many other operating expenses continued to mount for Zale's, but sales did not. There were some bright spots, however, particularly at Christmas. The month of December is traditionally when jewelers hope to have their biggest month, and such was the case of Zale's. On Christmas Eve of 1932 sales for the Wichita Falls store totalled more than \$3,200 with \$2,900 of that coming from credit sales. Such figures were not what they had been during the boom years prior

to the Depression, but when daily sales earlier in the year had been sometimes less than \$10, the holiday figures were greatly welcomed.¹³

The deteriorating economy required immediate and drastic action on Zale's part. When the eight stockholders met in Wichita Falls in April of 1930, they discussed what measures should be taken to deal with the faltering economy and how to stay alive financially in the meantime. At the time Morris Zale's salary was \$9,000; William Zale's, \$7,500; and Moe Gimp's, \$5,200. When the question of officers' salaries came up, Morris Zale proposed that the matter be tabled until December when the company's business for the year could be assessed more accurately. In effect, the stockholders agreed to receive no salary, but they would simply draw minimal amounts from company funds to meet necessary personal living expenses.¹⁴

On 1 May 1930 a special called meeting of the Board of Directors convened in Morris Zale's office in Wichita Falls. At that meeting the Board authorized him as company president to borrow money for the company to meet necessary operating expenses. As sales continued to plummet, it was obvious that he would soon have to exercise that authority.¹⁵

In the latter part of that same year Morris Zale went to the Security National Bank in Wichita Falls to borrow

\$10,000 to "clean up my bills at the end of the year." He felt that he had to pay his suppliers in order to continue receiving merchandise from them. The bank put him off, asking him to "come back tomorrow." This happened for several days over a period of weeks. He sat in the bank, virtually ignored, but kept returning. Apparently, bank officials thought he would give up and leave, but he kept reappearing. The bank had little faith in the future of the Zale Jewelry Company, and one could hardly blame them. Sales were dwindling, and Zale's already had substantial financial obligations to various creditors. With little hope for the economy improving any time soon, it is little wonder that Security National loan officers finally told him that they could not lend him the money that he needed. He received the information only three days before his bills to his creditors were due. "I was mad, not because they turned me down for the loan, but because they kept me coming back for days."¹⁶

Morris Zale got in his car and drove to Oklahoma City to talk with officials at the First National Bank, which handled the account for the Zale's store there. He met with loan officer J. V. Holt and explained his situation. Holt sat and listened to Zale without saying a word. The young merchant was trembling as he related his plight to Holt. His business was not good, and his statement sheet

was anything but impressive. If Holt could see fit to lend him the money, Zale promised to repay it at a rate of \$2,500 every quarter. Still having said nothing to the young jeweler, Holt took a pad of bank notes from his desk and made out a deposit slip for \$9,600 and handed it to Zale. It was customary in those days for banks to deduct their interest off the top. Zale looked at Holt incredulously. People who had known him for years in Wichita Falls had refused to lend him anything, but Holt, who was a total stranger, had unhesitatingly approved the loan. When Zale questioned him as to why he had done so, Holt replied that he believed that Zale would do what he said he would do. If he had been competing for Zale's business with another bank, he commented, he would not have let him have any money. He could see, however, that the young merchant needed the money to stay in business, and so he approved the loan. Morris Zale walked out of the bank feeling like a millionaire. "We still have an account with that bank," recalls Zale. "I have repeated that story a thousand times, but I'll never forget what Mr. Holt did for this company with that loan."¹⁷

While he was grateful to Holt for granting him the loan, the entire incident left him somewhat bitter toward banks in general. The debts he incurred during the Depression made him apprehensive about borrowing money. In fact, the loan he received from Holt would be the last time

he would seek a loan for the company until 1957. "I was determined not to borrow any more money, not another dime, from a bank," remarked Zale, and he didn't.¹⁸

On October 1, 1931, the Zale Jewelry Company declared its ninth dividend to be paid at a rate of \$1.75 per share. The same rates had been paid the previous three quarters of 1931, but as sales continued declining, dividends were halted. It would be 1936 when the company began pulling out of the Depression before the Board of Directors would declare another dividend.¹⁹

By the end of 1931 Zale's was in debt more than \$175,000. The company owed landlords like the United Cigar Stores and Consolidated Retail Stores back rent for their buildings in Tulsa and Oklahoma City. In addition, Zale's owed substantial amounts of money to suppliers such as Oneida Silversmiths and the International Silver Company for merchandise purchased from them on credit. Of course, there was no way Zale's could pay them at that time. "The rent on one store was more than we were taking in at all three stores," Morris Zale recalls. Zale went to his creditors individually to explain why he was not able to meet his obligations. He did, however, make arrangements to pay them as he could and promised to keep them informed regarding his financial developments. He was determined to pay back "every damned cent."²⁰

Because of declining sales, it became necessary to make some decisions regarding company personnel. Executives were no longer drawing salaries, and other personnel took pay cuts. A letter in the company archives addressed to a female employee in the Tulsa store informed her that her salary would be reduced from \$125 per month to \$112.50. Apologetic in tone, the letter, which was signed by Morris Zale, assured her that the reduction was not because of her work performance but rather was a result of the declining economy.²¹

In addition, during the prosperous years of the late 1920's Zale's had hired some people whom Morris Zale described as "high priced." Because of the sluggish economy, the company could not afford them. "I just couldn't pay them," Morris Zale recalls. Because jobs were virtually non-existent, he regretted having to let them go, but he felt that he had no other alternative than to terminate them.²²

Although Texas suffered less than many areas of the country, residents of the Lone Star State did face some severe conditions. A 1933 survey showed that more than 105,000 Texas families, or 7.1 percent of the state's population, were on relief. The next year that figure increased to more than 1,000,000, or 13 percent of the population. By 1932 cotton had dropped from its 1928 price of 18 cents a pound to 5 cents a pound. East

Texas oil was selling for 5 cents a barrel, a drop of 55 cents from the previous year. Texans could be glad that food prices were low. In 1930 the A & P grocery store in Wichita Falls advertised ten pounds of potatoes for 29 cents, round steak for 34 cents a pound, lettuce for 6 cents a head, apples for 17 cents a dozen, coffee for 23 cents a pound, and bacon for 24 cents a pound. With the massive unemployment, however, many Texans lacked the money necessary to take advantage of such "bargains."²³

As the Depression worsened, banks all over the nation folded, shaking Americans' confidence in the country's financial institutions. By 1930 more than 2,000 banks had failed, and that number exceeded 4,000 by 1933. Many states were declaring bank holidays, closing banks within their boundaries indefinitely. When Franklin D. Roosevelt took office in 1933, among his first acts was to declare a national bank holiday.²⁴

A friend dropped by the Zale's store in Wichita Falls to tell Morris Zale that the officers of one of the local banks were meeting at the home of the bank president that afternoon. "It didn't take a genius to figure out what was going on," Zale remembers. Immediately he wrote out a check to close out the store's account, which he recalls was "about \$1,100." He then called Tulsa and Oklahoma City and had them to do the same thing. Zale's deposited no more money until the banking situation had stabilized.

They kept their funds at the store. "I had a wooden box that I kept in the safe in my office at the store in Wichita Falls, and that's where we kept our money," Morris Zale commented.²⁵

Morris Zale's personal life was also affected by the Depression. He was drawing small amounts of money from the cash box at the store to give to his wife so that she could run the household. About 1930 the bank returned a personal check on Zale for "five or six dollars." Ironically, the man who built a successful business on the concept of credit buying refused to buy anything on credit himself. "I have personally never bought anything on credit," he said. "Of course, I have for the company, but personally I never have."²⁶ He, his wife, and small son were living in a duplex which rented for \$50 a month. As the economic climate worsened, that rate became burdensome. He went to the landlord and explained that \$50 was more than he could afford to pay. Apologizing, the landlord explained that he could not afford to rent the property for less. They would simply have to find another place to live. Zale went to a friend who had built a house to sell, and the house was unoccupied at the time. Zale offered to rent it from him for \$25 a month. The owner informed him that a minimum of \$27.50 was needed to pay the taxes and insurance and to meet maintenance expenses. That was close enough to meet

Zale's requirements, so he moved his family into the house.²⁷

Zale made a commitment to pay his creditors as quickly as he possibly could. In order to do so, he had to watch every penny. He kept inventories at each store at a minimum and cut expenses wherever possible. By the end of the month those monies available were distributed to creditors. Some were understanding of the circumstances and continued to extend credit to Zale's so that there would be merchandise to sell. Others, however were less cooperative and refused to sell to Zale's anymore. Little by little, over a period of several years, Zale's was able to pay in full every debt it had amassed during the Depression. One creditor, a Mr. Finklestein, was amazed when Morris Zale paid him the last installment on a \$30,000 debt. He commented that he would have been pleased to have received one-tenth of that amount. Zale explained that he had taken the merchandise in good faith and sold it at a profit; therefore, there was no reason why he should not pay the debt in its entirety, and he did, "every damned cent," as he vowed he would.²⁸

Slowly the nation's economy in general and Zale's business in particular began showing signs of recovery. Through wise management of assets and rigid "belt-tightening," Zale's managed to survive the Depression.

Thousands of businesses collapsed during those difficult times, but the thought of closing his stores never entered Morris Zale's mind. He knew that he had to hold on to the business because, he asked, "Where else could I have gone? Where would I have gotten a job? No one would have hired me. I had no one to fall back on. They were worse off than I was." By 1934 the company had managed to pay off most of its debts, and the officers were operating under a policy of paying bills as soon as they were due. With the overall situation improving somewhat, a feeling of confidence began to return, and Zale's was ready to take a few cautious steps forward.²⁹

The opportunity for advancement came in 1934. With the economy improving, Zale considered opening a fourth store. Morris Zale had relatives living in the Panhandle at Amarillo. They, along with friends and suppliers, suggested that he consider Amarillo as a site for a new Zale's store. Like the other communities where Zale's had operated stores, Amarillo relied on oil, agriculture, and railroads for its economic existence. A small settlement call "Ragtown" once occupied the site where Amarillo came to be located. In 1887 the Fort Worth and Denver City Railroad laid tracks through the area, and land developer Henry Sanborn laid out the town. By 1890 Amarillo was one of the nation's major cattle shipping points, and when

cotton was introduced to the Texas Panhandle shortly after the turn of the century, Amarillo became a ginning and cottonseed oil center.³⁰

The discovery of oil and natural gas deposits in the region in 1918 added to Amarillo's already thriving economy. By 1926 production figures reached more than 25,000,000 barrels of crude, and Amarillo's population soared from 15,000 in 1920 to more than 50,000 by 1927. Amarillo was much like the previous three communities where Zale's was already operating successfully, leading Morris Zale to conclude that this would be a safe place to expand. In addition, its proximity to Wichita Falls would make it relatively easy to transfer merchandise from the "home office" to the new store.³¹

Although there were a number of jewelry stores operating in Amarillo at the time, none were utilizing the concepts which Zale's had found effective in the stores in Wichita Falls, Tulsa, and Oklahoma City. A jewelry store that had operated at 727 Polk Street in the heart of the downtown business district had gone bankrupt earlier during the Depression, and Morris Zale went to the Panhandle to investigate the possibility of taking it over. It was in a good location, an area that had alot of "foot traffic." This was always of primary concern to Zale's in opening new stores. He signed a three-year lease at \$150

a month for the first two years and \$175 a month for the third year. No capital was required to get into the store. Zale put \$2,700 worth of fixtures in the store, changed the name on the window to Zale's, and began doing business with the people of Amarillo.³²

One of the reasons for expanding operations at that particular time was to create opportunities for promoting some of the company's promising young employees. Although he was only twenty-three years old at the time, Ben Lipshy had been with Zale's for eight years. He had begun working after school and on Saturdays while he was still in high school in Wichita Falls, and he had worked in virtually every phase of the business. He had worked under the direct supervision of Morris Zale himself, and Zale felt that Lipshy was now ready for more responsibility. Zale realized that unless he provided opportunities for his top flight people to advance, he was likely to lose them. Consequently, he sent young Lipshy to Amarillo to manage Zale's fourth store.³³

Lipshy implemented many of the principles and concepts that had worked so well in the other three stores. The Amarillo Daily News carried bold advertisements extolling Zale's quality merchandise at affordable prices. A "sparkling diamond ring" was advertised at \$37.50 and a "Blue-White" diamond for \$50. The customers could pay as

little as one cent down and the balance at one dollar a week. In keeping with Zale's concept of credit, there would be no carrying charges added. Money would be refunded to buyers who could purchase the same merchandise cheaper for cash. Lipshy offered his customers free gifts such as a set of china with the purchase of \$15 worth of merchandise. He ran various specials to attract potential buyers into the store. During one such promotional sale, Lipshy displayed merchandise on tables throughout the store, and he draped tablecloths over the tables to hide the surplus merchandise which was stacked beneath the tables. As customers made purchases from the tables and items diminished, Lipshy would crawl under the table, and hand out merchandise to another of the sales clerks to replenish the display. As he crawled under the table, the crowd of customers in the store was so great that he was trapped under the table for several minutes before he was able to get out.³⁴

Lipshy tried a variety of methods and techniques to attract customers into the store and to generate business. He offered a catalogue service to the people of Amarillo and the surrounding area. They could order merchandise and receive it by mail. He also sent out several salesmen into the community, going door-to-door in the mold of the old time peddlers. Abe Zale helped pack the display cases

of the salesmen each morning prior to their leaving the store to make their rounds.³⁵

Since none of the competing jewelry stores in Amarillo were offering credit nor were they aggressively seeking customers, Zale's Amarillo store did extremely well. When the Board of Directors met in Wichita Falls in January of 1935, they discussed the Amarillo store in detail, pleased with its success. In light of what he had done with the new store, the Board voted to set Lipshy's salary at \$250 per month plus awarding him a 5 percent commission of the store's sales.³⁶

The success of the new store indicated that perhaps the worst of the Depression had passed. With a new feeling of confidence, Morris Zale asked the officers of the company, along with the top sales people and some of the longtime employees, to meet with him in Wichita Falls. After assuring those who had assembled there that the crisis was over, he urged each of them to buy stock in the company. Following the business meeting, William Zale approached his brother and offered to buy any number of shares of stock that Morris wanted to sell, thinking that the purpose of the promotion was to raise more capital. The purpose, however, was not merely to sell stock. It was to allow employees to become part owners of the company. Morris Zale was planting seeds for what would

eventually become the company's profit sharing plan. As part owners of the company, the employees would develop a sense of company pride and loyalty. In addition, stock ownership would provide a way to reward dedicated and loyal employees. As the company prospered, they would benefit individually. Not only would this make them satisfied employees, but it would also provide them with an incentive to be more productive.³⁷

After several difficult years, Zale's was now on its way to better times. The years he had spent at Graham had been trying times, but Morris Zale had learned from adversity. Likewise, the Depression provided him with some serious challenges, and the business was strained to the limits. Adversity once again proved to be an excellent teacher. He later recalled:

The Depression made me a better merchant. It taught me to buy goods properly. Some of my suppliers cut me off, and I had to find a way to get merchandise. I learned that I could make up my own goods and that I really didn't need them. As it turned out, they did me a great favor. They really did.³⁸

Morris Zale considered his Graham experiences as an important part of his education. After the Depression, he felt as if he had graduated from Harvard, Yale, and Oxford all at the same time and with highest honors. He was once again impressed with the concept of success through struggles. As a result of the Great Depression, neither Morris

Zale nor the Zale Jewelry Company would ever be quite the same again.

NOTES

¹John Kenneth Galbraith, "The Causes of the Great Crash," John A. Garraty (ed.), Historical Viewpoints (New York: Harper and Row, 1975), 274-85.

²Ibid.

³Ibid.; John D. Hicks, Republican Ascendancy, 1921-1933 (New York: Harper and Row, 1960); For a contrasting view of Harding see Robert Murray, The Harding Era (Minneapolis: University of Minnesota Press, 1969). Murray maintains that Harding was not the non-entity that he had been portrayed by historians. His administration, in Murray's view, was relatively successful in solving immediate problems. Many of his problems he inherited from previous administrations. The Harding administration established the basic outline for Republican policy for the rest of the decade. Harding himself was a catalytic influence rather than a mere bystander.

⁴William Leuchtenburg, Perils of Prosperity, 1914-1932 (Chicago: University of Chicago Press, 1958); Arthur M. Schlesinger, Jr., "Sources of the New Deal," Columbia University Forum, 2 (Fall 1959), 4-12.

⁵Leo Fields, personal interview conducted in Dallas, Texas, February, 1983.

⁶Minutes, Board of Directors meeting, 31 Aug. 1928.

⁷Donald Zale, personal interview conducted in Dallas, Texas, February, 1983.

⁸Ben Lipshy, personal interview conducted in Dalls, Texas, March 1983.

⁹Morris Zale, "Zale's, A Giant and Still Growing," Jewelers Circular Keystone 9 (June 1962): 38.

¹⁰Zale Jewelry Company ledger-journal; available in company archives.

¹¹Angie Debo, Tulsa: Creek Town to Oil Capital (Norman: University of Oklahoma Press, 1943), 111; Kenny A. Franks, Early Oklahoma Oil (College Station: Texas A & M Press, 1981), 107-10; 201-7.

- ¹²Amarillo Daily News, 29 April 1934.
- ¹³Zale Jewelry Company ledger-journal.
- ¹⁴Ibid.; Ben Lipshy interview; Morris Zale interview.
- ¹⁵Minutes, Board of Directors meeting 1 May 1930.
- ¹⁶Morris Zale interview.
- ¹⁷Ibid.
- ¹⁸Ibid.
- ¹⁹Minutes, Board of Directors meeting, 1 Oct. 1930.
- ²⁰Morris Zale interview.
- ²¹Letter, 7 April 1931 in Zale Jewelry Company Archives.
- ²²Morris Zale interview.
- ²³Rupert Richardson, Texas, The Lone Star State (Englewood Cliffs, New Jersey: Prentice-Hall, 1981), 397; Wichita Daily Times, 24 April 1930.
- ²⁴Thomas C. Cochran, The Great Depression and World War II, 1929-1945 (Glenview, Illinois: Scott, Foresman, 1965), 25.
- ²⁵Morris Zale interview.
- ²⁶Ibid.
- ²⁷Ibid.
- ²⁸Ibid.
- ²⁹Ibid.
- ³⁰Seth S. McKay and Odie B. Faulk, Texas After Spindletop (Austin: Streck-Vaughn, 1965), 100-1; Clara T. Hammond, Amarillo (Amarillo: George Autry Printer, 1971), 5-9; 197-98; 231-35.
- ³¹Ibid.
- ³²Ben Lipshy interview; Morris Zale interview, Minutes, Board of Directors meeting, 14 April 1934.

³³ Morris Zale interview; Lipshy began working in the record and phonograph department of the Wichita Falls store. He had worked in the store for a number of years before Zale would let him wait on diamond customers. When that time came, Lipshy asked, "What do I tell him (the customer)?" Zale responded, "Tell him the truth."

³⁴ Amarillo Daily News, 29 April 1934; Sid Lipshy recorded memoirs; One of Zale's longest employees in years of service, Essie Williams, began working in the Amarillo store as a porter in 1937 for \$12.50 per week. He eventually moved to Dallas and worked in the mail room at the corporate headquarters building and retired in 1980 after forty-three years with the company.

³⁵ Ben Lipshy interview; Abe Zale interview.

³⁶ Ben Lipshy interview; Minutes, Board of Directors meeting, 15 Jan. 1935.

³⁷ Morris Zale interview.

³⁸ Ibid.

CHAPTER V

GROWING PAINS

By 1935 Morris Zale and the other company officials were convinced that the worst of the Depression was over. Sales at all four Zale's stores were improving, and the success of the new Amarillo store was especially encouraging. The new feeling of optimism prompted company leaders to explore the possibilities of opening a fifth store. In addition to the widespread confidence generated by the returning prosperity, Morris Zale had several young men working for him who were ready for challenging promotions. Zale was convinced that in order to keep good personnel, he must find positions for them within the company that would make maximum use of their abilities. Opening new stores would provide opportunities for those "up-and-coming" young Zale employees.

All the previous cities where Zale's had located stores--Wichita Falls, Tulsa, Oklahoma City, and Amarillo--had been closely tied to oil production. Because of the similarities of the four communities, Zale's felt comfortable doing business there, since he was dealing basically with the same market conditions and a similar

clientele. The city chosen for the fifth store, however, would be a departure from that pattern.

Although Austin, Texas, was not in an "oil patch," it did have several attractions that made it appealing to Zale officials. Austin had, of course, suffered from the Depression, but it did not feel the impact that hit many industrial cities throughout the nation. The central Texas city had two assets that provided a buffer against hard economic times, namely the University of Texas and the state government. Those two institutions distributed approximately one-third of the city's total payroll. At the beginning of 1929 the University was planning a \$5,000,000 building project, and the state legislature was appropriating funds for a ten-story office building, extensive repairs on the capitol, and a \$225,000 highway construction program. Such expenditures would provide countless jobs for the city's labor force. At the outbreak of the Depression, Austin appeared to be immune to the impending economic catastrophe. One local merchant commented that he would rather be in business in Austin than in any other city of comparable size in the South. The economic climate darkened in Austin, but the Depression descended gradually rather than coming with a crash as it did in other locations. By 1931 the city was beginning to feel the impact.¹

Texans played a prominent role in Washington political circles, and it was their influence that was responsible for large federal appropriations being allocated to the Lone Star State. John Nance Garner served as speaker of the House of Representatives in 1931 and was Franklin D. Roosevelt's vice president for two terms. As presiding officer of the Senate, Vice President Garner guided many New Deal programs through Congress, and his native Texas benefited from his efforts. Six Texans chaired prominent House committees, most notably the House Appropriations Committee. Senators Morris Shepherd and Tom Connally were powerful in the areas of military affairs and foreign affairs. Jesse Jones of Houston chaired the Reconstruction Finance Corporation, and he later served as administrator of the Federal Loan Agency and then as secretary of commerce in FDR's cabinet. The power wielded by Texans led to a disproportionate amount of federal funds being allocated to Texas. The Lone Star State was able to transfer approximately 70 percent of its social costs to the federal government, and much of the New Deal money was spent directly in Austin.²

When Morris Zale visited Austin in 1935 to survey the city as a prospective site for the expansion of his business, he was impressed by the bustling economy as evidenced by the many construction projects underway. By

late 1935 Austin had received more than \$6,000,000 from the Public Works Administration (PWA), and it was those funds that made the construction projects possible. The federal government also operated a Civilian Conservation Corps camp outside the city, stimulating the local economy even more with New Deal dollars.³

Besides the vibrant economy, Morris Zale found what he considered to be an ideal location for a jewelry store in downtown Austin. Hirshfield and Anderson, a clothing store, was planning to vacate its building at 619 Congress in the heart of the business district, only blocks from the capitol. The bright economic picture, coupled with the availability of a choice location, convinced Zale to expand his operations there.⁴

As he had done in the previous four stores, Morris Zale leased a building from which to do business instead of erecting a new structure. His reasoning was that leasing was a better way of utilizing his capital. After experimenting with various lengths of time for leases, Zale's settled on five to ten year leases as the most suitable for his needs. That period kept the rates stable for a reasonable length of time, yet enabled Zale's to move with relative ease when shopping patterns changed. Since a jewelry store requires comparatively small amount of space from which to operate, finding adequate locations

has posed virtually no problem for Zale's in expansion moves.⁵

Sol Kruger, Sam Kruger's nephew and a first cousin of Morris and Bill Zale, was named manager of the Austin store. Kruger had worked for Zale's for several years, primarily in the Tulsa store, but he had grown up in Austin. Since he was familiar with both the company and the community, he was a logical choice for the position. Pauline Joseph, who had worked for five years as an accountant in the Wichita Falls store, moved to Austin to work as the office manager. Sid Lipshy had been with Zale's in various capacities for seven years, and he moved to Austin as the store's credit manager. Whenever and wherever Zale's opened a new store, officials urged their employees to become involved in community activities. Consequently, Sol Kruger became active in the Austin Retail Merchant's Association, as well as other civic organizations. He hired several local people to work in the store, a further indication of Zale's attempt to become part of the community.⁶

On November 29, 1935, Zale's opened its Austin store, utilizing the same concepts that had worked so well in their previous locations. Large advertisements in the Austin American-Statesman proclaimed the advantages of buying on "dignified credit," promising quality merchandise

at low prices. Customers could purchase a Bulova watch for \$9.74 with a down payment of only 25 cents and weekly installment payments of 50 cents. The Austin store also offered its customers an optometric service. Morris Zale had used this service in Graham, Wichita Falls, and Tulsa as a way to get customers into the store. Even if a person were not interested in buying jewelry, he might see an item he would like to have as he passed through the store on his way to the optometry department. A person in the store, for whatever reason, was a potential customer. Buyers could purchase eyeglasses on credit, and they were urged to do so through Zale's newspaper ads. In addition, Zale's Austin customers were offered a mail order service. According to ads in the local paper, buyers could order merchandise by mail and expect to receive the items promptly.⁷

The Austin store was a success from the outset. Customers responded enthusiastically to the Zale method of doing business, and the economy continued to improve. Because of the mounting optimism concerning the economy and the success of their latest endeavor in Austin, Zale officials began looking for a site that would be suitable for a sixth store. This time the choice was near disaster. Springfield, Missouri, appeared to have many attractions for an expanding business like Zale's, but those attractions proved to be deceiving, at least in the

beginning. The county seat of Greene County, Springfield lies in southwest Missouri on the ridge of the Ozarks 145 miles from Kansas City and 175 miles from St. Louis. Springfield, which dates its beginnings from 1838, was the center of a large agricultural region. Railroad shops, iron works, steel mills, and flour mills provided jobs for the local citizenry. Because of the diversified economy and its proximity to Tulsa, Zale officials felt that Springfield would be a suitable location for one of their jewelry stores. Such did not prove to be the case.⁸

The exact cause of the problem is difficult to pinpoint. Perhaps the people of Missouri really did have to be shown before they would accept the somewhat revolutionary ideas that Zale's was proposing. There were at least two other jewelry stores in town, both of which were locally owned, and perhaps Springfield's citizens were hesitant to do business with these outsiders who had recently come to town. Zale's had done business primarily in oil towns, and the conservative farming community of Springfield proved to be an altogether different type of customer, requiring new methods and techniques. Abe Zale remembers dealing with such a customer. After showing the prospective buyer a 26 piece set of flatware for \$29.95, the customer inquired, "What else do I get with it?" Zale was puzzled and asked the man what he meant. "The man up the street will give me half a dozen salad forks, " he

replied. When Zale told him he could not give him any bonuses, the man walked out. "We had a one price deal," commented Zale, "and some others were giving bonuses and premiums. It was tough to compete with them at first, because the people of Springfield were used to those kinds of things." Obviously, Zale's would have to adjust to this new business climate, and the company was admittedly slow in making some of the necessary changes.⁹

Company officials wrestled with the Springfield problems; Morris Zale referred to it as the "Siberia store." He was convinced, however, that if he could find the right manager, the situation could be reversed. That "right manager" proved to be Al Gartner. Al Gartner was one of fifteen children born to a Jewish tailor. The family moved to Topeka, Kansas, from New York City when Al was a child. He dropped out of school when he was fifteen to work full-time in a pawnshop, where he first became involved in the jewelry business. He left Topeka as a young man to work for Helzberg's Jewelers of Wichita, Kansas. He later moved to Oklahoma City and joined Rosenfield's, a firm specializing in "fine jewelry." Since Rosenfield's was located near Zale's, Gartner became acquainted with Sid Lipshy, Zale's manager. They often had lunch together and "talked shop." Lipshy encouraged Gartner to consider coming to work for Zale's.¹⁰

In February, 1939, Lipshy persuaded Gartner to accompany him to Wichita Falls to attend one of the regular Sunday morning sessions held by Zale officials. There he met Morris Zale and discussed with him the possibility of joining the company. The two men were mutually impressed with each other, and two weeks later Gartner resigned his position with Rosenfield's. He began working with Sid Lipshy in Zale's Oklahoma City store to familiarize himself with the company's operations and procedures. Morris Zale sensed that he had found his man for the "Siberia store" in Springfield. After a brief training and orientation period in Oklahoma City, Gartner went to Springfield to manage the Zale store there. Morris Zale told him about the problems the store had experienced and encouraged Gartner to do his best. Within three months after he arrived in Springfield, sales at the previously problem-riddled store tripled. "The whole trick," Gartner commented, "was to go after the business and get them in the store." Springfield was not the booming, bustling economic environment to which Zale was accustomed. "We were dealing with a poorer clientele," Gartner recalls. His first impression of the community was that it was somewhat of a "hick town," but he came to like living in Springfield after having been there awhile.¹¹

Obviously, Morris Zale's assessment of Gartner's skills had been accurate. Gartner used his more than twenty years of experience in the jewelry business to turn

the Springfield store around. He would mark some items at cost and advertise them extensively. When prospective buyers came to investigate the sale items, Gartner and the other sales personnel then had the opportunity to show them other merchandise in the store. Making the people of Springfield jewelry conscious was a major goal of the new manager, and he was able to accomplish that objective. Had the Springfield store been opened in the mid-1940's instead of the mid-1930's, Zale officials probably would have closed it. At the time, however, they felt that they could not afford simply to write it off. Eventually Springfield became one of Zale's best stores, and Al Gartner became one of the company's key individuals.¹²

With the company's expansion, Zale officials made a significant change in operations in 1938. In May the Board of Directors passed a resolution to adopt a cooperative plan of buying merchandise for all the Zale's stores. Such an arrangement would enable the company to buy in larger quantities at lower prices. The merchandise would be shipped to Wichita Falls, which would serve as a distribution center for the other stores. Abe Zale filled the orders that came to Wichita Falls from the various Zale's stores. He recalls receiving an order from one of the outlying stores, and he was reluctant to let the merchandise go, thinking he could sell it in Wichita Falls. Morris

Zale told him, "Do what you want, but it's [the store that placed the order] just as much your store as it is mine," and he walked away. "The store that placed the order was doing more business than I was," Abe recalled. "So I shipped out the merchandise."¹³ The centralization of buying marked the beginning of the chain store concept for Zale's and was one of several steps that would ultimately centralize operations even more.¹⁴

Company records indicate a consistent recovery from the Depression in the late 1930's. As sales improved, so did salaries. Morris Zale, company president, was drawing \$14,500 per year in 1937; Vice President William Zale, \$13,000; and Treasurer Moe Gimp, \$10,000. Stockholders were rewarded with quarterly dividends of 10 percent throughout the year. Zale officials kept close tabs on the company stock at the time. Employees who owned stock in the company signed a statement in which they agreed not to transfer their shares to anyone without written permission from the company. In case of a severance of relationship between the company and the employee, Zale's agreed to purchase the stock at full face value.¹⁵

The initial difficulties at Springfield did not deter the company from continuing its search for new expansion sites. In fact, Zale officials were particularly eager to establish a new store in an effort to offset the sagging

Springfield operation. Again there was a deviation from the previously followed pattern. All of the previous six stores had been established in mid-sized communities with populations between 60,000 and 90,000 people. In 1937 Zale's began considering Dallas as a potential site for store number seven. Suppliers had long urged Morris Zale to investigate Dallas as a possible location in his expansion plans, but he had been hesitant to do so because of the size of the city. It seemed to him that in a metropolitan area such as Dallas, which had a population of 275,000 in 1937, competition would be too intense. Several jewelry chains were already well established in Dallas, and many of them were offering credit plans similar to the ones being used by Zale's. Competition would be extremely difficult.¹⁶

Dallas was rapidly becoming the center of economic activity in North Central Texas. In the late 1920's a group of Dallas businessmen formed an organization called "Industrial Dallas, Incorporated," to attract new businesses to the city, and their efforts were extremely successful. They were especially effective in luring banking and insurance interests to Dallas. When the East Texas oil field began operations in 1930, Dallas financial institutions, manufacturing concerns, and distribution centers all sent representatives to Kilgore, Henderson, and other

oil field communities to establish business ties. During the first quarter of 1931, more than 280 new businesses located in Dallas, many of them related to the oil industry.¹⁷

By 1933 Dallas was beginning to feel the crunch of the Depression, but it never suffered as did cities in the industrial North and East. By 1935 the city was showing signs of recovery, and the following year more than 10,000,000 people visited the Texas Centennial celebration held at the State Fairgrounds. In 1937 Morris Zale convinced himself that Zale's could compete with other jewelers in Dallas, and he opened a store on Elm Street in the downtown area. "The decision to move [a store] into Dallas was a milestone in our company," he declared later. The success of the Dallas store convinced Zale officials that they could compete as effectively in metropolitan areas as they had in smaller communities, removing a barrier to further expansion. Although the competition was indeed more intense, there were also more potential customers, and Zale's would aggressively seek to get its share of the available market.¹⁸

When it became apparent to Zale officials that they could compete effectively in urban markets, they kept their eyes opened for prospective expansion sites. In 1939 Morris Zale went on a fishing trip with some suppliers

and friends along the Texas Gulf Coast. Although he cared nothing for fishing, his associates had urged him for some time to accompany them to the coast, and he reluctantly agreed. He became seasick and was generally miserable the entire time. As they drove back to Wichita Falls, they passed through San Antonio, and Morris Zale was immediately impressed with the possibilities that the Alamo City held for a Zale's store. As he had done with previous expansion sites, he surveyed the town in regard to competition, market conditions, availability of favorable locations, and the overall economic climate of the area, and the picture was bright. Among the oldest settlements in the Lone Star State, San Antonio was established in 1718 by the Spanish who operated five missions in the area from the middle of the eighteenth century. Cattle drovers began their trek north from San Antonio up the Chisholm Trail to Kansas, and the city developed a reputation for rowdiness during the days of the cattle drives. In 1898 Theodore Roosevelt recruited Roughriders from his headquarters in the Menger Hotel near the Alamo in downtown San Antonio.¹⁹

Zale's had been successful in opening stores in adjacent localities (Tulsa/Oklahoma City; Wichita Falls/Amarillo), and San Antonio and Austin seemed to have similar possibilities for success. The market in San

Antonio was especially suited to Zale's methods of doing business. During the Depression thousands of Mexicans had crossed the Rio Grande into the United States, and many of them had settled in San Antonio. Although they worked at jobs considered undesirable for wages that were unacceptable to Anglo workers, the Mexican laborers were living at a higher standard than they had known in their homeland. Because their pay scale was so low, they would have to have credit available to them if they were to be able to buy anything in the jewelry "line." The Mexican residents of San Antonio would provide a ripe market for Zale's credit operations. Once again, Zale's would be trying to reach a market that had been virtually untapped by the jewelry business. In addition, there were five military bases operating in the San Antonio area, and the men stationed there would be excellent prospects to buy Zale's merchandise. With market conditions suitable to Zale's philosophy and with a confidence that the company could compete in an urban market, Morris Zale announced plans to open store number eight in San Antonio. The fishing trip was not a total waste after all.²⁰

Morris Zale had already selected a manager for the new store. The man who had so dramatically reversed the Springfield situation, Al Gartner, was given the job. In keeping with previously tried and proven methods, Zale's

made extensive use of newspaper advertising to publicize its merchandise and advertise its methods of doing business. San Antonio's response was incredible. Within three months after opening its doors, the San Antonio store led all Zale's stores in sales. The building was unusually small, measuring only sixteen by forty feet. At times it was literally packed with customers, especially on payday at the nearby military bases. "They all wanted eighteen karat watches and eighteen karat rings," recalls Leo Fields. Business was booming. Al Gartner demonstrated the same enthusiasm and creativity that had made the Springfield store so successful. When he introduced Rolex watches, some of the Zale management team questioned the wisdom of offering such a "high-priced" watch, but customer response was overwhelming. When he purchased men's diamond rings to sell in the store, officials scoffed. Men did not then usually wear diamond rings, but Gartner remembers, "We sold millions of dollars worth of them."²¹

The San Antonio store exceeded everyone's expectations. Its success, along with the continued prosperity of the other seven stores, prompted more expansion. The company continued the practice of opening a new store every year, so in 1940 came Zale's ninth store in Omaha, Nebraska. In 1941 the tenth store was opened in Pampa, Texas, and the following year came the eleventh store in

El Paso, Texas. It was about that time that a unique opportunity presented itself to Zale's. The San Antonio store continued to do well. Directly across the street from Zale's store in San Antonio was a vacant building, the Moore Building. Gartner thought it would be an ideal location for jewelry store, and he encouraged Zale officials to lease the vacant building. "I wasn't doing anything special," commented Gartner. "San Antonio was just a hot town for business, and I thought we ought to have another store there." Zale's leased the empty building for \$225 per month. Instead of closing the original store and moving to the new location, Zale's simply opened a new store. The two stores were identical in merchandise, clientele, and sales techniques. "We couldn't have two Zale's stores operating right across the street from each other," recalled Gartner, "so we called the new store Mission Jewelers." Gartner regularly communicated with Walter Viner, the manager of Mission Jewelers, regarding the operations of the two stores. Mission Jewelers later would be revamped to add a new dimension to Zale's operations.²²

Gartner made a decision while he was at San Antonio that he considered to be vital to the future of Zale's. He hired Leon Davis to work for him as a salesman in the store there. Davis had grown up in Wichita, Kansas, where he first met Al Gartner. Davis was only sixteen-years-old

when Gartner first hired him in Wichita as a diamond polisher at a salary of \$16 a week. It became apparent, however, that his real talent was selling. When he moved to San Antonio to manage the Zale's store, Gartner hired Leon Davis as a salesman in the new store, and Davis would prove to be a valuable man to the company as it continued to expand.²³

As the decade of the 1930's came to an end, Zale's officials could look back on a period of mixed success. In the early part of the decade, during the depths of the Depression, many of the company officials and other employees had received no salary but had merely drawn minimal amounts of money just to meet personal expenses. At the October, 1939, meeting of the Board of Directors Morris Zale's salary was set at \$48,000. William Zale's salary was raised to \$33,000, and Moe Gimp's to \$21,000.²⁴

On the eve of the United States' entry into World War II, Zales' was operating twelve stores in four different states. They were having success in mid-sized communities like Wichita Falls, Amarillo, and Tulsa, as well as in large metropolitan areas like Dallas and San Antonio. The company was beginning to amass some capital that could be used for further expansion of operations. In 1939 the Board of Directors authorized President Morris Zale to invest those funds in savings and loan associations

and/or building and loan associations which were backed with federal government guarantees. The interest drawn on such investments would provide more operating capital for the company. Once again the company was on the verge of surging forward, and once again the surge would be temporarily interrupted. Just as the Depression had hindered Zale's plans for growth and expansion at the beginning of the 1930's, so the outbreak of war in Europe in 1939 would bring a change in the company's direction in the early years of the 1940's. There would once again be a period of adjustment.²⁵

NOTES

¹Judith Jenkins Turman, "Austin and the New Deal," Robert C. Cotner (ed.), Texas Cities and the Great Depression (Austin: Texas Memorial Museum, 1973), 193-94.

²T. R. Fehrenbach, Lone Star: A History of Texas and Texans (New York: Macmillan, 1968), 651-52; Lionel V. Patenaude, "Texas and the New Deal," Donald Whisenhunt (ed.), The Depression in the Southwest (Port Washington, New York: Kennikat Press, 1981), 91-94.

³Turman, "Austin and the New Deal," 203.

⁴Morris Zale, personal interview conducted in Dallas, Texas, July, 1983.

⁵Ben Lipshy, personal interview conducted in Dallas, Texas, March, 1983.

⁶Austin American-Statesman, 29 Nov. 1935.

⁷Ibid.; Some correspondence in Zale's files are written on stationery embossed with a likeness of Franklin D. Roosevelt and contain the inscription "Support our President." Zale's stores displayed the Blue Eagle, indicating the company's support of the NRA.

⁸Abe Zale, personal interview conducted in Dallas, Texas, Aug., 1983; Milton D. Rafferty, Missouri: A Geography (Boulder, Colorado: Westview Press, 1983), 185-95.

⁹Abe Zale interview.

¹⁰Al Gartner, personal interview conducted in Dalls, Texas, Aug., 1983; Morris Zale interview; Sid Lipshy tape recorded memoirs in Zale Corporation archives.

¹¹Al Gartner interview.

¹²Ibid.

¹³Abe Zale interview.

¹⁴Minutes, Board of Directors meeting, 31 May 1938.

- ¹⁵Letter from A. J. Shedibitz to Zale's, 22 Feb. 1937.
- ¹⁶Morris Zale interview; Dorothy DeMoss, "Resourcefulness in the Financial Capital: Dallas, 1929-1933," Robert C. Cotner (ed.) Texas Cities and the Great Depression (Austin: Texas Memorial Museum, 1973), 117-33.
- ¹⁷Dorothy DeMoss, "Resourcefulness in the Financial Capital," 118-19; William McDonald, Dallas Rediscovered: A Photographic Chronicle of Urban Expansion, 1870-1925 (Dallas: Dallas Historical Society, 1978).
- ¹⁸Morris Zale interview.
- ¹⁹Ibid.; Fehrenbach, Lone Star, 67-68; Albert Curtis, Fabulous San Antonio (San Antonio: Naylor, 1955).
- ²⁰Al Gartner interview.
- ²¹Ibid., San Antonio Light, 30 Sept. 1939; San Antonio Evening News, 29 Sept. 1930.
- ²²Ibid.
- ²³Ibid.
- ²⁴Minutes, Board of Directors meeting, 15 Oct. 1939.
- ²⁵Ibid.

CHAPTER VI

WAR AND ITS AFTERMATH

Before the Japanese attacked Pearl Harbor on 7 December 1941, the United States had been preparing for total war. The Selective Service Act of 1940 required the registration of American men between the ages of twenty-one and thirty-five. More than 1,700,000 men reported in person to draft boards around the country on 16 October 1940, the day designated as national sign-up day. When the Japanese struck at Pearl Harbor, the United States already had more than 1,600,000 men under arms. America became the "arsenal of democracy" through lend-lease programs, making war materials available to any nations whose security was considered essential to its safety. The nation transformed its economy to war time production, bringing about significant changes in its citizens' way of life and creating extensive inconveniences for the mass population.¹

Because the war was so expensive, Congress found it necessary to increase taxes. By 1939 approximately 4,000,000 Americans were subject to federal income taxes. By 1943 that number had grown to more than 30,000,000 out of a total population of 135,000,000. Government

revenues increased from \$7.5 billion in 1940-41 to more than \$24.5 billion in 1942-43. In addition to tax increases, Americans were buying large amounts of bonds to help finance the war.²

Since the war was fought on many fronts, one of the major problems was to provide the American troops in the field with the materials which they needed to conduct the war. Distribution of such goods and supplies was hampered by German submarine attacks on American merchant ships. To insure that the fighting men received the items that they needed, the government implemented a civilian rationing program. For the first time in the Land of Plenty, Americans were legally restricted from purchasing many items that before had been readily available. Sugar, gasoline, meat, refrigerators, vacuum cleaners, typewriters, and stoves were among the items that were either totally unobtainable or available only on a limited basis.³

As American involvement in the war increased, the nation's economy underwent profound changes. More than 50 percent of the nation's production energy was devoted to the manufacture of war materials, while the amount of goods produced for civilian consumption declined dramatically. The huge government purchases of war materials made vast sums of money available to American workers through salaries and wages. The purchasing power of the

consumer increased, but the availability of goods for purchase decreased. Therefore, runaway inflation was a distinct possibility. In April, 1942, President Franklin D. Roosevelt responded with a seven-point anti-inflation plan which he outlined to Congress to "keep the cost of living from spiraling upward." FDR's message suggested that Congress take the following action: (1) tax heavily to keep profits down; (2) stabilize farm prices; (3) stabilize wages; (4) encourage the purchase of war bonds; (5) ration essential commodities; (6) fix ceilings on prices and rents; (7) discourage credit and installment buying and encourage paying off debts and mortgages.⁴

Some of those recommendations had an adverse effect on Zale's operations. The company had built its business on the concept of buying on credit, and now the president was recommending that Americans not make credit purchases. Even luxuries such as jewelry were included in the price controls. Some argued that such items should have been omitted, maintaining that it would have been better to expend the energy and expense controlling the prices of necessities. The OPA (Office of Price Administration), headed by the controversial Leon Henderson, disagreed for various reasons. For example, it was not always possible to distinguish between luxuries and necessities. Who

was to say if a gas stove were a luxury or necessity? If the price of the luxury items were not controlled, producers were more likely to concentrate their efforts on those items, creating more shortages of needed goods. If, as one OPA official commented, the price of golf clubs were allowed to rise uncontrolled, despite allocations of iron and steel, golf club manufacturers would somehow find the materials needed to make them. The profit motive was still the strongest motivational factor for producers. In addition, strong feelings of resentment would arise among merchants if controls were not universal. One businessman limited to a 10 percent markup would be upset if his neighboring merchant were permitted a 100 percent markup.⁵

Zale's supported the war effort wholeheartedly. Many employees either served on active duty or worked in war-related plants or factories. During a war bond drive in Dallas in 1943, one of the first orders for bonds came from Zale's. The company bought \$600,000 worth of bonds, \$50,000 for each of its twelve stores. Ben Lipshy recalls a bond drive in Amarillo spearheaded by the Zale's store there. The store was closed for normal business activity for an entire day. The counters and fixtures were decorated with flags and bunting, and a band from the nearby military base played patriotic music in front of the store. The goal was to sell enough bonds that day to buy a bomber, and the goal was surpassed.⁶

Economic conditions brought about by the war and the government's response to those conditions created difficulties for Zale's. Many items that the company had sold from the earliest days of its operations, such as household appliances, were not available during the war. Others were available only in limited quantities. High prices caused by the shortages led many businesses to disregard government price controls, creating a sizable "black market" trade. Ben Lipshy recalls, "We couldn't afford to sell on the black market and we didn't. We priced our goods at legitimate prices and we sold at legitimate prices." He remembers that Ronson lighters that normally sold for \$5 were going for as much as \$15 on the black market during the war. "Shavers, watches, everything was scarce--labor and merchandise," Lipshy recalls.⁷

From 1936 to 1941 Zale's had expanded by adding one new store per year to its operations. The war brought that practice to an end. Since there was hardly enough merchandise to stock the already existing stores, there was no reason to add new ones. Two significant developments did occur in the mid-1940's, however, that were important to the company's future. Morris Zale, along with other company officials, found it necessary to make frequent trips to New York. Since corporate sources of the major lines of jewelry, luggage, and silverware were headquartered in the

New York City area, buyers had to go there in order to obtain merchandise. Zale felt that he could not continue to make the necessary trips to New York and fulfill his other commitments and responsibilities to the company. Therefore, he decided to locate a permanent office in New York. Such an arrangement would expedite the buying of merchandise as well as save considerable time and expense. Morris Zale and Moe Gimp located an office (actually desk space would be a more accurate description) in the Salmon Tower at 42nd Street and Fifth Avenue in Manhattan. Shortly thereafter, Zale's moved into its own office in the McCutcheon Building at 49th Street and Fifth Avenue. Zale's employed Harold Laine to buy diamonds, while Mannie Gessin bought gold, jewelry, and watches for the company.⁸

Because he was single, the move to New York would be less disruptive for Abe Zale than almost any other company official. Therefore, Morris Zale asked him to move there, which he did in January of 1945. His most recent assignment prior to his moving to New York had been in the Zale's store in Wichita Falls, but in his fifteen years with the company he had worked in several capacities in a variety of locations. He had often accompanied Ben Lipshy, Morris Zale, and others on buying trips to New York.⁹

When Morris Zale approached him about the move to New York, Abe asked how long he would be staying there. He was

told "three or four months." The plan at that time was to establish a distribution center in Dallas, and Abe was to move there, eventually to be involved in its operation. Such was not the case, however. In May he was still in New York, and he called his brother in Wichita Falls and asked him to send some summer clothes. The "temporary assignment" eventually became a permanent one, as Abe Zale is currently still in New York. Four months had become four decades.¹⁰

Abe Zale did return to Wichita Falls in December of 1945 to attend a Board of Directors meeting and to report on the company's New York activities. Morris Zale asked him how much he [Abe] had drawn for personal living expenses while he was in New York. Abe replied, "Oh, about \$4,200 or \$4,400." Morris questioned him about specific expenses such as his hotel room, meals, clothes, and transportation. "I stayed at the St. Moritz Hotel," Abe recalls, "and in those days a room was \$4.40 a day." After totalling his brother's expenses, Morris Zale announced, "You've drawn \$1,600 too much by my calculations." In front of the store managers and other company officials, Abe Zale wrote out a check for \$1,600 payable to the Zale Jewelry Company. "He was trying to make a point with the fellows not to live off the company," Abe commented. Several days later when W. E. McBroom,

the company treasurer, asked Morris Zale what he should do with Abe's check, Morris asked, "It's good, isn't it?"

"Yeah, I'm sure he has the money in the bank," McBroom replied.

"Then run it through," Zale instructed, "and put the money in the company treasury."

Abe Zale kept that cancelled check for several years, a reminder that Morris Zale was committed to economizing as much as he possibly could. No one, not even his brother, should put personal needs and interests above the overall welfare of the company.¹¹

Another significant milestone in Zale's development came in 1944. All twelve of Zale's stores at that time catered to a working class clientele. The company had been established on the premise that the man on the street was entitled to luxuries just as much as the man in the limousine, but Morris Zale had long wanted to open a "fine jewelry store" that would cater to the carriage trade. Zale's thirteenth store would be precisely that, and the opportunity to open such a store came about in a rather unusual way. Vern Corrigan, a native of Hillsboro, Texas, moved to Houston as a young man. In 1914 he opened the Houston Watch Company, a business to sell and repair watches. Railroad employees in particular utilized his services. In 1916 he added various jewelry items to his

inventory, and in 1924 he moved his operation to 615 Main Street. Over the years he added the finest lines of jewelry, which he sold to some of Houston's wealthiest citizens. When Corrigan died in an automobile accident in 1931, his widow, his sister, and the widow of a former business partner became owners of the store. Ann Corrigan Hilderbrand, Corrigan's sister, bought the other two women out, and she operated the store for several years. In 1944 she decided to sell, and Zale was interested.

"We bought Corrigan's over the telephone," Morris Zale recalls. "I had never been in the store, but I did know it by reputation." Working through an agent, the two parties reached an agreement. Zale's Board of Directors unanimously passed a resolution on 17 July 1944 to "purchase Corrigan's, Inc., of Houston, Texas, for \$331,500." The sale contained the stipulation that the store would continue to operate under the name of Corrigan's. With the acquisition of Corrigan's, Zale's entered what was for them a new phase of the jewelry business. They now had a "fine jewelry store" that would carry only top lines of jewelry and would cater to the wealthy. The purchase of Corrigan's provided the foundation for what would later become Zale's Guild Division.¹²

Zale's had only one man with any real experience in that type of store, and that man was Al Gartner, who was managing the San Antonio store at the time of the Corrigan

transaction. Morris Zale called him on a Wednesday prior to the closing of the deal and asked Gartner to come to Houston to take a look at the store. Gartner said that he could be in Houston on Saturday. After a brief pause, Zale told Gartner that he would like for him to come immediately, and Gartner was in Houston that evening to meet Morris and Bill Zale and Moe Gimp. Unlike the previous Zale takeovers, there was no inventory taken of the store's merchandise and fixtures. Ann Hilderbrand had provided them with figures, and Morris Zale told his associates emphatically that those figures would be accepted without question.

Later in the day Morris Zale met with Gartner at a Houston hotel. "How would you like to manage this store?" he asked. Gartner was somewhat taken back.

"Sure I would like to have the store," he responded.

"Then its yours," replied Zale, and he turned and left the room. Although there were other men in the company with more seniority, Gartner was the only one with any real experience in a "fine jewelry store" such as Corrigan's, and that was the reason for Zale's decision to give him the store.¹³

Some of Corrigan's longtime employees were somewhat apprehensive about the transition, fearful that the new owners would make sweeping changes in the store and its operations. While Zale's did make some modifications, they were relatively minor. After all, a business that

had been as successful as Corrigan's had been for more than three decades must have been doing something right. The Corrigan employees had their anxiety eased when the new owners gave a banquet for them shortly after the takeover. The purpose of the event was to assure the Corrigan employees that no sweeping changes were planned and that none would lose their jobs in the transition. Gartner recalls that only one Corrigan employee left after the sale of the store to Zale's.¹⁴

The transition was a relatively smooth operation. Although Gartner was managing the store, Morris Zale encouraged him to find someone else for that position so that Gartner could assume some other responsibilities for the company. Gartner was unable to find anyone he considered qualified. Zale accused him of stalling, waiting for Leon Davis to become available. (He had been working in an airplane plant in Fort Worth during the war.) "I really was looking for someone, but I did have Leon in mind also," remembers Gartner. When Davis returned in 1945, he became manager of the Corrigan store. He met with some initial opposition from some of the old time Corrigan employees when he announced he planned to give commissions to the sales personnel. Their complaints were silenced, however, when they learned that the commissions were to be in addition to a salary rather than instead of a salary. The store's success meant additional earnings

for them, and the store did enjoy success. When Zale's assumed control of the store, annual sales totalled \$400,000. Within the first year of Zale's operating the store, sales soared to \$700,000. With that type of success it was obvious that Zale's could operate a carriage-type store as effectively as they had operated their other stores.¹⁵

When the Second World War ended in 1945, there were two distinct directions that the American economy might have taken. With the cancellation of military contracts and the closing of many war-related industries, the nation might well have plunged into unemployment and dislocation not unlike that experienced during the period following World War I. Some economists were predicting that as many as 10,000,000 Americans would lose their jobs in the conversion to a peacetime economy. The other possibility was runaway inflation. Because of the shortages, Americans had been forced to do without a wide variety of consumer goods during the war. Because of their pent-up demands for such items, they might be willing to pay exorbitant prices for those commodities. President Harry Truman was confronted with the dilemma of trying to prepare for both massive unemployment and spiraling inflation.¹⁶

As expected, there was a tremendous demand for consumer goods that had been unavailable during the war, but the

government enacted policies to help curb inflation and to control unemployment. The Serviceman's Readjustment Act, commonly called the GI Bill of Rights, helped veterans find jobs, locate housing, and obtain educational training. The government provided more than \$13.5 billion between 1945 and 1952 solely for educational benefits for the returning servicemen. The Full Employment Act of 1946 committed the federal government to utilize financial resources to assure full employment volume of production. Julius Krug, chairman of the War Production Board, revoked 210 orders that had restricted production of various consumer goods during the war, including household appliances.¹⁷

Texas, along with the nation as a whole, was experiencing a post war boom. The war had done what no governmental program had been able to do completely, and that was to bring an end to the Great Depression. The aircraft industry, petrochemicals, steel mills, and synthetic manufacturing plants had been developed or expanded because of the demands of the war, and they continued to expand during the peacetime conversion, providing jobs for the returning veterans. Diversification became widespread among those involved in agriculture in the Lone Star State. In addition to the longtime staples of cotton and cattle, Texas ranchers and farmers were producing more than 135 different crops including feed grains, rice, wheat, and citrus fruits.¹⁸

With merchandise becoming available again, and with consumers eager to purchase items that had been unobtainable for some time, Zale's was ready to resume expansion plans that the war had interrupted. In 1946 the company took a major step in that direction when Morris Zale decided to move the company headquarters from Wichita Falls to Dallas. Wichita Falls had served as Zale's hub of operations since the company's founding in 1924, but travel into and out of that community was becoming more and more difficult. Railroad facilities in Wichita Falls were limited, and Dallas was served by nine major rail lines linking it with every part of the country. In addition, Dallas was developing a first rate airport facility. In 1917 the federal government had established an Army Air Corps training field at the present site of Love Field. At the end of World War I a group of Dallas businessmen bought the facility from the government and formed the Love Field Company. C. W. Hobson, Joe E. Lawther, C. T. Reeves, J. C. Chidsey, Gilbert Irish, T. M. Cullum, E. H. Hulsey, and George Loudermilk were among those involved in that venture. In 1927 the city of Dallas bought the 167 acres that comprised Love Field from the company for \$325,000. With that transaction Dallas became one of the first cities in the United States to begin operating a municipal airport. By the time Zale's was contemplating a move to Dallas, the city could take great pride in the excellent facilities at Love Field.¹⁹

As Zale's expanded operations, the availability of such a facility would prove to be invaluable. Air travel made Zale's rapid expansion in the post World War II era possible. Any city in the United States became accessible in a matter of hours, enabling company officials to monitor business activities and to investigate potential expansion sites. The jet plane would permit Zale officials to travel throughout the world and establish direct ties with suppliers and processors as the company continued to consolidate and centralize its operations.

Therefore, Dallas had many attractions for an up-and-coming enterprise like Zale's. Dallas' central location to the Zale's stores, a thriving economic climate and exceptional transportational facilities made it an ideal site for the company's headquarters. On 1 November 1946 Zale's moved into its new company headquarters in the Mercantile Bank building. Considering the role that Dallas has come to play in regional, national, and international economic circles, the decision to move there proved to be a wise one for Zale's.²⁰

Although the company's opportunities to expand had been severely hampered during the war years, Zale's did prosper. Stockholders received 10 percent dividends throughout the years 1939, 1940, and 1941. The rate increased to 20 percent for the next two years. At a meeting

held 28 June 1944 company directors reduced the par value of the stock from \$100 to \$1. In addition, they voted to increase the capital stock of the company. The purpose of those two decisions was to enable more employees of the company to purchase stock in Zale's. Prior to that move, company officials had sold their own shares of stock to employees, and such an arrangement obviously limited the amount of stock available. In keeping with a previously expressed philosophy, Morris Zale wanted his employees to become involved in the ownership of the company. He believed that such an arrangement would benefit both the employees and the company.²¹

With the success of the recently acquired Corrigan's and with merchandise once again becoming available, Zale's was more than ready to begin adding more stores. Rationing had ended, people seemed eager to have those things that had been unobtainable during the war, and Zale officials could see tremendous economic potential for their company. As company officials considered the addition of new stores, they turned once again to oil towns like the ones that had proven to be so successful for them in their early years of operation. They selected the Texas Panhandle towns of Lubbock and Borger as sites for stores number fifteen and sixteen. An oil well drilled northeast of Amarillo in January of 1926 had produced 10,000 barrels of crude

per day, ushering in a massive boom for Hutchinson County in particular and the entire Texas Panhandle in general. A Tulsa real estate agent and promoter, A. P. "Ace" Borger, secured a 240-acre tract and laid out a townsite which he named for himself. Within eight months the field had 800 producing wells, and the town of Borger claimed a population in excess of 10,000 people. Once again the boom town climate would prove to be favorable for a Zale's store.²²

Zale's opened store seventeen in Houston shortly after the Borger store began operations. Company officials had been reluctant to operate two stores in the same city, but the other Zale's unit in Houston was operating under the Corrigan name. Besides, Houston was so large that the two stores would not become competitors. Corrigan's would appeal to a wealthier clientele, while the Zale's store would attract middle income customers. Future expansion plans would include stores that would draw customers from all economic classes.²⁴

The 29 March 1946 issue of the Waco Times Herald announced the grand opening of a new Zale's store in that city at 409 Austin avenue. The ad resembled those that Zale's had used successfully for more than two decades. Customers were urged to buy on credit and pay no carrying charges, a long standing Zale policy. Buyers could arrange

term payments of \$1.25 per week or \$5 a month. Ronson lighters were advertised for \$6, while Zippo lighters were \$2.50. Bulova watches were priced at \$42.50, Remington shavers at \$17.50, and Manning-Brown irons at \$11.70. Customers could select from wedding ring sets ranging in price from \$62.50 to \$465.²⁴

In those early years of expansion, Zale's had added one new store each year. Following the war, however, multiple stores were added annually. Corpus Christi and Galveston, Texas; Duncan, Oklahoma and Albuquerque, New Mexico; St. Louis, Missouri and Des Moines, Iowa-- all became successful expansion locations for Zale's in the years immediately following World War II. There was no master plan per se for company expansion. "When you put it down on paper, you're in trouble," explains Morris Zale. Rigid plans tend to be stifling, restrictive, and inhibiting, while Zale sees flexibility as a definite key to success of the company. "You move into a town because the master plan says to," he comments, "but the time and place may not be right."²⁵

While there has been no master plan as such, this in no way suggests that Zale's growth and expansion has been by the "seat-of-the-pants" methods. If there is a single word that describes Morris Zale, according to Leo Fields, that word is opportunistic. Morris Zale and other company

officials always kept an eye out for potential expansion sites. Instead of visiting traditional tourist sites in his travels, Zale walked around town looking at jewelry stores. Zale's move into El Paso, Texas, is a good illustration of the company's expansion methods. Morris Zale had taken his family on a vacation to Los Angeles and San Diego, and they stopped in El Paso on their way home. After checking his family into a hotel, Zale took a walk into the downtown area. "When I saw that town, I got so excited. I knew I had to have a store there. Everything was just right!" He began almost immediately to make arrangements to open a store there.²⁶

A similar development occurred with Zale's expansion into Alaska. Zale's had no stores operating in the forty-ninth state when Morris Zale and his wife made a brief stopover there on their way home from a trip to Tokyo. Although it was extremely cold, Zale took his customary walk in downtown Anchorage to survey the business prospects in that city. Overwhelmed with the potential that he saw, he rushed back to the hotel to tell his wife about the possibilities for Zale's in Anchorage. Within a short time after he arrived in Dallas, he made the necessary arrangements to begin a store in Anchorage as well as in other Alaskan cities. The Zale's stores in the forty-ninth state have been among the company's most successful. "There are very few places where we don't fit," commented Ben

Lipshy. Jewelry has a universal appeal, and because of Zale's flexibility, it can adapt to various types of communities. Any reasonable sized community is viewed as a potential expansion site.²⁷

By 1949 Zale's was operating twenty-eight stores. In 1951 the company opened its thirty-fifth store with a unit in Harlingen, Texas. The Shreveport, Louisiana, store opened in 1953, was store number forty-one. By February of 1956, with the opening of the store in Seattle, Washington, Zale's had sixty-three stores in operation, including stores in Lawton, Oklahoma, Salt Lake City, Utah, Ogden, Utah, Cheyenne, Wyoming, and Lincoln, Nebraska. Longview, Tyler, and Laredo were among several Texas communities with Zale's stores by the mid-1950's. There was no longer any hesitation on the part of the company officials to open a second store in a city where Zale's was already operating. Zale's nineteenth store was the second Zale's unit to open in Dallas. Opened in 1946 in the Oak Cliff section of the city, store nineteen was Zale's first suburban store and was managed by Harold Shackman. A native of Dallas, Shackman first went to work for Zale's in 1937 at the store on Elm in downtown. Although he was offered several promotions throughout his years with Zale's, he refused to move to an area where there was no kosher meat market or active Jewish community; therefore, he remained in Dallas during his entire forty-six year career

with the company. The Oak Cliff store was an astounding success, grossing \$10,000 in sales the first day it was opened. Because of its success, Zale's soon opened a third Dallas store, which was Zale store number twenty-two. By 1956 there were Zale's stores in Oklahoma, Kansas, Utah, Nebraska, Wyoming, New Mexico, Colorado, Louisiana, and Washington. In Texas there were Zale's stores from Longview to El Paso and from Borger to Brownsville. The company's gross sales for the year totalled \$35,843,310 with a net profit of \$2,254,150.²⁸

In 1946 Zale's took an important step forward in consolidating and centralizing its operations. For a number of years the company had bought watches from a New York firm called Schein and Engels. When that partnership dissolved, Zale's had problems securing enough watches to sell. Consequently, company officials decided to develop their own brand of watches. The plan was to import the watch workings directly from Switzerland and have them labelled with their own brand name. Bill Zale suggested the name Baylor for the Zale watches. By eliminating the middleman and buying directly from the manufacturer, Zale's gained more control over its merchandise and also increased profit margins. This concept would later be expanded to include other merchandise, giving Zale's more flexibility and control in the retail jewelry business.²⁹

Morris Zale had long believed in the idea of allowing and encouraging employees to share in the success of the company. In addition to permitting employees to purchase stock in the company, they were rewarded from time to time with lucrative bonuses. In 1953 a total of \$175,000 was divided among the company's fulltime employees in the form of Christmas bonuses, but Morris Zale felt that more should be done to reward those individuals who were contributing to the company's success. Therefore, he and other company officials proposed a profit sharing plan as a means to reward and also to motivate productivity and longevity among Zale workers. The plan, which was patterned after one developed by Sears and Roebuck, was implemented in 1952 with 368 participants involved. The company began the program with a contribution of \$313,000. Employees did not contribute any funds at all. Five years later the number of participants involved had increased to 609, and the contributions of the company totalled more than \$430,000. For the fiscal year ending 31 March 1981, the Zale Corporation contributed \$4,850,806 to the profit sharing program for its employees.³⁰

Morris Zale recently conversed with a secretary in the New York office who was nearing retirement. She informed him that her check from the company's profit sharing program, coupled with her social security check,

would exceed her current salary. When she tried to express her gratitude to him for the company's contributions, he cut her off abruptly, informing her that she had earned every penny she would be receiving. Harold Shackman, long-time manager of the Oak Cliff store, retired in 1983 with more than \$500,000 in his profit sharing account. Employees cite the profit sharing plan as one of the most attractive benefits offered by Zale's to its employees.³¹

The years during and immediately following World War II were productive ones for Zale's. The opening of the New York office and the acquisition of Corrigan's represented significant advancements for the company. The war hindered the company's attempts to expand, but once the war was over, Zale's expansion skyrocketed. Merchandise became available, and people were eager to buy those things they had done without during the war. Zale's was ready to take advantage of the post-war prosperity. Fifty new stores were opened between 1944 and 1956, and the company experienced dramatic growth in both sales and profits. For all the success that Zale's enjoyed in the first post-war decade, the next ten years would be even more dramatic.

NOTES

¹A. Russell Buchanan, The United States and World War II (New York: Harper and Row, 1946), 120-21.

²Ibid., 317.

³Richard R. Lingeman, Don't You Know There's a War Going On? The American Home Front, 1941-1945 (New York: G. P. Putnam's Sons, 1970), 235-69.

⁴Congressional Record, 77th Cong., 2nd sess. 1942, vol 88, pt. 3.

⁵Seymour Harris, Price and Related Controls in the United States (New York: McGraw-Hill, 1945), 94-95.

⁶Ben Lipshy personal interview, conducted in Dallas, Texas, July, 1983; Dallas Times Herald, 3 Sept. 1943.

⁷Ben Lipshy interview.

⁸Morris Zale personal interview, conducted in Dallas, Texas, Sept., 1983.

⁹Abe Zale personal interview, conducted in Dallas, Texas, Aug., 1983.

¹⁰Ibid.

¹¹Ibid.

¹²Morris Zale interview; Houston Post, 18 July 1944.

¹³Al Gartner personal interview, conducted in Dallas, Texas, Aug., 1983; Morris Zale interview.

¹⁴Ibid.; Leo Fields recalls that Morris Zale and Mrs. Hilderbrand were going through the store after the sale and Zale was informing employees of the new system. She commented, "Mr. Zale, somewhere between your system and my system, there must be a right system."

¹⁵Al Gartner interview.

¹⁶Robert J. Donovan, Conflict and Crisis: The Presidency of Harry S. Truman, 1945-1948, (New York: W. W.

Norton, 1977), 107-15.

¹⁷Ibid.

¹⁸Seth McKay and Odie Faulk, Texas After Spindletop (Austin: Steck-Vaughn, 1965), 185-90.

¹⁹Sam Acheson, Dallas Yesterday (Dallas: SMU Press, 1977), 289-95.

²⁰Ben Lipshy interview; Morris Zale interview.

²¹Minutes, Board of Directors meeting, 28 June, 1944; Morris Zale interview.

²²Walter P. Rundell, Early Texas Oil: A Photographic History, 1866-1936 (College Station: Texas A & M Press, 1977), 208-13; Ben Lipshy interview.

²³Ben Lipshy interview.

²⁴Waco Times Herald, 29 March 1946.

²⁵Leo Fields personal interview, conducted in Dallas, Texas, Sept., 1983; Morris Zale interview.

²⁶Ibid.

²⁷Morris Zale interview; Ben Lipshy interview.

²⁸Collections of announcements and press releases on file in Zale Corporation archives; Harold Shackman, personal interview, conducted in Dallas, Texas, Dec., 1983.

²⁹Leo Fields interview; Morris Zale interview; Morris Zale remembers his first encounter with Schein. He went to their offices to arrange to buy a large shipment of watches to sell in the Zale's stores. After telling them who he was and what he wanted, Zale was met with an indifferent silence. He went back to his hotel thinking he would have to go elsewhere to find the merchandise he needed. Schein came to his room later and seemed somewhat amazed. He remarked, "We have alot of people who come to our offices and say they want to buy watches. They tell us they can pay for them. But you really can!"

³⁰Zale Corporation, Profit Sharing Report, on file in Zale Corporation archives.

³¹Morris Zale interview; Another unique benefit recently developed by Zale's is a Day Care Center for children of employees. Located in a building on the grounds of the corporate headquarters in Dallas, the facility enables employees to leave their children in a well supervised environment during the work day at minimal cost. Mothers can visit with their children during breaks and at lunch. Company officials have found that the facility proves a psychological boost to employees, knowing that their children are nearby and are being properly cared for. Absenteeism is reduced, since mothers are not forced to stay home with children when a sitter is unavailable. In addition, it is a time saving device, as parents simply bring the children with them as they come to work, eliminating an out-of-the-way trip by the sitter's home first. See Michael Romaine, "Zale's Corporate Child Program," Texas Business Executive 8 (Spring/Summer 1982): 20-25; Harold Shackman interview.

CHAPTER VII

EXPANSION AND DIVERSIFICATION

In its first three decades of existence, Zale's made remarkable advances despite several potentially devastating adversities. Racial bigotry and religious prejudice had surfaced in Graham, Texas, as Morris Zale launched his first venture as a young merchant. Following a move to Wichita Falls in 1924, the company grew consistently, if not spectacularly, only to be hampered by the economic depression of the 1930's. Although strained to the limits, Zale's survived those difficult years and slowly rebounded as the nation's economy began to turn around. Zale's expanded into Amarillo, Austin, Springfield, Dallas, and San Antonio during the mid and late 1930's and appeared to be on the move, but the outbreak of World War II brought shortages, rationing, and price controls. Company growth was stifled once again, forcing Zale's to weather another storm. The post-war decade afforded Zale's some unique expansion opportunities, and the company made every effort to capitalize on those opportunities. The result was a rapid expansion and continued consolidation of the company's operations.

Adversity had repeatedly threatened Zale's existence in the past, but in the late 1950's the company was confronted with a new potential danger, namely success. British historian and essayist Thomas Carlyle once noted that "Adversity is hard on a man, but for one man that can stand prosperity there are one hundred that will stand adversity." Success can breed complacency, but Morris Zale, Bill Zale, Ben Lipshy, Sid Lipshy, Moe Gimp, Al Gartner, and others who had poured their lives into the company were not likely to become complacent and "rest on their laurels" at this point. Many social, economic, and technological changes were occurring in the late 1950's and early 1960's that would test Zale's flexibility. If the company were to continue to grow, it would have to adjust to the changing conditions in American society and economic structure.

One of the most significant company decisions came in 1957. At that time Zale's restructured its executive leadership. Morris Zale decided to relinquish the presidency of the company and place his brother-in-law, Ben Lipshy, in that role. His intent was not retirement but simply a change in roles for himself. He remained as chairman of the Board and continued to be highly involved in the company's operations. Joining Morris and William Zale, Ben Lipshy, and Moe Gimp on the Board of Directors

were Al Gartner, Jacob Feldman, and Sam Bloom. J. L. Wilson was named vice president in charge of advertising. Sid Lipshy, Ben's younger brother and longtime Zale employee, was named vice president and supervisor of the Northern Division. Mel Berns and Leon Cizon had the same duties and title in the Southern and Western Divisions, respectively.¹

Ben Lipshy and Morris Zale had worked closely together for years, and they had talked of reorganization for some time before it was actually implemented. Minimal problems accompanied the transition. "My job actually changed very little," Lipshy commented. "I was already doing alot of the things that I would be doing as president. I just got the title when we reorganized."²

One of the changes that Lipshy did implement as president of the company was to borrow money in order to expand its operations. Morris Zale had refused to borrow money for the company since his bitter experiences during the Depression, and he admittedly missed some opportunities because of that policy. The company's rapid growth in the years immediately after World War II is even more remarkable when one considers that it was done on a "pay-as-you-go" basis.

For example, in 1954 Morris Zale was negotiating the purchase of a nine-store chain of jewelry stores in Colorado. During the course of the negotiations, he

received a phone call at home one evening about nine o'clock. The caller identified himself as Nathan Adams, chairman of the board of one of the largest banks in Dallas. Although Zale had never met him personally, he immediately recognized the name. The banker told him that he was aware of the transactions the company was commencing in Colorado, and he offered to lend him the necessary funds (approximately \$1,400,000) to complete the deal. "I was never so flattered in my life," Zale recalls, "and I thanked him for his offer. But I told him that we didn't need to borrow the money. We already had the funds on hand to buy the stores."³

Lipshy and Zale realized, however, that the company could not take maximum advantage of opportunities that might arise if it continued to operate on a "cash-and-carry" basis. The shopping center concept was in its infancy, and Zale officials could envision tremendous retailing possibilities in such centers. Ben Lipshy remembers being approached by a developer with an idea for a shopping center. He accompanied the man several miles east of downtown Dallas. As they stood in the middle of a pasture, Lipshy wondered where the customers would come from. "There were no houses or traffic, only a two-lane farm-to-market road," Lipshy recalls, "but we took a chance." The gamble paid off. The freeways expanded and the suburbs grew and

Big Town Mall flourished. Such was obviously the marketing trend of the future. In addition, some exceptional jewelry stores were on the market, and Zale's was definitely interested in adding some of them to their operations. In order to take advantage of such opportunities, Lipshy established a \$15,000,000 line of credit for the company. Going from a few dozen stores to several hundred stores required such a move. "Borrowing money never really bothered me," he commented, "as long as we could make money with it."⁴

A second change that occurred in 1957 in Zale's operations was the decision to "go public" with the company stock. Officials had carefully guarded shares through the years, but expansion had created some problems regarding this stock. Since Zale's had long encouraged managers and other employees to become stockholders, the number of shareholders increased as the company grew. If those people wished to sell their stock, or if they left the company, the only option available to them was for the company to buy their shares. "We were tying up too much capital just buying the stock back," recalls Lipshy, "so we decided to make the shares available." Of course, the move also would generate more capital for company operations.⁵

The decision to go public with the stock did not meet with immediate acceptance. The first obstacle was in finding

an underwriter. Several were approached and commented that they were impressed with Zale's balance sheets, but they were reluctant to underwrite such a venture for a jewelry chain. Morris Zale was told that if he were in oil or electronics, they would be more than happy to back him. Only one jewelry chain (Kay's) had gone public with its stock at that time, and it was less than an overwhelming success in the market. Eventually, Zale's secured an underwriter in Dallas, the firm of Eppler, Guerin, and Turner. Shares were first sold over the counter, and on 8 October 1958 Zale's was listed on the American Stock Exchange.⁶

With additional capital available through the sale of the stock and credit, Zale's undertook a massive expansion program. By November, 1958, there were 107 Zale units operating in twenty-two states. Twenty-seven stores were added between May, 1957 and November, 1958. Sales for fiscal 1958 totalled \$37,000,000 with a net profit of \$2,200,000. Corporate assets exceeded \$26,000,000. By April, 1962, Zale's had expanded into thirty-three states with a total of 224 stores. For the previous five years the company showed a 70 percent gain in net sales, a 50 percent gain in net profits, and an average net gain of 5.8 percent to net sales. Company stock increased in value by 145 percent during that five year span. The net worth of the Zale Corporation surpassed \$30,000,000 at the

end of fiscal 1961. Diamond jewelry remained the foundation of company sales. Along with watches, it accounted for 65 percent of the total sales volume. Shavers, radios, china, and silverware, commonly called "traffic items" because they brought "traffic" into the store, accounted for approximately 15 percent of sales. Gold jewelry, dinneware, cameras, and repair fees were responsible for the remaining 20 percent.⁷

One of the primary reasons for the company's massive growth was the development of the Guild Division in 1957. Zale had acquired three additional "fine jewelry" stores to go along with Corrigan's, and Morris Zale and Ben Lipshy thought that perhaps those four stores could be combined into a special division. Leo Fields, a nephew to both Lipshy and Zale, was put in charge of the new division. Fields was only six weeks old when his father had died, and he was reared by his Grandmother Lipshy for the first ten years of his life. He then became part of Morris Zale's household. Fields commented, "He did everything for me that he did for his own children." That included introducing him at a tender age to the jewelry business. He was about ten years old when he began working at the store in Wichita Falls on Saturdays, after school, and in the summers. Recollections from his childhood include Morris Zale loading the children into the car, a yellow convertible, and driving downtown at night to "check on the store"

to make sure everything was all right. Zale's had been part of Field's life from his earliest memories.⁸

During his high school years Fields worked in various capacities for Zale's. In the summer of 1942 he worked in the Wichita Falls store, and the following summer he was associated with Ben Lipshy in Amarillo. San Antonio was his next stop in the summer of 1944. During the summer of 1945 he was introduced to another phase of the business when he worked in the New York office, and he spent the following summer in the Omaha store. In 1948 and 1949 he was in Europe, and in 1950 he went to Houston to work at Corrigan's. After a tour of military duty in Korea and Japan in 1951-52 he returned to Houston. In 1953 he assumed his first managerial position with Zale's in Salt Lake City. He was twenty-five years old at the time.⁹

Although he did attend the University of Texas and also studied at Columbia and the University of Brussels, Fields found the business more challenging and stimulating than the classroom, and therefore, by his own admission, was not the most diligent student. When he was assigned to the Guild Division in 1957, he was relatively young, but he had a wealth of experience with Zale's from several different aspects. He had literally grown up with the business.¹⁰

Because of the unique nature of the carriage trade stores, Zale's had to adopt some different marketing and

merchandising techniques. These fine jewelry stores would handle a higher quality of merchandise and attract a different type of customer than those Zale's had served through the years. Consequently, the Guild Division became somewhat of an experimental laboratory. Fields and his colleagues in the Guild Division would try a new concept with the idea that if it worked, it would be utilized in the Zale Division as well. Among the new ideas developed in the Guild Division was a direct mail program called CDM (Centralized Direct Mailing). Using the computer, the Guild Division began collecting the names, addresses, and buying habits of customers to develop a mass mailing list. When the plan proved to be successful, it was implemented in the Zale Division. Various other merchandising and marketing techniques were conceived and tested in the Guild Division before coming into widespread use throughout the company. Fields comments that Morris Zale, Ben Lipshy, and other company officials gave him a free hand and encouraged him to innovate. Sometimes they expressed doubts about some of the ideas that he suggested, but rarely did they veto them without first giving them a try.¹¹

The Guild Division expanded rapidly by purchasing stores with old established names and impeccable reputations. Zale's then would introduce its system into those stores but would retain the store's original name.

"That is really what we wanted as much as anything, the name," commented Morris Zale and Leo Fields. Using the name, Zale's then expanded to several stores, often in the surrounding suburbs, operating under that name.¹² (For example, there are currently forty stores operating under the Corrigan name, although Zale's originally purchased only one Corrigan store.)

Zale's did not have to seek out those stores to purchase. The transactions were initiated by owners eager to sell out to Zale's. In the first six months of 1962 Zale's received some seventy-five offers to buy existing stores. Each offer was carefully screened to determine which ones would fit into Zale's pattern of operations.¹³ There were definite advantages for such stores to become part of the Zale chain: centralized buying, fringe benefits for employees, and centralized advertising. In many cases, however, the stores which Zale's purchased were struggling to survive. Bailey, Banks, and Biddle provides a good example of such a situation. Founded in 1848, Bailey, Banks, and Biddle claims to be Philadelphia's oldest jewelry store. When the store came up for sale, Zale's expressed an interest in it. As Leo Fields negotiated the transaction, he was overwhelmed with the number and the severity of problems which confronted the store. Aging employees, obsolete merchandise, and lack

of marketing thrust plagued the business to the point that it was on the verge of collapse. In addition, litigation was pending against the building that housed the business, and an overall economic stagnation at that time made the situation even more undesirable. Fields expressed reservations to Morris Zale about the purchase, but Zale emphatically insisted that he complete the deal.¹⁴ "All we wanted was a foothold. Once you got that one store straightened out, you had a business. I wasn't interested in just that one store," Zale explains. According to Ben Lipshy, there would have been no way for Zale's to expand into Philadelphia except by the acquisition of an existing store. Morris Zale likened this strategy to putting the key into an ignition switch. It was a start that led to further expansion, adding other stores using the name of the original acquisition.¹⁵

Using this method of expansion, Zale's added some of the most respected and prestigious names among the nation's retail jewelers to their Guild Division. For example, Harry Hausmann, a German immigrant, had settled in New Orleans in 1870. With \$200 he borrowed from relatives, Hausmann began a jewelry business. Through the years Hausmann's gained a reputation as one of that city's finest jewelers, catering to the carriage trade. Hausmann's was among Zale's early acquisitions as a guild store. Hess

and Culbertson's, Stowell's, Wolf's, Granat Brothers, Slavick's, M. Jacoby's, and Hartwell's were among the well known fine jewelry stores which became part of Zale's Guild Division.¹⁶

The success of the Guild Division was remarkable in light of the serious problems that were plaguing old established jewelers at that time. Many of the guild stores which Zale's acquired were on their "last leg," on the verge of insolvency. Few were leaders in the market areas where they were operating, but in the words of Leo Fields, "We resurrected them like the phoenix from the ashes." While stores of that type were failing all over the country, Zale's guild stores flourished. On a recent visit to Los Angeles, Fields noted that a building that once housed one of that city's finest jewelers was occupied by a fast food restaurant. Another was a computer store. Zale's had considered buying both of those stores at one time, but for a variety of reasons did not. One which they did buy in the same vicinity was doing extremely well.¹⁷

Fields attributes the success of the Guild Division to the three factors of people, product, and promotion. In addition to Leon Davis, whom Fields calls "my mentor and tormentor," Fields singles out such people as Willis Cowlshaw, who served as executive vice president for Operations and eventually as president of the Fine Jewelers

Guild Division. Cowlshaw, a native of Oklahoma, was trained as a watchmaker prior to joining Zale's in the 1950's. He first worked for Wolf Brothers, a Zale-owned guild store in Topeka, Kansas. From there he moved into a supervisory role in the Guild Division and eventually into an executive position. Cowlshaw compares his rise in the company to an "Horatio Alger story." Being neither Jewish nor a family member, he provides a good example of the availability of opportunity within the company for people who prove themselves competent. Another individual that Fields credits with adding to the Guild Division success is Nelda Shannon. A vital member of the Guild Division management team according to both Fields and Cowlshaw, Shannon travelled extensively for the company. She was involved in the acquisition of several guild stores, most notably one on the island of Guam. In many instances, people who had worked for the owners of the store prior to Zale's acquiring them were retained when Zale's took them over. The holdover employees enabled the transition to take place with minimal problems. Those loyal, dedicated employees were vital to the success of the Fine Jewelers Guild stores, according to Fields and Zale.¹⁸

In addition to people, Fields stressed the importance of providing the guild customer with a quality product. The carriage-trade customer would expect and should receive the highest quality of goods available. Some Zale officials

expressed doubt that American consumers would buy such items as a one-karat diamond. Traditionally, the larger, more expensive diamonds were marketed in the Far East. With urging from Fields, Zale officials decided to test the American market with such items, and the results were surprisingly positive. In connection with the emphasis on quality, Zale introduced the idea of full disclosure to the consumer, informing him precisely the size, color, and other features of the diamond he was purchasing. This practice became standard procedure in both the guild stores and the Zale stores.¹⁹

The method of promoting the guild stores was an equally important factor in the success of the Fine Jewelers Guild Division of Zale's. The carriage trade required a different marketing strategy from the one long used by Zale's. Credit and low prices, the foundation of Zale's business since the company's inception, were less important to guild customers. Advertising brochures stressed the product, its beauty and its quality, rather than credit terms and bargain prices.²⁰

The growth of the Guild Division was only one phase of Zale's massive expansion in the late 1950's to early 1960's. In the fiscal year ending March 31 1964 Zale's made sales totalling \$81,000,000, an increase of 10 percent over the previous year. Net profits of \$4,876,111 represented a 20 percent rise. Jewelry and watches remained

the cornerstone of company sales. Diamonds accounted for 44 percent of its jewelry sales and 33 percent of its total sales. Silverware, appliances, and radios continued to produce sizable revenue for the company as well. In 1965 Zale's was operating 433 stores. By 1968 that number had increased to 786 outlets employing 10,200 persons. Much of the company's business was still done by credit buyers, with 70 percent of sales coming from installment customers. Zale's did make a change in its credit policy in 1957, however, by adding a 10 percent carrying charge to credit purchases. There were no credit charges if the balance were paid in less than 90 days.²¹

Zale's rapid growth presented the company with a merchandising problem. It was becoming more and more difficult to obtain the quantity and quality of goods necessary to stock all the stores. This was especially true of diamonds. Zale's had been purchasing diamonds from several different sources, and each supplier cut their diamonds differently. Since Zale's was making up most of its own merchandise, the variation posed somewhat of a problem. With Zale's emphasis on quality and uniformity, diamonds of different size, cutting, and coloration would not meet the company's rigid specifications. Ben Lipshy and Morris Zale decided that the only solution to the problem was for Zale's to cut its own diamonds. In order to do that, Zale's had to

apply to the Diamond Syndicate to purchase diamonds directly. Traditionally, the Syndicate had refused to sell directly to retailers. Consequently, entry into the elite fraternity of diamond buyers would be no small chore.²²

The Central Selling Organization, commonly known as the "Diamond Syndicate," consists of a group of companies including Diamond Trading Company, Unlimited, an affiliate of DeBeers Consolidated Mines. It operates from its headquarters in London, selecting its buyers and the quantity of diamonds it chooses to sell. The diamond syndicate constitutes nearly a pure monopoly.²³

The Syndicate traditionally sells its rough diamonds in small canvas sacks tied with colored ribbons. The stones include a variety of sizes, colors, and qualities. Such transactions are conducted in various diamond clubs around the world and are completed with a handshake after the parties involved have agreed on a price. No contracts are signed, and no money changes hands. With the handshake, wherever the transaction takes place, the seller utters a Hebrew saying, "Mazel and Brucha," meaning "luck and a prayer." This is customary among Jewish and gentile diamond traders alike. "We have bought millions of dollars worth of diamonds like that," Ben Lipshy states. "We do it all the time--every day." Contrary to first impression, the buyer who is experienced and skilled is not buying a "pig

in a poke." His trained eye can envision possibilities for the rough, uncut diamonds.²⁴

Zale's first application to buy directly from the Syndicate was rejected, but the second one was approved. In 1958 Zale's opened a facility in Tel Aviv to cut its own diamonds. Buying offices were established in Antwerp, London, La Chaux de Fonds (Switzerland), and Tokyo. Later the company constructed a plant in Puerto Rico for cutting diamonds. Buying diamonds directly enabled Zale's to organize a vertically integrated operation. By purchasing, cutting, polishing, mounting, and merchandising its own diamonds, Zale's eliminated the middleman, and consequently, eliminated the margins that would have been added on at each of those processes. Such a procedure enabled Zale's to sell their merchandise at a lower price than its competition. Morris Zale commented, "Markup doesn't mean anything until you consider the cost of an item to the consumer. We can get a normal markup on our merchandise and still be under another jeweler's cost before he adds his markup."²⁵

Buying diamonds directly opened more doors of opportunity for Zale's. The largest, finest quality diamonds would be marketed in the carriage stores of the Fine Jewelers Guild. Those of slightly less value would be sent to Zale Division stores. For the smaller, less expensive stones, Zale's developed two outlets. When

discount stores and shopping center department stores came on the scene in the 1960's, Zale made arrangements with them to market lower valued diamonds through leased jewelry departments within the stores. Although the jewelry department operated as part of that particular store in which it was located, it was actually owned by Zale's who provided the fixtures, merchandise, and employees. It is through the leased jewelry departments that Zale's has marketed some of its less expensive diamonds and jewelry.²⁶

The second such outlet for that type of merchandise was the Mission Division. As previously noted, Zale's first Mission store was opened in San Antonio in the early 1940's. When a building directly across the street from the Zale store in the Alamo City became available, company officials leased it. Thinking it unwise to operate two Zale's stores in such close proximity, they called the new store "Mission Jewelers." With the continued integration of company operations, Zale's needed additional outlets for its lower priced merchandise, and thus created the Mission Division. Those stores concentrated on the highly price-conscious customer, stressing sale prices and easy credit terms in their advertising.²⁷

Zale's continued to grow at a phenomenal rate. Such rapid growth would not have been possible with the technology of the computer. While visiting in San Francisco in 1953, Morris Zale saw his first computer in operation,

a model manufactured by IBM. He recalls, "I was fascinated by it. I stood there and watched it with amazement."

Since it was a business-oriented system, it had tremendous possibilities for a growing company such as Zale's. After experimenting with a computerized system for several months, Zale could see that it had many advantages over the posting machines the company was using for record keeping. Not everyone agreed with him, however. Some of the people in the New York office resisted the proposed changeover, and it took a hardline approach by Zale to convince the resisters that the transition would be for the ultimate good of the company. "There is no way we could have expanded like we did without the computer," Zale commented. "We have more than 550,000 accounts receivable now. It would take an army of people to process all of that by hand. It would just be impossible."²⁸

The computer aided in other ways as well. Information about each diamond purchased by Zale's was entered into the computer. The size and color of each stone is recorded, and it was noted at what stage of processing the diamond is--cutting, polishing, etc. At any given point in time the computer could provide the exact number of diamonds of a given size and color which Zale's had on hand, and the anticipated date when each would be ready for mounting. Such information was invaluable in designing pieces requiring uniform sizes and colors of diamonds. The

computer, of course, also enabled company officials to keep an eye on each of the stores within the chain. Sales, expenditures, and profits could all be processed within a minimal amount of time, allowing company executives to anticipate problems that might have been forthcoming before they became serious.²⁹

When things appeared to be going well, once more a potential problem emerged. General Electric announced the development of a synthetic diamond, terrifying Zale officials. Since diamonds were the foundation of Zale's business, the possibility that those precious stones could be mass produced caused the company great concern. In order to protect the company's interests and investments, the leadership decided that they must diversify. If their diamond business collapsed, they must have something to fall back on. All the eggs were in one basket, and it appeared that the basket might be spilled. As things developed, however, the cost of producing synthetic diamonds proved to be prohibitive, although industrial quality diamonds are still manufactured.³⁰

In 1965 a broker approached Zale officials with an offer to purchase the Skillern Drug chain, an operation that had started in Lewisville, Texas, in 1885. J. A. Skillern, the founder of the business, moved his operations to Dallas ten years later, expanding it eventually into the largest drug chain in the Southwest. Ray Skillern,

son of the company's founder, and his wife were killed in an automobile accident in 1964, and the remaining heirs decided to sell the business. Because of their decision to diversify, Zale's was interested in the offer. "We knew the Skillern name," Ben Lipshy recalls. "They had an impeccable reputation." An agreement was reached between the two parties, and Zale's acquired the Skillern chain. At the time of the transaction, Skillern's was operating forty-five stores, all in Texas.³¹

Shortly after the Skillern's deal was completed, Zale's acquired Levine's, a chain of 115 clothing and dry good stores. Like the Zale brothers, the Levine brothers were named Morris and William and were Jewish immigrants. They had begun their operations in North Central Texas about the same time the Zales did, opening stores in oil boom towns in the region. Harry Lipshy, Ben's brother, had been associated with Levine's from its earliest days in Burkburnet. Officials had talked about the possibilities of merging Levine's into the Zale operations, but conditions were not right. Finally in 1965 with the Levine brothers nearing retirement age and no family members interested in continuing in the business, they made arrangements with the Zale officials to sell. At the time of the transaction, Levine's was grossing \$45,000,000 in annual sales.³²

In January of 1969 Zale's purchased Karotkin Furniture Company, a retail operation that had begun in San Antonio

in 1882. In 1933 Karotkin's expanded into Austin. At the time of the merger with Zale's Karotkin's was operating four stores, two in San Antonio and two in Austin. After acquiring those four stores, Zale's also purchased two Plantwosky Furniture stores, one in Galveston and another in Texas City. Two Waco furniture stores were also added to Zale's furniture division.³³

Zale's acquired Butler Shoe Company in September, 1969. The Atlanta-based firm operated 270 outlets in thirty-one states. Most of the Butler units were women's fashion shoe stores, while the remainder were leased family shoe departments in discount stores. At the time of the Zale transaction, Butler Shoes was grossing \$50,000,000 in annual sales.³⁴

In addition to drugs, dry goods, furniture, and shoes, Zale's also expanded into the sporting goods field with the acquisition of H. Cook Sporting Goods of Albuquerque, New Mexico. Cook's was that state's largest sports equipment retailer at that time. Zale's later expanded its operations in the sporting good business with the purchase of the Cullom and Boren Sporting Goods stores. By 1973 Zale's was operating a total of twenty-one stores in its sporting goods division.³⁵

In 1969 Zale's purchased three O. G. Wilson's Catalogue Stores, a Kentucky-based mail order business. Although Wilson's was a new acquisition for Zale's, it did not

represent the marked departure from traditional Zale operations that some of the other acquisitions did. Zale's had offered its customers mail order service since the company's earliest years of operations. Personalized jewelry and small appliances, which were the primary items marketed by Wilson's, were products Zale's had sold for years.³⁶

One other acquisition which Zale made in 1969 was Optex, Inc., of San Antonio, a firm that marketed microscopes, binoculars, and other optical equipment. About the same time Zale's purchased another San Antonio company, Harry Sugermann, Inc. Sugermann's manufactured and distributed military insignias to military bases, stores, and post exchanges throughout the world. Through Sugermann's Zale's imported and distributed industrial and consumer electronic equipment as well as a line of scientific optical items.³⁷

Despite numerous and varied diversification efforts, Zale's did not neglect its primary concern, namely jewelry. In 1969 Zale's acquired two new jewelry chains, expanding Zale's jewelry units by thirty-three more units. Abelson's of Newark, New Jersey, operated ten leased jewelry departments and thirteen jewelry stores, and this acquisition marked Zale's first entry into New Jersey. Zale's purchased ten Friedman's Jewelry Stores in the Atlanta area. By late

1969 Zale's was the nation's largest chain of jewelry stores with 720 outlets in forty-two states and Puerto Rico.³⁸

Zale's diversification provided the company with unique opportunities as shopping malls were being developed in major cities across the United States. As Donald Zale, current company president, remarks, "With our diversification we could go into a mall and operate several units--a Zale's, a Corrigan's, a Mission Jewelers, O. G. Wilson's, and a leased jewelry department in one of the department stores."³⁹

The rapid expansion of Zale's necessitated changes in company headquarters and other facilities. When Zale's first moved their headquarters to Dallas in 1946, they were housed in the Mercantile Bank Building. Corporate offices were then moved to the corner of Ross Avenue and Akard Street, which was followed by another move, this time to the Houseman Building on Akard. The size of the company, however, required more and more space, and company officials decided to construct their own building. By September, 1968, construction began on an eighteen-story facility on Stemmons Freeway. Morris Zale, Bill Zale, and Ben Lipshy posed with a \$50,000 diamond-studded shovel used in the groundbreaking ceremonies. Dubbed the "Giant Jewel Box," the building was designed by Harwood K. Smith and Partners, a Dallas architectural firm. The building's exterior was bronze glass, giving it a reflective mirror

surface. The building, which consisted of 600,000 square feet of space, covered four acres and housed 4,000 regular occupants. In addition to executive offices, the Giant Jewel Box had an 850 seat auditorium, meeting rooms, a cafeteria, an employees' retail shop, and a barber shop.⁴⁰

Besides a new facility in Dallas, Zale's also improved their accommodations in New York City. In 1969 Zale's consolidated five New York City locations under one roof, a 170,000 square foot building at 450 West 33rd Street. The new facility tripled the space that Zale's previously utilized in New York. Jewelry design, manufacturing operations, and central buying offices were located in the new building. There were also facilities for warehouses, distribution, and purchasing of merchandise supplied to Zale outlets.⁴¹

At that same time, a new distribution center for fashion jewelry was opened in Dallas to service Zale's jewelry, drug, and department stores. The facility incorporated a computerized ordering system, supplying a wide variety of gold filled and sterling jewelry items to Zale's retail units throughout the nation.⁴²

The company's success enabled Morris and Bill Zale to share their financial gains with others through various philanthropic endeavors. As children in Russia, they had seen their parents divide what meager resources they had with those in need, and now the two brothers had the

means to provide significant help to various individuals and causes. In a hand written letter to his brother, Abe, Morris Zale discussed his ideas for a foundation to provide financial assistance to a wide range of endeavors. In the letter he speculated that if Abe, who suffers from a muscular disorder, had had sufficient funds to receive proper medical care, he might not have had the problems which had plagued him through the years. Perhaps by making money available, the Zale Foundation might be able to alleviate suffering and provide solutions to numerous problems, so in 1951 the Foundation was established. Among its early projects were scholarship grants to minority students. Having personally experienced bigotry and prejudice, Morris Zale knew what it was like to be excluded for racial reasons. Consequently, he went to officials at various institutions with his offer to provide financial assistance for needy minority students. When he was told that there were not enough qualified applicants, he contacted officials at Brandeis University, who in turn communicated with Yale, Harvard, Columbia, and other schools in the East regarding qualified Black and Brown students who wanted to go to law school or medical school but lacked the necessary funds to do so. Zale, through the Foundation, offered to pay their expenses. Many such students came to Texas to attend various professional schools, completely unaware of the source of the funds

which made their studies possible. According to Michael Romaine, current executive director of the Foundation, Morris Zale was responsible for many of the first minority students attending Southern Methodist University and other Dallas-area institutions.⁴³

Many medical institutions have been recipients of Zale Foundation grants, including St. Paul's, Baylor, Methodist, and Presbyterian Hospitals, Children's Medical Center, Baylor University Medical Center, and the Scottish Rite Children's Hospital in Dallas. The Foundation is currently building a clinic in Wichita Falls, and soon a hospital in India will be opened, made possible by a grant from the Zale Foundation and other philanthropic organizations.⁴⁴

Although Morris Zale has not been active in a Jewish congregation in Dallas in recent years, he does support various Jewish causes and endeavors. For example, the Foundation has provided funds for the Dallas Home for the Jewish Aged, the Jewish Community Center of Dallas, and Brandeis University. In 1981 the Foundation, which has assets of more than \$7,500,000, awarded twenty-one grants totalling more than \$560,000.⁴⁵

Another philanthropic venture on Zale's part has been the Braille watch program. Morris Zale gave a watch to a blind newspaper vendor in Wichita Falls, and from that single donation a massive program began. In 1962 Zale's

gave away more than 1,500 watches throughout the United States. Today, no one orders Braille watches except Zale's, which gives them away through state agencies for the blind throughout the nation as well as being distributed by the United States Department of State all over the world. This program, according to Leo Fields, is one of the most rewarding of Zale's charitable endeavors.⁴⁶

On January 15, 1970, Zale's announced an unusual purchase and an even more unusual plan for that purchase. Zale's acquired a 435-karat diamond, the fourteenth largest ever found. Discovered in an unnamed nation in West Africa, the stone had an estimated value of \$5,000,000. Jack Reigot, vice president for Zale's International Diamond Division, negotiated the purchase through a broker in Antwerp. The large stone was part of a package deal that included several smaller stones. Reigot contemplated the deal for a week and then called Morris Zale, who encouraged him to buy the magnificent diamond. Following a day and a half of bargaining, Reigot and the broker reached an agreement, and the transaction was completed. The prized diamond was then sent by registered letter to the United States. When it arrived at the Zale Building in New York City, it was placed in a double combination vault. Since the acquisition was still secret, it was placed in a package labelled, "For Janet--

Personal." (Janet is Morris Zale's granddaughter. She was seven years old at the time).⁴⁷

Company officials debated about what they should do with such a remarkable diamond. "This was no ordinary diamond. It was a responsibility!" remarked Morris Zale. The diamond was cut, leaving a keystone of 130.27 karats, making it the second largest pear-shaped diamond in the world. (The largest, Cullinan I, is part of the British Crown Jewel Collection). Seventy-five satellite diamonds, ranging in size from two to twenty karats, were also cut from the original stone. "The sheer beauty of it would simply take your breath away," Ben Lipshy recalls.⁴⁸

"But," Morris Zale commented, "there is no real beauty without peace," and the stone was named the "Light of Peace." Plans were made to take the diamond on a tour of major cities around the world. Proceeds from the tour would be used to promote world peace. Zale commented, "It is time for private industry to take a more active role in promoting peace, a job that traditionally has been left exclusively to government." A grant of \$250,000 from the Zale Foundation established a special peace foundation headed by former United Nations Ambassador and Supreme Court Justice Arthur Goldberg. A select committee was appointed to name a person each year who, in the committee's view, had made the most significant contributions to the cause of world peace. Lady Bird Johnson, former First

Lady, co-chaired the committee with William McGill, president of Columbia University. Other committee members included Chief Justice Earl Warren; Justice Thurgood Marshall; Katherine Graham, president of the Washington Post; Arthur Krim, chairman of the board of United Artists and former special consultant to the president of the United States; George R. Brown, chairman of the board of Brown and Root; Linda Gordon Howard, president of the student body at the University of Virginia Law School; and Mark Ward, a student at Stanford University.

At a dinner and award ceremony held in Austin in October, 1973, Roy Wilkins, longtime civil rights worker and executive director of the NAACP, received the first Zale Peace award, which carried an honorarium of \$25,000. Because charges of commercialization were raised, Zale's removed itself from the project the next year, and the Light of Peace was sold. The sale was again conducted through a broker, and the whereabouts of that magnificent stone are unknown.⁴⁹

As the decade of the 1970's began, Zale's was enjoying unparalleled success. Its holdings included a drug store chain, furniture stores, sporting goods, optical equipment, shoe stores, and clothing stores. Sales reached \$380,000,000. The company had no long range debt and was expanding almost on a daily basis by adding new jewelry stores to its operations. There were more than 1,000

jewelry stores operating in various parts of the world as part of the Zale Corporation. As had happened in the past, however, when things seemed to be going well for Zale's, a major adversity developed. Such was the case in 1976. While the previous problems had been external--depression, war, synthetic diamonds--the company would be shaken by an internal problem unlike anything it had faced before.

NOTES

¹Office Memorandum, Morris Zale to Zale employees, 18 Apr. 1957.

²Ben Lipshy, personal interview, conducted in Dallas, Texas, Aug., 1983.

³Morris Zale, personal interview, conducted in Dallas, Texas, October, 1983.

⁴Ben Lipshy interview.

⁵Ibid.

⁶Ibid.; "The Zale Story," National Jeweler, Nov., 1958, 54-58. Dean Gueren, personal interview, conducted in Dallas, Texas, Dec., 1983.

⁷"The Zale Story,"; "Diamonds to Fit Every Purse," Business Week 22 (21 April 1962): 52-55.

⁸Leo Fields, personal interview, conducted in Dallas, Texas, Feb., 1983.

⁹Ibid.

¹⁰Ibid.

¹¹Ibid.

¹²Ibid.; Morris Zale interview; Morris Zale, "Zale's, A Giant and Still Growing," Jewelers' Circular Keystone, June, 1962, 38-41, 54-59.

¹³Zale, "Zale's, A Giant and Still Growing," 59.

¹⁴Leo Fields interview.

¹⁵Ben Lipshy interview; Morris Zale interview; One of Zale's acquisitions in November, 1959, was the eight-store chain of Olsan and Eban which operated in Indiana, Illinois, and Michigan. It was at an Olsan and Eban store in Chicago in 1924 that Morris Zale was first introduced to some of the concepts of credit selling that were so important to Zale's success through the years.

¹⁶Leo Fields interview; collections of announcements and press releases on file in Zale Corporation archives.

¹⁷Leo Fields interview.

¹⁸Ibid.; Willis Cowlshaw, personal interview, conducted in Dallas, Texas, Dec., 1983.

¹⁹Ibid.

²⁰Ibid.

²¹"Diamonds for the Masses," Fortune Magazine 70 (December, 1964): 134-37, 164-69.

²²Ibid.; Ben Lipshy interview; Marcus Baerwald and Thomas Mahoney, The Story of Jewelry (New York: Abelard-Schuman, 1960), 32-48; Victor Argenzio, Diamonds Eternal (New York: David McKay, 1974), 11-12.

²³"Diamonds for the Masses," 136.

²⁴Ben Lipshy interview; Leo Fields interview; Argenzio, Diamonds Eternal, 11-12.

²⁵"Diamonds for Every Purse," 52; Morris Zale interview; Ben Lipshy interview; "Diamonds for the Masses," 174.

²⁶Ben Lipshy interview; Leo Fields interview.

²⁷Al Gartner, personal interview, conducted in Dallas, Texas, Aug., 1983; "This is the Zale Corporation," in-house publication of the Zale Corporation, on file in Zale Corporation archives.

²⁸Morris Zale interview.

²⁹Donald Zale, personal interview, conducted in Dallas, Texas, Feb., 1983; Leo Fields interview.

³⁰Ben Lipshy interview.

³¹Press release, on file in Zale Corporation archives.

³²"Zale's, A Jeweler Who Keeps Making Good," National Jeweler, Sept., 1969, 6-9; Ben Lipshy interview.

³³Ibid.

³⁴Ibid.

³⁵Ibid.

³⁶Ibid.

³⁷Ibid.

³⁸Ibid.

³⁹Donald Zale interview; Zale's has now sold all of its diversified interests with the exception of the O. G. Wilson Catalogue Stores, now known as Wilsons.

⁴⁰Dallas Morning News, 21 Sept., 1968.

⁴¹"Zale's, A Jeweler Who Keeps Making Good," 7-8.

⁴²Ibid.

⁴³"The Zale Foundation," in-house publication of the Zale Corporation, on file in Zale Corporation archives; Not all of Zale Foundation grants are direct grants. For example, Zale's awarded scholarships to select students in the College of Business at the University of Texas at Austin. Those students were employed by the Zale's store at 2236 Guadalupe near the University campus, where they were trained in all phases of the store's operations. Upon graduation, they were offered positions with Zale's, but they were not obligated to accept the offers; Michael Romaine, personal interview, conducted in Dallas, Texas, December, 1983.

⁴⁴Michael Romaine interview; Leo Fields interview.

⁴⁵Ibid.

⁴⁶Leo Fields interview; Sid Lipshy, longtime Zale employee and official, was also interested in assistance for the blind, and he personally financed such individuals to attend a special school in California where they received a sight dog and training to use the dog.

⁴⁷New York Times, 15 Jan., 1970; Ben Lipshy interview.

⁴⁸"The Diamond of Peace," in-house publication of Zale Corporation, on file in Zale Corporation archives; Ben Lipshy interview.

⁴⁹Ben Lipshy interview; Austin American-Statesman, 8 Oct., 1973.

CHAPTER VIII

ROVINSKY

In 1976 as Zale's began its fifty-second year of operations, the company was at its zenith. There were more than 1,700 units doing business all over the world--Zale jewelry stores, fine jewelers guild stores, sporting goods, furniture outlets, shoe stores, and scientific equipment. Zale's was operating in forty-eight states, Puerto Rico, and Guam. The company had various types of facilities in Switzerland, England, Germany, India, and Israel. On December 20, 1976, Zale's broke an all time high for single day's sales when it posted a record \$10,000,000 volume. Such a figure was astounding when compared to the dark days of the depression when a \$3,200 day was welcomed. Total sales for fiscal 1976 exceeded \$639,000,000 with profits totalling more than \$32,000,000.¹ To say that the future never looked brighter is to understate the case significantly, but as good as times were, promises of even better times lay ahead. The situation was to take a dramatic turn, however, as the company would be once again faced with a jarring adversity. Previous problems had been external in nature--racial prejudice and religious bigotry, economic depression, world war, rationing and

shortages, and competition from synthetic diamonds. The adversity that confronted Zale's in the mid-1970's came from within the giant company and was unlike anything it had previously encountered. The company's foundations were shaken, and the men who had poured their lives into its growth and development could envision the possibility of having it seriously damaged.

The incident was foreshadowed by a terse statement issued by Zale's on February 6, 1976, announcing that Shearn Rovinsky, the chief financial officer of the company, had been terminated for "violation of corporation policy."² He had been with Zale's for seventeen years. Over the next several months the Rovinsky incident would result in a tumult of negative publicity for the company. In addition, because of claims made by the deposed treasurer, Zale's would be investigated by the Internal Revenue Service (IRS), the Securities and Exchange Commission (SEC), and the Federal Trade Commission (FTC). Several stockholders in the company would file lawsuits calling for an executive reorganization, and Rovinsky himself would seek sizable sums of money from the company, accusing its officials of slander and defamation of character.

The central figure in the controversy was Sol Shearn Rovinsky. Described as a child prodigy, Rovinsky demonstrated a remarkable memory and a unique talent for numbers. Given a date, past or present, he was able to

tell instantly the day of the week on which that date occurred. At the age of seven he was able to recite from memory Lincoln's Gettysburg Address after having read it through one time. His photographic memory had brought him recognition in Ripley's "Believe It or Not" column by the time he was ten. The constant demand to perform his talents was causing some emotional strain on the youngster, so the family doctor ordered him not to demonstrate his abilities without parental permission.

The son of an insurance executive, Rovinsky attended Highland Park High School where he was a classmate and casual acquaintance of Donald Zale. Following his graduation from the University of Texas at Austin, Rovinsky served as an officer aboard the USS Yorktown. After his discharge from the navy, Rovinsky was employed by the Internal Revenue Service as a special agent. In 1958 he married Linda Burk. Linda's brother, Larry, had only a few months before married Joy Lipshy, Ben's daughter. In 1959 Zale's added Rovinsky to the accounting department, and he rose rapidly in the company until his appointment as chief financial officer in 1966. In that position Rovinsky's signature was good for cashing any Zale's receipt, and it was that authority that touched off a series of sensational events.³

On the morning of January 27, 1976, Rovinsky's assistant, Ronnie Hickerson, confronted him with a

questionable entry on the books. The \$10,000 entry for the payment of property taxes was simply "too round and even," in Hickerson's opinion. That payment was always a more specific figure like \$5,268.94. When Hickerson searched further, he found three additional suspicious entries, and he was not satisfied with the explanations he was getting from Rovinsky. At that point Hickerson decided to go to Donald Zale, company president, with his findings. The accounting firm of Touche Ross, Zale's outside auditors, was called in for a closer inspection of the records, and their findings indicated that more than \$600,000 in corporate funds were either missing or had been misapplied. Early (approximately 6:30) on the morning of February 6, a Thursday, Rovinsky was summoned to the Zale Building on Stemmons Freeway to explain the irregularities to Chairman of the Board Ben Lipshy and President Donald Zale. During the confrontation Rovinsky, who was ordinarily polished and articulate, stammered almost incoherently. Lipshy officially gave the treasurer twenty-four hours to come up with a satisfactory explanation regarding the missing funds.⁴

Rovinsky returned to his home in North Dallas to contemplate his next move. After his wife left to take the children to school, Rovinsky wrote notes to his family, to Lipshy, and to Zale, explaining that he planned

to "do away with myself" to save the company. He then went to the garage and closed the door. He got into the car, started the engine, and prepared to die from carbon monoxide poisoning. His suicide attempt was aborted, however, by the family housekeeper, and Rovinsky dropped out of sight for several days. The following day, February 7, Bruce Lipshy, Ben's son and a Zale vice president, went to the Dallas District Attorney's office to file charges of theft against the one-time company treasurer. In March a Dallas County grand jury indicted Rovinsky on one count of theft of over \$10,000. A second indictment on the same charge was handed down in August. If convicted of both counts, Rovinsky faced a maximum of twenty years in prison.⁵

On February 16 Donald Zale announced that as a result of the corporation's continuing investigation of Rovinsky's alleged misappropriation of funds, Zale's and some of its subsidiaries may have underestimated federal tax liabilities for a number of years. Zale stated that based on the information available, it was believed that such a liability would not exceed \$4,000,000. Zale also announced that he had already notified the IRS of the possible underpayments.⁶

The Rovinsky trial opened October 27, 1976, in the 195th District Court, presided over by Judge R. T. Scales. Rovinsky was charged with cashing tax refund checks to the company and pocketing the money. In addition, he was

alleged to have diverted funds paid by investors in Zale's commercial paper to a petty cash fund and then withdrawing money from that fund for his own personal use. To cover his withdrawals, he was accused of falsifying records of an account used to pay local property taxes. Such actions, according to the charges, amounted to misappropriation of \$600,000 in Zale corporate funds and had been going on for some five years.⁷

In his defense Rovinsky admitted to have taken the money, but he claimed that he did so with the full approval and knowledge of top ranking Zale officials, including both Ben Lipshy and Donald Zale. He asserted that the funds were, in effect, a payoff to him in lieu of salary increases. Rovinsky maintained that he had developed a scheme which saved the company substantial amounts of money at tax time. The plan called for the manipulation of profit reports in order to decrease the company's federal tax obligations by transferring profits from profitable stores to ones that were losing money. When he pressed his superiors for increases in pay to reward him for his contributions to the company, Rovinsky said that he was promised a \$2,000,000 stock package deal. In the meantime, he was told, in his words, to make "loans" to himself from company funds.⁸

Rovinsky proceeded to accuse his former employers of several illegalities and improprieties. He claimed that

Zale's had defrauded the federal government out of as much as \$8,000,000 in income taxes. In addition, he maintained that the corporation kept a pool of funds that provided unreported income and unrecorded bonuses paid to Zale employees, allowing them to avoid personal income taxes. According to Rovinsky, Zale's justified these practices of paying cash salaries and bonuses to executives in countries with unusually high tax rates on the grounds that it was the only way they could keep competent people working for them in those countries. He contended further that a Belgian account took money from diamond sales in the black market to reimburse company officials for making illegal political campaign contributions. Finally, Rovinsky outlined a scheme that he claimed was used to bribe purchasing agents at military post exchanges to carry Zale products and merchandise.⁹

At the time of his dismissal, Rovinsky's salary was approximately \$75,000 a year, but testimony indicated a life style that required more money than his annual salary provided. Between 1971 and 1975 he admitted to have wagered more than \$540,000, primarily on football games and other sporting events, and suffered a net loss of \$150,000. According to one source, Rovinsky held regular poker games at his home, and the stakes were notoriously high. When Zale officials traveled on company business, they were provided with a tourist class ticket, a carryover

from the early days of austerity when the young company was struggling and watching every penny. Individuals who wanted to travel first class had to pay the difference themselves. Rovinsky always did. His wardrobe included ten tailored silk suits. The former treasurer spent \$20,000 on his son's bar mitzvah, and all four of his children were enrolled in exclusive private schools. Testimony also indicated that he bought lavish gifts for a "female friend," named Shari Oliver, a one time Zale employee. The gifts included clothes, jewelry, a car, and the rent on a luxurious townhouse apartment in North Dallas.¹⁰

In rebuttal to Rovinsky's allegations, Zale's admitted to having made illegal reimbursements to company personnel for campaign contributions. Although they declined to name the candidates or the campaigns involved, it was known that Lyndon Johnson had entertained Morris Zale at the LBJ Ranch and that John Connally had given the keynote address at one of Zale's annual meetings held in Dallas. According to Zale's claims, the total amount of money involved was less than \$25,000. There was also an admission that gifts, concessions, and discounts had been given to various PX purchasing agents. When company officials learned of that practice, however, they ordered it stopped and made it known that anyone who continued

to make such concessions would be terminated. Zale's claimed that both practices had stopped in the early 1970's.¹¹

When questioned on the witness stand about their approval of Rovinsky's "withdrawals" and "loans," both Ben Lipshy and Donald Zale denied unequivocally any knowledge whatsoever of Rovinsky's claims. Lipshy testified that he had never discussed any stock deal with the former treasurer and that he knew nothing about the "loans" Rovinsky was making for himself until he was informed of this by Rovinsky's subordinates. Donald Zale expressed shock upon learning of Rovinsky's actions and claims. He testified, "There is no way we would ever have authorized or did authorize Shearn Rovinsky taking the money."¹² Both Lipshy and Zale insisted that the former treasurer acted alone. Besides, if a Zale employee needed money, the company had a unique loan policy. Over the years, hundreds of thousands of dollars in interest-free loans had been made from the corporate accounts to a number of company personnel. One unnamed executive, a nonfamily member, received a loan of \$200,000 to cover stock market losses. Many received loans ranging from \$10,000 to \$100,000 simply on their word. Why, they wondered, did Rovinsky need to manipulate the books if he needed money?¹³

On the other hand, it is difficult to imagine how Rovinsky could have taken the money without corporate officials being aware of it. This is particularly true

in the case of Zale's, whose leaders were known to scrutinize records and invoices. One unnamed employee related an episode in which he said he received a telephone call from Morris Zale inquiring why the individual had purchased thirteen light bulbs instead of twelve. Since the store where he was working had only twelve light fixtures, why did he need the extra bulb. Morris Zale has been quoted as saying, "The only thing we (Zale's) are sentimental about is cash."¹⁴

Morris Zale responded to those suspicions with a single word--trust. He contended that 99.9 percent of Zale's employees had never taken a penny but always gave an honest day's work for a day's pay. The nature of the diamond business demands a feeling of trust and confidence toward the people with whom one is involved. He stated, "I can't stand to be suspicious of people. I'm in the diamond business. I spend millions of dollars over the telephone without seeing a piece of merchandise. It's all on faith, and the day this business can't be run on faith, it ought to be closed down."¹⁵

Morris Zale also concluded that if a person wants to steal, he can do so. He recalled an incident from his days in Graham, Texas, that illustrates that point. It seems that there were two brothers in that community who sat across from each other as they kept books for a company. One of the brothers was embezzling funds, and had been doing

so for a number of years. His brother had sat right beside him for all that time, completely unaware of what had been happening. Eventually the innocent brother paid back all the money his brother had taken.¹⁶

Furthermore, the Zale Corporation had become too large and complex for Morris Zale, or anyone else for that matter, to keep an eye on everything as he had once done. The top officials of the company maintained that taxes were Rovinsky's responsibility, and they had complete confidence in both his ability and his integrity.¹⁷

Indeed Rovinsky had demonstrated a remarkable talent for making maximum of legal provisions for saving the company tax money. For example, the land on which the corporate headquarters sat in Dallas was sold to the company's subsidiary in Puerto Rico, which was not subject to local and state property taxes. When the Zale Corporation bought the Light of Peace diamond, Rovinsky arranged to have the Puerto Rican subsidiary make the actual purchase, saving Zale's from having to pay expensive entry taxes into the United States. Both of these transactions were completely legal.¹⁸

The Rovinsky trial opened in October, 1976, and lasted for nine days. After deliberating for only three hours and fifteen minutes, the seven woman five man jury returned a verdict of "not guilty." One juror commented afterward

that the vote was near unanimous as soon as the jury retired to begin their deliberations. In comments made after rendering their verdict, jurors revealed that they considered Rovinsky "just one crook among many," and that "he should not be made a scapegoat for the others."¹⁹ The acquittal was the first of several setbacks which would confront Zale's over the next several months.

Because of the accusations of the deposed treasurer, the IRS began an investigation of Zale's tax liabilities. Rovinsky had claimed that Zale's shifted profits from successful stores to ones that were not doing as well. Conversely, expenses from losing stores were transferred to profitable ones. Zale's utilized a legal procedure called multiple corporations. The first eleven stores and the company's administration acted as a holding company for the remaining stores in the organization. Therefore, each of those stores was, in effect, a separate corporation filing its own tax returns. By shifting profits, as Rovinsky alleged, Zale's could qualify as many stores as possible for lower tax rates. Under the surtax law provisions of that period, stores that showed a profit of less than \$25,000 would be taxed at a rate of 28 percent, the rate applied to small business. Stores with profits in excess of \$25,000 were taxed at the corporate rate of 48 percent. By utilizing the company's computer, Rovinsky

claimed that he switched profits among stores, or "buried profits," and in doing so saved the company more than \$8,000,000 in federal taxes.²⁰

Rovinsky further alleged that Zale's avoided taxes by utilizing a one year lag in reporting income. By staying consistently behind in reporting revenues, Zale's could use those funds an additional year before paying taxes on them. Rovinsky commented that the federal government was, in effect, serving as Zale's loan officer. He alleged that this procedure saved the company between \$9,000,000 and \$10,000,000 annually.²¹

If it could be proven that Zale's had engaged in the activities of which Rovinsky accused them, the corporation would be liable for as much as \$30,000,000 in back taxes. The addition of penalties and interest would have brought the final amount to nearly \$50,000,000. Obviously, that figure was a far cry from the \$4,000,000 the company had originally estimated. Although Zale's had an equity of \$322,000,000 and a long term debt of only \$20,000,000, the final amount of taxes which Rovinsky claimed Zale's owed totalled approximately 15 percent of the company's net worth. Furthermore, if the corporate executives were involved, criminal charges might be brought against them.²²

Besides a potentially staggering tax liability, Zale's was faced with declining profits as the controversy mounted.

Although individual stores continued to do well, as in the case of the Oak Cliff store managed by Harold Shackman, the overall performance of the company showed signs of the effects of the scandal. Second quarter earnings in 1976 declined 34 percent (\$3,600,000 profits on \$148,000,000 in sales). Zale's stock which had traded for \$25 a share on February 5, the day before Rovinsky's termination, had dropped to 12½ by mid-November. It had sold for as high as \$56 a share in the early 1970's. During the week of November 22, 1976, it had been the most active stock on the New York Stock Exchange. Sid Thompson of Rauscher Pierce Securities of Dallas states, "We have taken them (Zale's) off our recommended list."²³

To complicate Zale's problems further, the Securities and Exchange Commission launched an investigation of possible violations of federal security laws. In connection with the SEC investigation, three separate lawsuits were filed by Zale stockholders. The derivative suits, filed in federal courts in Texas and New York, charged Zale officials with defrauding federal and state governments out of more than \$8,000,000 in taxes and shareholders out of an unspecified amount of money. Twenty-two directors, including deposed treasurer Shearn Rovinsky, were named in the suit as defendants. The plaintiffs asked U. S. Federal Judge William Taylor to remove the defendants who were

still Zale directors from office and award an unspecified amount of damages to the plaintiffs. In addition, the suit asked the defendants to return bonuses and monies from profit sharing to the company. It also requested that a special shareholders meeting be called for the purpose of electing a new Board of Directors.²⁴

In August of 1978 the Federal Trade Commission (FTC) notified Zale's that it was beginning an investigation to determine whether the company's credit practices conformed to federal laws and regulations. Zale's offered its complete cooperation with the investigation, offering to provide whatever information and documents the FTC might need to reach a satisfactory resolution of the matter.²⁵

Following his acquittal of the charges of theft against him, Rovinsky announced that he planned to write a book relating his experiences and providing an exposé of Zale's. In addition, he had threatened to file a lawsuit against his former employer, and he kept his promise. In a suit filed in the 162nd Judicial Court in Dallas on October 28, 1977, Rovinsky alleged that he was falsely accused by the defendants, including the Zale Corporation and three major corporate officers--Ben Lipshy, Donald Zale, and Bruce Lipshy. He sought actual damages of \$5,000,000 and exemplary damages of \$50,500,000 from the defendants on the grounds that they deprived him of certain alleged contract rights with the company and caused

him the loss of his right of privacy, the loss of his reputation, and the loss of his rights and benefits from his relationship with his wife and children. In June, 1977, Rovinsky filed a second suit seeking recovery of \$65,000 plus interest in profit sharing funds which he accumulated during his seventeen year tenure with Zale's.²⁶

Some weeks following his acquittal and during the time that Zale's was being investigated by the IRS, SEC, and FTC, the former treasurer contacted his former employers. Sam Bloom, a member of Zale's Board of Directors, arranged a meeting between Rovinsky and Ben Lipshy. There were eventually three meetings between the two men, all of which were held at the Fairmont Hotel in downtown Dallas. When Rovinsky first propped the meetings, Lipshy went to the office of Dallas District Attorney Henry Wade, and with the assistance of that office, he prepared to tape record his conversations with Rovinsky. Rovinsky maintained that his purpose in arranging the meetings was to discuss a possible out-of-court settlement of the slander suit he had filed against the Zale Corporation.²⁷

On the third and final meeting between the two men, Lipshy turned over to Rovinsky a briefcase containing \$200,000 in cash. As he left the hotel room, Rovinsky was met by two Texas Rangers who were waiting for him in the outside hall. They placed him under arrest, charging him with extorting the money from Lipshy and the Zale

Corporation. On 20 December 1976, only six weeks after being acquitted of initial charges of theft, Shearn Rovinsky was indicted by a Dallas County grand jury that alleged Rovinsky had coerced Lipshy into giving him the money. Specifically, the indictment stated that the ex-treasurer had threatened to "accuse Ben Lipshy of criminal offenses, namely to accuse Ben Lipshy in a criminal prosecution for federal tax offenses."²⁸

At the trial Rovinsky's attorneys attempted to introduce into evidence information regarding Zale's tax investigation and other legal complications. The defense argued that Zale's blamed Rovinsky for exposing them and their illegal practices, and it was Rovinsky's contention that the meeting were intended to "set him up." When visiting judge Herbert Line of Texarkana refused to allow Zale's tax problems and other federal investigations to be introduced into evidence, Rovinsky's lawyers pulled a surprise move. At that point they waived the right to a jury trial and asked that Judge Line hear the evidence and render a verdict.²⁹

With the jury dismissed Line asked the two sides to accompany him to his chambers to listen to the tape conversations between Rovinsky and Lipshy. Such actions brought harsh criticism from the press, but Line proceeded with his plan. On one tape Rovinsky asked Lipshy about

"working out a deal." If a suitable agreement could be reached, according to the former treasurer, he (Rovinsky) could be the best friend the Zale Corporation ever had. If they could not come to terms, he could be their worst enemy. During the conversations, Rovinsky proposed several matters that "needed to be taken care of," but Lipshy brushed those aside with the comment that the "IRS is our major concern." Rovinsky, who was a former IRS special agent before being hired by Zale's, responded, "I am the best at handling the IRS there ever was." He promised to "handle the IRS--keep them off of Zale's back or put them on," whatever he (Rovinsky) wanted to do. The implication was that his testimony was negotiable, and if Zale's would pay him a substantial amount of money, he would provide the IRS with information that would clear the company. If not, he would give them incriminating evidence.³⁰

Beginning at \$7,000,000, Lipshy haggled Rovinsky down to \$4,000,000. That figure represented \$1,000,00 each for Morris Zale, Donald Zale, Ben Lipshy, and Bruce Lipshy. Although Rovinsky stated that he did not want a "suitcase full of money," that is exactly what he got. At their final meeting, Lipshy handed over to Rovinsky a briefcase filled with 2,000 marked one hundred dollar bills, which would serve as a down payment to Rovinsky

for his assistance. After signing a paper in which he agreed not to incriminate key Zale personnel, including Donald and Morris Zale and Ben and Bruce Lipshy, Rovinsky picked up the briefcase and walked out the door and into the waiting arms of the Texas Rangers stationed in the hallway outside the meeting room. After hearing the taped conversations and other evidence, Judge Line ruled that Rovinsky was guilty of theft by coercion, formerly called extortion under Texas law, and sentenced him to five years in prison.³¹

Although Rovinsky himself had been convicted and imprisoned, the episode was not yet totally resolved. Investigations by the IRS and SEC continued, and litigation was still pending against the corporation and its officials. Initial findings indicated that Zale's was liable for \$78,000,000 in back taxes, interest, and penalties, a figure which the company challenged. In addition, both Ben Lipshy and Donald Zale were informed that they were being investigated for possible criminal actions in connection with the Rovinsky incident. After a lengthy investigation, however, the Justice Department announced that no criminal charges would be filed against the Zale Corporation or any of its executives. The conclusion was that while underpayments did occur, no Zale officials other than Rovinsky and his subordinates were

involved in any manipulation of the company's tax records. Zale's ultimately paid some \$30,000,000 to the IRS for tax underpayments, interest, and penalties as a result of the Rovinsky episode.³²

On 19 August 1977, in settlement of the SEC investigation, Ben Lipshy, Donald Zale, and Marvin Zale (Donald's brother and a Zale Corporation vice president) signed a permanent injunction enjoining them from violations of reporting, proxy, and anti-fraud provisions of federal securities laws. In signing the decrees, neither the company nor the three senior officers admitted or denied the allegations in the complaint filed by the SEC simultaneously with the consent decrees. While the signing may be interpreted as an admission of guilt, such an arrangement is customary in settling SEC investigations in order to avoid long and expensive proceedings. In its complaint, the SEC alleged that in prior public filings the Zale Corporation had failed to report reimbursements for political contributions to senior officers in 1970-1972 totalling approximately \$21,000. In addition, there were charges of the maintenance of an off-book trading account in a foreign country, namely Belgium, and improper use of the funds in that account. As part of the settlement, the company agreed to take steps to strengthen the role of its outside directors. Zale's agreed to elect three new

directors, none of whom had any previous experience or affiliation with Zale's. The scope and duties of the audit committee of the board was expanded, and the committee was reconstituted so that the three new directors formed a majority. The company also agreed to adopt and monitor a code of ethical standards and business practices and to design and implement a comprehensive orientation program for its new directors.³³

Zale's and the plaintiffs in the shareholders suits reached a settlement in 1978. Under the terms of the agreement, the company consented to pay \$1,100,000 into the registry of the court in the final settlement of all class action claims out of which attorneys' fees and other expenses were to be paid in amounts determined by the courts. The balance was to be paid to a broad class of purchasers, sellers, and holders of the company's stock from June, 1970, through July, 1977. The derivative action claims seeking damages on behalf of the company against individual defendants was settled by the payment of \$725,000 to the company by those individuals or their insurers. The company also paid an additional \$160,000 in other attorneys' fees and various expenses.³⁴

In 1983 claims between Zale's and the former treasurer, Shearn Rovinsky, were finally settled. Rovinsky had asked for a total of \$5,550,000 in damages claiming that Zale's actions against him had resulted in the

defamation of his characters and the loss of his reputation. He also had contended that his family had been destroyed as a result of the proceedings. The suit involving claims and counterclaims between the two parties was dismissed at no cost to the company.³⁵

It was six years from the time the Rovinsky "incident" first came to light until it was finally resolved. "It cost us alot of time and money," commented Ben Lipshy, "time and money that could have been put into the business."³⁶ Of course, the episode also caused Zale's much embarassment. For a business that had been built on trust and confidence and stressed integrity in dealing with its customers, Zale's had a difficult time dealing with the humiliating charges of corruption and scandal. Naturally, there were feelings of bitterness against this once trusted employee. The hierarchy believed that this man might permanently damage a company to which long-time Zale employees had literally devoted their lives. As had happened so often in the past, however, Zale's is putting the incident behind them. By 1978 with many of the investigations and problems related to the episode resolved, conditions began to improve. Many Zale employees expressed doubts that the Rovinsky case had damaged their sales overall, but investors had raised some doubts about the company's future. First quarter sales for 1978,

however, were up 14 percent over the previous year, totalling \$168,117,000. For continuing operations, earnings exceeded \$7,000,000 or \$0.53 per share, compared to \$6,567,000, or \$0.49 per share the year before. Once again Zale's had faced another in a long line of adversities and found itself stronger as a result, eager to face more challenges in the future.

NOTES

¹"A Darkening Shadow Over the Zale Corporation," Business Week 36 (22 Nov. 1976): 56.

²Dallas Morning News, 6 Feb., 1976.

³Harry Hurt III, "Diamonds Aren't Forever," Texas Monthly 5 (June 1977), 116.

⁴Ibid.; Steve Mott, "The Zale Affair," Texas Business, Jan. 1977, 18; Wall Street Journal, 2 Aug., 1977; Ben Lipshy, personal interview, conducted in Dallas, Texas, Jan., 1983.

⁵Ibid.

⁶Press release issued by the Zale Corporation, 16 Feb., 1976.

⁷Dallas Morning News, 28 Oct. 1976.

⁸Dallas Times Herald, 17 July 1976.

⁹Ibid.

¹⁰Hurt, "Diamonds Aren't Forever," 164-65; Mott, "The Zale Affair," 17.

¹¹Dallas Times Herald, 19 July 1976; ibid., 20 July 1976; Hurt, "Diamonds Aren't Forever," 116, 166.

¹²Mott, "The Zale Affair," 18; Donald Zale, personal interview, conducted in Dallas, Texas, Jan., 1983; Ben Lipshy interview; "Diamonds Aren't Forever," 158.

¹³Hurt, "Diamonds Aren't Forever," 158.

¹⁴Ibid.

¹⁵Ibid.

¹⁶Morris Zale, personal interview, conducted in Dallas, Texas, Feb., 1983.

¹⁷Hurt, "Diamonds Aren't Forever," 163.

- ¹⁸ Ibid.
- ¹⁹ Mott, "The Zale Affair," 18.
- ²⁰ Hurt, "Diamonds Aren't Forever," 160.
- ²¹ Ibid.
- ²² Mott, "The Zale Affair," 17.
- ²³ "Zale Corporation Stock--A Battered Bargain?" Texas Business 1 (Jan. 1977): 58.
- ²⁴ Wall Street Journal, 30 Aug., 1976; Dallas Times Herald, 30 Aug., 1976.
- ²⁵ Securities and Exchange Commission, Form 10-K Report, 1981, 7.
- ²⁶ Ibid.
- ²⁷ Wall Street Journal, 2 Aug., 1977; Ben Lipshy interview.
- ²⁸ Dallas Morning News, 21 Dec., 1976.
- ²⁹ Ibid., 22 Oct. 1977.
- ³⁰ Transcript of taped conversations between Shearn Rovinsky and Ben Lipshy submitted as evidence in trial, Oct., 1977. Tapes located in office of Dallas District Attorney.
- ³¹ Wall Street Journal, 22 Oct., 1977; Dallas Morning News, 22 Oct., 1977.
- ³² Securities and Exchange Commission, 10-K Annual Reports, 1978, 1979, 1980, 1981, 1982, 1983.
- ³³ Ibid.; press release from Zale Corporation, 19 Aug., 1979.
- ³⁴ Securities and Exchange Commission Report, 1979.
- ³⁵ Ibid., 1983.
- ³⁶ Ben Lipshy interview.
- ³⁷ Press release from Zale Corporation, 19 Aug., 1979.

EPILOGUE

The 1980's marked the beginning of a new era for Zale's. Many of the longtime leaders such as William Zale, Sid Lipshy, and Moe Gimp are deceased. Others, like Morris Zale, Ben Lipshy, Al Gartner, and Leo Fields, have either retired altogether or have moved into supporting roles. A new generation of leaders--Donald Zale, Bruce Lipshy, and Marvin Zale--has emerged. The Giant Jewel Box that has housed corporate headquarters since the mid-1960's has been sold, and the company is preparing to move into a luxurious new facility in the Las Colinas area of suburban Dallas. The new building will provide much needed space for the continually expanding company. The diversified interests--furniture, dry goods, shoes, drugstores, and sporting goods--have all been sold, as the concern for the synthetic diamond dissipated, and Zale's returned to its first love, jewelry. The company now advertises itself as "The Diamond Store."

In 1983 the Zale Corporation conducts its retail operations through nine divisions, which employ an approximate total of 13,500 people. The Zale Jewelry Division operates 793 stores in forty-nine states, Puerto Rico, and Guam, primarily under the name of Zale's

Jewelers. The average store contains approximately 1,500 square feet of floor space and carries merchandise principally in the medium price range of from \$150 to \$350 per item. During 1983 revenues from this division totalled \$398,000,000, or 42 percent of the company's total consolidated revenues.¹

The Fine Jewelers Guild Division operates 328 stores in thirty-eight states and Guam. These stores are operated under forty trade names, each of which has a local or regional reputation for excellence in quality of merchandise and service. Somewhat larger than the Zale's stores, guild stores occupy an average of 2,500 square feet of floor space. Because guild stores conform to high standards of quality and taste, merchandise is principally in a higher price range of \$250 to \$1,000 per item. Approximately 29 percent, or \$274,000,000, of the company's total consolidated revenues is generated by the guild division.²

The Leased Jewelry Division operates 113 units in department stores in fifteen states under the name of the store in which they are located. The average unit contains only 600 square feet of space and sells in the popular price range of \$50 to \$150 per item. Revenues from the leased jewelry division totalled \$34,000,000, or 4 percent, of the company's gross revenues.³

Forty-six stores are operated in ten states as part of the Mission Jewelry Division. Like the leased jewelry units, Mission stores sell merchandise in the popular price range. The Mission division generated \$17,000,000 in revenue in 1983, which comprised 2 percent of the company's consolidated revenues.⁴

The Catalogue Division operates fifteen showrooms in six states under the name of O. G. Wilson. Ranging in size from 20,000 to 60,000 square feet, the Wilson Catalogue stores emphasize jewelry merchandise, but also sell such items as cameras, sporting goods, luggage, appliances, and electronic equipment. Wilson's accounted for \$62,000,000 in revenue, or 7 percent, of the total revenues of the Zale Corporation in 1983.⁵

Zale's Jewellers Limited Division operates eighty-nine stores in the United Kingdom under the names Zale's Jewellers, Maxwell Jewellers, and Leslie Davis Jewellers. The average store contains 1,500 square feet and is comparable in price range to its Zale division counterpart stores in the United States. Some \$26,000,000, which constitutes 3 percent of the company's consolidated revenues, is generated by this overseas division.⁶

France, Germany, and Switzerland are the locations for the eighty-eight stores which operate as part of the Keller Christ division. Most of these units are leased

departments in department stores, and they occupy 1,000 square feet of space. The \$41,000,000 in revenue produced by this division represents 4 percent of the company total.⁷

The Aeroplex division is the only Zale division not oriented to the sale of jewelry. This division operates newsstands and gift shops in airports and major hotels in several cities. These shops sell giftware and typical newsstand items in sixty-four retail locations, and they accounted for \$31,000,000, or 3 percent, of the total sales of Zale's.⁸

The Willoughby and Taylor Division conducts a direct-mail merchandising operation through catalogues. Jewelry, collectibles, giftware, and other merchandise are available through this division. In 1983, which was only the second full year of operation for this division, it more than doubled its sales volume to \$6,000,000, or 1 percent of the total corporate sales.⁹

In addition to these nine divisions, Zale's also operates an International Diamond Division. It is through this division that the company markets surplus diamonds and other precious stones it procures from the Central Selling Organization, which is the marketing arm of DeBeers Consolidated Mines. As part of its retail jewelry operations, Zale's cuts some of its own diamonds and

manufactures some of the diamond jewelry it stocks in its retail stores. Zale's operates diamond-cutting facilities in New York and Puerto Rico.¹⁰

Zale's stands as a remarkable fulfillment of the American Dream. From a display case in a Graham, Texas, drugstore to a single store in Wichita Falls, Zale's has become the world's largest retail jeweler. Morris Zale has accomplished what every entrepreneur hopes to achieve, producing quality products more economically than his competitors, and marketing those products to as many consumers as possible.

Several factors have contributed to Zale's success through the years. Vision is an obvious contributing factor. Morris Zale recognized the potential for mass marketing jewelry, a business that had traditionally been reserved for the elite of society. Mass marketing required a departure from traditional methods of conducting business for jewelers, and Zale's led the way with some innovative techniques. If the common people were to be able to buy his merchandise, Zale realized that credit was a must, and he was among the first jewelers to offer installment buying to his customers. The credit concept utilized by Zale's was unique in that it was interest free. Since the type of consumer Zale was trying to attract was unaccustomed to buying jewelry, the company had to make them

jewelry conscious by taking a new approach to advertising, which stressed quality merchandise available at affordable prices on credit terms. What Zale's hoped to do was to sell the greatest amount of jewelry to the largest number of people at the lowest possible price.

Zale's has consistently demonstrated flexibility and innovation throughout its sixty year history. When computers were being developed in the early 1950's, Zale's was among the first companies to recognize the potential that such technology had for the business world. When merchandise became scarce or unavailable, Zale's manufactured its own. Determined to maintain a uniformity in quality and standards, Zale's began buying diamonds directly from the Diamond Syndicate, and then cutting, polishing, mounting, and marketing its own stones. This vertical integration process has enabled the company to maintain the high quality of uniform standards and insure that the necessary amount of merchandise is available to Zale's stores. It also enables Zale's to eliminate middlemen, thus reducing markups and margins and increasing profits. In addition, Zale's has introduced creative techniques for training its personnel, and it has also led the way with such programs as profit sharing and other fringe benefits for its employees.

While vision, innovation, and personnel have all been important in the company's growth and development, a key

factor undoubtedly has been plain hard work, or "blood, sweat, and tears," as Morris Zale likes to describe it. Although both he and Ben Lipshy hold emeritus titles, they are far from inactive. Both are in their offices by six o'clock every morning, including Saturdays and Sundays. Zale still travels tens of thousands of miles each year, checking on various company interests throughout the world. Leo Fields, who "retired" in late 1983, is an admitted "workaholic," busier now with company activities than when he was an executive.

The road from the Pale of Settlement in tsarist Russia to Las Colinas has been paved with adversities, trials, and frustrations. It seems, however, that each difficulty has strengthened the company ultimately. In looking back over sixty years of the company's existence, Morris Zale comments, "I have had more fun with this than you can imagine. I don't consider what I have done as work. It's not a job with me, and it never has been." Vision, innovation, adversity, and total commitment have all combined to produce this remarkable company--Zale's, the "Diamond Store."

NOTES

¹Securities and Exchange Commission Form, 10-K Report, 1983, 3.

²Ibid., 4.

³Ibid.

⁴Ibid.

⁵Ibid.

⁶Ibid.

⁷Ibid.

⁸Ibid.

⁹Ibid., 5.

¹⁰Ibid.

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