

FOUR GENERATIONS OF MANAGEMENT: THE SIMPSON-REED STORY

An Interview with William G. Reed

by

Elwood R. Maunder

with

Charles Buchwalter

Edited by Robert E. Ficken

Barbara D. Holman

Pamela S. O'Neal

Forest History Society, Santa Cruz, California

1977

TABLE OF CONTENTS

INTRODUCTION	v
BRIEF BIOGRAPHIES OF WILLIAM G. REED AND ELWOOD R. MAUNDER	xi
INTERVIEW I	
Session 1, November 6, 1974, Seattle	1
Family history, Simpsons and Garrards; S. G. Simpson & Co.'s early business years in Seattle area; build- ing of Port Blakely railroad; Simpson Logging Company incorporated, 1895; Alfred R. Anderson and Benjamin B. Healy purchase timberlands in Mason County; Sol G. Simpson's personality; his business interests; develop- ment of logging interests; timberland ownership; company labor; company store; taxation; early timber fires; sustained-yield planning; Port Blakely business records; Mark E. and Irene Reed trip to Alaska on Simpson busi- ness venture; Mark's early business endeavors; Sol's achievements in lumbering technology; interest in Rainier Pulp and Paper Company plant built in Shelton, 1920s; Henry McCleary interests, Reed Mill Company, Olympic Plywood Company, and integration; decision making then and now--Simpson, Anderson, Reeds, Govey, Kreienbaum, Henry, Hillier, Wilson; William G. Reed and committee or board rule; Transamerica venture; Sol Simpson and Port Blakely timber claims; railroad ship- ping; Puget Sound Log Scaling and Grading Bureau.	
Session 2, November 6, 1974	39
World War I, Industrial Workers of the World, and Mark E. Reed; rough and tumble law and order; Washington Log Brokerage Association; Loyal Legion of Loggers and Lumbermen; Mark Reed's management of Simpson company; Geo. S. Long; publicity; William G. Reed and company growth; Puget Sound Associated Mills, sales agent for sawmills on Puget Sound; political contributions; company ethics; safety consciousness; company mergers and industry consolidation; wooden shingle industry; timber yield and taxation during	

Mark Reed's era; land classification; public relations and Dave James; tariffs; Washington Forest Fire Protective Association; trade with Japanese; Jones Act and Canadian operations; foreign markets; east coast market; Mark Reed, Shelton leader; oyster business and mill pollution; Simpson Reed family investments.

INTERVIEW II

Session 1, August 26, 1975, Graysmarsh	77
Organization of family and business affairs upon Mark Reed's death; company board of directors; Kreienbaum's administration; Bill Reed manages father's estate; Depression years; Frank Reed manages Simpson; organization of Malahat Logging Company; efforts at industry consolidation; Bill Reed and company expansion; tree selection theory; disposal of logged-off land; forest management and George L. Drake; management and labor relations, 1920s and 1930s; sustained-yield contract and community stability.	
Session 2, August 26, 1975	99
History of Graysmarsh and its owners; changes in company orientation after Mark Reed's death; Kreienbaum era; company integration--redwood operations, pulp and paper industry, Chilean timber.	
Session 3, August 26, 1975	124
BIMA operations in Chile; Saskatchewan operations; product utilization and company research; family interest in business; company stockholders; philanthropes; family life and friends; financial structure of business and company expansion; taxation issues; Bill Reed's board memberships.	
Session 4, August 27, 1975	154
Bayonier escapade; paper business; Canadian industry and Jones Act; oyster business; banking interests; Simpson Employees Retirement Trust; company stock; Philanthropic interests--Simpson Reed Foundation.	
APPENDIX: "Acquisition of M&M Woodworking Company and Northern Redwood Lumber Company," by William G. Reed	172
INDEX	176

INTRODUCTION

SERIOUS STUDENTS OF forest history can reel off the names of many families which have played important roles in the history of the American forest products industries--Weyerhaeuser, Hines, Winton, Camp, Kurth, White, Dulany, Musser, Jewett, Zellerbach, Pope, Talbot, Laird, Murphy, Johnson, Hardtner, Clark, Gilchrist, Collins, Davis, McGowin, Griggs--all of these and a good many more have produced more than one generation of successful lumbermen or papermakers. Any recounting would be deficient if it did not include the Simpsons and Reeds of Seattle, Washington. Their contributions to the economic and political history of their native state have been of signal importance and it has been my privilege and pleasure to bring those contributions to wider public recognition in two earlier books of oral history published by the Forest History Society, and now in a third.

The Pacific Northwest has for nearly a century played a center-stage role in meeting the world's solid wood needs. Simpson-Reed interests have been in the forefront of that colorful era of forest history. Their entrance came in 1888 when Sol G. Simpson took his knowledge of road-building into the towering forests of Puget Sound and applied it to logging. His enterprise flourished and in due course became established as the Simpson Logging Company, later to become the world-famous Simpson Timber Company.

This volume is the outgrowth of the two earlier works of oral history which the Forest History Society issued in 1972 and 1975.* These works were composed from interviews I made with long-term Simpson employees and executives, Chris H. Kreienbaum and George L. Drake. Both men urged taping also the memoirs of William G. Reed and that work was begun in 1974 with special funding provided by the Oral History Fund of the Forest History Society.

*C. H. Kreienbaum, *The Development of a Sustained-Yield Industry: The Simpson-Reed Lumber Interests in the Pacific Northwest, 1920s to 1960s*; and George L. Drake, *A Forester's Log: Fifty Years in the Pacific Northwest*, interviews conducted by Elwood R. Maunder (Santa Cruz, California: Forest History Society, 1972 and 1975, respectively.)

"I would like to have you drain out of me everything you want and get it down on tape so I won't have to worry about whether I get run over," Reed told me at the start of our first interview. The remark was typical of an openness in answering questions drawn from preliminary research I had done in family and business records. More questions were posed in a follow-up interview as the result of further research by my associates, Dr. Robert E. Ficken and Mr. Charles Buchwalter, both recent graduates of the University of Washington.

Reed's recollections of times past are refreshingly peppered with confession of errors made along the way and he is particularly candid in self-criticism. Yet the reader will find plenty of evidence of the pride felt by this man in the growth and accomplishments of the family and the company which has developed an international market and broadly expanded into the ever-growing list of forest products manufacturers.

Sol G. Simpson and Mark E. Reed were legendary figures in their times. Simpson was perhaps the most successful commercial logger operating in the Puget Sound area during the last two decades of the nineteenth century and until his death in 1906. Until as late as 1925, the Simpson Logging Company had no peer in the field of Pacific Northwest logging. Mark Reed proved an able successor to Sol Simpson, one who continued to build the Simpson Logging Company and the Simpson Timber Company into positions of important economic power. Mark Reed also achieved statewide and national fame as the leader of the Republican party of Washington. He served a number of terms in the state legislature in Olympia and rose to the position of Speaker of the House. He was one of the primary figures in the growth and development of the town of Shelton, Washington.

In his book, *Green Commonwealth*, Stewart Holbrook wrote extensively the earlier history of Simpson and some part of that era is touched upon in this volume.* But the main thrust of Bill Reed's oral history is a tracing of events since the 1920s and more particularly from the post-Depression years down to the recent past. It was following the untimely death of Mark E. Reed in 1933 that his two sons, Frank and Bill, took up the management of the company. Another brother, Sol, had met a tragic shooting death earlier at the hands of a deranged logger. Tragedy was to stalk the family again and when fire took the lives of Frank Reed, his wife and their children, Bill Reed became sole head of the business in 1942.

*Stewart Holbrook, *Green Commonwealth, A Narrative of the Past and a Look at the Future of One Forest Products Community* (Seattle, Washington: Dogwood Press, 1945).

Here it would be appropriate to provide an explanation of the intricate web that winds its way through the Simpson-Reed business interests. The first Simpson forest products operation was a sole proprietorship organized by Sol Simpson in 1888. It was succeeded by Simpson Logging Company which was incorporated in 1895 and took over all operations of the proprietorship. The corporation still exists, but in 1956 its name was changed to Simpson Timber Company. In 1938 Simpson Reed & Co. was formed as a partnership to own the Simpson and Reed family assets, including control of Simpson Logging Company. The partnership succeeded a personal holding company called Simpson Investment Company, which was incorporated in 1906 and dissolved in 1940; and in 1975 Simpson Reed & Co.'s stock in Simpson Timber Company was transferred to a new personal holding company. Changes in the income tax laws brought about these changes from holding company to partnership and back to holding company.

THE FIRST INTERVIEW on November 6, 1974 was conducted in Reed's private office atop the Exchange Building in downtown Seattle. It was a clear day and the view of Puget Sound and the city was unforgettable. The office was smartly but modestly furnished and contained a large conference table. On the walls were historic pictures relating to Simpson and lumbering history. We recessed for lunch and resumed the interview in the afternoon. Mr. Reed volunteered to have his secretary transcribe the tapes which were then edited by Dr. Ficken as well as by Reed before being retyped. A total of fourteen months lapsed between the first and second interviews: editorial processing of the first interview took considerable time, further research was conducted by Ficken, and a time mutually convenient for the second interview was agreed upon.

THE SECOND INTERVIEW at Graysmarsh Farm on August 26 and 27, 1975 was conducted in a very pleasant and relaxed atmosphere. Mr. Reed was now more comfortable in the role of respondent and he came forward splendidly in response to questions. Charles Buchwalter was present for three of these sessions and provided very useful additional background drawn from research he had been doing independently for Mr. Reed.

Graysmarsh Farm deserves some description. My wife Elly and I arrived at the farm about 5 P. M. on August 25, 1975 under an overcast sky. We proceeded down a winding

private road through a mixed forest of hemlock, Douglas-fir, and western red cedar. The principal building on the estate was built in 1910 following the Spanish California style then much in vogue and was topped by a red tile roof. We were greeted by Bill and 'Nor (short for Eleanor) Reed and were escorted to a bedroom suite on the second floor. From the open deck outside the bedroom we looked across the salt marsh toward the sea.

The spacious living room on the main floor provides a splendid view of the Strait of Juan de Fuca with its parade of seagoing traffic. The air was frequently filled with flights of geese and ducks which find Graysmarsh a favorite feeding and resting place on their western flyways. A broad horsepasture in front of the house was freshly mowed and was daily frequented by three horses who congregated around the base of a flagpole to munch on apples and to lick a large salt block. Three rambunctious dogs live at Graysmarsh--two black labradors and one golden labrador--Rudy, Rip, and Jane Fonda.

Within the home an impressive array of family photographs lines the stairwell and walls of the second floor, and they are all carefully identified and dated: a sign of Bill Reed's personal interest in family history. He also openly recognizes in this gallery a famous mistress of Alfred H. Anderson, builder of the home. "It's all part of the history here," he says with a chuckle.

The living room is dominated by a large Georgian fireplace where fir logs were kept blazing through the evenings. To one side of the room is a large player organ with polished brass pipes. A collection of copperware hanging over the fireplace was a major attraction to my wife, who prides herself as a copper collector. On the walls are mounted salmon and bonefish caught by Bill and his family. On the floor a giant Kodiak bear rug spreads out over an almost unbelievable area. The room is comfortably furnished to provide for both conversation and a variety of outward views.

Following each afternoon's interview cocktails were served in the living room and after dinner bridge was our regular diversion. Bill took great pleasure in showing us the house rules governing the playing of cards, which had been written originally by Alfred Anderson. In the tack room at the back of the house were posted more rules of the manor governing the department of visiting hunters and fishermen, these also authored by the original builder of Graysmarsh.

The reading and cultural interests of the Reed family are reflected in the wide array of periodicals found on

the coffee table-- *Scientific American*, *Newsweek*, *New Yorker*, *Connoisseur*, *Pacific Search*, and wildlife periodicals of all kinds, as well as a daily local newspaper and two eastern dailies delivered by airmail post.

During our three-day stay at Graysmarsh we took walks along the beaches and through the marsh with Bill and 'Nor. The beaches are a beachcomber's delight of shells and driftwood. The marsh grass is spongy and thick, with canals rich in growth of watercress, duck weed, and forget-me-nots. Bill estimated that there have been as many as 25,000 ducks counted there on occasion. Portions of the marsh contain plantings of oats, rye wheat, and other cereal grains to attract wildfowl. With obvious pleasure, Bill showed us samples of wild seed-bearing plant life and explained the problems which cattails pose and which require their regular cutting and flooding. An aerated stream is linked with ground-level rearing pond areas and a man-made lake supports fingerling trout and salmon which have continuous access to and from the sea via canals and fish ladders. Wild berries grow everywhere in great profusion, as does mountain ash and rhododendron. On one cultivated sixty acres of Graysmarsh, red raspberries produce an annual crop of sixty to one hundred tons of fruit. A large dairy herd famous for its guernsey stock is operated by a lessee farmer and rates third in the nation for its high quality milk production.

AT THE CONCLUSION of the Graysmarsh interview sessions, the tapes were transcribed, edited by Dr. Ficken and Mr. Reed, and retyped. The complete transcript of interviews I and II were hand-delivered by Reed to the oral history staff at the Forest History Society's annual meeting in Santa Cruz in August 1976. Thereafter, work proceeded on a regular basis with the focus on having the whole final edited and final typed before Reed departed for South America in February 1977.

This volume follows the course of our conversations on each subject as it occurred and later recurred. There has been no attempt to combine in one area the same subject matter because at separate meetings different variations were recalled. Not infrequently, interviewed persons have great reservations about seeing their conversations in print for all the world to read; they prefer to correct, revise, and expand their statements, so that what the reader finally sees is a written statement of the spoken word. The original transcripts of these interviews are on file in Mr. Reed's Seattle office and are open to qualified researchers who make request in advance. The tapes are retained by the Forest History Society.

I am most appreciative of the research inputs to this work made by my colleagues Robert E. Ficken and Charles Buchwalter. Ficken has been commissioned by the Forest History Society to write a biography of Mark E. Reed. To Barbara D. Holman and Pamela S. O'Neal of the Forest History Society's Oral History Department major credit belongs for editing, illustrating, indexing, and final production of this work. Without their help books of this kind would never be issued even in small editions such as this. To my wife, Elly, I am indebted for her assistance in transcribing part of the interviews and for her never-failing love and support in every day's work done. Finally, Bill Reed's patient detailed attention to the production of this volume is sincerely appreciated.

Elwood R. Maunder
Executive Director
Forest History Society

Santa Cruz, California
April 27, 1977



Main residence (locally called the "Anderson Mansion") at Grays-marsh before removal of ivy. February 1977.



W. G. Reed, Jr, Eleanor H. Reed, & W. G. Reed, June 1971.

BRIEF BIOGRAPHIES OF WILLIAM G. REED

AND ELWOOD R. MAUNDER

William G. Reed was born February 3, 1908 at Shelton, Washington, the son of Mark E. Reed and Irene Simpson Reed. Educated in public schools in Shelton and at Los Angeles and Culver military academics. Entered University of Washington in 1925 where he received a degree in liberal arts four years later. 1929 to 1930 was spent at Harvard Business School where Reed majored in finance. He returned to the University of Washington from 1930 to 1931 to major in forestry.

Reed started his permanent career with Simpson Reed & Co. in 1938 as managing partner. From 1931 to 1973 he was a member of Simpson Timber Company and its subsidiaries, serving as chief executive from 1941 to 1973. He served as chairman of Crown Simpson Pulp Company from 1966 to 1973; Lumbermen's Mercantile Company, 1931 to 1955, serving as president from 1935 to 1955. Was executive vice-president of Rayonier, Inc. in 1950; president of Metropolitan Building Company, 1945 to 1946. Served as Lt. Commander, USNR, 1942 to 1945 and was decorated with the Bronze Star medal. From 1931 to 1942 he was with Simpson Investment Company; its president from 1935 to 1942. Managing director, Malahat Logging Company, 1936 to 1942; and from 1933 to 1935 was with the State Bank of Shelton, part of that time as president. He is managing partner of Simpson Reed & Co. in Seattle and proprietor of Graysmarsh Farm near Sequim.

Active in civic affairs, Reed has been a member of the advisory board of the Graduate School of Business at the University of Washington, a vice-president of Ducks Unlimited, a president of the Seattle Foundation and the United Good Neighbor Fund, and a director of the Stanford Research Institute, the Harvard Business School Association, the President's Council of California Institute of Technology, and the Seattle Art Museum. He is currently a member of the board of directors of the Forest History Society.

Married to Eleanor Henry on July 11, 1935, the Reeds have three children, Susan Henry born in 1937, William Garrard, Jr. born in 1939, and Mary Simpson born in 1941.

ELWOOD RONDEAU MAUNDER was born April 11, 1917 in Bottineau, North Dakota. University of Minnesota, B. A. 1939; Washington University at St. Louis, M. A. (modern European history) 1947; London School of Economics and Political Science, 1948. He was a reporter and feature writer for Minneapolis newspapers, 1939 to 1941, then served as a European Theater combat correspondent in the Coast Guard during World War II, and did public relations work for the Methodist Church, 1948-1952. Since 1952 he has been secretary and executive director of the Forest History Society, Inc., headquartered since 1969 in Santa Cruz, California, and founder and editor since 1957 of the quarterly *Journal of Forest History*. From 1964 to 1969, he was curator of forest history at Yale University's Sterling Memorial Library.

Under his leadership the Forest History Society has been internationally effective in stimulating scholarly research and writing in the annals of forestry and natural resource conservation generally; 46 repositories and archival centers have been established in the United States and Canada at universities and libraries for collecting and preserving documents relating to forest history. As a writer and editor he has made significant contributions to this hitherto neglected aspect of history. In recognition of his services the Society of American Foresters elected him an honorary member in 1968. He is a charter member and one of the founders of the International Oral History Association. He is also a member of the Agricultural History Society, the American Historical Association, the Organization of American Historians, the Society of American Archivists, and the American Forestry Association.*

*Adapted from Henry Clepper, ed., *Leaders of American Conservation* (New York: The Ronald Press Company, 1971).



*William G. & Eleanor Reed with their children,
Gary, Mary, and Susan.*

INTERVIEW I

Session 1
Seattle, Washington
November 6, 1974

Elwood R. Maunder: Bill, would you begin by briefly sketching what you have been told as part of the oral tradition of your family.

William G. Reed: Most of the oral reports of the past which I had came from my grandmother, Mrs. Sol G. Simpson, who was born Mary Garrard. In official documents she is referred to as Mary M. Simpson. She used the M to stand for Margaret because she liked the name. She was called "Tollie" by her contemporaries and "Bonma" by her family.

Bomma said that she was brought west as a year-old baby in a covered wagon by her father and mother, who were Mr. and Mrs. William Mountjoy Garrard, the man I was named after. The year presumably was 1857, and they settled in Carson City, Nevada, where I believe he was attracted by reports of gold and silver.

Mr. Garrard had a political background, inasmuch as his grandfather had been the first governor of Kentucky. Exactly what he did in Nevada at first, I don't know, but before long he was administrative assistant to the governor of the state. His primary career was as superintendent of the mint in Carson City for many years.

ERM: What were his political affiliations?

WGR: I don't know whether he was a Republican or a Democrat. At home I have a copy of an interesting old book about James Garrard, the first governor of Kentucky and his descendants. Perhaps it gives that information.

ERM: The border states tended to be Democratic.

WGH: William Garrard might well have been one. He stayed in Nevada long enough for my grandmother to grow up and get married to Sol Simpson, who was a Canadian from Cote St. Charles, a suburb of Quebec. His father came from Yorkshire, England, and the family thus was not French Canadian. On the other hand, the Garrards were French, having fled to London from their country after the Revocation of the Edict of Nantes. The first of the American line came from London to America and died in Stafford County, Virginia, in 1786. Although she hardly ever used it, Bomma said her Christian name was Mary James Macon Garrard--James Macon having been a friend of her father and the founder of Macon, Georgia. Garrard County in Kentucky was named after her great-grandfather.

Sol and Tollie Simpson were married in Carson City, and their first child, my mother Irene, was born there. I am not sure whether their second child, my Aunt Caroline, was born in Carson City or Seattle.

Sol's move with his wife and children to Seattle seems to have been prompted by an incident that came to light only a couple of years before Bomma died in 1940. I wanted to start a family partnership to take the place of our personal holding company for reasons we may get into later. When I reported to her that a feature of the partnership, unlike that of the company, was that each partner was liable for all the debts, she said, "Well, Bill, I don't know whether I'll sign that or not. Your grandfather had me sign a paper in Carson City and about two years later we lost our house and moved to Seattle." (Incidentally, she finally did sign the partnership document after I assured her that we would not borrow any money without her permission.) This is evidence that whatever Sol Simpson did, he wasn't very prosperous in Nevada.

When he got to Seattle, he went into the street-grading business, and I used to have some old pictures of his crew at work on Madison Street with horse-drawn Fresno scrapers, the drag scoops that you tip up to empty. They were in common use for earth moving when I was a kid, until bulldozers made them obsolete. My guess is that the grading organization of S. G. Simpson & Co. was even smaller than J. K. Bloodel's crew of "Eighteen Men and a Horse." Probably Simpson had something more like six men and four horses, but he had a going concern and made a good living. He grew prosperous enough to build what was then a rather nice house at 717 Madison Street, which I vaguely remember as a child when it was occupied by Mrs. William Garrard after the deaths of Mr. Garrard and Mr. Simpson.

From his experience in earth moving, Mr. Simpson got a contract from the Port Blakely Mill Company to build the grade for the Grays Harbor and Puget Sound Railroad from Kamilche westward into timberlands owned by Port Blakely. Kamilche is on Little Skookum, a branch of Totten Inlet which is the southwesternmost arm of Puget Sound. Little Skookum is a few miles south of Kammersley Inlet, which is also known as Big Skookum and is the waterway to Shelton.

I have a key-winder watch engraved "Presented to S. G. Simpson by the Employees of G. H. & P. S. R. R." He worked closely with Captain William Renton, head of the Port Blakely, and one of his associates, a Colonel Hayward who had a great walled estate my father pointed out to me years later in the town of Hayward on the east side of San Francisco Bay.

Following the building of the Blakely railroad, Simpson took the contract to do the logging and run the railroad. He introduced horses into logging, and there have been many articles written about this innovative replacement of oxen.

ERM: What was the purpose of building this railroad? I assume that Port Blakely, which had been one of the principal mill operations, was running out of timber close to its mill facilities and needed to build a line into the forest to get out the logs necessary to continue operating.

WGR: That's exactly right. The function of the railroad was to transport logs from the Port Blakely Company Grays Harbor timberlands to the nearest tidewater on Puget Sound, namely, Little Skookum. From there, the log rafts could readily be towed northward about sixty-five miles through protected inlets to Port Blakely. My mother, her sister, and my grandmother lived in Kamilche for several years during construction of the railroad and early operation of the logging company.

ERM: To move over there and start building a railroad must have required a considerable increase in the capitalization of Sol Simpson's operations compared with the street work he had done in Seattle. From whence did his source of capital come? Did he get help from Captain Renton? Was there a loan?

WGR: Not that I know of. I doubt that there was a very big increase in capitalization, for he had the graders and the horses, and there was probably not much more to the enterprise that he operated as S. G. Simpson and Company until 1895. By that time he had already built

the railroad and was logging under contract from the Port Blakely. In 1895 Simpson Logging Company was incorporated, and he got 1/6 of the stock for the assets of S. G. Simpson & Co. The total capital was \$50,000, so Simpson's assets seem to have been worth only \$8,300.

- ERM: In building the railroad, Sol Simpson needed to clear the right-of-way, to build a roadbed, to put down ties, and to lay rails. I presume he was involved in all of those operations.
- WGR: I think so, but I have no documentation on it. He was a contractor for the Port Blakely Company, which owned the land, the railroad, and the timber and probably also supplied the rails, the rolling stock, and all the necessary facilities.
- ERM: Did they own the timber all the way through the right-of-way?
- WGR: Much, but not all of it. The railroad was built to tap their main block of timber, and their present land ownership is probably very close to what it was at that time. I think that the main part of it lies in Cloquallam Creek.
- ERM: You are referring to an article which appeared in *Pacific News* for August 1974 entitled "Simpson Timber Company." Its author is Peter J. Replinger. Is *Pacific News* a railroad magazine?
- WGR: It seems to be; it deals with the history of old railroads. One of the earlier editions had an article on the Arcata and Mad River Railroad, which Simpson Timber Company bought about twenty years ago as part of its milling operation in northern California. Oddly enough, it was the first railroad built west of St. Louis.
- ERM: A common carrier which still carries on?
- WGR: Yes. It's eight miles long, and its terminus connects with a subsidiary of the Southern Pacific.
- ERM: In this article there are a number of things you feel are at variance with the facts as you know them?
- WGR: Most of it is correct, but here it says, "The Puget Sound and Grays Harbor Railroad, which did not touch Shelton, was hauling most of the logs, including Sol Simpson's, and was doing so well at it that in 1890 he formed S. G. Simpson and Company which apparently took over all the

logging camps along the Puget Sound and Grays Harbor lines." Actually, S. G. Simpson and Company built the railroad for the Port Blakely camps along the line, which were run by Sol Simpson.

ERM: At what point did Sol Simpson become more involved as a logger than as a railroad builder?

WGR: I doubt that there was any precise point. He was building the railroad and as it entered the timber, he also began to do the logging.

ERM: Did he provide the materials for building the railroad, or did Port Blakely?

WGR: I think Port Blakely provided whatever purchased material was used, while Simpson as contractor would supply hand-hewn ties and timbers.

ERM: His going directly into logging evolved from his experience and knowledge of the timber on that side of Puget Sound.

WGR: Correct.

ERM: Can you pinpoint when that might have been?

WGR: The Port Blakely probably had him start logging when the railroad reached the Blakely timber, and he became a full-time logger in 1895 when the Simpson Logging Company was incorporated. By that time he had met Alfred H. Anderson, and the two men got along very well.

ERM: How did they become acquainted and who was Alfred Anderson?

WGR: Mr. Anderson was the son-in-law of Benjamin B. Healey, a successful lumberman of LaCrosse, Wisconsin. On one occasion when the Northern Pacific Railroad was in financial trouble, it offered parts of its land grant for sale and Healey bought several thousand acres. This timberland was west of Shelton, and Healey sent his son-in-law there to look over the timber and decide what to do with it. When Anderson got to Shelton, he found other owners and producers, particularly the Bordeaux and the Kneelands, both of whom had logging operations and railroads in the Shelton area. Anderson and Healey bought half of the Mason County Logging Company, which was owned by the Bordeaux. He also was one of the main participants in forming the Peninsular Railway Company to tap the timberlands west of Shelton. Like other enterprises, it got caught in the panic of 1893.

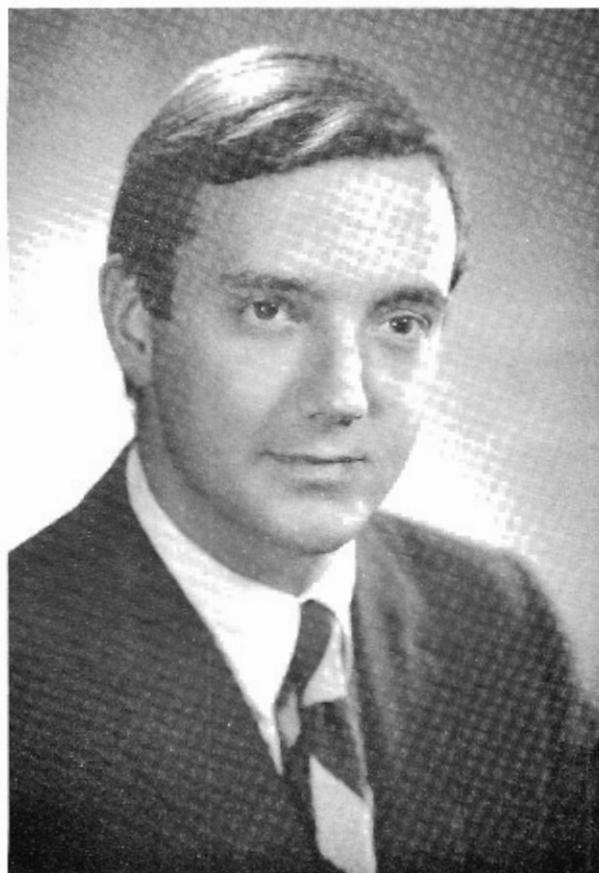
- ERM: Sol Simpson said of himself that he was a better talker than a writer. Was this true?
- WGR: I don't know; I have never heard it before, but it's interesting.
- ERM: In the Port Blakely Mill Company records there is an item in which Sol said, "I can explain by talk better and more fully than what I have written."* Was this also true among any of his successors in the family?
- WGR: My father, Mark Reed, was an effective speaker and a powerful state politician. He wasn't a polished orator, but he was a very effective speaker.
- ERM: I imagine Sol was more of a rough and tumble early pioneer type, less polished, more of a man who had worked with his hands in the dirt, therefore was less inclined to public speaking.
- WGR: Probably. Mark Reed and his father were more of the patrician type. Sol Simpson was out in the woods and was, as you say, a rough and tumble sort of guy. There's an interesting old cartoon which shows Simpson, Anderson, and a Seattle banker named Lester Turner in rough clothes marching off together. The caption says, "Sol, Lester and Andy Off to Cruise Timber." There's a companion piece titled "Timber Cruised" showing three seductive "Gibson Girls." I guess it was a joke the boys were having in the bunkhouse at Matlock.
- ERM: Sol Simpson is described as a pleasant and honest person, and yet there is evidence in the record that he had disagreements from time to time with his coworkers. I wonder if you have any recollection of his personality.
- WGR: He died before I was born, so I don't really know much about his personality.
- ERM: What about his size?
- WGR: I think he was of medium size and not heavily built, judging by the picture. One thing I wondered about was his hair when I started to get a little bald myself.

Since Joshua Green had told me about operating a freight boat to Kamilche and hauling hay for Simpson's horses,

*Sol Simpson to Port Blakely Mill Company, September 2, 1888, Port Blakely Mill Company Papers, Manuscripts Collection, University of Washington Library, Seattle.



Mark E. Reed in 1896 when he was thirty years old. Photo courtesy of Suzzallo Library, University of Washington.



William G. Reed, Jr., great-grandson of the company's founder Sol G. Simpson, succeeded his father in 1971 as chairman of Simpson Timber Company.



Sol G. Simpson was one of four brothers who made logging history in Mason County, Washington. They all liked to wear whiskers and hats. In 1890 Sol formed S. G. Simpson and Company.

Mary Garrard moved west in a covered wagon as a year-old baby with her parents. She later married Sol Simpson, and was affectionately known as Tollie or Bomma.



I dropped into his office one day and said, "You remember, Mr. Green, you told me about knowing my grandfather?" He replied, "Oh yes, I knew him well." I asked, "Was he bald?" He said something like, "Well, I used to deliver the hay down there, and I knew him well and thought very highly of him. But I'm busy right now, so would you mind if I get on with my work?" I imagine that he'd forgotten whether Simpson was bald or not, or he didn't know him as well as he said he did. All the pictures I have of Sol Simpson show him wearing a hat.

- ERM: It may be why Green never really knew; he'd never seen him except with a hat on.
- WGR: That's possible, and it doesn't sound as if they socialized together.
- ERM: There is a reference in the Port Blakely Mill Company records, "Mr. Simpson claims he had a verbal agreement with Mr. Browne that he was to have fifteen percent for wear and tear on his tools while building two B lines. I thought it was too much and did not allow it. If any be allowed, three percent is sufficient."* This is apparently a piece of correspondence from someone in the Port Blakely Mill Company management who was being critical of Sol's agreement with Mr. Browne on how much he was to get.
- WGR: I don't know who Mr. Browne was.
- ERM: I'm striving for some kind of flesh and blood picture of your grandfather. He must have been strong even though he was not a big man; he must have had a good deal of strength to be in the business he was in.
- WGR: Yes, I think so. He might have been bigger than I thought, and was good looking, judging from his pictures. He did do a whole lot of other things besides logging. When he incorporated the Logging Company in Shelton, he almost simultaneously started a retail store with exactly the same capitalization, \$55,000. Perhaps he wasn't sure then whether he wanted to be a merchant or a logger.
- ERM: Was that the store in Shelton?
- WGR: Yes, the Lumbermen's Mercantile Company, which was sold only last year to Wickes Corporation. He was also active in the Capital National Bank of Olympia, which is now a

*J. R. Murpby to Port Blakely Mill Company, August 4, 1886, Port Blakely Mill Company Papers.

branch of the National Bank of Commerce. He was a partner of the Bordeaux and other loggers in the Shelton Hotel Company. Simpson, Anderson, the Bordeaux, and the Kneelands worked together in many businesses in the Shelton area.

An additional story, which I suppose we will get into later, is Simpson's venture in Alaska and in the ownership of tidelands in Seattle.

ERM: What was Simpson's relationship to the Dexter Horton Bank? Or was this a relationship that Captain Renton had with that bank?

WGR: I don't know. My father had an old and strong relationship with the Dexter Horton Bank, but, so far as I am aware, he did not know Dexter Horton himself. I have the notion that Sol Simpson's banking connections would have been with Lester Turner who, I think, was in what was then the First National Bank of Seattle. Turner was certainly involved in the Shelton ventures, and I think he was a major banker in Seattle at that time.

ERM: Sol Simpson seems to have been aware of the advantage of economy and efficiency. How did he attain his awareness? Do you have any idea how these business concepts developed in his company?

WGR: I suppose they were a result of his experience in business competition. I have no reason to believe he had any special training, and, in fact, I don't know where or when he went to school.

ERM: George Simpson appears to have been a man of some temper. How would you compare George Simpson with Sol?

WGR: Now, this makes me think maybe I'm a little wrong about the size of Sol Simpson. I certainly knew his brother, my Uncle George, who died about 1925. He was a big man, strong, good looking and personable, but not very successful as a business man.

One clear thing is that Sol Simpson was very family oriented. As he got more successful, more and more of his relatives came out here. His brother, George Simpson, came and stayed. Another brother, Joe Simpson, came for a while and then went to California for some reason I do not know, although I remember being taken as a boy to his farm near Hemet, California. Then came the two Grisdale brothers, George and Will, who were the managers of the Logging Company after it got big enough to have a corporate organization. They were nephews of Sol Simpson, I think. Will Crosby, who was a camp foreman,

was married to a niece of Simpson. Also, there were several Grouts around Mason County, but I never knew them very well. I believe that several of the Grouts worked for George Simpson, especially when he was on Hood Canal managing the Phoenix Logging Company for Mrs. Anderson. I knew one of the Groat boys, but can't remember him clearly now. The Grouts were relatives of Sol Simpson, whose full name was Solomon Groat Simpson. I laugh with my kids a little bit about that, for Sol Simpson's grandfather, Solomon Groat, had a Jewish-sounding name even though he was a third-generation New Englander whose first American ancestor was Captain John Groat, who landed at Jamestown, Virginia, in 1619. If Solomon Groat were half Jewish, Sol Simpson would have been 1/8, and my grandchildren 1/128. I chuckle about that as evidence of what an integrated family we are.

ERM: Solomon was not an uncommon name in England. There were a lot of people in the nineteenth century who were given biblical names.

WGR: That's right. I just dreamt up the story because if I saw a fellow named Solomon Groat, I'd think he had a Jewish background. I have laughed with Thielene Pigott about it because she's 1/64 Indian.

ERM: Simpson advised preemptive land purchases. Can you describe the competitive picture in the lumber industry of his time?

WGR: He made land purchases primarily to get rights-of way, or to block up areas, but he and his early successors were not great land acquirers.* There has been a lot more publicity on land ownership by Simpson than jibes with the facts. This was probably due partly to Dave James's interpretation of the situation. By the time he came into the company (forty years after Simpson's death), it was a good-sized landowner, but this was principally because Chris Kreienbaum and I had a program of land purchasing, and not because of the earlier management.**

*William G. Reed later added in writing that in the early twentieth century the family holding company, Simpson Investment Co., bought several sections of timberlands in the Logging Company's operating area.

**See also *The Development of a Sustained-Yield Industry: The Simpson-Reed Interests in the Pacific Northwest, 1920s to 1960s*, an interview with C. H. Kreienbaum conducted by Elwood R. Maunder (Santa Cruz, California: Forest History Society, 1972).

At the time of Mark Reed's death, the Logging Company had about 30,000 acres, compared with over 500,000 now. Generally, the practice of Simpson, like that of most loggers, had been primarily to buy timber rights. They would buy and harvest the timber, but the land title would remain in the original owner.

ERM: Here are the documentary notes that triggered the question. In March 1888, Simpson wrote, "Captain Renton, I will have to ask you for another loan of one thousand dollars to prove up on two more timber claims. Send the money to First National Bank, Seattle."* He advised that Puget Mill Company buy up land on the headwaters of the east fork of the Satsop to prevent the Satsop Railroad from getting them. In the same month about a week later he wrote, "There has been some timber claims filed on four or five miles west of [something] in the next township, but none in Waddell Creek. I spoke to Shelton in regard to the timber in that vicinity. At the time, he and I were out front. But he thought the timber on Waddell Creek was the best. But Mr. Rankin thinks the timber better farther west. I will go to Olympia tomorrow and find out all I can at that place."**

WGR: Well, they were probably in a typical jockeying position, with each trying to get control of strategically situated tracts. They would buy the land for that purpose, but not just to grow another crop of trees. Parenthetically, I may say that I knew John Rankin well, for my first job with the company was as a chain man in his cruising party during the summer of 1930. A primary reason for the shift from early management policy to today's concern with timberland ownership had to do with the relative value of the land and the timber. When timberland was purchased in the 1890s for \$10 per acre, Simpson accounts recorded the value as \$5 an acre for the land and \$5 for the timber. Fifty years later, purchases were recorded at \$1 per acre for the land and from \$1 to \$5 per thousand (\$25 to \$250 per acre) for the timber. No one would have thought it good business to buy an acre for \$5 and hold it for a hundred years to produce a crop worth \$5. Conversely, the investment seems reasonable when one buys land for \$1 and expects to get \$250 a century later. Why, then, did Sol Simpson buy any land at all? Mainly, I think, to secure rights-of-way and to acquire timber when homesteaders or others did not want to keep responsibility for managing the land. He looked at timber as a one-time crop and the land as a potential for some other use, usually farming.

*Simpson to Port Blakely Mill Company, March 23, 1888, Port Blakely Mill Company Papers.

**Ibid., March 30, 1888.

A lot of stump ranches were started and many of them were cleared, but most did not work out. In later years, we repurchased many of them and converted them back into forest land.

ERM: Were there any early attempts by operators to cooperate in restricting supply or influencing prices? Sol Simpson described what seems to be an attempt to do so in 1888.

WGR: I don't know about anything like that.

ERM: Simpson wrote in a letter to Port Blakely, "The loggers, except Willey, met me yesterday and all agreed to keep on logging at \$3.75 per thousand for short logs and no cut of lots over 42 feet. I saw Sam Willey in Seattle, and he said that he would shut down his camp, sooner than log for less than his contract price. He may possibly shut down, but I don't think he will. Unless he agrees to the cut, it will be a hard matter to keep the other camps at work."* Then he wrote in September 1888, "On the 9th I notified all the loggers to shut down on Saturday, the 16th, except Willey to run his camp on Section 1 and cut long timber as much as possible. I think he must have sent word to cut all short logs for they have not cut a long stick this week. I will see him tomorrow and, if he don't intend to cut his timber to order, we'll shut his other camp down also."**

Mr. H. T. Browne of the Blakely Company speaks of efficiency and economy in the mid-1880s. How prevalent do you think this attitude was at that early day in the history of logging?

WGR: I don't know.

ERM: Simpson said that extension of Blakely to Montesano would enable it to "get something out of the people down here."*** Do you have any idea what this means? Can you describe the relationship between the companies and the towns in the areas in which they operated? Did Simpson get something from Shelton?

*Simpson to Port Blakely Mill Company, August 3, 1888, Port Blakely Mill Company Papers.

**Ibid., September 12, 1888.

***Ibid., August 18, 1888.

- WGR: Not that I know of. I would guess what he was referring to would be the political climate. Like good relations with the county auditor and assessor.
- ERM: One Port Blakely manager was completely ignorant of the company's organizational structure. Was this common in the early days? Simpson sent frequent statements of expenses, wages, and so forth to Port Blakely. Can you describe the early accounting procedures and how they developed over the years? This is something that perhaps Kathryn Wilson could speak to.
- WGR: I fear not. She didn't come into the picture until quite a bit later. She worked for the Andersons, and I don't think she ever had anything to do with Port Blakely. She knew little about Simpson Logging Company until after Anderson's death.
- ERM: Mr. Clayton of Blakely was also postmaster. Was it common for company officials to assume minor government posts in those days? Was it of some value to the company?
- WGR: It was certainly common. I don't think it was of any specific value. My father was mayor, and then a state legislator, and we've always encouraged people to participate in local politics. Although there was no specific objective, there are two reasons for it: One is to get the executives to have a broader outlook; and the other is to have public officials who understand the business world.
- ERM: Of course, there is a strong thread of this tradition going all the way back to that great-great grandfather of yours in Kentucky on the Garrard side. And then some of the Andersons.
- WGR: Yes, Anderson was a state legislator, too. I think Simpson himself might have been a public official, but I can't remember for sure.
- ERM: Sol Simpson was concerned with finding good pasture land for cattle. There is no mention of horses in most of the evidence. So where does Stewart Holbrook get his story of Simpson's introduction of horses into the operation?*

*Stewart Holbrook, *Green Commonwealth, A Narrative of the Past and a Look at the Future of One Forest Products Community* (Seattle, Washington: Dogwood Press, 1945), 34-35.

- WGR: I don't know where he got it, but I was told repeatedly that Simpson got one up on his competitors because he was the first to recognize that horses were more efficient in the woods than cattle. Probably this was a result of his experience with horses in grading streets with old Fresno scrapers.
- ERM: Finding feed for animals working in jobs such as this was a major problem.
- WGR: Yes, it must have been. The only man from whom I ever heard anything about it was Joshua Green, who ran a boat into Little Skookum to take feed to Simpson's animals.
- ERM: A Blakely manager wrote in 1886, "This is the worst country for rain I ever saw."* Can you comment on the relationship between weather and logging and perhaps something of how that relationship changed over the years as technology changed?
- WGR: I think the local Douglas-fir depends on the heavy rainfall which is typical of western Washington. Probably this species became established by thousands of generations during which the trees best adapted to the weather and the soil survived. These would be the Douglas-fir, hemlock, spruce, cedar, and the other local species. Generally speaking, where you get the heavy rainfall and have good soil underneath, you have better trees. That's the reason the trees are better in Grays Harbor County than in Mason County.
- ERM: What problems did the weather pose in the early days?
- WGR: During the winter in the Mason County lowlands, which are gravelly soil, you get away from the very difficult amounts of mud which were in the western end of the Blakely line. The eastern end would have more gravel, and the western more mud.
- ERM: They shifted with the seasons?
- WGR: They still do that, but not so much because most of the virgin timber in the eastern sector of the area is gone. It is still easier to log in that area, and elevation also is a factor. As you get into Grays Harbor County you get more snow because it's higher, especially as you approach the Olympics.

 *F. W. Clayton to Port Blakely Mill Company, May 7, 1886, Port Blakely Mill Company Papers.

ERM: The Port Blakely Mill manager also wrote in his letter that Simpson said, "You fellows move more dirt with a pencil in one minute than I can in a week with all my carts."*

WGR: Paperwork was driving them mad then, too!

ERM: One problem that Sol Simpson had at Blakely was that of labor. There are several references to drunkenness among the crews. There is complaint of the competition with the coal mines for the labor force. According to this source, some workers felt coal mining was an easier job and ran off to do that. There is reference to laziness, incompetence, and lack of stability in the work force, and the problems of getting transportation. That lack of stability, drifting in and out, and constant turnover of labor seems to have been a matter of frequent reference in correspondence.

Here again is a letter from the Port Blakely Mill Company files in which Clayton said, "Mr. Simpson has lost thirty men. Having one hundred ten, he came down to eighty, but his best men stayed with him and they were poor ones that left, so he does not care much about them."** There must have been a very great frustration in those early days in regard to the labor force.

Here's another letter from Clayton in 1886: "Some twenty of Simpson's men left this morning or at least made arrangements to go."*** Simpson writing in 1886: "Had made arrangements with Seattle First National to handle his account and company should pay estimates to his credit there." He writes, "I succeeded in getting about twenty-five men. I hope in a few days to have a full crew."****

There is evidence scattered through the Port Blakely records that would indicate the problems he had with

*Clayton to Port Blakely Mill Company, May 7, 1886, Port Blakely Mill Company Papers.

**Ibid., July 21, 1886.

***Ibid., August, 1886.

****Simpson to Port Blakely Mill Company, September 6, 1886, Port Blakely Mill Company Papers.

his labor force. He writes in a letter of February 15, 1888: "The engineer struck me tonight for more pay. He wants extra time for Sunday and nights as repairs on engine. I don't think he ought to have it. He is now getting more than any other engineer on the Sound."

George Simpson's letter to the company on September 16, 1899 stated: "It is impossible for me to get the piles out now. The men that were putting in the landing have stopped working." These early letters give us some background. Do you have any idea how the labor force was recruited or paid in those days?

WGR: No, I don't.

ERM: The notes show that Simpson felt the poorest men always quit and that the best men stayed with him. Does this concept apply to the history of your company since then? Would you please comment on the general quality of Simpson employees? Does the company encourage the hiring of particular kinds of men and women?

WGR: Generally speaking, we take ones who want the jobs and are best qualified. This means that in the woods we hire lots of Indians because they like the work, are good at it, and live nearby. Conversely, there are few blacks, Chicanos, and Orientals in the woods, although of course we employ them in other locations. In the 1950s I did make an attempt to get a particular kind of men in the management--I got the notion that we ought to have a lot of M.B.A.s. For a couple of years I made trips to Harvard Business School and interviewed them and then sent recruiters to hire them. My theory was that we should hire two or three M.B.A.s a year, of whom one or two would stay so that after twenty years we'd have thirty or so highly educated, competent businessmen who were well grounded in the company.

ERM: That was a policy you started?

WGR: I tried it, but it didn't work at all. Practically all of the M.B.A.s either quit or proved to be unsuitable.

ERM: Do you know of any personnel policy that your father employed?

WGR: No. I doubt very much if there was a general rule that he wanted educated men, although generally in the pre-World War I era, the company did not hire those who smoked cigarettes because "they were sissies; men smoked cigars." There was very little turnover in the supervisory force. For instance, I remember that the shop superintendent, Frisken, from my earliest childhood

until he died forty years later or so, always ran the shop. The Grisdale brothers continued until death or retirement. Will's son Joe (Joseph Simpson Grisdale) was a college friend of mine and became a foreman while very young, but was killed by an employee in 1932. Another, George Grisdale, Jr., was my friend, contemporary, and schoolmate at Culver, but I didn't think he was very effective and encouraged him to go into business for himself, which he did. There are probably not so many relatives in the business now as in the days of the earlier generations, but in my time we had (and perhaps still do) a written policy statement that hiring of relatives of employees was encouraged, provided that one relative should not work directly under another. A notable example today is Bob Hutchinson, our financial vice-president and the son of an engineer on the Peninsular Railroad. Also, of course, Simpson is a family business and competent family members are encouraged to take management positions.

ERM: Weren't there several conscious attempts to establish a more stable work force in the woods, in the mills, and in the office?

WGR: Stability was considered a virtue, probably to such an extent that it was a mistake.

ERM: You mean in the early days it was almost like a seniority system?

WGR: Yes, but they didn't formalize it by calling it that.

ERM: Were there inducements to settle down and strike roots in a community? Were there special aids in regard to housing or anything like that?

WGR: Yes. Easy credit at the store was one thing. This was used much during the Depression, largely as a humanitarian measure.

ERM: That concurs with what George Drake said in his interview.*

WGR: There was a definite feeling that the owners, managers, and workers were like one big family, and each must look out for the others.

ERM: There was considerable paternalism.

*A Forester's Log: Fifty Years in the Pacific Northwest, interviews conducted with George L. Drake and Charles S. Cowan, by Elwood R. Maunder (Santa Cruz, California: Forest History Society, 1975), pp. 130-131.

WGR: Yes, it might be called paternalistic today, but the early managers didn't think of it as paternalistic. They thought of the workers as "Good people. We like them, and we want to work with them and give mutual support."

There was one example of a fringe benefit for executives that backfired. In 1925 we built the electric power plant in Shelton and sold surplus power to the local public utility, which distributed it in town. The Logging Company had a list of associates who got their electricity at Simpson's generating cost plus a fee to the utility for wheeling it over the distribution system-- the net cost being less than the initial regular sales price. The associates consisted of Simpson's principal executives as well as the office, the shop, and affiliated enterprises like the store and the bank. In what then seemed normal but now seems naive, the owners naturally thought the electricity was theirs and they paid the utility for delivering it. But when an investigating committee in the mid-1930s found that the rich people were getting their light and power for less than the poor, there was an adverse public reaction so strong that the practice was abandoned, and later the power company lost its franchise.

ERM: Has there ever been a policy in the company regarding employment of women either in the office or in the mills?

WGR: Not until the public began to demand equal rights. Previously, women were employed only as secretaries and clerks.

ERM: Was there ever a tendency to employ the wives or families of your working force?

WGR: As I said, there was an effort to employ descendants of workers. Women on the payroll were not issue then, but of course they were hired in places considered suitable for them, such as offices, stores, and cookhouses. Since women have controlled the company for all but a few of the last sixty years, there was never any question of discrimination in the modern sense.

ERM: Has that policy generally worked to the advantage of the company?

WGR: The ownership and control resulted from inheritance and has all been good. Also, I think the policy of employment of employees' descendants has been good. In fact, I wrote the rule that would give preference to sons of employees but provided that, without specific permission from the president, no one could work under one of his relatives.

ERM: The Port Blakely Mill records indicate that as early as 1886 both Browne and Simpson were advocating the building of facilities for the families of loggers at the camps. In a letter dated May 2, 1886 to the company management at Port Blakely, Browne said, "We have some very good men on the road that wish to bring their families and want to get tents. I told Simpson, in the case of one, that we would let them have a tent for his wife, and they could pay for it so much a month until it is paid for. I think it would be greatly to the advantage of the company to encourage men of that class and by that means we would gradually become more independent of the floating class of labor which is of no benefit to the store area and only here a short time. I would suggest that the company give men of that class lumber enough to build themselves cabins." For 1886 that was really progressive.

WGR: Yes, it was. We've always had discounts for employees in buying company products, but what you say is news to me. I didn't know the support of family housing went back that far.

ERM: The tax problem was a perennial difficulty for operators. Can you describe anything at all about what you've heard concerning the general tax situation in the times of your grandfather?

WGR: I don't recall anything extraordinary. There always was a tax problem, and in Sol Simpson's day it was chiefly a matter of negotiation to get your assessed value as low as possible.

ERM: The record shows that railroad taxes were paid in 1888. Simpson reported that he had the assessor in Shelton put Port Blakely's logged-off land on the tax rolls at \$1 per acre. And, it was still taxed at \$1 an acre forty years later. In 1888 land tax at \$1 an acre represented a hell of a lot bigger percentage of the total tax bill than \$1 an acre was forty years later.

Sol Simpson described problems of management with the Blakely store. Evidently the retail store was an important part of the whole business operation.

WGR: Especially in the then-remote location of Kamilche.

ERM: It was a part of the whole concept of how a business was to make money. It wasn't going to profit only out of the raw material but was going to get into retail establishments and other developments of the community.

WGR: That's right in one aspect, but another is the effect on the work force. Having a good store for them was almost as important as having a good cookhouse, and we had branches of the store in the camps.

ERM: How long did they function?

WGR: Probably until about ten years ago. Even today, Simpson has at Camp Grisdale a stock of loggers' gear, which is offered to the men at cost.

ERM: There seems to have been a rather casual attitude in respect to fire in the woods in the early days. Can you give any clues as to how that attitude gradually changed?

WGR: It certainly was casual. The thing that stuck in my mind was that during the 1920s in the spring and fall, George Grisdale, who was the superintendent, used to go up and down the track in a speeder with a couple of other men and a can of kerosene and rags. They would dip the rags in kerosene, light them, and toss them overboard while the speeder was going along. They set fires along the right-of-way in order to burn it when the weather was not conducive to spreading a major fire that might go into either a felled and bucked area or virgin timber. This was considered a fire control measure, and no attempt was made to put out these fires in logged-off land.

When I was a boy in Shelton, late August was called dog days; the whole sky was overcast, much worse than Los Angeles is today. My own kids can't believe me when I say, "Gee, I know the smog is bad, but you should have seen what it was when I was a kid in Shelton!" The fires were simply allowed to run rampant. Losses in down timber were of huge concern, and as timber got more valuable and the amount of felled and bucked timber on the ground increased, awareness of the importance of more intensive fire protection developed.

There was a huge fire in Grays Harbor County in 1902 which at least made loggers aware of fire damage, and which may have resulted in the primitive protection measures used in George Grisdale's time. You've probably heard of the "Ought-Two Burn," as it was called. It killed but did not destroy tens of thousands of acres of standing timber; and our Camp Seven logged in the Ought-

Two Burn until 1940 or so. There were many stories about the 1902 fire. My father said that when the fire was burning, the roosters crowed at noon because the sky was so dark they thought it was just getting daylight.

However, by the time George Drake came into the company, we were fire conscious. In fact, the knowledge of fire control he gained while in the Forest Service was one of the factors in his selection as superintendent.

ERM: There wasn't any awareness, then, of the finite limits of resources like timber.

WGR: No. The sustained-yield concept was not truly part of the pre-Depression thinking of forest owners, although after Simpson's public relations department was established in the 1940s, it probably tended to attribute to earlier management characteristics which became popular later. It is true that Simpson has always had a sustained-yield configuration in the sense that it kept its logged-off lands, but, as I said earlier, they were retained for reasons other than to grow a new forest. Certain efforts were made to keep fires out of down and standing timber and to avoid the threat of loss of life and loss of equipment. I well remember that one of the Grisdale boys, my college friend, Joe, was working at Camp 1 near Bingham Creek in the 1920s when he was put on a fire-fighting line to keep the blaze from getting into some down timber. He got caught in it, had to run for his life, and his face was permanently scarred.

ERM: Do you feel your industry and your company, as part of that industry, overreacted to the muckrakers and discreditors of the industry and, as a countervailing effort, put forth its story, which now has to be reappraised?

WGR: Yes.

ERM: Do you think the real story needs to be revealed?

WGR: I am not sure. I think it is known; it's just not emphasized. Maybe it's a dead horse on which efforts would be wasted. I see no reason either to suppress it or for the industry to enter into a public relations program about it. The big thing that stimulated us all was the severance tax adopted by the state of Washington during the 1930s. It based the ad valorem tax on a fixed value of \$1 per acre and applied a severance tax at the time of harvesting. Mark Reed was active in getting the law adopted, and from then on, we certainly

became conscious of the need to protect the young growth from fire, and this led us into sustained-yield planning. Within a few years, the federal sustained-yield act was passed and Chris Kreienbaum, with my authority and support, went to work on trying to get a contract for the Forest Service timber in our area.* This meant we needed public support, and he hired David James to build it. I'm sure that Dave would have said, "What does the company need to make it look best? It's got to get rid of the industry's image of being wasteful with resources, causing fires, and leaving land logged off." Dave built a public image that was good for the company and helped offset the evil picture of the timber barons which some people had painted.

On the question of when attitudes regarding fire changed, I can think of one clue. As late as the early 1920s, my family made quite a to-do about celebrating the Fourth of July. My father and we three kids used to launch hot air balloons which were ten or twenty feet high. The air was heated by burning kerosene-soaked excelsior in a frame on the bottom of the balloon. It might come down anywhere within a radius of several miles, and I imagine it could easily have set fire to the ground cover.

ERM: It was never thought of as being a dangerous thing to do?

WGR: Probably not until the practice was stopped some years after World War I.

ERM: In an undated report to the Port Blakely Mill Company, probably sometime in 1892, your grandfather wrote:

Since the first of September last, we have laid 16,000 feet of track and graded 3,170 feet of switches, the cost of which comes under construction amount. I have commenced grading another switch at the store and extending the side tracks about 450 feet which will give us all the siding we could require for the present. The side tracks here are too small or more tracks than we have at the present time and, if you intend to increase the output of logs next season, we will have to enlarge the boom capacity. With your permission, I would like to make a double track at the landing and have it so we can dump logs on both sides. The roadway now in use will have to be rebuilt before long and

*Sustained-Yield Forest Management Act of 29 March 1944, 58 Stat. 132.

I would like to have the one I spoke of put in before we commence to repair the old one. The work will be expensive, but something of the kind will have to be done. I could extend the piling down the bay further but think that would be more expensive. I had about fifteen extra men on this past two months, grading the Y's and switches. Heretofore that work has been done by the contractor, but I think it could be done at as small a cost by the day. Up to December 1st, I did no work on repairs to speak of. But the month of December we have had some very heavy rains which did some damage, but all the damages have been repaired, and the track is in better shape now than before the storm. We have hauled rock and ripped, raked the fills where the water had washed them away so in the future there will not be much chance to wash out. The report of Mr. McBoyd will show you the receipts and expenditures of the road. Our accounts show the receipts for the past four months and expenses of five months also, all old bills of several months standing, to the amount of \$857.38. I send your inventory of all property of the company. There is no record here of the cost of anything, so I placed a valuation that I thought was about as near right as I could get it on the real estate. Rolling stock, as far as the roadbed figures, are about what the road is worth. We want some figures to start from and if these will not answer you can have them changed.

This was in 1892. Possibly he was winding up work with them or seeking some appraisal of the value of the property. Do you know anything about it?

WGR: First let me comment about the item saying if they were going to have more track, they needed a bigger siding. In those days they called the railroad logging cars trucks. The siding would be to store the trucks, so it would not be a matter of whether they wanted more tracks, but more trucks. If they were going to increase production, they probably had to have more cars (trucks), but not necessarily more track.

I do not know anything specific about the reference to the appraisal, but probably it pertains to determination of profit or loss. Even as late as when I joined the company in 1930, an appraisal of its inventories and equipment was made by the chief executive, and changes in the appraisal values were reflected in the P & L statement. It sounds as if that might have been the kind of appraisal Mr. Simpson was writing about.

- ERM: Do you know if that's the way most businesses figured their assets at that time?
- WGR: I have never seen that system elsewhere. In fact, I was fresh out of Harvard Business School when I found the bookkeeping being done this way at Simpson, and I couldn't believe it! Maybe other companies did it too, but I have never heard of such a system anywhere else.
- ERM: You spoke earlier of the relationship between Captain Renton and Sol Simpson. Do you know anything more about the relationship between the two, Simpson Company and Port Blakely? What contributions, if any, did Port Blakely make to get Simpson started? The reason I ask is that there seems to be some evidence to show that Port Blakely was accorded preferential treatment by Simpson in the price of logs for quite a while afterward.
- WGR: I can believe that. There were six original stockholders of Simpson Logging Company, each of whom owned 83 1/3 shares, or 1/6 of the total capitalization. They were Simpson, Anderson, and four of the owners of Port Blakely: James Campbell, John A. Campbell, C. S. Holmes, and K. C. Holmes. I think the four Port Blakely men were nephews or other relatives of Captain Renton.
- ERM: Were the Campbells local people?
- WGR: Yes. One of their nieces still lives in Seattle. Her name is Hazel MacMillan Pringle. I know her well and sometimes do business with her son, MacMillan Pringle, who is an investment advisor.
- ERM: Outside capital seems to have been a crucial factor in the buildup of the industry in the 1880s, after the depression of that decade caused the collapse of poorly financed operations. You've mentioned something of the role which outside capital played. How much have you had to go outside the family for financing?
- WGR: After the formation of the Logging Company, it was a self-financing business, although 2/3 of the original capital was put up by the Port Blakely Mill and another 1/6 by Alfred Anderson. The Logging Company has never sold any additional equity, nor did it even borrow money until the 1940s, although after Mr. Simpson's death Mark Reed and the Simpson Investment borrowed the money to buy their portion of the shares held by the Port Blakely group in 1906. Mr. [Norval H.] Latimer of the Dexter Horton Bank arranged the loan. About the same time, the par value of the capital stock of the Logging Company was restated from the original \$50,000 to \$1,500,000, a thirty-for-one increase in eleven years, but

this involved no cash or borrowing.

ERM: When did the Eddy purchase come in?

WGR: I think the Eddys may have bought the Port Blakely Mill before this transaction. I don't know, but the Campbells and the Holmeses held the Simpson holding stock in their own names, not in the name of Port Blakely. They might have sold the Port Blakely Mill Company to the Eddys and the Simpson stock to Anderson and Reed at the same time.

My father felt some constraints from the borrowing to buy the Simpson shares from the Port Blakely stockholders, and he talked to me about it years later. He gave me very little specific advice about being a businessman, but once he said, "I recommend you stay out of debt. It can cramp your style, and you take a risk of going broke. I was very glad when we got the loan paid off." He never borrowed money again.

ERM: You've never floated any stock issue?

WGR: No.

ERM: Or gone into any larger, long-term debts with banks?

WGR: Yes. Later we got into debt, and we still owe a great deal. But that's a more recent story, and it occurred under my regime. After the debt to buy the Port Blakely stockholders' interest was paid off, the Simpson Company never had any debts until I decided to buy Rayonier stock in 1948. In fact, until the mid 1930s, the executives not only took pride in staying out of debt, but they even paid all the current liabilities as of December 31 each year so that the annual balance sheets showed zero liabilities. Net worth was equal to total assets.

ERM: You must have had to work some revolution in accounting procedures when you first came in.

WGR: I did, and after a few sessions with my father, he began to think that I was a pretty good accountant. Even after I became chairman, the locker room phrase for me was "the chief accountant."

Sol Simpson was different from Reed and Anderson with regard to his financing. Anderson was financed by his wealthy father-in-law and was fairly well-to-do himself. As stated, Mark Reed avoided debt, except when he purchased the Simpson stock. Sol Simpson, however, got involved in different enterprises and probably borrowed money for them. I don't know the details, but somehow he

had been speculating in Seattle waterfront property, and then he went into the steamship business operating between Seattle and Nome because his brother-in-law, C.D. Lane of San Francisco, had been very successful with his Wild Goose Mine, the biggest in Nome, Alaska.

Simpson sent Mark Reed and my mother up to Nome to run the steamship line shortly after they were married. When my mother (who had become pregnant with my oldest brother) came back on Simpson's steamer, the ship lost a rudder and was missing for about two weeks. The passengers were scared to death, but finally the ship made her way to where she could get a tow into Puget Sound. Simpson was sued by many of the passengers, and in the settlements with them and his creditors, he lost not only the ship, but the Seattle tidelands, and most of his other assets, except his 1/6 interest in the Logging Company, which his creditors were said to have let him keep because they didn't think they could get anything out of it. My grandmother had a corkscrew which she called the \$50,000 corkscrew because that was all that was left of the venture in Nome.

Mark Reed had an earlier and less expensive lesson, which might have influenced him to advise me later to stay out of debt. After being raised in Olympia and educated in California, he went into the logging business near Shelton in a company named Reed & Ellis. It went broke in the Panic of 1893.

ERM: Didn't he supervise the company store in Shelton for a while?

WGR: Yes. While Reed & Ellis operated, he evidently got acquainted with the Simpson family and was then hired to be manager of the Lumbermen's Mercantile Company general store.

ERM: Hired by Mr. Anderson or by Simpson?

WGR: I think by Mr. Simpson, but it might have been either of them. My father's advice to me about avoiding debt probably did not impress me as much as his experience in Reed & Ellis and Simpson's in the steamship company. I did avoid borrowing money until the Rayonier venture, which I financed through J. P. Morgan and Company. To John Meyer, Jr., the Morgan partner who was later my friend and who recently retired from the Morgan chairmanship, I said, "I'll have this paid off by next year." He laughed and replied, "No, you won't, Bill. This is a kind of disease: once you've got a good line of credit, the chances are you will be in debt the rest of your life."

And he was right--we've never been out of debt since.

Perhaps a factor that encouraged adoption of Mark Reed's no-debt policy was that right after Simpson Investment Company and Anderson bought out the Port Blakely Mill stockholders' interest in Simpson Logging Company, the Puget Sound lumber industry had some good years supplying wood for rebuilding San Francisco after the fire of 1906, which enabled the Simpsons and Anderson to retire rapidly the debt they incurred to make the purchase. Then they had some very flat years until World War I, but under Mark Reed, the company outpaced its competitors, whether the industry was booming or in the dumps.

ERM: In the book *Green Commonwealth*, Stewart Holbrook stresses Sol Simpson's achievements as an innovator in the industry.* How much of an innovator was he? What qualities and influences caused him to innovate?

WGR: My guess would be that his innovations came from the fact that he was new to industry. There already were loggers in the area: the Port Blakely Mill; Pope and Talbot; the Kneelands; and the Bordeaux in the Shelton area; and others in Puget Sound and Grays Harbor. They probably followed practices which had been innovative earlier, and Simpson may well have applied his experience in the earth-moving business to what was then for him a new occupation.

ERM: He was not hung up by prejudice of long past.

WGR: That's true.

ERM: Much of the technological progress that's been made in the woods and to a certain extent in the mills has derived from the pragmatic experience of lots of small operators, many of them gypso loggers. They came and were confronted with a problem, and they used a little common sense to come up with a new useful gadget. Perhaps this is what Holbrook was alluding to in respect to Sol Simpson. Maybe he was instrumental in the transfer from ox power to horse power.

WGR: Yes, he was said to be the prime mover in the transfer. Also, he may have been earlier than most in becoming strictly a commercial logger. He had no ties to a mill after he took his logging operation off the Blakely Line and moved to Shelton. Then he was a commercial logger, free to sell the logs to the highest bidder.

*Holbrook, *Green Commonwealth*, pp. 31-36.

- ERM: In that time, generally those who sold logs were those who made money, and those who made wood products were those that lost money.
- WGR: Perhaps that's true in general, and a case in point may be that the Reed mill was built more as an adjunct to the logging operation than as what today we would call a profit center. The farther the operation moved west, the more hemlock it produced, and there was little market for hemlock logs. Many were just left in the woods. At this time in the early twenties, Ted Mills had his Port Angeles sulfite pulp and newsprint mill running smoothly and was looking for expansion opportunities. He had to have hemlock chips and he and my father got together. Ted Mills and the Zellerbachs were close associates, and Charlie Blyth handled their financing. The needs of all four interests--Mills, Blyth, Zellerbach, and Simpson--were complementary, and the result was the building of the Rainier Pulp and Paper Company plant in Shelton. Under Mark Reed's leadership Simpson took a financial interest in the pulp mill, built the power plant with Henry McCleary, and through a subsidiary built the Reed sawmill to sell the hemlock lumber to Japan and chips to the pulp mill.
- ERM: An early adventure into integration, but on a multi-ownership basis, with the power all provided at one point.
- WGR: Yes. Then in the later twenties after these developments had proven to be successful, the Reed Mill Company built a shingle mill. It started in 1929 or 1930, always lost money, was closed permanently about 1932, and in the late thirties was sold to Olympic Plywood Company, which was formed by a group of Simpson and McCleary executives, including Frank and me. The new owners converted the shingle mill to a plywood plant and became a customer of Simpson. Thus Simpson was going the reverse way on integration, and in fact I tried unsuccessfully to sell Reed Mill #1 to the pulp company. However, when the OPA [Office of Price Administration] was created in 1941, it froze the price of logs low, and the price of lumber high. Our customers were making a lot of money, we could just barely break even, and we had a great big hassle in the Simpson board of directors. I argued that we had to become integrated because of OPA prices, but the others wisely said they would not put up the money to build a lot of sawmills. Eventually, though, they did reluctantly approve the purchase of the Olympic Plywood plant and the Henry McCleary Timber Company. These were sound moves at the time to cope with the government regulation, but in

the long run we might have been better off if we had just stayed as timber speculators and loggers.

ERM: You might be in the same position that Port Blakely is now.

WGR: Yes, although probably more aggressive.

ERM: How do you think the pattern of decision making has changed from the time of Sol Simpson and Alfred Anderson to the present? In the early days, how were decisions made and who made them?

WGR: I think policy decisions were probably made by Sol Simpson in conjunction with his financial partners, the other stockholders. I think he made most of the operating decisions himself. Then after his unhappy Alaskan adventure he sort of withdrew and started to get sick. He died of pernicious anemia (what I think we now call leukemia) which had slowed him up for several years, and the company was run then by Mark Reed and Alfred Anderson.

ERM: Which of those two was the more dominant influence?

WGR: I believe it started out to be Anderson, but from the time they bought out the Port Blakely interest, it was Reed.

ERM: What changes have occurred in decision making since then both at the operational level and the policy level?

WGR: From 1910 or so when Anderson became inactive, Mark Reed simply made all the decisions. After 1914 the board of directors consisted of only two people: Mark Reed and Arthur Govey.

Arthur B. Govey was the equivalent of office manager with the title of vice-president. Mark Reed kept in close touch with the people and the property and made decisions on the basis of personal observation. For the directors and the stockholders meetings of Simpson Logging Company, he simply dictated the minutes and then had them signed by the people concerned. This seems like a dictatorial way of acting, but he didn't ever think of it as such. He was a warm, strong man and had a great many friends. He was accessible and easy to talk to, but there was never any question about who was running the business.

ERM: When did that change?

WGR: On his death. In 1933 we revamped the board so there were two Anderson directors, two Simpson-Reed directors, and Kreienbaum.

ERM: Then the business became governed by committee or board.

WGR: Yes, with a full delegation of operating authority to Kreienbaum as vice-president and to Frank as president, but with the policy decisions made by the board. Frank and I had much respect for Ed Hillier and Chris Kreienbaum, and I got along quite well with Katheryn Wilson, who liked to pat me on the head as if to say, "Nice young man," which probably I was then. Frank was a very personable guy and everybody just loved him, but he was not very interested in business and Miss Wilson was not his type of a female. Anyway, we did the hard decisions in the board and it generally performed well. The most difficult incident came in late 1942 or early 1943 shortly after Frank died.

I was in the navy stationed in Seattle for a period and found I had a lot less to do than when I was in business. So I had time to do some figuring and realized that Simpson's ownership of the Seattle-First National Bank shares was about equal in value to Transamerica Corporation's 25 percent of the stock in Puget Sound Pulp and Timber Company. I told the board of directors that I'd like to have authority to offer our bank stock as a trade to Transamerica, which was then interested in getting a banking affiliate relationship in the state of Washington. Chris and I were eager to make the trade, especially because we were greatly attracted by the timber in Vancouver Island that Puget Sound Pulp had bought from International Harvester. I was also taken by the possibility that if we could make the trade and get 25 percent of Puget Sound, we might gradually pick up enough of the rest to control the company. I was so confident it was a great opportunity that I bought a block of Puget Pulp stock from George Gunn, and I cultivated the support of the heirs of Ossian Anderson, who had founded the company. However, when I asked the board for permission to make the trade, they refused.

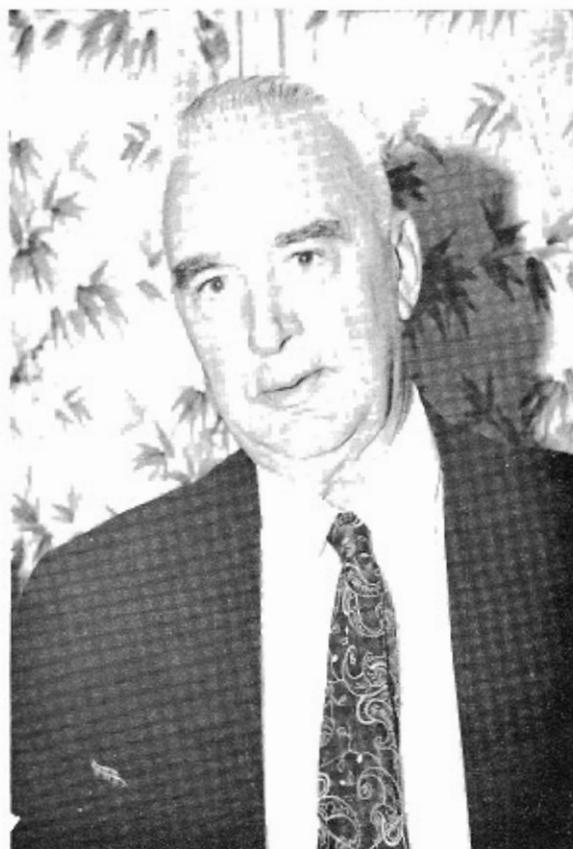
ERM: What was their argument against it?

WGR: That the company shouldn't expand that much. Tom Glead, whom I had put on the board to succeed Frank, was also president of Seattle-First National Bank, and I believe his opposition may have included the feeling that he did not want Transamerica to get into Seattle-First National, although he didn't say so. Katheryn Wilson and Ed Hillier thought, "We don't want to expand. This is going much too far and too fast."

After a couple of weeks I called another board meeting and said, "I want your affirmative vote or your



*Thomas F. Gleed, president of
Simpson from 1951 to 1962.*



*Ed Hillier served as director and
advisor to Simpson executives for
many years. His entire career was
devoted to logging in the Puget
Sound region.*



Tom Kelly, Katheryn Wilson, & Bill Reed in 1960.

resignation. If I don't get your resignation, I'll call a stockholders' meeting this week." This was a tough stand. They said, "Well, if you feel that strongly about it, it's all right," and they all accepted it gracefully.

Chris and I had first been out-voted three to two. After the approval I sent the negotiator, Jack Agnew, back down to San Francisco with instructions that we must be sure to make a good deal. Transamerica had indicated it would make the trade for our bank stock plus about \$2 million. I had authority from the board to go ahead on the full amount, but was determined to come back with a better deal than they had authorized. It was just a crazy, self-image type of thing that didn't work because Transamerica would not come down in the price. Not paying that \$2 million, even if we would have had to borrow much of it, was the worst mistake I ever made.

To get back to your question: after that, the relationship between the board and me changed. I would just say, "This is going to be done, and here's the resolution. Do I hear a motion to adopt it?" Sometimes it's hard to argue with the majority stockholder, you know.

ERM: Did the composition of the board change?

WGR: No, it stayed the same until Ed Hillier died. We then elected Chapin Henry, who was my wife's cousin and my closest friend. When Chapin came on, my wife was kind of put out because Chapin was on and she wasn't, and I finally asked Chapin to resign, which he did with no hard feelings, and Nor became a director. Then we also elected Miss Helen Bunn, who was from Minnesota and a relative of the Andersons. She was on the board for many years until she died.

ERM: Was she an active member of the board?

WGR: Yes, she came to nearly all the meetings. She was a very fine person; Nor and I liked her and often had her for dinner. Kathryn thought she was wonderful, too.

ERM: Three women on the board?

WGR: Yes. We had a board of six then, consisting of Chris, Glead, and the three ladies. After Chris had a heart attack and went to California, Chapin Henry came back on the board again.

ERM: Were you chairman of the board all through this time?

WGR: Yes. I had a slightly different title than the customary chairman of the board. Chris and I worked this out

because I said, "There's no question about who's the boss, Chris. I have the majority of votes, and I am therefore the boss, but I want you to run the company. The title chairman of the board has a connotation that the holder just presides over the meetings, but I want to do more than that. So I am chairman of the company, not merely of the board." In a similar case today, a company would use the titles president and chief operating officer and chairman of the board and chief executive officer.

When Chris had the heart attack, it was a very inconvenient time for me. I was deeply involved in Rayonier, was living in New York, and could not also take over the operational duties in Simpson. We therefore made a widespread search for a new man, and in the course of the investigation, I asked Tom Gleed if he could suggest anyone. To my surprise, he said he would like the job himself.

ERM: Did he maintain his presidency of the Seattle-First National Bank when he took over as president of the company?

WGR: No. He had to resign. This made some pretty severe tensions between the bank and me, too. They are all over it now, but for a while it was tense.

ERM: Did the methods of running the company and the policy decision making change when Gleed became president?

WGR: Yes. Since the new operating management was not as knowledgeable about the business as Kroienbaum, I became more concerned with operations and in policy matters, liked to use the nonexecutive board members; namely, Mrs. Reed; Chapin Henry; Miss Wilson; and sometimes Miss Bunn. Quite a few suggestions were made to me by friends in other companies that it would be wise to have some outside businessmen on the board, but by this time I had firmly decided that I wanted to have it remain a family company.

ERM: How did Gleed respond to this?

WGR: He would liked to have had some outside directors, and I thought it over a great deal. I discussed it with Bill Allen and finally decided I did not want outsiders because I made a lot of decisions based on the family circumstances, and often did not follow financial and public relations policies that officers of publicly held corporations would have deemed wise. I did not relish the prospect of having to disagree with my friends about actions which were sound for one in my position, but not for men in their positions.

ERM: Does Gary [William Garrard Reed, Jr.] use the same pattern?

WGR: He has so far, but I'm not sure that he always will. I should add that, in a way, Chapin Henry was an outside director, but he was also the head of a family business.

ERM: There is a wide range of correspondence and documentation at the University of Washington relating to the manner in which early timber claims were made. Much of this is Sol Simpson's correspondence. I'd like to read a little of this to find out how you interpret it. It concerns how land came into control. In July 1888 Simpson wrote, "The watchman here wants to buy a piece of land you own near Ed Callow's place and it is all bottomland, no timber on it. If you want to sell, what price will I ask? I think we could have him locate a timber claim and make an exchange."*

In August, Simpson reported, "A man in one of the camps intends to file homestead claim on one-quarter section. There is about sixty acres of bottomland on that quarter section; the balance is well-timbered. If you think best, you can send me a deed for the same, and I will have a few acres of it slashed and burn it off after the rain sets in or give any person a deed that will put some person on it. I think this is very important and should be looked after immediately for once they begin to jump land, it is hard to say when it will stop."**

He later wrote, "Let me know when to expect the parties up to go on their timber claims. I would like to know a day or two ahead so as to prepare for them to go out. Mackintosh and Duval go out tomorrow with their witnesses and go to Seattle on the 15th to prove up. Do not send the parties from Blakely until after Mackintosh gets back, say about the 20th."***

Later in the fall he wrote, "Mr. Carson, government timber agent, has been here for three or four days after Forbes and others on the timber claims on 18-5 and 19-5, also investigating the Waddell Creek entries. He says everything is all right. The government timber agent

*Simpson to Port Blakely Mill Company, July 18, 1888. Port Blakely Mill Company Papers.

**Ibid., August 6, 1888.

***Ibid., August 11, 1888.

said that Forbes would not do anything until he saw you. Carson, the timber agent, wants to make favorable reports so when Forbes comes down you can arrange matters with him. I thought it best that you should tell him what to do so he won't suspect how matters stand. I think Carson scared him some. Said he told Forbes that it was no good to lie as he knew just how the lands were taken up."*

Again a quotation from a Simpson letter in October: "I made satisfactory arrangements while in Seattle with the party we talked of in regard to holding the receipts for timber filing."**

In November of the same year: "Three men go out tomorrow to file on timber claims and three more the last of the week."***

The detailed reports for the year 1888 do not continue in files for following years. I wonder if you have any particular reaction to these documents?

WGR: I didn't know about them. I don't know what the legalities of the case were, whether it was legal or illegal.

ERM: They are all in regard to the purchase of lands for the Port Blakely Mill Company.

WGR: They sound as though he thought he was doing something a little undercover. But, was it? I take it that what he was doing was getting some guy to go out and homestead a quarter section that had timberland on it in exchange for some money they would pay him right then.

ERM: Or in exchange for a better piece of farmland.

WGR: In due course, after he got his land patented, he would apparently sell it to Port Blakely. Is that illegal or not? I don't even know. I should imagine it might be, but maybe it isn't. If Simpson or Port Blakely was the beneficial owner at the time the deed was given by the government to the homesteader, I imagine that would be a bad-faith transaction, but I don't know. I'd have to ask a lawyer about it. I could imagine that is the way they would get title to some land. They would get people to go out in the woods and take up a homestead they probably wouldn't settle on otherwise. Wasn't there a law that you had to live on the property?

*Simpson to Port Blakely Mill Company, September 12, 1888, Port Blakely Mill Company Papers.

**Ibid., October 22, 1888.

***Ibid., November 26, 1888.

- ERM: You had to build a habitable shack and live in it for a certain period of time, at least, to qualify. Then you could sell it at a discount, and this is what happened in a lot of cases.
- WGR: And whether it be illegal for the settler to give them an option, I just don't know.
- ERM: Another document shows Simpson bought land at auction in 1892. A certificate of sale of real estate dated March 30, 1892 shows that Simpson bought 150 1/2 acres in Thurston County at auction for \$1,337.21 or \$8.60 an acre. Was land frequently bought at auction at that time?
- WGR: Not that I know of. That's news to me, too, but I can imagine it. Of course, there were tax foreclosures on land that was later sold at auction.
- ERM: Stewart Holbrook comments that Simpson and Anderson differed from most lumbermen of the time in one respect: "They made it a policy to retain their cut-over lands."* I wonder if you have any comments on that. Was it then considered atypical behavior?
- WGR: No.
- ERM: Does this have any relationship at all to the tax problem?
- WGR: Yes, it has at least some relationship. My father's attitude was that he didn't want to let the land go for taxes, partly because of his sense of good citizenship and partly because a result would be higher rates on other property. At the same time, he didn't want to carry too much land because the carrying cost was waste overhead. If he let the land go for taxes, the assessor would come along and probably raise the tax on the saw-mills. He didn't think that would get him anywhere, so he might just as well keep the land. The land retention was not then truly intended to be a sustained-yield operation, but it has since been called one.
- ERM: In 1895 Sol Simpson became involved in a legal dispute over land obtained from the Northern Pacific. Do you have any information on that?
- WGR: No. I didn't even know it.

*Holbrook, *Green Commonwealth*, p. 159.

ERM: Can you shed any light on the relationship that existed between Simpson and Northern Pacific?

WGR: Not about Sol Simpson's relationship with it. I think part of the Blakely railroad was sold to the Northern Pacific for use in its line from Olympia to Montesano and Grays Harbor. However, the NP did not construct the line from Kamilche to Shelton until after we built the hemlock mill. The Northern Pacific is still the railroad connection between Shelton and the outside world.

Many of the timberlands in our area were lieu lands; that is, they were the odd-numbered sections given to the Northern Pacific in lieu of the land grant elsewhere. When the Weyerhaeuser Company was organized, it bought a big chunk of them, and what was left, along with most of the intermingled lands, ended in Simpson hands.

ERM: How close has the relationship been between your company and the Northern Pacific through the years?

WGR: The Northern Pacific bought the Blakely road, and when we built the sawmill in Shelton, they extended the line to Shelton. We always kept an alternate shipping source, that is, the Milwaukee road. When we shipped on the Milwaukee, we had to put the boxcars of lumber on barges and tow them to Seattle. I think the total rate for doing that was the same as for shipping on the Northern Pacific from Shelton. When we bought the McCleary mill, its traffic was on the Northern Pacific line exclusively. My father was a friend of Fred Williamson, the operating vice president of Northern Pacific. Its president, Donahoe, was a friend of my father as was Bob Macfarlane, whom I also knew well. In fact, I have been a director of the Northern Pacific and the Burlington Northern for twenty-five years.

ERM: Did your father have a directorship on their board before you?

WGR: No. And I should add that the timber transactions were completed long before I went on the board of the Northern Pacific.

ERM: So log purchase, cutting rights, land purchases, or anything like that were all out of the picture by then?

WGR: They were all out.

ERM: Availability of rolling stock to move your product has

always been a problem for the industry. Has that been a problem for Simpson?

WGR: Yes. Today we lease cars so that we can reduce the effect of the recurring car shortages. The biggest lever we had on the railroads was our steady shipments out of Shelton. We would tell the Northern Pacific people that if they wouldn't give us cars, we'd ship over the Milwaukee, which is why we built the system of transporting freight cars from Shelton to Seattle by barge.

In all the time since I've been a NP and BN director, I've never said, "I'm a director. I want you to send us some cars." I've never called up Lou Menk or Bob Macfarlane or whoever was running the railroad company and asked for favors. I have said, "You ought not be allowing these recurring car shortages. The railroad ought to buy some more cars." The standard answer was that the NP and BN had plenty of cars, but when you ship the lumber east of Chicago, the cars got on other lines and it takes time to get them back. Consequently, I argued on the board as a director that the railroads should raise the per diem rate. Some might say I have a conflict of interest on these questions, but I don't think so, and lawyers hear everything I say as a board member.

I did resign from Pacific Car and Foundry Company board because I was on its board and the railroad's at the same time. One time when the BN was considering giving an order to the Pacific Car and Foundry for some cars which I didn't even know about, an eastern car maker complained that I had an interlocking directorship. So I resigned as a director of Pacific Car and Foundry, which is now PACCAR.

ERM: According to Holbrook, "Simpson, no more than Anderson, liked politics. But when through some chance he got into them, he played for keeps."* Do you recall any instances of Sol's being involved in politics?

WGR: I know Anderson was in the Washington state legislature and I have a feeling that Simpson might have been, but I do not know.

ERM: Did his political affiliation differ from that of your father?

WGR: Sol Simpson was a Democrat, I believe. My father was a staunch Republican.

*Holbrook, *Green Commonwealth*, p. 64.

ERM: Probably your grandfather's approach was drawn from earlier associations back East.

WGR: That seems unlikely since he was from Canada.

ERM: Scaling was an early problem. There were frequent disputes between purchasers and suppliers. Could you describe the problem and its solution?

WGR: The Puget Sound Log Scaling and Grading Bureau was organized to standardize scaling practices. I think in the early days sometimes both buyer and seller scaled logs, and this caused lots of arguments. Many sellers, including Simpson, were sometimes flexible. When the price of logs was going down in the 1930s, my father gave our head scaler instructions to put all the "liners" in the next lower grades. This means that, if a log is 22 1/2 inches, it is counted as 22 inches instead of 23. Since this was reducing the price indirectly, I asked, "Why not just cut the price?" He replied that this made the buyers feel better because the overrun went up. Normally, scalers employed by the company were checked regularly by the Scaling and Grading Bureau, and we always had a bureau check-scale whenever a buyer wanted one, which of course they did not when the company was dropping the liners down.

My brother Frank was the log salesman, and I was usually involved only when there were credit problems--which were certainly not unusual in the early thirties!

ERM: What about setting the scale on a purchase of timber in the woods?

WGR: There you have a big difference. When a transaction in timber was being negotiated, both buyer and seller would often have independent cruisers who not surprisingly nearly always reflected their employers' point of view. For many years, our regular independent cruiser was John Rankin. When the difference between the buyer and seller was too great to resolve by bartering, both parties would often jointly hire a third cruiser and agree to accept his report. Charlie Lyford's James D. Lacey and Company of Seattle was the firm most frequently agreed on.

If the timber was being bought under a private cutting contract, a joint scale was usually made at the landing in the woods. With government timber a Forest Service scaler does the work, and the buyer has a right to check-scale him.

- ERM: Holbrook says, Reed's success in achieving the state scaling laws was "...one of the biggest steps ever taken, in stabilizing what had been a chaotic industry."* Were there any subsequent scaling problems after that law was passed?
- WGR: I think that refers to establishment of the Puget Sound Log Scaling and Grading Bureau as a state agency. So far as I know, there were no great hassles about scaling after that.

*Holbrook, *Green Commonwealth*, p. 57.
See also, *Session Laws of the State of Washington, Session of 1897*, ch. 64. This law created the State Log Scaler office as well as Log Survey and Measurement Districts.

INTERVIEW I

Session 2
November 6, 1974

ERM: While very critical of the Industrial Workers of the World, Mark Reed retained perspective and sympathy toward most workers during World War I.* Can you describe your father's involvement in the World War I lumber situation, particularly his relationship with Colonel Bruce P. Disque who headed the Spruce Production Division of the Army Signal Corps to provide materials for building airplanes during the War? There was cooperation between Colonel Disque and some of the lumber operators to undercut the IWW. Do you have any recollection of that or did you hear anything about it from your father?

WGR: I don't remember anything about Colonel Disque. I think he was headquartered in Port Angeles, or at least the Spruce Production Division was.

ERM: I believe it was in Grays Harbor or Aberdeen.

WGR: Maybe that's it. I was not in Shelton then, for in 1915 my father moved the family out of town in order to get away from the IWW. We were in Seattle for a year and then in California for about eighteen months. He lived in Shelton but came to visit us frequently.

ERM: Did he move you away from Shelton because he feared that the IWW might take reprisals against the family?

WGR: Exactly. I asked about it after I grew up for it seemed to me like an extraordinary thing. I would ask such questions as, "Why did I ever go to Los Angeles Military Academy?" The reason was something like, "Well, you had to be out of Shelton, and this was the kind of school we thought suitable for you."

ERM: How did this affect your mother?

*Holbrook, *Green Commonwealth*, p. 131.

- WGR: I think it probably was difficult. She didn't mind being in Seattle because she had friends and relatives here and was close to home, but I doubt that she liked California so much, and I don't know why we moved there. Perhaps it was because her uncle, Joe Simpson, lived in Hemet [California], and her two aunts, Anna Lane and Lucy Campbell, lived in San Francisco.
- ERM: Do you recall any stories your father may have told about the conditions that caused his anxiety about the family's safety?
- WGR: No. I wish I could, but I don't remember any. Later, of course, two relatives, Sol Reed and Joe Grisdale, were shot by employees.
- ERM: Were these incidents related to politics?
- WGR: Not that I know of. The man who shot Sol had been injured and was in a wheelchair. Joe Grisdale, who was my friend and contemporary, was acting as foreman or assistant foreman of Camp 3, and I think he had fired or reprimanded the guy who shot him. That was in 1932 and my father said, "We've had enough" and moved us all to Seattle permanently.
- ERM: The logging situation in those days was still pretty rough and tumble.
- WGR: Yes, this was the day of the trapdoor in the saloon at Grays Harbor. If a guy got too obstreperous, the bouncer would open a trapdoor and toss him down into the river, which would carry him out to sea. Apparently, it wasn't the law and order situation that we now like to think it was.
- ERM: In spite of all this, documentary evidence indicates that your father retained a good relationship with the labor force. It seems that he had rapport and sympathy for the loggers.
- WGR: Labor relations were excellent all the time. He was always a leader in providing better food and better lodging. As you said yesterday, even in the earlier days Sol Simpson made provision in the woods for families.
- ERM: Do you attribute this sympathy to the fact that your father had been a logger himself?
- WGR: Partly that, but mostly because he was a very broad-gauged man who understood people.

- ERM: Blacklisting was a common practice, particularly during World War I. Did the Simpson company take part in that practice, and if so, was it considered an effective means of preventing trouble?
- WGR: I think the answer is yes to both questions, but I don't have any personal knowledge. In the early days when I first came with the company, there was some association in Seattle which gave us lists of troublemakers, and we were advised not to have them on the payroll.
- ERM: During World War I, the industry was exposed to disruptions in prices, wages, production, labor policy, and other things of that nature. Did this experience have any impact on cooperative efforts made during the 1920s and 1930s? What was the significance of the war for the industry?
- WGR: The Washington Log Brokerage Association operated during the World War I years as a cooperative group to market logs and probably control prices. Surely it would today be strictly illegal, but it operated openly and without question then.
- ERM: Wars generally tend to put aside antitrust provisions, for the time at least.
- WGR: The Washington Log Brokerage Association probably was formed before the war, and all the sales were handled through it for quite a few years--probably until 1920 or so. A different organization, the Loggers Information Association, existed in my day; and my father, I am sure, had been a significant figure in both organizations. Every so often the association members would have lunch, and a bottle of whiskey was at every seat, although it was during Prohibition. The discussion revolved around how much everybody was going to produce and what the price was going to be. Later, when the West Coast Lumbermen's Association supplied statistical information in the same fields, all of its members, including Simpson, had to sign a consent decree that we would no longer exchange such data.
- ERM: Was the Loggers Information Association meeting usually here in Seattle?
- WGR: Yes, once a month in a downtown hotel dining room.

- ERM: Were you a regular participant in those meetings during the 1920s and 1930s?
- WGR: Yes, in the 1930s. By that time the Loggers Information Association was panicky because the Depression was on. I think it was started after the Wobbly business, mostly to exchange the blacklists we were talking about.
- ERM: How did it relate to the 4L [Loyal Legion of Loggers and Lumbermen]?
- WGR: It was independent of the 4L, but at the meetings, the loggers might agree on what their policy would be about the 4L, which was something like a company union.
- ERM: Can you think of any carry-over effect on the industry and your company resulting from the impact of World War I?
- WGR: I'm sure the Loggers Information Association was one. Also, I think that Simpson emerged from the postwar boom and bust period relatively stronger within the industry than it had ever been before. I remember my father was pleased that overnight he had cut the price of logs almost in half and that this had raised the company's business out of the doldrums. From that time on, he was looked on as even more of an industry leader than he had been before.
- ERM: When was that?
- WGR: Probably in 1921.
- ERM: Did the regulations that developed in World War I have any carry-over impact on the business?
- WGR: Not that I am aware of. The Wobbly business was all over, and the family was moved back to Shelton before the end of the war.
- ERM: An attempt to solve the problems of logged-off land and reconversion after World War I was made by Secretary of the Interior [Franklin K.] Lane in his plan to settle returning soldiers on those lands as farmers.* Were any attempts made to implement this plan on the lands of Simpson?
- WGR: It's news to me. I've never heard of it before.

*Bill G. Reid, "Franklin K. Lane's Idea for Veteran's Colonization, 1918-1921," *Pacific Historical Review*, XXXIII (November 1964), pp. 447-461.

- ERM: In a letter to Ames in 1917 Mark Reed wrote, "People owning property in Mason County should contribute to the county Red Cross Fund. \$6,000 is to be raised of which Simpson Logging will give \$1,000," and Reed himself \$250. "Mason County is populated with wage earners and its industries are largely controlled by those who reside outside of the county."* Is land there now owned mainly by residents, or is it still absentee ownership?
- WGR: Simpson is by far the biggest landowner there now; and we, the majority stockholders, have lived in Seattle since 1932, although my official residence is in Shelton. The Port Blakely, Pope & Talbot, and some of the Christmas tree operators are probably the next largest landowners, and they are based elsewhere. If you classify Simpson as a Mason County firm, most of the private land and practically all of the industry in the county would be called local.
- ERM: What economic factors accounted for Mark Reed's decision to enter the manufacturing end of the industry in the early 1920s?
- WGR: He wanted to find a way to get value out of hemlock.
- ERM: How did he proceed in organizing the company so that it would operate on a most efficient basis?
- WGR: He was a seat-of-the-pants operator. He didn't use time studies, professional consultants, and such. He just went and looked at the properties, talked to the people, did a lot of delegating, and personally checked the performance. I am sure he had never seen Crawford Greenewalt, but he would certainly believe in the latter's remark that, "The best fertilizer is the eye of the owner." Mark Reed ran the company by knowing it thoroughly and making decisions on the ground, rather than as a result of studying written reports. He was a very capable operator and made Simpson the most efficient logging company on Puget Sound.
- ERM: Did he ever formulate his theories of business management in written form?
- WGR: Not that I know of. The closest thing to it was that he sometimes wrote an annual letter to Mrs. Anderson to tell her what had gone on. He was also very active in a wide field of other businesses, and during the 1920s he was the dominant outside director of the Dexter Horton Bank.

*Mark E. Reed to Edwin G. Ames, June 14, 1917, Edwin G. Ames Papers, Manuscripts Collection, University of Washington Library, Seattle.

- ERM: Was he ever influenced by the concepts of such people as Gifford Pinchot?
- WGR: I don't think I ever heard him mention Gifford Pinchot.
- ERM: Do you recall his ever supporting the theories or the ideas of any one person who had national prominence?
- WGR: No. Through his political connections he knew Hoover and Coolidge and senators and representatives from the state of Washington. He knew nearly all of them quite well, but he didn't express anything that I think of as a theoretical approach to handling business or politics. He did it on a personal man-to-man kind of basis that he would refer to as common sense.
- ERM: Would you say he had the philosophy of a nineteenth century entrepreneur?
- WGR: That's right.
- ERM: What about his association and friendship with George S. Long of Weyerhaeuser? How close was that friendship?
- WGR: I don't think it was an intimate friendship. It was more of a business friendship, somewhat like the friendship I had with Phil [John Philip, Jr.] Weyerhaeuser, although it was probably closer and certainly went on longer; but I do not believe they had a camaraderie as he did with other friends in Tacoma. He was well known and well liked in Tacoma as well as Seattle, and on summer Sundays he would go to Tacoma to go horseback riding with about a half dozen friends on the prairies near Camp Lewis. I think they'd have bourbon and water at lunch and swap bull stories. I doubt that George Long was a member of that group, although I don't really know, but Sam Jackson, the leading banker in Tacoma, certainly was.
- ERM: Do you think it was mainly in matters of politics and business that there was an exchange between George Long and your father and that they formed a united front before their peers and before trade associations?
- WGR: Yes indeed, but I'm not too sure of my facts on this because I did not see Mark Reed and George Long together.
- ERM: Chris Kreienbaum indicated to me that there was a very close relationship and a harmony of thought between these two men.*

*Kreienbaum, *The Development of a Sustained Yield Industry*, pp. 29-30.

- WGR: I am sure there was. In Tacoma I saw my father more with Sam Jackson and a fellow in the legislature who was a friend in their horseback riding group. But since Mr. Long died before I joined Simpson, I may simply not have realized how close they were personally.
- ERM: In 1925 Mark Reed said that the company "has never been very strong for publicity."* Why was this?
- WGR: I didn't know he said that. I guess he thought publicity was immaterial. I don't think he wanted to have outside stockholders, although he made some moves that indicated his attitude was somewhat different from mine. My attitude is that I don't want the company to have public exposure, except insofar as it is advantageous to operations. I especially dislike publication of our financial affairs, for I want to avoid having stockbrokers and speculators become a distraction for the management. On the other hand, we sought nonfinancial publicity when we were working on the sustained-yield contract and when we wanted wider distribution of our products after buying M & M Woodworking Company.
- ERM: In a 1925 letter to Mark Reed, J. B. Fitzgerald, editor of the *Four L Bulletin*, asked for statistics on "average output per month for the last two months, the number of men working, the turnover of labor and any other figures for an article on Northwest logging." Mark Reed replied, "We have never been very strong for publicity and prefer not to submit to you the information you request."**
- WGR: A factor that enters into this is a kind of feeling of invasion of privacy, like the old idea that it is bad taste to ask a cattleman how many head of livestock he has. Also, there is the danger of kidnapping when people find out your financial situation.

Finally, I have a specific investment concept which relates to this; namely, that I think we ought to have one family-owned company like Simpson Timber and another in which we own a large minority of about 20 or 30 percent. I worked towards this goal for several decades but never achieved it. About 8 percent of Simpson is still held by outsiders, and my attempts to establish a strong minority

*Reed to *Four L Bulletin*, October 9, 1925, Simpson Timber Company Records, Shelton.

**Ibid.

in another company all fell apart. First, there was the Rayonier caper, from which I withdrew after spending a lot of time on it and then being maneuvered out of the management. Then came Simpson Lee Paper Company, where we have ended with 99 percent of the shares instead of less than 40 percent. We set up Simlog Corporation as a mini-conglomerate in 1969, but the timing was wrong because conglomerates went out of style shortly thereafter, and investors were not interested in buying it. In Chile we had a fine time during the sixties with from 10 to 49 percent of BIMA, but it went galley west.

ERM: Did that happen when [Salvador] Allende came to power?

WGR: Yes, but it ran into heavy weather earlier, and we charged it off in 1969 or 1970.

ERM: Have you received any recompense?

WGR: Yes, but the company essentially went broke. It's a different story and pretty long. Perhaps we should come back to that later.

ERM: In respect to the family, I gather that a low rather than a high public image has been maintained, and that is a continuing policy.

WGR: That's right.

ERM: In an August 1923 letter to Mark Reed, George S. Long wrote, "It is the practical businessman rather than the theorist that can be most constructive in his recommendations."* Would you comment on this proposition with particular reference to the policy of the Simpson Company?

WGR: I'm sure my father felt that way much more strongly than I do. There might have been a very close bond between the two men.

ERM: They were both practical businessmen in the old fashioned sense, weren't they?

WGR: Yes. My father was not a slogan man, but he did have a couple of favorites that I remember. One was: "What this nation needs is more business in politics, not more politics in business." The other was: "If you put a bunch of rocks in a barrel and shake them up, the big ones always come to the top." He used

*George S. Long to Mark Reed, August 21, 1923, Mark E. Reed Papers, Manuscripts Collection, University of Washington Library, Seattle.

that to counteract liberal promises that socialism would make the poor happier; his meaning was that the best guys always come out ahead regardless of the political structure.

- ERM: In 1930 your father wrote, "Evidently it is somewhat common to acquire the reputation of being a millionaire and being so fixed financially that money comes rolling in without any effort. This seems to be the viewpoint of many in my case. But, unfortunately, this is not entirely in accord with the facts. . . . We have been fairly successful in managing our business, but I do not take all the credit to myself by any means. It is the fact that the opportunity presented itself, and we have had a successful organization to carry out our plans."* How would you comment upon that?
- WGR: This was apparently a statement of modesty. I don't know what prompted him to write it, but it might have been in response to somebody who wanted to play him up as having lots of money. He might have been referring partly and sincerely to Sol, his oldest son in whom he had confidence. The organization was never clear to me, and Mark Reed never had such a thing as an organization chart. He was the only head man; he just totally dominated the organization. However, his personal wealth was not great. He owned only 1/12 of the company, and his salary was \$12,000 per year.
- ERM: This was written three years before he died in a letter to Jane Cushman Cook. Are you familiar with that name?
- WGR: No. The Cushman family was around a lot, and he knew them. I never heard of Jane Cushman, but I suppose she was one of the Cushmans who lived near Potlatch on Hood's Canal. Lake Cushman was named after them.
- ERM: In his interview, Chris Kreienbaum recalled that Mark Reed left him alone, more or less, to manage the operation. Was it normal procedure for your father to leave day-to-day operations in the hands of others?
- WGR: If he trusted them, and he did trust Chris. He made wide delegations of authority and responsibility, and he judged his men carefully, not only by looking at the statistics, but also by walking through the sawmill or whatever operation each was in charge of.

*Mark E. Reed to Jane Cushman Cook, January 20, 1930, Reed Papers, University of Washington.

- ERM: How did he analyze people? What qualities did he look for in placing trust in subordinates?
- WGR: Integrity was number one. Knowledge of the business, good judgment, strength of character, not being afraid to fire a man if he was not doing his job, and that sort of thing.
- ERM: Your father wrote in a letter to Robert E. Seeley, "One of the best assets of a business is a satisfied customer."* Would you comment on this?
- WGR: Yes. Seeley was manager of the Puget Sound Associated Mills. Mark Reed had very close rapport with the customers, of whom there were few enough so he could know them all well. About half a dozen took 80 or 90 percent of the logs.
- ERM: Your father further stated in this letter, "It has been a mystery to me why many of our manufacturers could not see the necessity for meeting competition by putting out a quality product that is the equal of their competitors. This line of attack has been rather a hobby of Mr. Kreienbaum and myself during our association together, and we have felt that in time by paying attention to quality, and even increasing our costs to some extent by turning out a quality product, it would repay us in the long run, through the fact that there would be drawn to our organization a clientele of satisfied customers. We do not think that there is anything more important in carrying on a business enterprise than to keep in mind all the time that one of the assets of a business organization is a satisfied customer."**
- WGR: I missed the context of that before. When we were talking about customers before and I said, "Half a dozen of them bought 80 percent of our output," I was thinking of the customers for logs. Seeley was thinking of customers for lumber, for he was manager of the Puget Sound Associated Mills, which was the sales agent for its members including Reed Mill Company and probably most of the sawmills on Puget Sound.

*Mark E. Reed to Robert E. Seeley, March 17, 1933, Mark E. Reed personal papers, Simpson Reed & Co., Seattle.

**ibid.

- ERM: And what percentage of their production went through Puget Sound Associated Mills?
- WGR: I think all the domestic production went through them, and later some of the sawmills, including Simpson's, sold through another cooperative called South Sound Lumber Sales.
- ERM: That didn't involve the foreign market?
- WGR: No. Foreign sales went through the Douglas Fir Export and Exploitation Company. In essence, we had two sales agents--one overseas and one domestic. After the Puget Sound Associated Mills and South Sound Lumber Sales were dissolved, Kreienbaum hired Bob Seelcy to be our own sales manager, and he was with us for many years.
- ERM: Chris Kreienbaum said in his interview that you either force something down somebody's throat, or else. Does that imply there was a time when Simpson's policy was rather ruthless?
- WGR: I don't know what caused him to say that. Chris was a more sophisticated businessman than my father in the sense he had a much more advanced sense of organization, written reports, and so on. He was more scholarly than my father, I'd say, but less intuitive.
- ERM: What role does ethics play in the operation of the company?
- WGR: From the beginning the company has leaned backwards in the elements of integrity, morals, and such. I was surprised at the earlier letter you read about Sol Simpson's getting somebody to buy property in what appears to have been a little shady deal. I've never suspected that. If it were unethical or illegal, I think it would have been highly disapproved of by subsequent management: by my father, by Chris, and by myself. Political contributions are a good example of that. There were times when everybody was doing it, but I wouldn't think of using any corporate money for national political contributions--nor would have Mark Reed. Of course, I did authorize corporate money for state and local contributions, which are perfectly legal.
- ERM: Bill, did you feel any pressures from your party in the 1972 presidential campaign to support the Nixon Committee to Reelect the President?

WGR: Strangely enough, I didn't, perhaps because they knew we wouldn't involve the company. We had a Simpson executives' fund, to which individual executives contributed, but I said, "I don't even want to know who in the company are contributors to the fund." Dave James ran it. I told him, "If they want to contribute money to the corporate fund, let them do it; but it's personal money and has nothing to do with their jobs." It was called the Shelton Fund. We paid corporate money for local campaigns through what we called the Mason Fund. We had these two funds for quite a few years but gave them up after the Watergate affair because we thought they might make us look as if we were trying to cover up something, when we were merely trying to keep a low profile for the Simpson name. We didn't want the company involved in politics at all, although we encouraged individual political participation. In fact, for many years I was very active in politics myself, having been Republican National Committeeman in the early 1940s and having served on literally dozens of finance committees.

As I said earlier, I think we try to learn over backwards in regard to contracts and integrity, and perhaps an extreme example of this was shown in my attempt to make Simpson Lee a public company. We owned 60 percent of it and the former Lee Paper Company stockholders owned 40 percent. Wanting to reduce the Simpson portion to 40 percent, we had Blyth & Company offer some stock to the public at \$26 per share. Then the company went downhill, and the stock dropped to \$12 or \$15 a share. At this point, I felt so unhappy about the people who had bought it at \$26 that I made an offer to pay \$26 per share to all those who had bought their shares through Blyth. We paid them a million dollars or so over the market, but felt it was justified because they were participating in a Simpson venture, and we didn't want them to lose money as our partners. The Simpson Lee offer was made openly through Blyth to the ones who had bought the stock. We have never given anybody money under the table.

ERM: Would you say these standards of the family and company are clearly writ in the minds of the people who work for you?

WGR: I think so. I think it's true throughout the company.

ERM: How are these standards inculcated into everybody?

WGR: By example.

ERM: There is no written word, no manual of instructions?

WGR: No. I think we take this for granted. If anybody is in any way sort of crooked or has conflict of interest, they get out. That is the way we get the message to them. There was an incident with George Drake involving this. He bought forty acres or so of timber near Shelton in an area where he knew we were acquiring timber. So I had a talk with him and said, "We don't do this; it's conflict of interest. You must either sell that back to the man you bought it from or to Simpson. I'll have no transactions like that at all."

I do now recall one undercover deal that my father had. He felt uncomfortable with it and so did I when I discovered it. Charlie Runacres was the number-two guy in the office and old Mr. Govey was number one. My father paid Charlie a hundred dollars a month on the QT because he didn't want Govey to know about it, for it might have made Runacres's salary higher than Govey's. Dad made this secret payment to Charlie and just listed it with the miscellaneous expenses of the president's office. Obviously, it wasn't a very serious thing, and it's the only case I know of where anybody in the company has been involved in any kind of deceit.

ERM: What were Mark Reed's views on accident prevention? I believe he had a pioneer role in accident prevention and safety in the woods and in the mills and that these practices have come to be accepted now in the industry at large. Can you relate any of that?

WGR: Not specifically, but it was an attitude that has been characteristic of the company. Employees, executives, members of the family, and everybody concerned have been very safety conscious. We have had safety programs ever since I can remember. Gary has not only kept us this attitude, but also has actually been even more sensitive about it. The first time he went through a sawmill after he got out of the Marine Corps, I think he said something like, "My God, I've never been in such a noisy place in my life. We've got to have those guys' ears protected." So as soon as he was in a position of authority, booths were built around noisy work stations. My attitude wasn't that specific. I just said, "Be sure we've got a good man in charge of safety--safety of the property and especially safety of the people." On the whole, our accident record has been good, but it has been spotty. Some plants have had relatively poor performance and some, excellent ones. Oddly enough, I think the one we are just closing down, Olympic Plywood, holds many industry records for the man-hours it has run without an accident.

ERM: Is that plant being permanently closed?

WGR: Yes.

ERM: Is this one in Shelton that I read about in the newspapers?

WGR: Perhaps. The insulation board is also being permanently closed, and both announcements were made recently. The Olympic Plywood plant is being replaced by a bigger and better facility.

ERM: In other words, you are not going out of the plywood business. You are just going out of the insulation board business.

WGR: That's right. It has never been very profitable, but it has been successful in converting chips and waste wood into useable products. Now there is such a high demand for chips from the pulp industry in Japan, that the old insulation board plant cannot add enough value to the chips to justify spending the money necessary to bring it into compliance with new pollution regulations.

ERM: Where do the chips go now?

WGR: To Scott Paper Company in Everett and to Crown Zellerbach in Port Townsend. Both of those mills are short of chips and need ours. The Japanese would like to have them, but so far we haven't made any commitments.

There are lots of alternatives. We might be able to trade our chips on Puget Sound with somebody who has chips near our paper mill in northern California. Or maybe we could go in cahoots with other companies who have surplus chips on Puget Sound and get the Japanese to put up the front-end money, as it's called now, for a new pulp mill on the site of our old one at Everett. However, this would be tough on some of the other mills, like Crown's.

ERM: You always have had a rather good relationship with Crown, haven't you?

WGR: Yes. Both my father and I have had many good relationships with the Zellerbachs and other executives of the company. For instance, the Rainier pulp mill that was built in Shelton was essentially an offshoot of Crown Zellerbach; it would not have been built without them, and it was controlled by three voting trustees: Dave Zellerbach, Ted Mills, and Charlie Blyth. Later the Zellerbachs, Charlie Blyth, and I were partners in the Rayonier management. And we have a joint venture in California now called the Crown Simpson Corporation,

which has a good-sized pulp mill and two or three small sawmills.

ERM: Is there a similar tie-in with the Willamette Industries who had some relationship with Crown in earlier years? Wasn't there a Crown Willamette?

WGR: I believe there is no tie-in between the present Willamette Industries and Crown Zellerbach. However, fifty or more years ago, a company called something like Crown Pulp and Paper Company was merged with a Willamette Pulp and Paper Company to form Crown Willamette, which later merged with the Zellerbach Paper Company and became Crown Zellerbach.

ERM: Do you think the era of mergers is still running strong or has it reached and passed its peak?

WGR: I think it's past the peak, but there will still be some mergers. Many of the most logical ones have taken place. Georgia-Pacific and its offshoot, Louisiana-Pacific, represent two big outfits which resulted from a whole lot of mergers.

Even Weyerhaeuser is a product of mergers, although we don't usually think of it as such because the original Weyerhaeuser Timber Company alone overshadowed all other western timberland owners without a merger. On the other hand, many of its present operations were acquired later, often by merger, as with Snoqualmie Falls Lumber Company, the White River mill at Enumclaw and Clemons Logging Company, Kickhefer, and Dierks. Boise Cascade was created by mergers, and MacMillan-Bloedel in British Columbia is a product of consolidation of H. R. MacMillan Export Company; Bloedel, Stewart and Welch; and the Powell River Paper Company. Of course, there will continue to be some mergers, but not nearly as many as in the past. There simply aren't as many candidates. Even as recently as when we went to the redwood country after World War II, there were four major independent redwood companies and a lot of little ones. I said, "We'll become number five," and we did. Now the other four have been involved in consolidations or acquisitions, and any more big mergers down there are unlikely.

ERM: Why do you suppose the forest products industry is among the last of the great exploitive industries to become consolidated in this way? Other such industries, such as steel, oil, and coal, moved more swiftly toward concentration. Have you any ideas as to why that happened?

WGR: I think so. One is that the economics of size were not of significance in sawmills until the last few decades.

- ERM: You could always close down and open up again and move around.
- WGR: That's right. A little sawmill was just about as efficient as Weyerhaeuser's Mill B at Everett. Long-Bell built the biggest mill in the world at Longview, and then went broke while many small mills survived. Their flexibility was a real asset and they could specialize. Puget Sound offers a good example of this. The loggers sorted the logs by size, species, and quality and then sold them to mills that specialized in the different qualities, so the advantages that you might normally get from integrating or consolidating them were available anyway through the operation of the open market. It would have been very hard for one company to operate these different types of mills. The plywood business was quite different from the lumber business, and there was almost no mixing of sawmill logs and plywood logs. The shingle business is a perfect example. A two-machine shingle mill is just as efficient as a thirty-machine shingle mill.
- ERM: Of course, the prime source of raw material for the shingle industry is running out.
- WGR: Yes, although techniques will probably be developed for making shingles out of second growth. Redwood, of course, makes perfectly good shingles, too, and the reason it isn't used much for shingles is that you can get more for it in other forms.
- ERM: But redwood may come into vogue in shingle making after cedar runs out.
- WGR: If the relative price of shingles goes up. It would have to do that in order to pull redwood out of markets which are more profitable than the present shingle market.

I am wandering away from your question as to why concentration in the forest products industry was slow. One element was that small tracts of timber could be harvested economically and the logs sold to whatever mill suited them best. But when sustained yield became important, only large holdings could be managed efficiently. Thus, the stumpage owners were under pressure to merge; and as they did so, the different mills were fitted together so that one large manufacturer could use all of the logs coming out of a stand of timber, and the open market for logs dried up. The trend was intensified by its effect on pulp mills, which have always had to be big in order to be efficient. They had mainly relied on the open market for logs. In fact, Ted Mills, who built four or five big mills in western Washington, once told

me, "One of the things I learned early in this game is not to get my capital tied up in a bunch of damned timber. As long as you guys will carry the timber and log it, I can buy the logs I need and make a lot more money out of my investment in the pulp mill than I could make if I had to tie up capital in timber. If I had to buy three or four townships of timber for a mill, I wouldn't have any money left to build it."

You'll find an interesting parallel in one of the first annual reports that Owen Cheatham wrote for Georgia-Pacific after he came west. He said he hadn't invested any money in timber and didn't intend to do so because it was an unproductive way to tie up capital. When he wrote that I thought, "Huh, one guy we never have to worry about in this business is Owen Cheatham. He'll never get anywhere." But he was smart and flexible, and within two years, he changed one hundred eighty degrees and went all out for timber acquisition.

ERM: Would you say that Weyerhaeuser is in a unique position because of its large land holdings?

WGR: Yes. It's the biggest of the landowners and the best balanced.

ERM: Do you think they are in the best position for sources of raw materials?

WGR: Yes.

ERM: Could the character of the people who made up the old lumber industry also have been a factor in this slowness to consolidate?

WGR: Oh, yes. When I was a young fellow, the people who ran the industry were strong individualists and would be driven into merger talk only by what they felt was economic necessity. Quite often they were personal friends but hard competitors in business, like being in a card game with your closest friends and finding them tough competitors across the table.

ERM: And these were mainly old families, long in the game, who have succumbed very slowly to the idea of using business managers.

WGR: That's right. They tended to look at the business somewhat as I still do. I think of the business as almost part of the family. I am reminded of the beginning of the Hammermill Paper Company as Norman Wilson, the chairman, described it when I was his guest in Erie. He said that when the original owners came to

this country from Germany, they settled in Erie on a nice piece of ground and first built themselves a fine big house. Then they built the paper mill in the backyard. This was a concept which went back a hundred years before the lumbermen we were talking about, I guess. That attitude is now almost entirely gone, but there are still some people who are closely associated with their land and like to be on it.

ERM: Your friend Cyrus Walker would certainly fit into that category.

WGR: Yes, he would, and so would Gary Eddy. Cy Walker and the Popes surprised me a little when they moved to become a public company. Maybe they are seeking liquidity, for there can be tremendous pressures to go public when you face estate taxes as high as they are now.

ERM: Although the Simpson Company became known for its sustained-yield forest practices, Mark Reed seemed to have been opposed to reforestation schemes at one time. Can you explain his views and their relation to the tax problems?

WGR: I did not know that he was opposed to reforestation, although he might well have thought it would be an unproductive expenditure. According to what my mother told me, in the early days the family thought not at all in terms as long as the timber-growing cycle. When she married and set up housekeeping in Shelton, they intended to live there only until the timber was cut out, which she understood would be in five or six years.

ERM: There are quite a number of references in the file that deal specifically with reforestation and your father's position in regard to it. It seems to have been linked to the way he felt regarding the tax question. This probably explains his attitude about the need to find alternative sources of revenue.

WGR: That's right. He was concerned about the property tax, and this was consistent with his policy of buying cutting rights instead of land.

ERM: Did the state political situation of his time create any kind of difficulty in reaching a solution to the dispute over taxes?

WGR: It was a matter of the state law concerning taxes. The annual ad valorem taxes made it uneconomical to own Douglas-fir land for the 100-year cycle then needed to

produce a new crop of merchantable timber. It was resolved in the 1930s with the yield tax. If an owner classified his land for timber growing, the annual property taxes were based on a fixed assessment of \$1 an acre, and he paid a 15 percent yield tax when it was logged. Interestingly enough, the Port Blakely Mill Company and the Simpson Timber Company were always at odds over this. Simpson classified all of its land and Port Blakely classified none. This was understandable, for Port Blakely was even then cutting second growth, and we were cutting old growth.

ERM: Was the timber operator discriminated against in respect to taxes in your dad's day?

WGR: Not discriminated against, but he paid a tax based on the assessed value of the land every year; and as timber grew on the land, the taxes went up. The taxes also went up when land became valuable for other purposes such as real estate developments. With stumpage prices at the level they were then, there was no way you could pay the current taxes and justify raising a new crop of timber.

ERM: Was it optional to declare your land one way or another? Washington state followed the pattern which had been previously set about 1929 in Oregon, as I recall.

WGR: You could classify it or not under the yield tax law adopted in the thirties.

ERM: Once having gotten the change in the law, surprisingly enough not a great number of land operators declared. Who did?

WGR: We did and Weyerhaeuser, as would most owners who wanted to become sustained-yield operators. Port Blakely's situation was unusual because, having no virgin timber but having harvestable second growth, they would have had to pay more on the yield tax than they did on the ad valorem tax.

An act by Simpson unfortunately did help trigger the repeal and modification of Washington's yield tax law. In what I think was Lewis County, we bought a section or two of timberland, which was assessed at \$10 or \$20 an acre. Under a policy I had laid down, we automatically classified it, and the assessed value went down to \$1 an acre. Thus the county lost most of its current revenue from that acreage, and shouts went up that "This big company is cheating the people of Lewis County out of taxes." This poured kerosene on the blaze that was already burning in the legislature. You can understand how a farmer whose land was assessed at \$50 an acre would be annoyed that a nearby stand of timber was assessed at \$1

an acre. He would overlook the fact that the timberland owner would pay 15 percent of the value of his crop to the state, while the farmer paid only the property tax. Of course, neither the land developers nor the cut-out-and-get-out operators were interested in classifying land, but I think Mark Reed would have favored growing a new crop of timber had this tax option been available to him. It didn't become available until about the time of his death.

ERM: What would you say about the more recent tax legislation passed in 1971? There was a large clamor about this being a giveaway to the logging interests.

WGR: I'm not up-to-date about it, and I think there are still some open questions. The Washington State Land Classification Act was being merged into the new legislation and the question was whether owners of classified lands would have to pay to the state the difference between the taxes we paid over these last forty years that the law has been in effect and what the taxes would have been if the law hadn't been in effect.* I thought this was an outrageous ex post facto suggestion, but it was proposed in the legislature, although it did not pass.

Weyerhaeuser was very instrumental and good in this situation. It said quite truthfully that if the state does not want all the old-growth timber cut and assesses it at current market values, it is forcing the landowner to cut. Simpson's tax department is, of course, fully informed about the present situation, but the new bill came along as I was disengaging myself from the company, and therefore I am not up-to-date on it.

ERM: What people have you carried your case to in the state legislature over the years?

WGR: We've used industry associations and our own people, primarily Dave James in the last few years. For quite a while I was sort of a lobbyist myself. I maintained fairly close relations with legislators and governors, too; but in the last twenty years when the company grew bigger and spread out, we acted chiefly through Dave James and a tax department which reported to the financial department. We had tax and governmental problems in California, Saskatchewan, and Chile, so it became such an involved thing that an organization had to be used.

*Washington State, *Revised Statutes*, vol. 9, ch. 6, §7833-7851.

- ERM: Dave James has been an interesting personality within the industry over the past thirty years. He has a homespun humor and a natural, easy way with people that accomplishes much that is difficult. How did he come to the company? Did you play any part in hiring him?
- WGR: I don't think I met him until after he was on the job, although I approved the creation of a public relations department.
- ERM: I think George Drake hired him.
- WGR: He might have, but I thought it was Chris Kreienbaum. Chris and I decided public relations were taking too much time of the operating executives, and for some years Fred Diehl of Shelton did a good job for us locally in this respect; but when we felt we needed a pro, Dave James was hired. I think he had been working for the Seattle Times, and he certainly does have a good rapport with people and a comfortable personality which fitted in with what is now called "the image" that Simpson had established for itself in Shelton as a part of the community. Everybody in the company liked him, although he was not involved in managerial decision making, for that was not his job.
- ERM: I've seen Dave working often at the national level, within the councils of organizations like the American Forestry Association, the American Forest Products Industries [American Forest Institute, Inc.], or a state historical society meeting.
- WGR: They were also popular with Simpson. It would be perfectly normal for him to take positions on issues in the trade association, but he probably was often expressing his views and not necessarily those of the company, which may not have had a position on proposals he was involved in. He did a good job, and a highly visible one, outside the company.
- ERM: Taxation was a major issue in Washington throughout the 1920s with the legislature considering a number of proposals. Your father was in the forefront of organized efforts, oftentimes in opposition to proposals. Do you have any further recollections in respect to his efforts as well as company involvement in the taxation issues in those years?
- WGR: No, we tried to keep taxes down all the time, and of course, he was very active in the state legislature.
- ERM: A letter from Mark Reed to his friend and political associate, Ed Sims, in 1928 suggests that operators could

influence the actions of county tax assessors.* Was this so, and was it one means of getting around taxation problems?

- WGR: I think Mark Reed was much more in favor of dealing with taxation at the local level than at the state or national levels. Ed Sims, who was not really much of a business man, probably had a different interest. He and Mark Reed were the two most powerful men in the state legislature and were usually partners, although they were sometimes on opposite sides. On taxation, they might often have been of opposite views because Mark Reed was concerned with large property interests and Sims was not in that sort of a position.
- ERM: What was the relationship of Mark Reed and his team to the rural counties and the tax assessors in those counties?
- WGR: He liked and got along well with the people at the county level. He also got along with people at the state level, too, but preferred to work with the people at the county level. Much to my surprise, he personally did the negotiating with the county assessors on such things as the valuation of the inventory of the store in Shelton. I would write reports for him about the values, but he'd tend to throw them out and just go in and make the best deal he could with the assessor.
- ERM: Would it be a little more difficult today to deal with the tax people in such an informal fashion?
- WGR: Yes. You'd be much more formal about it, and you would have mountains of paper work.
- ERM: Washington lumbermen felt the need for tariff protection in the 1920s. How did your father's attitude develop on this question? Did it have any impacts on his attitude toward the state delegation in Congress?
- WGR: I am not aware that he was wound up about that. He was interested in regulations and tariffs regarding the importation of logs from British Columbia into Puget Sound because he bought and sold them back and forth across the line, but I don't believe he did anything about the relevant laws.
- ERM: At that time, there was far more concern in the red cedar shingle area in respect to the tariff.
- WGR: That's right. I was the company representative on the board of the Red Cedar Shingle Bureau--probably because

*Mark E. Reed to Ed Sims, March 26, 1928, Reed Papers, University of Washington.

nobody else in the company wanted to bother with it. A big factor was that the Canadians were better shingle producers than we were because they had better stands of cedar and cheaper labor. The Bureau tried to get tariff protection because of the difference in costs.

- ERM: Do you feel that Canadian competition in the log market called for imposition of tariffs?
- WGR: There was competition all right, but I don't think there was enough to justify a tariff.
- ERM: Do issues of this sort have an impact on the attitudes of businessmen toward foreign affairs?
- WGR: Some. Today most businessmen tend to be in favor of elimination of international trade restrictions. Essentially, they approach the free trade theory today and are much less protectionist than was the case in Mark Reed's day. I am an out-and-out Adam Smith free trader. My father probably was a protectionist, since protective tariffs were Republican doctrine and Democrats were low tariff people.
- ERM: He would have been a Smoot-Hawley man.* Whereas today you feel business thinking has turned around on that?
- WGR: I think it has; certainly mine has. I never did share my father's view that trade restrictions or tariffs were a good thing. Even in those days, my view was, "Gosh, Dad, if we can't manufacture as cheap as they can, let's find something else we can do more efficiently."
- ERM: What do you recall most vividly about your relationship with your father with regard to things about which you most earnestly disagreed? On what matters were you most often in disagreement?
- WGR: On my personal conduct. In business, our only significant difference concerned logging by tree selection, which I favored and he opposed. I respected him highly as an individual as well as a businessman, and I nearly always came to the conclusion in business that he was right. It was different in personal conduct. In the early days Simpson Logging Company wouldn't hire anybody who smoked cigarettes. It was okay to smoke a cigar or chew tobacco, but real men did not smoke cigarettes. After World War I, that seems to have changed, and even

*Tariff Act of 1930, (Smoot-Hawley) Section 337, as amended; 19 U.S.C. 1337.

my father took up cigarettes, although he wouldn't let me smoke at all. I did finally take up smoking on the sly, but never around him. Years later when he and I were driving to Pysht one day to look at Merrill and Ring's operation in the merger negotiations, he was driving the car and took out his package of cigarettes. To my utter astonishment he offered me one, and I was so shaken I said, "No, thanks." He never offered me another one, for I had goofed the opportunity to accept this indication that "It's now all right if you smoke, Bill." Generally speaking, smoking and what time I got home at night were my main disagreements with him.

ERM: On fundamental matters of policy of the company or the broad general philosophy of politics or economics, you were in accord with him.

WGR: That's right.

ERM: When state government involved itself in measures to combat the danger of forest fires, the response of operators revealed the complex nature of such action. Did your father feel the state should get involved in such matters as fire control? If he did, how did he evidence his belief?

WGR: I think he was a supporter of the Washington Forest Fire Protective Association, which was specifically authorized by the state to fight and prevent forest fires.

ERM: Earlier there had been some smaller organizations. Then the state moved in and established this larger association through which fire problems could be faced. That is when Major Charlie Cowan came in.*

WGR: Right. Charlie Cowan ran it, and he and the organization were highly respected. I think before that time there had been just local associations. For example, the Northern Pacific and Weyerhaeuser and Simpson, having interlocking land, might get together and say, "We'll agree to help put out one another's fires." When the Washington Forest Fire Protective Association came in, it had unanimous support of every lumberman I talked to, including my father.

*For further information on Cowan, see *A Forester's Log: Fifty Years in the Pacific Northwest*, interviews conducted with George L. Drake and Charles S. Cowan, by Elwood R. Maunder (Santa Cruz, California: Forest History Society, 1975), pp. 32-53.

- ERM: How did he feel about state regulations and restrictions in regard to operating under certain climatic conditions?
- WGR: I think he accepted those without question.
- ERM: There was also the imposition of spark arresters on lokies.
- WGR: Yes. He complied with that and all other safety regulations. In fact, he supported the enabling legislation.
- ERM: He was very concerned about the state of American trade with the Orient, therefore he made a trip to Japan and China in 1926. Can you describe the connection the company had with the Orient and how that trade has changed over the years?
- WGR: He went primarily to build up the relationship between the Reed Mill Company and the Japanese. The Reed Mill was specifically intended to manufacture hemlock lumber for the Japanese market, and he did establish a good feeling with many people in Japan. We didn't have much business in China, except in Shanghai for the low-grade stuff. The market he aimed at was Japan; he was well received there, and Japanese people used to come and see him in Shelton occasionally. In our garden at Seattle I have a stone Japanese lantern they gave to him because they liked him. The Reed Mill Company trademark actually commanded a slight premium in the Japanese market.
- ERM: What were you selling to the Japanese market? Was it finished lumber, Jap squares, or both?
- WGR: Jap squares and baby squares.
- ERM: In other words, they were taking the material and remanufacturing it at the other end.
- WGR: Yes.
- ERM: Did you ship them any finished products?
- WGR: Most of the shipments to Japan were squares for remanufacturing. The dimension lumber went to the U. S. Atlantic Coast when hemlock became accepted in the United States as a useful wood. When the rail rates got out of line with water cargo rates, we did a lot of backhauling. We shipped lumber to New York and Boston and then backhailed it, sometimes as far as western Ohio.
- ERM: Was the Reed Mill operation ever involved in the local market?

WGR: Very, very little in those days. After the war we did a lot of experimenting with the warehouse business, and I am still not sure whether we ought to be in the warehouse business or not.

ERM: You have never gotten into the retail yards business?

WGR: Not as Simpson Timber Company, but we did as Lumbermen's Mercantile Company, which Sol Simpson started as the company store in 1895. I sold its general merchandise operation to Chuck Rowe and John Priest, both of whom had worked for me in several capacities. They converted the store into a retail lumber operation. Shortly thereafter, I bought John Priest's interest back again, the company having in the meantime started some stores in California.

ERM: You then had a string of yards?

WGR: Well, not really a string. I think they got as high as four or five and then finally cut back down to two. Chuck Rowe sold those two for us last year for over \$1.5 million, which is a lot more than I thought we'd ever get for them. This was our only try in the retail business, and it had nothing to do with Simpson Timber Company. The partners of Simpson Reed & Co., whose office we are in right now, controlled the store and the timber company, but there was no connection between the two operating companies.

ERM: What percentage of your output went to trade with the Orient compared with that which went to the eastern seaboard?

WGR: I think it started with very close to 100 percent going to Japan, the shipment of the Jap squares being greatly stimulated by the Tokyo earthquake of 1923. Loading was a problem because seagoing vessels can't get into Shelton, and our lumber had to go on barges from Shelton to Olympia, where it was transferred onto ships.

This was before I was in the company, and I want to put a caveat in here. It was my impression that practically all of the early shipments went to Japan, but the figures might not support me. I was in college then, but I remember going through the mill with my father and my brothers. Everything there was scheduled for Japan. Later a planing mill was installed to make finished lumber for the eastern United States. There was a gradual switch from 1925 when 100 percent of production went to the Japanese market to ten or fifteen years later when 100 percent went to the Atlantic Coast.

ERM: How has it been shipped in recent years?

WGR: Most water shipments go to Japan, with a limited amount probably going to Europe. We can't ship to the U. S. Atlantic Coast, for the Jones Act gives a monopoly on that trade to the Canadian mills because U. S. mills can't use foreign flag ships.* In the early 1960s I worked hard for two years to repeal the Jones Act.

ERM: You were working primarily with whom?

WGR: Primarily with Congressman [Warren G.] Magnuson, but with all the West Coast congressmen. I also got good support from Georgia-Pacific and Weyerhaeuser, and we had successful meetings in Oregon and Washington. In Canada I was regarded as a son-of-a-bitch, and the Canadian government even changed the consul in Seattle to get a guy to sweet-talk me into not being so wound up about it. For a while I thought we were winning the battle for repeal, but we were killed by two or three factors which are irrelevant now.

ERM: What were they?

WGR: First, the Canadian government got the U. S. State Department to take a position against us, on account of their international relations. Second, I failed to get the hearty support that I expected from the eastern distributors, our old customers. I argued, "If this law is repealed, we'll be able to deliver you the lumber cheaper than the Canadians can, so this is all to your advantage." Some of them said, "Yes," but others got in communication with the Canadians, who responded, "If you testify in favor of Reed's idea of repealing the Jones Act, we'll cut you off at the pockets right now." Also, the U. S. shipping companies were opposed to the repeal because they did not want intercoastal competition from the foreign lines. However, what finally defeated me was the South.

Lumbermen in the South feared that we would take their market away, although we had a lot of statistical proof that they weren't shipping into the Atlantic coastal markets where we would ship anyhow because the Canadians already had that market. What we were going to do was to drive the Canadians out. A few of them believed it, but most of them didn't.

*Merchant Marine Act of 29 June 1936, ch. 858, 49 Stat. 1985.

One time while sitting around having a drink after a discussion in Louisiana, I said to one guy, "Really now, Jim, why are you and all these other southern lumbermen against repealing the act? The case just doesn't justify it." He said, "It would be good for you northern lumbermen, wouldn't it?" I replied, "Yes", and he said, "That's why we're against it." It was just a highly competitive spirit, even though we could be personal friends.

ERM: Your industry really has always been what might be called a fractured industry, hasn't it?

WGR: I guess so.

ERM: Tied more distinctly to its own regionalism, to its own species.

WGR: Correct, and highly competitive--friendly but competitive. Congress did give us a Jones Act sop by letting us ship in foreign bottoms to Puerto Rico for a year or two. Simpson and some other companies made a few shipments there, but they had no effect on the opposition. Finally, I decided the battle wasn't worth the time and effort. So Simpson went out of the green lumber business, converted the Shelton sawmills to dry lumber, and has served the domestic market by rail ever since. Also, we went into lumber manufacturing in Saskatchewan, which was quite satisfactory until the government changed in Saskatchewan.

ERM: You pay now very stiffly.

WGR: Right. We are having some problems in Saskatchewan.

ERM: Any chance of surviving this?

WGR: Oh, yes, a chance, but not a sure thing. The present Saskatchewan government went into the plywood business and took all the logs over nine inches in diameter that our contract had provided should go to our sawmill.

ERM: Aren't they rather fully developed and dedicated to a socialistic system up there? There hasn't seemed to be any countervailing trend politically, at least in the last several years, that would indicate that that's changing too rapidly.

WGR: I think you are right. Saskatchewan wants to be in the business, and the fact that we are American probably makes our position worse. We aren't totally ruined yet, for we have some superior marketing skills; we have a good sawmill, and we know how to run it. Unfortunately, as they bring the plywood mill on line next month, they

will curtail our operation by taking the logs away from us. They will put the logs into a plywood plant where I think they'll probably lose their shirt.

ERM: You mean because they'll butcher it up?

WGR: Because the market is damn poor. It may be that in a year or two they'll say, "How much will you guys give us for this plywood plant?" Or they might say, "Let's merge." In the beginning, we said, "You'd be a lot better off if the logs could be shifted between the mills to meet the market. The way to do this is to have the sawmill, the plywood plant, the log sorter, and the logging operation owned by one company."

ERM: To what extent do you depend upon Canadians to run the operation?

WGR: I think the general manager is from the States and all the rest are Canadians, but there may be one or two other specialists who are American. The loggers are practically all native Indians, and in the community there I think our relations with the citizens are just as good as they are in Shelton.

ERM: You spoke of two traditional markets--the Asian market and the eastern seaboard market. Has there ever been an endeavor on the part of your family or company to develop trade to other areas?

WGR: Oh yes. We've had lots of trade in England, and it seems to me we did quite a bit of business with the Netherlands at one time. We also have good outlets in Australia.

ERM: All for remanufacture?

WGR: No, mostly it is finished lumber. Two years ago I was in Sydney and saw products with a Simpson label in a prosperous warehouse.

We've done pioneering all right, especially in timberlands in remote areas of Vancouver Island with the Malahat Logging Company and in Chile with BIMA. An aspect of this which is relevant to your last question is that in the Chilean venture we were serving markets for lumber in Portugal, Spain, Italy, and to some extent in England and Germany.

ERM: Has the failure of the Chilean enterprise cooled your enthusiasm for other investments abroad, particularly in Latin America?

- WGR: Not mine, but I expect it has cooled my successor's. Gary probably thinks he won't do anything like that for a while.
- ERM: Why has it not cooled yours?
- WGR: I think it is important for the family to be diversified geographically, as well as to have some investments outside the forest products business. I think we should have operations abroad where our expertise is, namely in forest products. If we had not had the setback in Chile, I would probably have gone to New Zealand and perhaps to the Philippines or Formosa. Even after Chile, we had men looking down in the Kalimantan country in Indonesia near the Weyerhaeuser and GP concessions. I think all of the company's interest in such far-away places has died since I moved out of the management. They are really concentrating on Canada, and they have a big project now in Alberta that's taking all their available capital and attention. They don't want to get spread more widely now, and I agree with them; but I also preach on the desirability, from the family standpoint, of diversifying by area.
- ERM: Could you explain in more detail how the company's operation in the East Coast market was established and with whom and how did it function?
- WGR: In the beginning it was established through the Puget Sound Associated Mills, a cooperative sales organization of Puget Sound sawmills which Bob Seeley ran.
- ERM: They did not build their own warehouse facilities back east, rather they went through established wholesalers there?
- WGR: Correct. The PSAM went out of business long ago when the cargo trade was taken by the Canadians. Our lumber now is dry and it goes by rail.
- ERM: But it goes to the same outlet.
- WGR: Some goes to distributors on the East Coast (including a Simpson warehouse in Pennsylvania), but a lot also goes to the Midwest. We have done much experimenting in the distribution business and have had warehouses all around the United States off and on for twenty-five years. Few of them have been total failures; none has been an outstanding success, and I still think our experience is inconclusive.
- ERM: You resort more often to straight shipment of carload lots ordered by any broker of recognized reliability.

WGR: We probably have some brokers with whom we deal much more than others.

ERM: Is Hugh Brady possibly one of them?

WGR: I don't know. We used to deal with him, but I really don't know how active he is now. Our warehouses are operated by our subsidiary, the Simpson Building Supply Company.

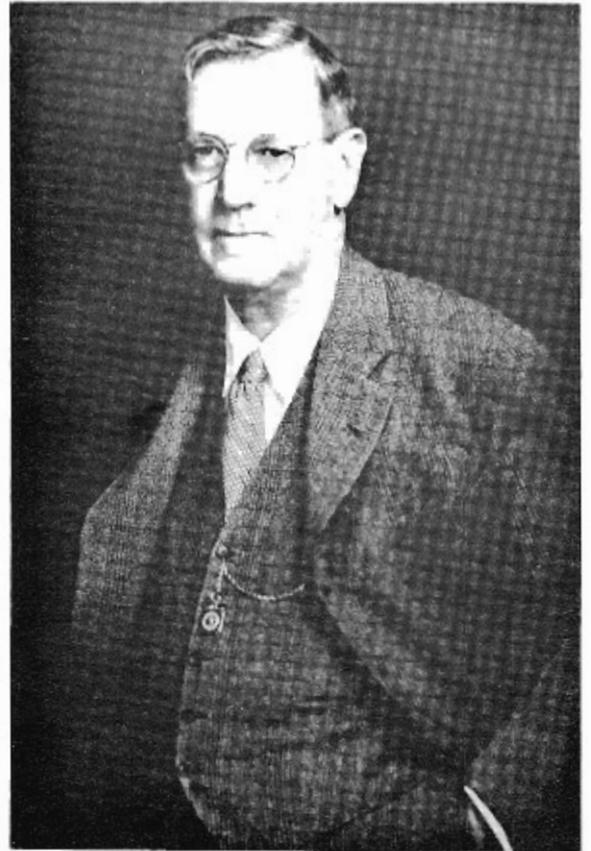
ERM: One writer refers to the high esteem in which Mark Reed was held by the Shelton community. What was the attitude of the community toward the company over the years? What was the reason behind the building of the hospital and Irene Reed High School? What was the company's impact upon the growth of the Shelton area? These questions are all related.

WGR: That's right. Mark Reed was the dominant character, a tremendously strong personality. Everybody in the community looked up to him almost as a father figure. Everybody. If a guy was having trouble with his wife, he'd come in and say, "Gee, Mark, would it be all right if I get divorced?" Or it might be, "My God, I've gone broke. What can I do?" My father would give advice or help or say he couldn't do anything. He wasn't a soft man at all, and he had a tremendous impact on the community. In a sense, Bill Allen had a similar stature in Seattle from about 1955 to 1965 when the Boeing Company was dominating the city's economy. Of course, Bill Allen couldn't have as close a relationship with 500,000 people as Mark Reed did with pretty nearly everybody in Shelton.

My mother, on the other hand, was not very outgoing. She had a great sense of the need for her own privacy. She was, however, for many years elected to the school board, of which she was chairman. That's why Dad gave the high school to the community. He had a side investment called Fredson Brothers Logging Company from which he made enough money to build the high school. He had the Shelton General Hospital built by the company, and earlier the Shelton Public Library was given to the town by Mrs. Simpson and Mrs. Anderson in memory of Sol Simpson.

The identities of the town, the community, and the family have all been close, and the attitude in Shelton in those days was that they were one. I suppose this had to do with Mark Reed's fears, too; for if something happened that a nutty person didn't like, that person's response might be to burn the mill down or to kill a member of the Reed family. It was a different kind of response than you would get in a bigger city.

Mark E. Reed, president of Simpson from 1914 to 1933.



Mr. and Mrs. Reed at dedication of cargo vessel named after the city of Shelton, at Tacoma, Washington, 1928. Reed was at the height of his career as a leading Washington state industrial and political figure. He served seven terms in the state legislature, including one term as speaker of the House of Representatives.

- ERM: I presume that the economic importance of the Reed family investments to the community of Shelton were overwhelming. There are other industries there, however. Isn't Rayonier there?
- WGR: That was the pulp mill that Ted Mills built with the backing of Dave Zellerbach, Charlie Blyth, and my father. It was closed because of pollution about 1955, but for quite a few years it employed more people in the city (but not in the county) than Simpson did.
- ERM: What is the dependence of the community today?
- WGR: Mostly on Simpson. A state penitentiary was built there in the fifties and is the next largest employer. Rayonier grew out of the Rainier Pulp and Paper Company, which was named after Mount Rainier, and developed a dissolving pulp for making rayon. Ted Mills called the new product "Rayonier" as an ingenious combination of rayon and Rainier. The name was retained when four of his pulp mills were merged into Rayonier, Incorporated, which was later taken over by ITT. It still maintains the research facility in Shelton, but the pulp mill is closed. As for involvement of the Reeds in the community, outside of forest products, we were the major oyster growers; we had the largest store in town; we ran the bank, and we were involved in the hotel. Almost every business in town had Reed or Simpson influence, and Mark Reed kept in touch with all of them.
- ERM: Tell me a little about your involvement in the oyster business. That goes back to your father's association with a man in Tacoma, doesn't it?
- WGR: With his brother-in-law, Dr. George W. Ingham of Olympia. In the early 1900s when Olympia oysters became appreciated by diners, my father, Dr. Ingham, the Kneelands (who were loggers), and the Grahams who were related to the Kneelands, bought some oyster beds from the state and from the Indians. In those days oystering was considered to be a depletion operation, almost like what people thought of a mine or the woods. Oysters were a couple of feet thick on the oyster beds; you'd buy the beds and hire Japanese to harvest and open the oysters. Then you'd sell the product, and let the land go for taxes. Dr. Ingham managed the company and was the one who got the idea of making it a continuous business, running it as a farm instead of as a mine.
- ERM: Did he practice medicine at the same time?
- WGR: Yes. He was the leading physician in Olympia, as is his son Dr. Reed Ingham today. Under Dr. George Ingham

the oyster company thrived until after the Rainier pulp mill was built in Shelton in 1925. From that time on, the oyster company started to go downhill, perhaps because of pollution caused by the pulp mill, even though its beds were in Totten Inlet rather than in Hammersley Inlet, where the mill was. Some beds near the mill were wiped out.

Ted Mills tried a whole lot of ingenious plans to stop the pollution, including barging waste liquor out to deep water, and pumping it eight miles to discharge it east of Hammersley Inlet. Finally, he decided it was impractical to operate at that site and told Mark Reed the mill would have to be moved to a deep water location. My father then organized a Pulp Mill Retention Fund to raise money to buy the ruined oyster beds near Shelton and to help pay for additional pollution control efforts. He collected a couple hundred thousand dollars, which was a lot in 1932, and the money was used to indemnify the ruined oyster companies and buy their tidclands, which then became the property of the pulp company.

Ted Mills then made two other heroic attempts to get rid of pollution. One was to buy a small lake about six or seven miles out of town and pump the effluent to it. It was an innovative idea, but a few years later the effluent began to trickle down into Goldsborough Creek, which was the source of water for the mill. So that had to be given up. He then built an enormous evaporator and furnace for burning the residual effluent. The smokestack looked even bigger than the ASAR [American Smelting and Refining Company] one in Tacoma. Finally air pollution became a problem, and long after Ted Mills died, the plant was closed permanently.

ERM: Are the old oyster beds beginning to come back?

WGR: Yes, many have come back. After the death of our fathers, my cousin and I decided to keep the operation going because we did like the oyster company. My cousin, the leading surgeon in Olympia, spends half a day a week running the oyster company and the rest of the time practicing medicine. During the period of heavy pollution, Japanese oysters were found to be hardier than the native Olympias, and most of the beds were converted to the Japanese variety. The Olympia oysters are now coming back again, although they have their ups and downs. During the periods of adversity, Reed Ingham--my cousin--and I bought out most of our competitors, and the company now produces about 75 percent of the Olympia oysters in the world. We feel kind of like monopolists!

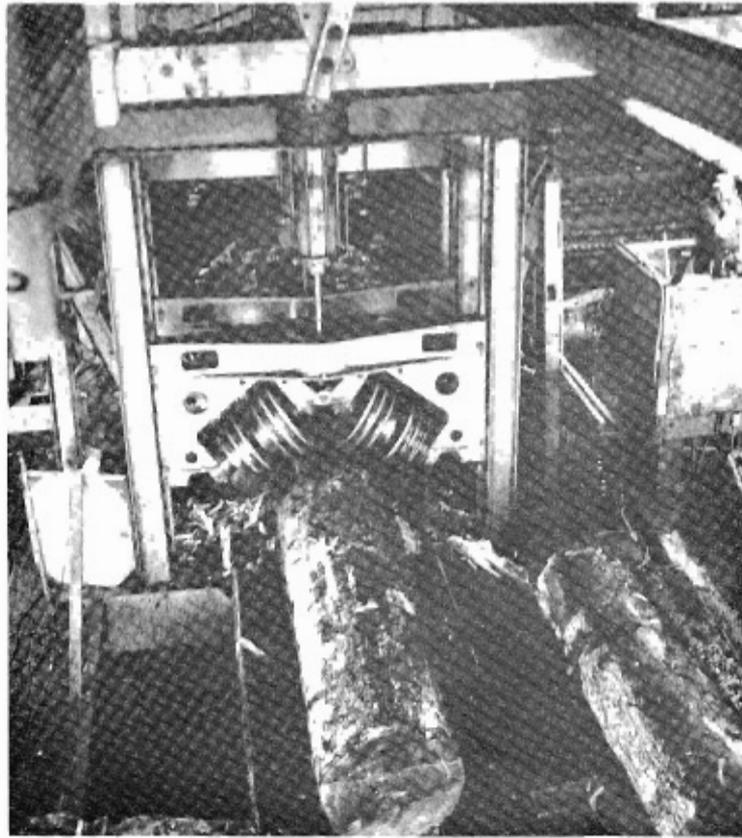
My director's fee is to get two pints of oysters a month shipped to our house in Seattle. It's a small company and



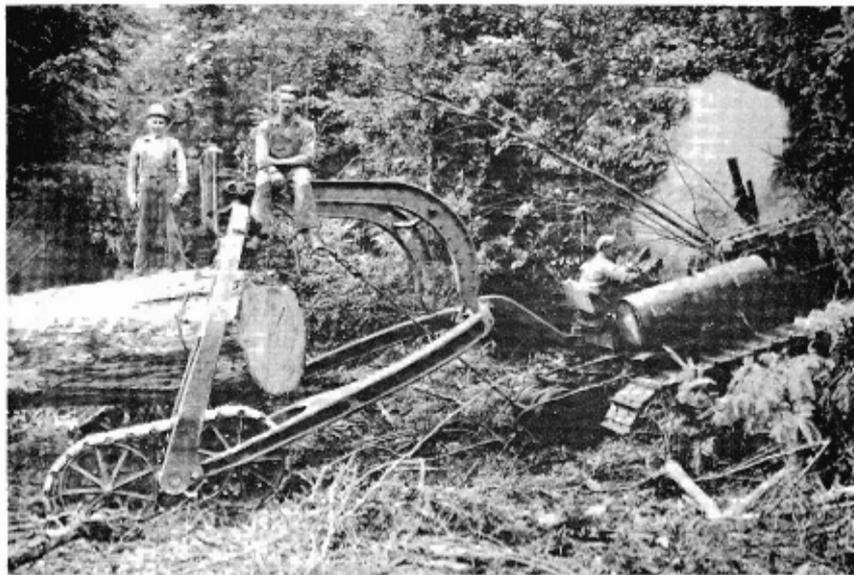
Simpson's Camp Grisdale, forty-seven miles west of Shelton, Washington. It is one of the large remaining bunkhouse logging camps in the West.



Booming ground, Simpson Logging Company, Olympic National Forest. Sawmill logs are in the foreground, and the veneer plant is in the background at left. U.S. Forest Service photo, 1946.



This Nicholson log barker was installed in the Shelton operations in the 1950s.



The first crawler tractors used in Shelton woods had much to be said for noise and fury, but they lacked the essential safety equipment later required in woods operations, and finally protective steel cabs were installed.

a fur thing, and when it makes \$30,000 a year, we are all delighted. You could write a history of the oyster company about as long as this one about Simpson Timber Company and, in some respects, a more interesting one.

ERM: According to Holbrook, the modern community of Shelton began when Mark Reed began to reside there. Holbrook indicates that Shelton was just a rip-snorting old frontier town until then. It began to take on more of the image of a modern community as a result of Mark Reed's entry into it.* How would you differentiate between pre-Mark Reed Shelton and the modern community of Shelton?

WGR: He was the leader of it as it developed into a modern rural community, but there was nothing sudden that happened. The downtown section all burned down when I was a kid, and that caused replacement of the buildings, as the Seattle and San Francisco fires had done in those communities. That happened ten or fifteen years after Mark Reed's arrival.

ERM: Would you say that Shelton continues to modernize? Is it keeping pace with the times?

WGR: Yes, I think so. It's a small town, but it has supermarket type places, and it reflects development of a healthy little city. It is somewhat like Crescent City, California, or Sequim or Mount Vernon, Washington, or a thousand other places that evolved from semifrontier towns to modern minicities.

ERM: In 1944 the chief forester of the United States said of Shelton: "It is in such sound communities, firmly geared to their basic resources, that the strength of American democracy lies."** What would you have to say about the validity of that statement? Does it still apply?

WGR: I think so. He undoubtedly said that in connection with the creation of what he hoped would be the first of many cooperative sustained-yield units.

ERM: Will you define the difference between a Jap square and a baby square?

WGR: A Jap square was the biggest piece of timber that could be cut out of any given log. Typically, it would run from a minimum of 12 x 12 inches up to 24 x 24 inches or higher.

*Holbrook, *Green Commonwealth*, pp. 137-143.

**Ibid., p. 135.

- ERM: It was just cutting a slab.
- WGR: Yes, cutting a slab to square up a log of full length, usually forty feet. The Jap squares were hemlock and, of course, hemlock wasn't as big as Douglas-fir. However, occasionally you get them 30 x 30 inches which is a hell of a big timber. In the U. S. market you'd call them timbers, or if they weren't square, flitches. A baby square was of a specific smaller dimension, I think 4½ x 4½ inches or 5 x 5 inches, and as long as practical, usually 30-foot lengths.
- ERM: In letting contracts, did Simpson ignore local businessmen? One contractor complained the company practice was a "bitter pill" to the locals.
- WGR: I don't know what he was talking about. A lot of the truck hauling was done by local contractors, but mostly we did our own logging.
- ERM: Robert H. Allan wrote to your father in 1929, "Apparently contracts for telephone and library buildings had gone to outsiders."* He thought this was a bitter pill for the local contractors.
- WGR: Oh, construction contractors. Much construction was done by outsiders, I think, because most of the town people felt that they couldn't get satisfactory construction work done locally. Outside the company there was no engineering available locally, as far as I know. Practically all the mills were built by construction contractors from elsewhere. On the other hand, simple jobs like railroad grading and trucking were normally contracted to local operators.
- ERM: Would you clarify the Simpson Reed business holdings including those related to stockholdings, real estate, bank holdings, hotels, investment syndicate with Parsons and Scruby of Dexter Horton, Simpson Investment Company, oil speculations, and anything else the company was involved in. You might sketch what you know about them prior to your own coming into the key management position and thereafter.
- WGR: Prior to my coming into the company, we were probably the largest stockholders in the Dexter Horton National Bank, and the Anderson Estate Company was the largest in the First National, so when they were merged in 1929 the Simpson-Anderson group was by far the largest.

*Robert H. Allan to Mark E. Reed, August 4, 1929, Reed Papers, University of Washington.

Simpson Investment Company had big minority positions but not control in the oyster company, the Lumbermen's Mercantile Company, and the State Bank of Shelton, and a smaller position in the Shelton Hotel Company, which was controlled by the Kneelands, the Grahams, and the Andersons. The Reed Ingham Investment Company in Olympia was organized by Mark Reed and George Ingham to develop the site where I think Thomas M. Reed's house had stood in what is now downtown Olympia. They built a garage and a theatre across the street from the Olympian Hotel and also across from the old capitol building. After their deaths, my cousin, Dr. Thomas Reed Ingham, and I got the notion that the organization could be simplified by consolidating some of the businesses. So we merged the garage, the theatre, the oyster company, and the IM store into a new company which we called Ingham & Reed, Incorporated. However, the management problems were so diverse that it was hard to run as one outfit, and we finally sold the garage and theatre and dissolved the joint venture by separating the oyster company and the store.

The Simpson and Reed families' biggest outside investment was in what is now the Seattle-First National Bank, but we had a sizable piece of Marine Bancorporation resulting from its merger with the Capital National Bank of Olympia. Also, my father had put a modest sum into stock of General Insurance Company (now Safeco).

The Simpson Investment Company was a family holding company which was organized in 1906. It held practically all of the family investments and was the vehicle used to purchase Simpson's share of the stock of the Port Blakely Mill Company. The Anderson Estate Company and the Simpson Investment Company thus each owned 11/24 of Simpson Logging Company, and Mark Reed owned the balance of 1/12. Over a period of years SIC retained part of the dividends from Simpson Logging Company and so became a more diversified holding company. Outside of forest land, our real estate holdings were never great.

ERN: What about oil?

WGR: We had no interest in oil that I know of. Mark Reed once had the Logging Company buy several thousand shares of Standard Oil Company of California, but that was part of a purchase involving also U. S. Steel Corporation and ATT during the Depression because he felt the stock market was unrealistically low. An entirely different relationship arose ten or twenty years later when oil companies did extensive test drilling on our land, but they did not find anything of value.

- ERM: Do you remember a man named Sims and another named E. B. Deming?
- WGR: Yes. Ed Sims was the Port Townsend legislator mentioned earlier, and E. B. Deming was president of Pacific American Fisheries. You also mentioned Parsons and Scruby. W. H. Parsons was head of Dexter Horton Bank after Mr. Latimer died, and Wilbur Scruby was the cashier. Both were friends of Mark Reed.
- ERM: I think it was Sims who sought a modest loan from your father. He wanted to put the money into oil.
- WGR: That's right. There was some hope for oil in Grays Harbor County, and I believe Mark Reed did loan Sims a little money to explore it. After my father's death I had the job of trying to collect it from Ed Sims, but finally just charged it off.
- ERM: It was not of any major importance.
- WGR: No, but at one time the oil companies did considerable exploration in the area. Two or three different oil companies were involved in sinking holes, one of them being a wildcatter from Olympia named Mottman.
- ERM: What was your involvement in the Dexter Horton Bank of Seattle?
- WGR: The State Bank of Shelton was founded and owned by the Simpson, Anderson, and Reed group. The Dexter Horton (actually it was the First Seattle-Dexter Horton) was the oldest and biggest bank in Seattle. In 1932 the Olympia National Bank went broke. The Capital National Bank in Olympia was dominated by C. J. Lord, but the Reeds and Simpsons were involved. It was purchased in 1927 by Andrew Price's holding company and is now part of the National Bank of Commerce, of which we got a sizable chunk of stock as a result of the merger.
- ERM: Has that been maintained?
- WGR: No, I sold most of it for taxes or diversification, since we had plenty of other banking interests. After the Olympia National Bank folded and the Capital National Bank had become a branch of the National Bank of Commerce, the First Seattle-Dexter Horton had no good access to the State of Washington bank accounts. So Mark Reed started a new bank in Olympia in 1932 and had Reno Odlin, who was in the metropolitan branch of the FSDH, go to Olympia to run it. It was called the Washington National. Reno and I were good friends, and he became president of the Puget Sound

National Bank in Tacoma, after the Banking Act of 1933 made it possible for us to convert the new bank in Olympia into a branch of the First Seattle-Dexter Horton.* After Mark Reed's death I became a director of the FSDH and president of the State Bank of Shelton. Within a few years we arranged a merger of the Shelton bank into the FSDH (now called the Seattle First) so that I would not have to spread my management time too thinly.

*Banking Act of 16 June 1933, ch. 89, 49 Stat. 162.



*Alfred H. Anderson, president of
Simpson Logging Company from
1906 to 1914.*



*Frank C. Reed became president
of the company on Mark Reed's
death in 1933, until his de-
mise in 1942.*

INTERVIEW II*

Session 1
Graysmarsh, Washington
August 26, 1975

ERM: Bill, what were some of the most fundamental problems and questions that you and the company and the family faced in the wake of your father's demise?

WGR: I believe the first question was one of organization: How should we set it up? This was resolved by separating the management of the Reed family affairs from those of the Timber Company- then the Logging Company--more sharply than they had been before. So my older brother, Frank, was made president of the Logging Company, and I was manager of all the other activities and of the finances of the company. Then we brought the Andersons into the management at the directors' decision-making level, where they had not been since Anderson's death, or really since he moved to Graysmarsh about 1910.

After Anderson's death the board of directors consisted of just the two men, Mark Reed and Arthur Govey, who was the vice-president and auditor. After Mark Reed's death we created a board consisting of Frank and myself, Ed Hillier and Kathryn Wilson, who represented the Anderson estate, and Kreienbaum, who was the executive vice-president.

ERM: Kathryn Wilson had worked for Anderson hadn't she?

WGR: She was the secretary for Anderson's lawyer, Chas F. Munday, and later she was assigned to the A. H. Anderson

*Also present during the first three sessions of this interview was Charles Buchwalter.

estate. She was Mrs. Anderson's friend, secretary, business manager, and spokesman. Mrs. Anderson wouldn't do such a thing as go to a board meeting. She was too patrician for that; that was what the men were supposed to do, while the women were to give teas and ride around town in carriages with the driver and the footman. I was very friendly with Mrs. Anderson; we got along comfortably, and 'Nor also knew her well, although we were of a different generation. After Alfred Anderson's death Miss Wilson was the Anderson financial representative in every respect.

In the Simpson operations Kreienbaum was in the Shelton headquarters as what you would today call the chief operating officer. The official head office of the company was in Seattle, but that consisted of merely Frank, myself, a couple of secretaries, and a purchasing agent. The organization was really run from Shelton by Kreienbaum. As president and official chief executive, Frank was active in the business at first, but he lost some interest in it. He just didn't enjoy it. He was an outdoorsman, was very active in clubs and sports, organized a polo club, had a ranch in eastern Washington, and liked to fly an airplane he owned jointly with his friends Paul Pigott and Don Graham. He was an active, attractive man, whom everybody liked, but he made an almost total delegation of the management responsibility to Kreienbaum.

ERM: In other words, the decision-making process changed only slightly from what it had been in the Mark Reed days to what it became in the Kreienbaum transitional period. There was some exercise of influence through a board of directors, but for the most part the major decision making was being done at Shelton by Kreienbaum.

WGR: No, just the operating decisions. And in today's language you would call him the chief operating officer. He did not make what you would think of today as the chief executive officer's decisions. These were made by the board or just by Frank and me in the office.

ERM: Had there been any previous thought given to what would be done at a time in the future when your father passed away in September 1933?

WGR: Oh yes. There was no doubt about this. Originally it had been planned that my oldest brother, Sol, would be the production man and essentially manage the business, while Frank would be the salesman and take care of the lumber manufacturing. Sol would be in charge of what was then (and still is) the basic part of the business: the timberlands and the logging. I wasn't to

be in the company at all. I went to Harvard Business School with the intention of becoming a commercial banker and, as a matter of fact, had a job offer which I planned to accept. It was from Andrew Price of the National Bank of Commerce. After Sol's death in 1930, however, my father asked me to come into the company, and I did not finish at Harvard for that reason; I just went to work.

First I spent six weeks as a junior compass man on John Rankin's cruising parties. Then I was assigned to a special ninety-day crash course schedule organized by Dean [Hugo] Winkenwerder at the University of Washington forestry school. The course was to help me to have a little understanding of the forest industry before the beginning of 1931, when I was to become Mark Reed's administrative assistant and Frank continued as sales manager. It was clearly understood that Frank was the senior man and would head the company someday, while I was the one who had "irrelevant" training in banking, accounting, finance, and general administrative theory.

ERM: Interrelationships between centers of financial power and the operation of a growing enterprise like Simpson were factors of great moment.

WGR: Yes, and that was above Kroienbaum's level of responsibility. He was a salesman and then developed into an outstanding mill manager and a hell of a good operating man all the way around; we have never known a better operating man in the industry.

In keeping with this structure, I naturally was executor of my father's estate. In fact, I got to feeling almost like a professional executor, for I was later the executor of the estates of Mrs. S. G. Simpson, Mrs. Mark Reed, and Mrs. Alfred Anderson, as well as some minor ones.

This was natural in view of my background in finance and administration, but we nevertheless were confronted with some interesting conditions. Of course, there were the matters of settling the estates and raising the tax money, much of which came from some extraordinarily large dividends from Simpson. We were in a unique position in the industry, for we were not only one of the industry's lowest cost and most efficient operators in the logging business, but we were also exceedingly solvent. My father had had the company in a very liquid condition in 1929. Somewhat too early he evidently thought the Depression was over and used about a quarter of the company's excess funds to buy stock in Standard Oil of California, U. S. Steel, and American Telephone and

Telegraph Company; and, much more fortunately, he used \$400,000 to buy a good-sized block of Weyerhaeuser.

ERM: Wasn't that perhaps to be understood in relationship to his great admiration of Herbert Hoover, who at that time was trying to counsel the American business community to be optimistic and to invest rather than to liquidate, to maintain wage scales, and to keep up production instead of cutting back? From the many things that I've read in your father's letters and papers, I gather he was well acquainted with Hoover and supported the Hoover position.

WGR: Oh yes, but I really think it would be an exaggeration to say that this is why he bought the securities. It was while I was at Harvard, and I don't really know. The Hoover position was an influence on his life; but that it was the deciding thing in this case, I doubt very much. I think he thought they were good buys, and they eventually were, of course. (If I hadn't sold them, they would have been worth a great deal. However, the company was still very solvent at a time when most other companies were in severe financial straits. In the fall of 1933, by the time the next generation took over, we had lots of cash but were frightened. When I got out of school, we ran into the Depression immediately, and it seemed like a normal way of life to worry about how you were going to survive the next year. So we maintained a very conservative posture, keeping all the money on hand. That meant the missing of enormous opportunities. For a couple million dollars then you could have probably become one of the largest owners of Weyerhaeuser or even of IBM, and you'd have quite a different Simpson Reed story; but this is just looking back with hindsight and saying, "what if...."

ERM: Of course at that time Weyerhaeuser was closely held.

WGR: Yes, but some of their stockholders were in trouble, which is why we got the block of stock. Stockholders in difficulty simply had to deal with somebody who had cash and so were delighted when my father said, "Okay, Simpson Logging Company will buy that." I think he bought 500 shares at \$800 per share when then total capitalization was 120,000 shares. However, the real opportunity we missed was not buying great acreages of logged-off land, but nobody recognized it then, not even Weyerhaeuser. After harvesting, that company's land was transferred to the Weyerhaeuser Logged-off Land Company. For a while in the 1930s they didn't pay the taxes on it and were evidently going to let it go for taxes if business did not get better. I'm sure we could have bought lots and lots of it for \$1 an acre but we didn't. We

thought, "Well, we don't know when this Depression is going to be over, and we must above all things survive." When you are in a survival condition, you aren't looking for new opportunities.

ERM: Frank, then, really was not that keen about being a businessman, but concentrated on maintaining.

WGR: Such things as maintaining market position, growing faster than your competitors, and buying equipment to reduce labor costs were not an issue at all; it was just a matter of survival. And Frank certainly wanted to survive financially because he wanted to be able to support his family, a nice house, an airplane, and his other interests.

ERM: How did you accommodate the different points of view between yourself and your brother on this matter? I gather that you felt rather intensely the need for attention to the business, and he was more or less motivated in other directions. Did that cause any difficulties or any friction between you?

WGR: On the contrary, I think it made us compatible. We had yachts, cars, chauffeurs, household help, and most amenities of the times. I felt we would be failing the trust our ancestors put in us if we had to let them go.

ERM: Was the major responsibility for making the decisions deferred to you more and more?

WGR: Gradually so, yes.

ERM: And he accepted that?

WGR: Yes. We had arguments and fights sometimes, but basically he headed Simpson Logging Company and I ran all the other family business affairs. In 1936 I even got us into another logging venture. I was president of Simpson Investment Company, which was our family holding company and which controlled Simpson Logging Company, for which the responsibility was delegated to Frank. But at this point I had the Investment Company participate in organizing the Malahat Logging Company in connection with the Henrys ('Nor's family), the Howarth family, and Mr. W. C. Butler of Everett.

The Malahat Logging Company was on the west coast of Vancouver Island. I was the chief executive of it and was called the managing director. I was supposed to run it, so here I was getting into a logging operation which

was probably overstepping my job description of finance. We did finance our share of it, of course--that's how I got into it and then they made me the manager. I delegated the operating responsibility to a man by the name of Russell Mills, who had been a professor in the forestry school at the University of Washington. It was a successful, interesting development, but it wasn't operating during a boom. I ran it from 1937 to 1941.

ERM: What was the purpose behind that operation? Was it to find a new source of logs for use down here, or were you selling your cut up there to a totally different market?

WGR: It was a little of both. The timber was Crown Grant, and the logs could be sold on either side of the line. It was unusual in this respect because less than 10 percent of the total British Columbia output was Crown Grant, which was exempt from the provincial restriction on the export of logs. The purpose in getting into the Malahat was simply to make money. We did not make much, but we made a little bit and survived. These were early years for operating out on the west coast of Vancouver Island. It was all pioneering country, and we had to use barges to land on the beach the men, construction material, railroad ties, steel rails, and all that was necessary to build a railroad into the woods where we had an attractive stand of timber.

We got into production about 1938. We sold the hemlock to pulp mills in Port Angeles, where we could tow logs across the Straits in Davis rafts. Most of the fir went either to Weyerhaeuser's Mill B in Everett or to sawmills in Vancouver, but a sizable quantity went to Australia, this being possible because of the Crown Grant export rights. When the war came in December 1941, Chapin Henry, who was 'Nor's cousin and represented the Henry family, and I decided we should not leave the company in the hands of Mr. Butler, who would surely dominate it while we were away. We had both joined the navy and didn't know how long we would be out of the business world. We first tried to sell the company to H. R. MacMillan, but he wouldn't buy it; he was the Dominion Timber Controller then and had emergency war powers which he used to suspend our right to export logs. This meant we had to sell the logs in Canada, and H. R. was our principal customer there. The export restriction put us at a bargaining disadvantage that perhaps had something to do with his not buying the Malahat. So finally we sold it to Butler. This was a bad decision because five years later Butler was able to sell it for much more to B. C. Forest Products, which was then newly organized.

- ERM: Here, of course, we see very clearly the impact of the event of World War II imposing itself on family and company in a very important way, which forced you to make a decision which you probably wouldn't have made if it hadn't been during the war.
- WGR: Right. We would not normally have abandoned it. In fact, my hopes had been to build a major Canadian operation if we could make a go of the Malahat.
- ERM: In what other important ways do you feel that first the Depression and then the war imposed themselves on you to force you into decisions similar in order?
- WGR: My father was alive when a major effort was made in 1932 to merge all the substantial Washington commercial loggers into one company. The Weyerhaeuser Timber Company was the prime mover in the effort, and the consolidation was to include all of Weyerhaeuser's Washington operations except the Toutle River tract. Toutle River was to be merged with Long-Bell so that there would be essentially two lumber manufacturing companies in western Washington. The one which we were in would be called the Washington Timber Company, and Long-Bell would probably have become a Weyerhaeuser division.
- ERM: The St. Paul and Tacoma Lumber Company figured very much in that proposal.
- WGR: Yes indeed, but the real sponsor of it was Laird Bell, chairman of Weyerhaeuser. Mason and Stevens were the consultants. Mark Reed was a major factor in the group, and St. Paul, represented by Major Griggs, was certainly important in the group. Other operations were Clemons, Snoqualmie Falls, Cherry Valley, Polson, Schafer, Anderson & Middleton, Merrill & Ring, Bloedel-Donovan, several others I can't recall now, and the Butler-connected companies such as Crescent Logging Company and Jamison's Sauk River Company. The same concept was being pursued in Oregon, where I think Weyerhaeuser was going to put all of its Oregon property into a merger with many other loggers and manufacturers. The purpose was to reduce competition, control production, and try to get prices back to a liveable level. It was for many a survival mechanism, and I think it was an interesting proposal, and I really learned more about the forest products industry in that period than I ever had. My father appointed me more or less as his flag lieutenant in the case, and I did a lot of the traveling as the prospective participants inspected one another's property.

- Charles Buchwalter: Was this seen as a temporary thing? When the Depression came to an end, would the properties revert to the original ownership?
- WGR: There was to be no reversion; the merger would be permanent. There would have been two big forest products companies in western Washington--Weyerhaeuser and the Washington Logging Company. The consolidation would no longer have been a family company, as most of the constituent operations were then. I got a working knowledge of Bloedel-Donovan, Merrill & Ring, Clemons, and the Butler companies, and a broad-gauge view of Long-Bell, too. Although I think the schedule was for Long-Bell to merge with Weyerhaeuser's Longview-oriented property like the Toulle River timber, the structure must have been uncertain, for I remember going through the Long-Bell camps with Roy Morse and traveling around looking at other companies with Roy and his boss, John Tennant. He was the chief executive and Roy Morse was what today you would call chief operating officer.
- ERM: In other areas of the American business community, consolidation had been a process that had been going on very noticeably for many years prior to this.
- WGR: Yes, like the automobile industry, steel, oil, and a whole lot of others.
- ERM: In a sense, this was a deliberate effort on the part of some of the leadership of your industry to consolidate within the ranks of the forest products industry.
- WGR: Here was the rationale: "We're all going broke separately, so let's try to survive together." The expectation was that if we closed the least efficient operations and ran the most efficient ones, we could survive.
- ERM: Why was this merger never achieved?
- WGR: While it was still in the negotiation stage with lots of arguments about who was going to get what percentage of the consolidated company, Roosevelt was elected and the National Industrial Recovery Act was passed.* Under it, agreements to control production and prices by an industry code became legal and, therefore, the principals decided that the merger was no longer necessary.
- ERM: The attempt at industrial self-government, however, even under the Lumber Code Authority of the National Recovery Administration didn't really work out too well, did it?

*Act of 16 June 1933, 48 Stat. 195.

- WGR: No, it didn't work well because there was too much of the old nineteenth century free entrepreneur in many an operator.
- ERM: Would you agree that the consolidation of this industry was delayed much longer than in most other industries because of a certain kind of character in the breed of lumbermen? Or was something inherent in the industry apart from this that would explain it?
- WGR: I think it would be the economics, the size of the companies, which were all owned by one or two families, except for Weyerhaeuser. This independence may have reflected inherent characteristics of the lumbermen, but they weren't different from other people. They were just in an environment that was highly competitive and by golly, they got competitive, too. Since that time practically all these companies have been involved in consolidations, and most of the companies which participated in the 1932 merger discussions are gone. Simpson, Merrill & Ring, and perhaps Anderson-Middleton are the only ones that are still family businesses. Hardly a company that we looked at as a competitor survives. Weyerhaeuser was not then a competitor, for it was a seller of timber and a buyer of logs. The others--Polson, Schafer, Long-Bell, Crescent Logging, Sauk River, and Butler's companies--are all gone. They have been taken over by somebody. Weyerhaeuser took Snoqualmie Falls, Clemons, and several others; Rayonier took Polson.
- ERM: International Paper took Long-Bell, and St. Regis took St. Paul and Tacoma.
- WGR: Yes, they came in and took over several of the old companies. Now, of course, there is a host of new small companies, and Merrill & Ring is still very much alive. In fact, they started a new sawmill about five months ago in Port Angeles.
- ERM: Does Cordy [Corydon] Wagner have something to do with that mill?
- WGR: No, his wife is one of R. D. Merrill's daughters, but it's run by Peter Garrett. He is the grandson of Clark Ring. It's still a family business, although I heard the eastern and western stockholders got into a fight last year. They issued invitations to Simpson, Weyerhaeuser, GP, and one or two others to make offers for the timberlands. Evidently they reconciled the fight somehow, and all the bids were rejected.

- ERM: Consolidation in your industry has been forced by the pressures of the high cost of technology. Plant investments did not obtain as much in years gone by as they do now. You could, if you had a little portable sawmill, go out and set it up and be in the lumber business.
- WGR: And you can do that today as a gyppo logger. But it's true that as companies get bigger and more integrated, you run into the factor of economy of size. An obvious example is a pulp mill: you can't build an economical pulp mill today for less than \$150 or \$200 million. Even when we built ours in California in the late 1960s, we built the minimum, most economical size and that was over \$50 million; now it's \$150 million plus. Nobody wants to put in that kind of an investment unless he has a secure source of raw material, which means that it's only the timber owner who can do it or that the pulp man must buy some timber. If he buys a timber stand and he's got a pulp mill, he finds that a lot of the logs cannot be efficiently processed through the pulp mill, so he has to build a sawmill to recover the values that are higher for lumber than they are for pulp and then cut the rest of the logs up for pulp. He'll also need a plywood plant, for he'll be producing some peelers from his timber.

The result is that today you have a capital-intensive industry where small units have trouble surviving. You probably find in the statistical records that there is a long-term trend toward fewer mills, although production may be rising in total. This is what the merger-minded men tried to do in 1932. They might have expressed it differently, by saying, "Damn it, if the management wants to shut down Bloedel-Donovan, we shut down Bloedel-Donovan" instead of going to a meeting with J. H. Bloedel and have him say, "Oh yes, sure I'll go along;" and then find he goes home and says, "Oh, to hell with it. I'll double production while those other guys are shut down." Of course, J. H. was an honorable man and there is no more reason to use his name than any other in this illustration. They were all strong and independent men, and although their plan of consolidation was given up because of the NIRA, an even greater type of consolidation has taken place in the industry because of the pure force of economics.

- ERM: The world of business you have experienced and that in which your father operated are really quite different worlds.
- WGR: I guess so. We were a highly localized company then--his most remote customer was in Everett and his nearest was

in Shelton. He produced logs to sell to sawmills on Puget Sound. An exception came in 1925 when he built the hemlock mill to manufacture hemlock squares for the Japanese market.

ERM: As you look back over the years during your term of leadership in the company, what do you see as being the really critical decision that you made and which you look upon as having been perhaps of most significance in the history of the company?

WGR: I came to believe we ought to try to expand and make a go of the forest products business, but that was not my first impression. When I came to work for the company, I analyzed it with my Harvard Business School background and wrote a report for my father (which I wish I could find, but I can't). I recommended that he liquidate the company, and I think he nearly threw me out the office window.

ERM: Was that because at the time you thought you could see better ways of investing the money you might get from selling the company?

WGR: Exactly right. I had a lot of charts--and I don't think he was chart minded--but, freshly back from Harvard, I was all for them. They showed Simpson earnings as being flat from the San Francisco earthquake rebuilding boom until 1914; then they went up nicely during World War I and until the 1920-1921 crash; then smack down and gradually upward until another boom started after the Japanese earthquake. Total profits grew, but the rate of earnings peaked about 1925-1926 and then started declining. It had a little upkick in 1929, but of course declined again during the Depression. My report was written in 1931 when there was just 1 or 2 percent return on assets. The return had been declining for five years or so and averaged something like 5 percent. My argument was that we could probably liquidate the company for something close to book value. Then we could make more money by investing half the proceeds in 6 percent government bonds, and using the other half to speculate in timber or the stock market or whatever we felt like.

That was actually my first reaction after I got thoroughly familiar with the company. Then in the depths of the Depression it became obvious you couldn't sell it for anything more than the cash we had in the bank. So I thought, "Well, okay, we are in it, so let's expand and make a go of it."

We started out a few years later to buy logged-off land, the first major purchase being the Phoenix Logging Company property. In the mid-1930s the Phoenix completed cutting of its timberlands and permanently ceased operations. Acting for the Anderson Estate Company, Miss Wilson and Ed Hillier liquidated the logging operation, and planned to sell the 20,000 acres or so of logged-off land to the state in exchange for revenue bonds at the rate of \$1 an acre. They talked to me about negotiating with the state for the land, and I said, "Oh, gee, we'll buy it." Miss Wilson replied, "It isn't worth anything, Will, and you should not waste the money."

ERM: Who or what made you decide that buying up logged-off land was a good way to go? Were you influenced by anyone else's thoughts?

WGR: I don't think so. It was just the cheapest way to add to Simpson's land base. I agreed when she said, "It will be a hundred years or more before there's another stand of timber on that land, and who is going to care about what happens a hundred years from now. You are just throwing your money away." I thought, "Well, that may be true; but if we get a dominant position here, we'll control rights-of-way, especially to the southeast portion of the national forest." We had a railroad close to it, and I thought control of the land would give us a buffer from the public traffic around Hood's Canal, as well as the possibility of growing Christmas trees later on. Shortly afterwards, I read the Meyer and McArdle report and I began to think maybe timber really was a crop.* It was the first report I had ever seen that had to do with growth of Douglas-fir.

Before that, what I had been taught at the university actually was almost the opposite; it was tree selection. During my ninety days in forestry school at the U. of W., a Swede named Axel Brandstrom was very convincing in his presentation of the concept of selective logging based on the economic value of trees.** He and [Bror L.] Grondal were the guys that I learned the most from. I thought there was a lot of merit in Brandstrom's theory,

*Richard E. McArdle and W. H. Meyer, "The Yield of Douglas Fir in the Pacific Northwest," U. S. Department of Agriculture, Forest Service, Technical Bulletin 201. (Washington, D.C.: GPO, 1930).

**For more information see Axel J. F. Brandstrom, *Analysis of Logging Costs and Operating Methods in the Douglas Fir Region* (Seattle: Charles Lathrop Pack Forestry Foundation, 1933).

but I tried it on my father and he thought it was an absurdity. Hardly anybody believed it, but it was applied in some instances, particularly by Howard Dent on the west coast of Vancouver Island. Brandstrom advocated analyzing the forest tree by tree so that you could estimate, for instance, that one tree put into a sawmill would return \$20 a thousand, while the little one next to it would cost more to get into the sawmill than you would get out of it. So he said it was clear that you should just take the good one. He would actually go through the forest and mark the trees to take out. This proved to be sort of good economics, but it was not good forestry because in those days you wrecked most of what was left standing, and overhead costs per M would go way up if you only took out a fraction of the timber.

- ERM: It works fine in certain species and in certain areas. You couldn't operate any other way in the pine areas. If you clearcut that, you would be in trouble. But with Douglas-fir, clearcutting is the only way.
- WGR: Yes. Anyhow, I tried to convince my father to try it, and I even had Brandstrom talk to him in Shelton, but he wouldn't go for it.
- CB: There's one question I have about your buying logged-off land. One thing that is said about your father is that he was one of the few men to hold onto his land and pay taxes. Was that a precedent for you?
- WGR: Well, that was a precedent, but his primary motivation there was first that the land would probably eventually have value for farming or some other purpose and second that, if we let the land go for taxes, not only would the public image of the company suffer, but more importantly the company would simply have to pay higher taxes on the rest of its property. He didn't ever buy any logged-off land, as such, and usually didn't even want the land under the trees he logged. Like most loggers in those days, he'd buy timber but not the land. Then it would be up to the landowner to let the land go for taxes. A result was that much of the timberland in the operating area ended up in the county ownership. Subsequently, Kreienbaum and I had the company buy most of this from the county.
- ERM: To whom did you and Kreienbaum and your brother turn for serious advice, both in the realm of major financial business dealings and in the realm of land-management decisions?

WGR: I used to talk to Weyerhaeuser executives, especially Minot Davis, who was their land manager. He had a bright mind; he was probably the youngest of the men in the whole group, next to me, and I felt a little more comfortable with him for that reason than I did with Dave Mason, who was much older. Also, Carl Stevens, who once worked with Mason, was closer to my age and, I guess we got a little rapport out of that. He was a very bright and intelligent man; we used him professionally long afterward. Another fellow we used was Charlie Lyford of James D. Lacey and Company. He was our professional consulting forester.

ERM: On a consulting basis, not a regular basis?

WGR: Not on the regular payroll. When there was a particular problem, we used his firm as cruisers when we didn't want to use the house cruiser for some reason. If we were buying land or timber from, say, the Northern Pacific or Weyerhaeuser, and we couldn't agree on a cruise, we'd try to get Lyford as a common cruiser acceptable to both buyer and seller. He was very highly respected in this regard. A little sidelight here is that his grandson, Charlie Lyford IV, married my daughter and had two children, but then they were divorced.

ERM: Who instigated the start of professional forest management in the company?

WGR: I guess I'd say George Drake.*

ERM: George was the first professionally trained forester that you employed. Was that your decision?

WGR: No, that was my father's. He employed Drake to run the woods and the logging operations after the death of Sol Reed. I think he may have originally had the idea that Drake would run the company, as Sol had been scheduled to do, but Kreinbaum proved to be a much better executive.

CB: Did Sol have any background in forestry?

WGR: Yes, he had gone to forestry school. I think he graduated from the forestry school at the University of Washington.

ERM: Sol and, to a very considerable extent, George were more oriented in the engineering aspect of forestry rather than in the silviculture.

*See also *A Forester's Log: Fifty Years in the Pacific Northwest*, interviews conducted with George L. Drake and Charles S. Cowan, by Elwood R. Maunder (Santa Cruz, California: Forest History Society, 1975)

WGR: Yes, and as a matter of fact, I got pretty annoyed with George about one subject, but I didn't do anything about it because it wasn't my business. For some reason I got interested in genetics--maybe from just reading a book--and I tried to convince George Drake that it would be a good idea to try to use a tree breeding process. I wanted to see if we could do the same with trees as conventional farms did with corn and cattle, to double the production by scientific breeding. "Can't we do that with trees?" I asked George, and he said "Oh, I never heard anything more ridiculous in my life." I said, "Now look at this: here are two trees about the same age, you bore them and find out one is growing faster than the other. Why the hell don't you make them all like this good one?" He said, "Oh, it probably was because some deer died there a hundred years ago." I never was able to convince a soul in the company in those days that there was any merit in seed selection.

CB: Would it be Oscar Levine who was the first and probably the main person who was interested in silviculture? Wasn't he involved in a tree farm?

WGR: I guess he was at Weyerhaeuser, and Weyerhaeuser made a big jump ahead of us in forest management. The Eddys of the Port Blakely Mill were probably ahead of us all, due primarily to Jim Eddy, who was a great believer in genetics.*

I was a young man and Jim Eddy was almost as old as I am now, but we got well acquainted because we ate at the same table at the Betsy Jarvis Restaurant for about ten years in Seattle. There were several men who had offices in the White-Henry-Stuart Building who got into the habit of eating at this table. I heard a lot of Jim Eddy's theories there; he was a great geneticist.

ERM: He was an evangelist for genetics, and he employed many geneticists to work for him. The forest genetics experiment station he founded in Placerville, California, is now under the control of the U. S. Forest Service.

WGR: I still want to go down and see that station. A reason I put a visit to it on the back burner was that he said they were working with pine and I was interested in fir and redwood. However, Mr. Eddy's ideas certainly helped motivate me to argue with George Drake to apply genetics in Simpson's reforestation, but I never could get him

*See also *Eddy Tree Breeding Stations: Institute of Forest Genetics*. Interviews conducted by Lois C. Stone (Berkeley, California: Regents of the University of California and Forest History Society, 1974).

interested. I'd like to see whether George covered this in his interview with you. Perhaps he changed his mind on this subject in later years, but in the 1930s he was definitely not a believer in genetics. I then had no authority over him, for I was not in the line organization until after the war. Drake reported to Kreienbaum who reported to my brother, Frank.

ERM: How would you compare the relationship between management and labor during your father's time and during your time? Were there significant differences?

WGR: A massive difference. Let's put aside the period prior to 1920, when conditions were greatly affected by the IWW [Industrial Workers of the World] activity. In the 1920s when I was growing up and even until the time of my father's death, the concept of employee-management relations in Simpson was almost a father-son relationship. My father somehow gave the employees the feeling that we were one big happy family. He was a very warm, understanding man and employees looked to him to solve not only work-related problems but also many personal problems.

ERM: Almost like the country squire of English tradition.

WGR: Yes. He delegated the management operating responsibility very much as you would today; that is, to his chief operating executives, but nevertheless he was in touch with people at all levels. He walked through the machine shop every day on his way to the office, and might have a word with a guy who was running a lathe, or one who was sweeping the floor. The whole organization knew him and had a high personal admiration for him. I think my brother, Sol, was also very close to them. Frank and I, on the other hand, had little to do with individuals except the supervisors who reported to us. I knew some of the workers, but had nothing like the relationship with them that Mark Reed had. Of course, I was younger than most of them, and in no sense could Frank or I have been a father figure to them, so to speak.

I well remember an incident when the labor unrest started in 1934 or 1935. Tom Rowe, a machinist, was the father of the brightest Boy Scout in the troop of which I was then a young scout master, and I thought both the father and son were fine fellows. Then one day I saw Tom, the father, wearing a union button on his cap. I was shocked, it had never occurred to me that anybody so loyal to the company would think of joining a union. It was almost as if your children said they were going to join some kind of an organization to fight fathers.

A further example of Mark Reed's relationship to the employees was that he always wanted to make sure that nobody in Simpson suffered. For instance, during the Depression he put me in charge of overseeing credit to Simpson employees at the Lumbermen's Mercantile store to make sure they bought groceries, and not neckties or the like, when they were laid off.

ERM: During your years at Harvard you had not been given any forewarning by professors of the things that were beginning to happen in labor ranks?

WGR: I don't think so. My emphasis there was on finance, anyway. I was taking accounting, finance, corporate organization, and those kinds of things. The problem of labor relations was new to me, and as I say, it shocked me.

While I am sure that the New Deal labor movement would not have been a shock to my father because of his experience with the IWW, he nevertheless had real concern. He moved his wife and children out of Shelton while the IWWs were active, and later two members of the family, my brother and my cousin Joe Grisdale, were killed by employees. Oddly enough, that was during the fraternalistic days.

ERM: The whole thing changed when the Wagner Act was passed.* This act threw out the company union and undermined the whole 4L [Loyal Legion of Loggers and Lumbermen], which I presume you had been a part of.

WGR: Yes, there was a 4L clubhouse in Shelton which was very popular. I used to go there as a kid with my friends whose fathers were working in the company. The sons of men who might be anywhere in the company were my friends--some were sons of managers and some were sons of guys like locomotive wipers or choker setters.

ERM: Another question that bears on the New Deal period is, In what ways did other experimental Depression-fighting efforts, such as the Civilian Conservation Corps, have an impact upon the area in which you were operating in your company and in the community of Shelton?

WGR: I can't remember if the CCC did anything specific there in Mason County, although it might well have. Of course, it did a lot of good work in other places.

*National Labor Relations Act of 5 June 1935 (Wagner-Connery Act), 49 Stat. 449.

CB: Simpson's sustained-yield contract came out of the Depression.* In his interview Chris Kreienbaum talked about the fact that he was aware the government was coming up with something.** Chris wanted to come up with a plan ahead of the government and offer it to the government.

The main tenet of the sustained-yield contract is that of community stability. Perhaps you could comment on this concept and tie it in with economic growth. Shelton has maintained its stability but at the same time the economic growth in the area is not outstanding. How was the contract conceived? If it has been successful, Simpson's profits have been very marginal.

WGR: Well, it has created stability; there is no question about that. But it also inhibited growth in the area by confining the output to the sustained-yield cut. That was a factor in the decision to expand other areas, and it was one of the main reasons why we went into the redwood country. Our ability to grow in the Shelton area was confined to integration. I have trouble agreeing that sustained-yield concepts had much effect on our policy decisions in the mid 1930s, although I admit that the acquisition of the Phoenix land and other lands owned by the Andersons and by Simpson Investment Company, were moves in that direction.

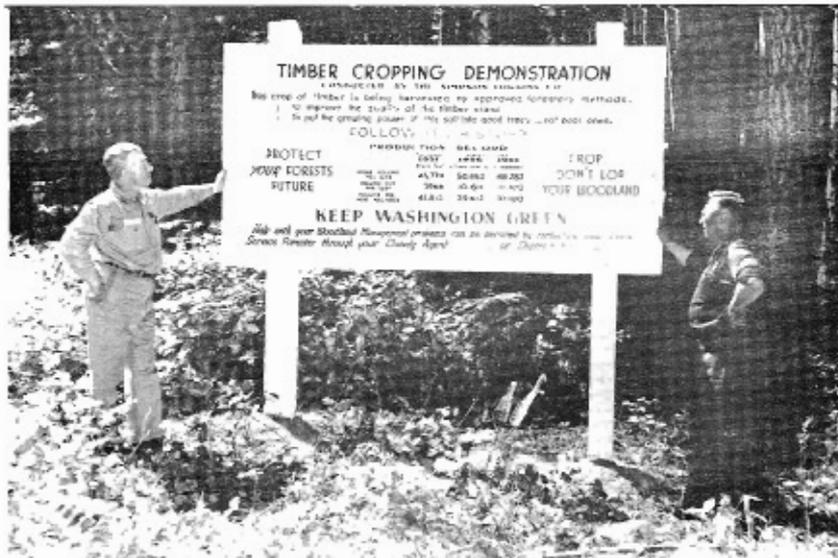
We ought to review the fire-control system, for George Drake had been a good man in making us fire conscious. The first step in managing the logged-off land for something besides the hope that it would eventually become farm land, was to stop the indiscriminate burning that had been occurring. George did that. Although we had a most severe fire while he was on the job in 1933, our fire-loss record has been very good ever since.

ERM: Drake seemed to have a common touch with people at the ground level. He had the capacity to mingle with them and communicate with them.

WGR: That's probably right. And I think Kreienbaum was a most liked and respected member of the community then.

*Sustained Yield Forest Management Act of 29 March 1944, 58 Stat. 132.

**Kreienbaum, *The Development of a Sustained-Yield Industry*, pp. 56-61, 103-112.



George Drake, right, introduced a program of public information about forestry through Washington state in the 1940s. Shown with Drake is Francis Wright, state fire warden.



Plant of the Rayonier Corporation with town of Shelton in the background, 1957. U. S. Forest Service photo.

ERM: Kreienbaum in the town and in the business community and in the industry; Drake out in the field where the loggers were.

WGR: Yes, Drake was very good at that.

ERM: In my study of Pacific Northwest history I found that he had one of the most unusual talents of anyone so far seen working at that task. He had his crotchety, irrational side, too, which I sometimes encountered, but by and large, he was a good person for getting the job done.

WGR: Maybe that had something to do with my earlier statement that it is hard to believe that sustained yield was significantly in the mind of Simpson management in the middle 1930s. Possibly Drake might have been talking about it in the field. But if so, it was probably just dismissed as something to do with his old Forest Service background that was not applicable to running a business.

The sustained-yield idea began to grow in our plans in the early 1940s, or perhaps late 1930s, when we had to make a hard decision whether to stay in the business or not. We were having a conflict in the company, especially with the Anderson group, as to whether we should go ahead or not. I was a go-go woodsman by then, having gotten away from my original idea that we would be wiser to invest our capital in listed securities.

ERM: What were the signs of the times that gave you a different hope for the future?

WGR: I wasn't really thinking of the signs of the times. Business was getting better, but by then I had been stimulated by my Malabar experience; I wanted to become integrated. And I was greatly impressed by Hawthorne Dent's theory that it doesn't make any difference how much money you make--what counts is to be ahead of the pack. He was the insurance man who started General Insurance Company (now Safeco), and he would say, "I don't care if we make any money or not, I just want to do better than my competitors. If business is so bad that everybody starts to go broke, that suits me fine. I'll be the one that survives."

That was my plan. I didn't care whether we made a lot of money; I wanted to earn a higher rate on our invested assets than Weyerhaeuser or Long-Bell or other industry leaders. And I came to the conclusion that the end of the Shelton operations was not many years ahead of us because we were going to run out of old growth, and there was no place to get more except from the Forest Service.

Thus I became receptive to the sustained-yield concept. Most of this time I was in the navy, and Chris ran the company as executive vice-president. In fact, Frank, my brother, was president, but he died in a fire at his home while I was on naval duty. I applied for a six months' leave of absence to get things straightened out after Frank's death, and the naval authorities said that although they would give me an honorable discharge to return permanently to civilian life, they could not just let me go on leave. So I told Chris that I thought my higher duty was to serve the navy during the war while he ran the company until I could come back in peacetime and get in the company with him again. By this time we had already begun to think in terms of a sustained-yield unit. I had lots of time to think in the navy, and some other possibilities than a government contract or liquidation of the company formed in my mind.

One of these was to buy working control of Puget Sound Pulp and Timber Company, and the biggest mistake I ever made was not going ahead with it. I was stationed in Seattle at the time and arranged for Jack Agnew--a friend, neighbor, and former stockbroker--to go to San Francisco to negotiate a trade of Simpson's stock in Seattle-First National Bank for Transamerica's 20 percent interest in Puget Sound Pulp. This amounted to working control of the company and would have put us in a strong position involving a pulp mill, 200,000 acres of second-growth lands near Bellingham, and the magnificent tract of timber on northern Vancouver Island formerly owned by International Harvester Company. The deal was that we would give them our bank shares plus a little over \$2 million for their interest. At first the Simpson directors rejected the deal, but I later asked them to resign or vote yes on it. Then the trade was authorized, but I had become so emotionally involved that I was determined to close the deal at a lower cost than the board approved. So I had Jack Agnew resume the horse-trading with Transamerica.

ERM: Could you have made a deal within the limits of the amount that the board approved?

WGR: Yes, but I wanted to do it better. However, it was a tough one. I was in the navy and couldn't do the negotiating myself, and Tom Gleed, whom I had asked to come on the board to succeed Frank Reed, had a conflict of interest because he was vice-president of Seattle-First National.

We were also in touch with Lawson Turcotte, the president and manager, and in anticipation of success, I

bought George Gunn's interest in Puget Sound, which was about 4 or 5 percent, which he had bought from Ossian Anderson, the founder. Negotiations were delayed because the stockmarket went up a bit, and Transamerica was feeling better, and I was transferred to Alaska while negotiations were still stymied.

A few months later at the naval station in Adak, I got a letter from my assistant in the Simpson office, Chuck Rowe, the Boy Scout I mentioned earlier whose father had worn the union button. The letter from him said that he had heard from the Transamerica people that conditions had changed somewhat, and they were going to have Puget Pulp sell the International Harvester timber. They had an offer but would rather sell their interest to our company, so if we would renew our offer with a little increase, they would reject the sale of the International timber and make a deal with us. I thought, oh God, here I am worrying about the navy and the last thing I want to do is to fight with the Simpson directors again by correspondence. So I wrote Chuck to forget it. That was the bad decision. Canadian Forest Products Company now has the International Harvester tract and is, therefore, one of the biggest B. C. companies, and the Bellingham property is one of the good assets of Georgia-Pacific.

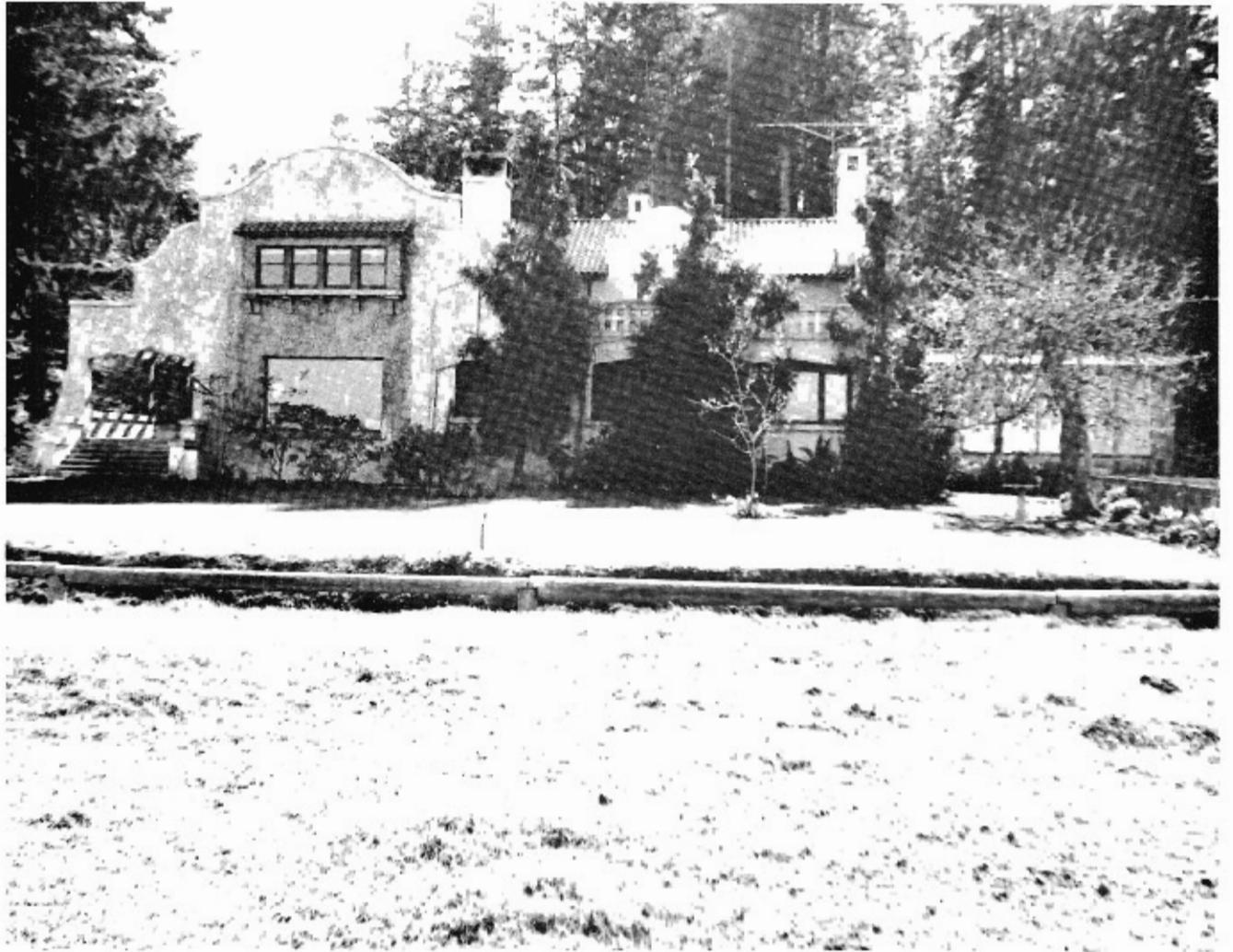
CB: It is well documented that with the impending sustained-yield contract you really had to expand your land base, you had to consolidate many of your holdings into one area. Were you already expanding, or did the fact that was on the horizon encourage you to expand, or was it an intermingled thing?

WGR: Well, we started acquiring logged-off land--mostly for \$1 an acre or so--several years before the contract was negotiated. We would ask the county to put up for sale the land it had taken in default for taxes, and then we would just go in and bid \$1 an acre. We'd get the land; it would go back on the tax roll; the county was happy, and we had a potential future timber source. That process was going forward regardless of whether a sustained-yield contract could be made. By that time we had the state yield tax law, and I was beginning to think we could just let the land grow trees for the next generation, while we used the operating capital to go into business elsewhere.

That would have been the alternative to the sustained-yield program, but as matters turned out, we did both. We have the sustained-yield program, the redwood, the pulp and paper mills, and the Saskatchewan operations.



Photograph taken in 1977 of the view of the marsh at Graysmarsh Farm.



Main residence at Graysmarsh after removal of ivy. April 1977.

INTERVIEW II

Session 2
August 26, 1975

ERM: While Graysmarsh is so vivid in our memory from the pleasant walk we have just taken, this might be a good time to talk about its history. Is there any written history that you know of?

WGR: No, not that I know of. There are lots of documents which are relevant, but they are not organized as history. Perhaps the most basic thing is the abstract of title to the lands which comprise the property. Also, there are many studies which have been made in the last thirty to thirty-five years on wildlife management; and with respect to the farming operations, there are regular books of account in Seattle, but as far as a written history goes, I have to say there is none.

ERM: There has never been anyone in the area here around Sequim or Port Angeles who has taken the trouble to write a history of this area in book form?

WGR: Well, I wouldn't say that. I am not aware of any written description of Graysmarsh. It has been a hard place for the public to get at ever since Anderson had it, and I think there was hardly anybody up here but the Indians when he came.

ERM: Was he the first white owner?

WGR: No, there were a few farmers. The first individual owner was one William H. Gray who homesteaded 160 acres of the marsh land. That's how it got its name--Gray's Marsh, which we now write as one word. A framed copy of the deed to him, dated 1870, is hung on the wall upstairs.

ERM: Was he a Civil War veteran who took up the land as part of his rights as a veteran?

- WGR: I don't know. I know nothing about him, but probably something could be learned by a study of the documents.
- ERM: What did Gray do with the land? Was he strictly a farmer?
- WGR: I doubt it. The land he had was the marsh and not suitable for farming. He may simply have used the wildlife for trapping or hunting. He may also have had some revenue, even in those days, from leasing it for sporting purposes; but it would be a reasonably good guess that it was best for fishing, shooting, and trapping. Market hunting of game birds was legal then, I think.
- ERM: When does the story of Graysmarsh first begin to emerge in any known way?
- WGR: Mostly it came to me from older men I knew thirty or forty years ago who had also known Anderson. Personally, he was widely known; his place was also well known, and there was a lot of talk about it. I've not always been able to separate the facts and the fiction, but sometimes you can learn something, even through strangers and rumors. I am not sure whether Anderson acquired the marsh for sporting purposes, or whether he was interested in the timber. Probably we could work out the sequence of events by studying the abstract. I think he himself first acquired the marsh, but that the timber lands had been purchased and logged in the 1880s by the Discovery Bay Mill Company, in which I believe he had an interest.

Probably he began to use it very early for duck shooting. He built a small cabin southwest of the marsh which still stands, although it is getting pretty dilapidated. It appears on our charts under the label Anderson Cabin. I've had a couple of architects look at it with the idea of rehabilitating it, and they said, "Oh no. It's better just to let it fall down. Trying to rehabilitate it would be terribly expensive, and you would be wiser to start all over again and make an imitation than try to rehabilitate it." I haven't been willing to accept that answer, but we've just let it continue to deteriorate. However, we have pictures of it and can perhaps put it back together again if we ever get around to it. It has been used for different purposes. When I first got it, we used it as a granary to store grain for the beef cattle; but after we gave them up, the cabin just stood there.

There was an old, often-told story that one time he was here on a shooting trip with his friend named Joe Slump, who I think ran the cigar store in the Butler Hotel in Seattle. Joe Slump had his dog with him in the cabin, and the dog kept scratching all night long. Anderson got very little sleep. As a consequence the next morning he said, "Damn it, Joe, I am not going to have your dog up here again until I've got a better place for him. I think I'll build a house myself where I can't hear your God-Damned dog if he's got fleas." And so he had this house designed by Charley Bebb in 1909. Shortly afterwards he also built the house for Agnes Holland, his mistress, and when she later became pregnant, he arranged for her to marry a man named Scott. She continued to live out her life here.

ERM: How does Scott fit into this picture afterward? Did the liaison fade out after the child was born?

WGR: Well, Anderson died in 1914, I don't know what happened to Mr. Scott, and I think I have heard the child did not survive. Anderson's will left Mrs. Scott the west side of Graysmarsh, consisting of her house and about 200 acres of farmland. I knew her slightly, for she was living here when I bought the place. On the wall here are two pictures of her at different ages: one when Anderson knew her and one when I knew her. She was a very nice lady--probably in her seventies or more when I bought Graysmarsh and called on her as a neighbor. She wanted to sell me her place, and I was thinking about it, but we suspended conversations when the war came and I joined the navy.

By the time I got back she had died and the property was owned by her nephew, from whom I bought it fifteen or twenty years ago. I made another purchase of twenty acres, so the place is a little bigger now, but approximately what it was after Anderson put it together. He bought land from quite a few different people, and in 1910 built this house, which the local people still call The Mansion. All the supplies and the crews had to be brought in by barge, for there was no road. It must have been quite an undertaking, and he had a regular camp set up here during construction.

ERM: Did Mrs. Anderson ever live here?

WGR: She was never here until after his death. Later, she stayed here during August of every year. And other uses were made of the place after Anderson's death. It was an operating dairy-and-beef farm with a herd of milking shorthorn cattle, and there were so many rumors they are hard to doubt that it was a bootleggers' landing point during Prohibition. They would load a speed boat in

Victoria, come across the Straits, land on the beach, and unload the liquor before the Feds could catch them. Some arrests were probably made, but the smuggling apparently continued for years. It would have been very horrifying to Mrs. Anderson, had she ever known it. She was an ardent prohibitionist as well as a pillar of the Christian Scientist Church. She built a couple of the principal Scientist churches in Seattle and was also a principal donor to Principia College in the Midwest, which is a Christian Scientist institution. She believed firmly that no man should ever take a drink.

Anderson's means of travel to Graysmarsh was his yacht, *Colleen*, for which he had dug a pond that you might have noticed between here and the dog pen. He had it built as a yacht basin so that he could come in, park the boat there, and then walk the 100 feet up to the front steps. There was no driveway to the house when we bought it, presumably because he arrived by boat.

- ERM: You mean he made his way usually from Seattle to here by boat?
- WGR: Only by boat. He probably had road connections to the settlement at Dungeness, perhaps even to Sequim, and certainly one to Washington Harbor where there was a dock. Sometimes if the tide wasn't right he would land his boat at the dock and come over in the buggy. Then the crew would move the boat around when the tide came in.
- ERM: Even so, the place was quite isolated and it remained so for quite a number of years, even after you became the owner. Isn't that right?
- WGR: Yes, though it was surrounded by dairy farms. Most of the cleared land you see around was cleared then, except for the land immediately to the southeast of us, which was uncleared. Norton Clapp bought that after he visited us at Graysmarsh. Evidently he thought it was an attractive area, for he bought a whole lot of land around here, starting with the land adjacent to Graysmarsh, which he cleared and converted into a beef farm. That wasn't much of a success and Norton got disenchanted with it, although he bought quite a lot of other land in the Sequim Valley. Then he got more enchanted with the San Juan Islands and built his country home on Orcas Island. Lang Simons, his cousin-in-law, managed the beef operation for Norton. Lang has a nice house just across Sequim Bay.
- ERM: Is there still a beef operation on that land?

- WGR: I think that's been abandoned. It's mostly in grain now. Part of it may be leased to a beef farm, but I don't think I have seen any beef there in the last year or so.
- ERM: You have sort of a buffer zone of farmers between you and the main road and the town.
- WGR: Yes, but new residents are coming in all the time. Sequim has been developing very rapidly. I think that we will be pretty well surrounded. For instance, right across the county road on the west side of Graysmarsh, half a mile of the boundary is occupied by a land development called Sunland. It has become now successful after years of being up and down. I think the lots now go for \$15,000 to \$20,000 apiece, and would be on the order of 1/4 or 1/2 acre.

Before I bought Graysmarsh, I was trying to sell it. As one of the executors for Agnes Anderson in 1940, I was given the assignment of selling Graysmarsh for the estate. I tried hard, starting out with a \$75,000 price, I think it was, which would be \$100 an acre, including the buildings. The property was then about 750 acres because Mrs. Scott's land was still under her ownership (it's what we now call West Graysmarsh), but I couldn't get anybody interested.

Among those I brought here to look at it was Bill Boeing, but he thought it was too remote and too high-priced. John Eddy thought it might make a good duck club and wrote letters to his friends to try to get them to go along. The one he wrote to Val May, an old friend of his (and ours) is hung on the upstairs wall, but the campaign was not successful. So the executors authorized lower prices, and when we finally got the price down to \$50,000, I thought I could make a deal with C. W. (Cully) Stimson, who was then head of the Stimson Lumber Company. He had a man come up and look at it and finally then offered \$16 an acre for the land and \$10,000 for the buildings. This worked out to less than half our lowest price.

Meanwhile, Kathryn Wilson was trying to sell it through a real estate agent, but he couldn't get any offers. By that time, I had talked so much about what a good place it was that I had convinced myself. So I said to Kathryn Wilson and Ed Hillier that I would resign as executor and make an offer of \$50,000, equalling the lowest price we had set. Ed Hillier thought I ought to go 10 percent higher, and we all agreed on \$55,000.

We reported the agreement to the judge, who approved the sale but refused to accept my resignation. So I remained as executor and bought the property, but 'Nor didn't like the idea much at first. We then had the *holiday*, a sizable yacht which had been my mother's, required a crew of four, and was enough to keep us busy in our spare time. Graysmarsh was another demanding thing I was undertaking, and 'Nor quite properly thought I was trying to spread our time and interest too thinly. I responded that Frank liked the boat and maybe he would take her over. This was in the spring of 1941.

Before closing the deal, I brought 'Nor up to take a look at the farm, and it just happened to be at a time when flowers were in bloom. I remember that when we were walking down the trail to the marsh, she saw some beautiful wild trilliums and was fascinated. After the walk was over I said, "Well, what do you think of it?" And she said, "It might be all right." I think it was just because of the trilliums. So I made the offer when I got back to Seattle. Another problem had been that in Mrs. Anderson's day, Graysmarsh was protected by the State Game Commission and under an arrangement with the Commission, it was treated as a game preserve. I had to get a release from the Game Commission before we could get any prospective buyers interested.

ERM: While it was under that protection, did it get any regular surveillance?

WGR: They gave it surveillance, but no game management. They protected it by keeping hunters off, but primarily they just posted it as a game preserve with no shooting allowed. Mrs. Scott leased the part of her land bordering on Graysmarsh to a duck club. It had pretty good shooting because it was right alongside the reserve, but the members all ran out of steam. Years afterwards when I bought Mrs. Scott's place, I was willing to continue their lease for a while on a diminishing basis, but by then they were all getting so old that they didn't want to keep it up.

ERM: Did your own development of the property begin after World War II?

WGR: No, it really began in 1941 and moved very rapidly after I took possession in June of that year. I first had to decide whether it should be a dairy farm, a beef farm, or both. The farm then had a combination herd of milking shorthorns, which seemed like a poor compromise. Miss Wilson had a man who operated the dairy farm, but I got the notion that I could run it with a lot more efficiency by using regular business procedures with

budgets, trained managers, and judgment in selection of the most productive function for each part of the property. For the first month or two, this included my getting up at four o'clock in the morning to learn how to milk the cows.

One early conclusion out of this was that we should get rid of the short-horns and put in a guernsey herd for milk and a hereford herd for beef. So I let a contract for new dairy barns to be constructed in the fall of 1941. The war occurred while the construction was under way, but the government encouraged us to go forward with the dairy facilities, and the whole barnyard area was completed in my absence, while I was in the navy. It ran as a dairy farm with a manager reporting to me.

ERM: Who was that?

WGR: There was a series of them. First was the man that Miss Wilson had had on behalf of Mrs. Anderson. Then I had a fellow by the name of Ash Brown, who came up from Shelton, where he had been superintendent of the shingle mill before we closed it. He had had dairy background and managed Graysmarsh during most of the war. Then I had two or three managers and finally found a good one, Lester Lancaster, who came as assistant manager in 1946 and has been here ever since. His six or seven children were all raised here, and one of his sons now leases the dairy operations.

ERM: How many permanent staff people have there been over that period of time? Has the staff grown or diminished at any time?

WGR: At first, one man was supposed to take care of the dairy, the beef cattle, and the marsh while his wife ran the country home for us. It's grown quite a bit. Now we have a manager and a superintendent for the raspberry operation, a caretaker couple for the country home, a gamekeeper for the marsh, and a lessee for the dairy.

ERM: Has that proved to be profitable?

WGR: It's profitable for Jay Lancaster, the lessee. It proves there is some point in sticking to your knitting because Jay was raised on the farm, educated in farming at the state university in Pullman, showed himself to be intelligent when working here after college, and was given a lease on the dairy when his father was transferred to West Graysmarsh as general manager for the raspberries. Jay has made money at it ever since. I lost money, probably because I didn't know what I was doing on a farm, but now I collect a satisfactory rent from Jay.

Last year his guernsey herd was officially rated third best in the United States. His father is still general manager of the raspberry farm and in some respects, looks after the whole property. I now also have Mike Rich as a general overseer for both our Seattle home and Graysmarsh. Before Mike was on the job, Lester had to supervise the gamekeeper, the caretaker, and the dairy manager, but now Mike does that. Besides being farm manager, Lester Lancaster with my permission ran for county assessor and was elected. Of course, most of his time is now devoted to his public service. Hence, we have the superintendent, Cliff Yada, who is directly in charge of the raspberry operation, and Mike looks after the rest for me.

ERM: When did you begin to develop the area as a testing ground for wildlife and fisheries management research?

WGR: It is not a research project. I have wanted it to be a high-quality habitat for wildlife, especially waterfowl. The first consultant I hired was Clyde Terrell, from Wisconsin, before the war in 1941, but he did not make his first trip out here until 1942. He did come before I was transferred to Alaska by the navy, and I was able to review his reports and plans in person. His ideas were good and not unlike what we are doing now. He tried building dams, planting grain, wild rice, and other duck foods to increase its value as a wildlife refuge and shooting area.

Even then we divided the wildlife area into three sections: one where the public shoots; one where my guests and I shoot; and one which is refuge where no disturbance of the birds is allowed. Terrell's work wasn't well followed up because of the war. When I tried putting his recommendations into effect after the war, I relied mostly on my own judgment plus the advice of friends and shooting companions about what to do, but I did not concentrate on it as I should have, for I was very active in expanding Simpson Timber Company. Some things worked but many things failed, like the wild rice project, which we spent years on.

CH: You sent away to Wisconsin, did you not?

WGR: Wild rice is the best of all duck foods and it thrives in Wisconsin. So Clyde Terrell, the Wisconsin consultant, tried it during the war years and for a while afterwards, but it would not regenerate. Then I put in a test plot, which is the little pond east of the boat house, to grow wild rice that was acclimated to the Pacific Northwest.

The best stand of rice around here is at Cranberry Lake near Shelton, and I had the people who took care of it come to Graysmarsh and make a trial planting. It worked so beautifully in the little plot behind the boathouse that we dug Lake Eleanor to specifications which we all thought would provide ideal growing conditions, and we planted it with acclimated wild rice harvested at Cranberry. It did fairly well for a little while and then disappeared. I replanted it for three years, but finally gave up. We couldn't get it to grow. Lake Eleanor water was piped in from the High-Line Ditch so that quality, temperature, depth, and rate of flow could be controlled, but the project still did not work.

ERM: Is it because it never germinates, or else gets eaten by birds?

WGR: I don't know. We couldn't get a good handle on it. It was treated exactly like that at Cranberry Lake, which might get eaten up too, but enough of it survives to grow to produce a new crop. That was not true here; it just died out. I was beginning to think I would have to give up, but then I got acquainted with Arthur Einarsen. He was writing a book on the black brant, after having retired as the Pacific Northwest manager of the U. S. Fish and Wildlife Service. In Oregon he had been very active and had written a most authoritative book on the Pronghorn antelope. After retiring, he moved to Port Townsend, where he was working on the brant book. Our tidelands had a nice stand of eel grass, which is what the black brant live on, and he wanted to study the feeding brant. As a result, we got well acquainted and he became our first official game advisor since Terrell, and eventually he was the equivalent of a wildlife manager. He served in that capacity for several years, and we have a very extensive documentation by him as to what he did to improve the marsh.

After his death, we used a man named Leo Couch, who had retired from the state game department, but after two or three years, we both decided it wasn't worthwhile to continue the arrangement. Then I hired Rex Van Wormer, a younger fellow in the U. S. Fish and Wildlife Service who was a manager of the Willapa Harbor Game Reserve, a bigger marsh but with characteristics like this one. He worked here on a moonlighting basis on weekends and holidays. He is the one who recommended our present project of building dikes and dams to permit maintaining different and variable water levels in three separate areas of the marsh.

Mike Rich is now trying to carry out the project because Van Wormer was promoted by the federal government to a job in Idaho two years ago, and we do not have his services anymore. Although we now do not employ a game management consultant, the state game department is very helpful as an informal advisor.

CB: What alterations have you made to this house?

WGR: We enlarged the dining room, put the big window in the living room, and incorporated the end of the east porch into our bedroom. That's all. Incidentally, when you were asking about old stories of the house, one I should have reported was that in what is now our bedroom, there was a huge bed built by Mr. Anderson, and there were many tales of how wonderful it was. There was also a myth that the bedroom ceiling was mirrored, and indeed a big piece of a broken mirror was stored in the basement when we took this place over. A further part of the myth or history (whichever it may be) is that after Mr. Anderson's death, my father came up here immediately and had the bed taken out and the room refinished to look as if it had never contained an extraordinary bed. After that was done, he supposedly advised Mrs. Anderson to come up at her convenience and look at the property.

Another change we made was to increase the plunge, which is now a little swimming pool. The plunge was just sort of a hot water tank about 12 x 10 feet and 5½ feet deep. You could stand in it up to your neck, but it wasn't big enough to swim in. About ten years ago, I replaced it with one that is long enough to get a little exercise in, and it's usable year round. It's salt water which we pump up from the Straits.

ERM: How much of the year has the house been occupied?

WGR: I think Anderson used it year round; Mrs. Anderson used it only in August (she tried it one time in June but there were too many bugs). Mrs. Reed and I use it in the fall for duck hunting, coming up on weekends with friends. Our standard arrangement is to shoot two weekends, let it rest for a weekend, and then shoot two more. Now that our children are grown up, we will take it for a weekend, then we'll give it to one of the younger families and their friends, then may rest it for a week, and repeat the process through the season. As a matter of fact, Mrs. Reed and I use it much less for hunting than we used to. On the other hand, we occupy it more in the spring and summer, and it has truly become part of our life.

During the winter after duck season it is usually not used at all. The caretaker and his wife are here. Then

in the spring we'll come up and use it quite often. The first time we come up will be Easter vacation or maybe Memorial Day, and we'll bring some friends on both of these occasions. In June and July we might come up whenever we feel like it for a weekend or sometimes even a week. Then we try to spend a month here on a sort of vacation, which is what we are in the middle of right now.

ERM: Do your dogs come and go with you or do they stay here year round?

WGR: They stay here year round. I used to raise and train the dogs, but it takes too much time and is too hard to do in Seattle.

CB: Was there ever a cooperative project with the government concerning the wildlife on the land?

WGR: I think there was consideration at one time of leasing the whole property to the state game department to keep it as a refuge, except where we shoot. I thought I could do just as good a job of making a refuge as they could, so I said no to that. The U. S. Fish and Wildlife Service is interested in keeping a good wildlife habitat here, but they were pleased about the fish ladder idea and gave me a grant of \$1,500 or so to help pay for building it. It cost a lot more than I thought it was going to, so the grant was a small part of the total, but at least it was a stamp of approval from the government. I would not now consider turning the responsibility for managing the property over to anybody else.

ERM: Do your children consider it in the same way that you do?

WGR: All three of them like it very much and use it frequently. So much so that we are now planning to move Les Lancaster out of Mrs. Scott's old house, for his wife died about six months ago and it's too big for him now. He will build a smaller quarters for himself, and then Mrs. Scott's house will be available to our three children to use whenever they want to.

CB: Is that house built in the same manner as this one?

WGR: In some respects, I think it is better. It's all wood, whereas this one has a concrete exterior, but the interior of both is in the same spirit--the Edwardian era. I think Mrs. Scott's is really bigger; it has two stories, a usable attic, and a usable basement.

ERM: We ought to note the ideal climate that you have here. It seems drier and a good deal sunnier than almost any area in the Northwest.

- WGR: That's true if when you say the Northwest you mean west of the Cascade Mountains. It is called the Banana Belt for that reason, and where we are is about the center of it. It extends as far north as the San Juans and Victoria and along the Straits, west towards Port Angeles, and east towards Whidbey Island. It is unique all right, in that at Forks--which is only seventy-five miles to the west of us--rain falls on the order of one hundred fifty plus inches per year, whereas here the average is sixteen inches a year, or about half as much as Seattle and twice as much as Yakima. It is a little colder in the winter and a little warmer in the summer than Seattle.
- ERM: This condition of weather works towards rapid development of the land for summer homes, doesn't it?
- WGR: Summer homes and retirement. Year round retirement homes are what it's going into now. Lots of people on Social Security or with higher incomes live here. Now I guess you can even include 'Nor and me in that category, for we are using it much more than we used to.
- One final thing I might say is that we have kept records of every shooting day since 1941, with summaries for each year showing the number of people who shot, how long, what the bag was, and so forth. Many people have said it is probably the most comprehensive and consistent record of shooting they know of.
- ERM: Graysmarsh has carried on its business operation with a budget and records that are regularly audited. Do those records as well as correspondence files exist in this house?
- WGR: No, the financial records exist in Seattle. Robert Wiley was my administrative assistant and took care of paper work, as well as some contact with the experts. Except for what he might have written, I would say there was not a lot of correspondence. I had some correspondence with Einerson, Couch, and Van Wormer, but most of the analysis and planning were verbal.
- ERM: As I came in today I noticed that there is a good stand of trees here. Is this all second growth?
- WGR: Yes, it was logged by the Discovery Bay Mill Company. I think it was logged in the 1880s, and I formerly intended to manage it as a tree farm on a commercial basis. Now it is still classified as that, but I am beginning to think I like it more just as a wild stand of untouched land. My system of harvesting it is: when the trees fall down, I have them cut up for firewood.

ERM: Do you have a forester who comes in?

WGR: No. We have had some forestry management plans made, and I did have some commercial logging done twice. The last time was about ten years ago when my administrative assistant was a young guy who had an MBA [Master's in Business Administration] from Stanford and a degree in forestry from the University of Washington. So, one of the jobs I assigned to him was to have a gyppo logger cut about twenty acres by where the New Lake is now. I had thought we might make some money, but we didn't get enough out of it to amount to anything.

ERM: There is quite a variety of trees on the property, too. I presume a lot of them were planted before your time?

WGR: I think they were all planted naturally. I don't think there was any hand planting at all, except some of the ones right around the house.

The basic growth here is white fir, which seems to generate most readily. The foresters tell me that's because this is too dry a country for Douglas-fir to do its best. Douglas-fir seems like a junior species in most places, but in the old parts of the forest the Douglas-fir is dominant, I'd say. Then there is some hemlock, but not very much; the little hemlocks you see in the turn-around circle were planted artificially. At first, those areas you are looking at right now between this house and the caretaker's house were in lawn, and then I got the notion it would be better to have the woods come right down to the house. I've had to fight with my wife, the caretakers, and a few other people about it, but am trying to develop it so that one side of the house is in the woods and the other side is on the lawn. I did bring in some different trees like the jack pine and some hardwoods which we see over there. I think it will work.

ERM: You grow a lot of your own fruits and vegetables, too. Has that always been the case?

WGR: No. Doris, the caretaker's wife, has a green thumb. The next caretaker might do a better job with the horses and the dogs and the wildlife, but not with the vegetables and flowers.

We used to have chickens for fresh meat and eggs, and we raised quail for release--both California and bobwhite--as well as ringneck Chinese pheasant, but they couldn't stand life in the wild after having grown up under the gentle conditions of the rearing pen. Except for an occasional one, they seem to have been exterminated by

predators like raccoons and skunk. They are the ones that bother us the most, and there are some mink in the marsh area.

The state's concerned about this now, and during our meeting up here last week with the fish and game department men, they said they thought we really ought to do some work on the predators. I was rather surprised at that because I thought they might say we had to protect the predators. I don't want to do away with the predators, but I would like to keep them under control so they don't wipe out the more desirable species. For instance, the snails or drills on the tidelands are wiping out the mussels, and anyone would much rather have mussels than drills.

ERM: Let's turn from the Graysmarsh scene back to the business aspects of your story. In my interview with Chris Kreienbaum, he made the remark that Simpson company has changed considerably since Mark Reed was active in it, and it has gone through a fundamental change. We talked a little about that this morning. You mentioned some of the changes in the character of the company that have been marked in the last forty-five years since Mark Reed. One is that it has become more than just a local enterprise concentrated in the Puget Sound area; it has become widely spread. It's become involved in purchases elsewhere. Could you describe the process of its expansion and perhaps delineate how this has gone over the years?

WGR: You are quite right; it has changed in two directions. One is that under my management it became more oriented towards growth, expansion, diversification, and integration. Generally speaking, our land and property acquisitions with some exceptions have been good, and most of my mistakes in that field were, as I mentioned before, that I did not go ahead with some that I should have. However, in this process of growing we lost the all-one-big-family spirit that existed under Mark Reed, when the employees, the management, the owners, and the community all considered themselves as a close group. As the labor unions grew strong in the 1930s, the employees, managers, and stockholders began to consider themselves as having separate interests.

A by-product of that period, whether a result of the changed attitude or of other factors, was that our relative efficiency declined greatly. I said earlier I

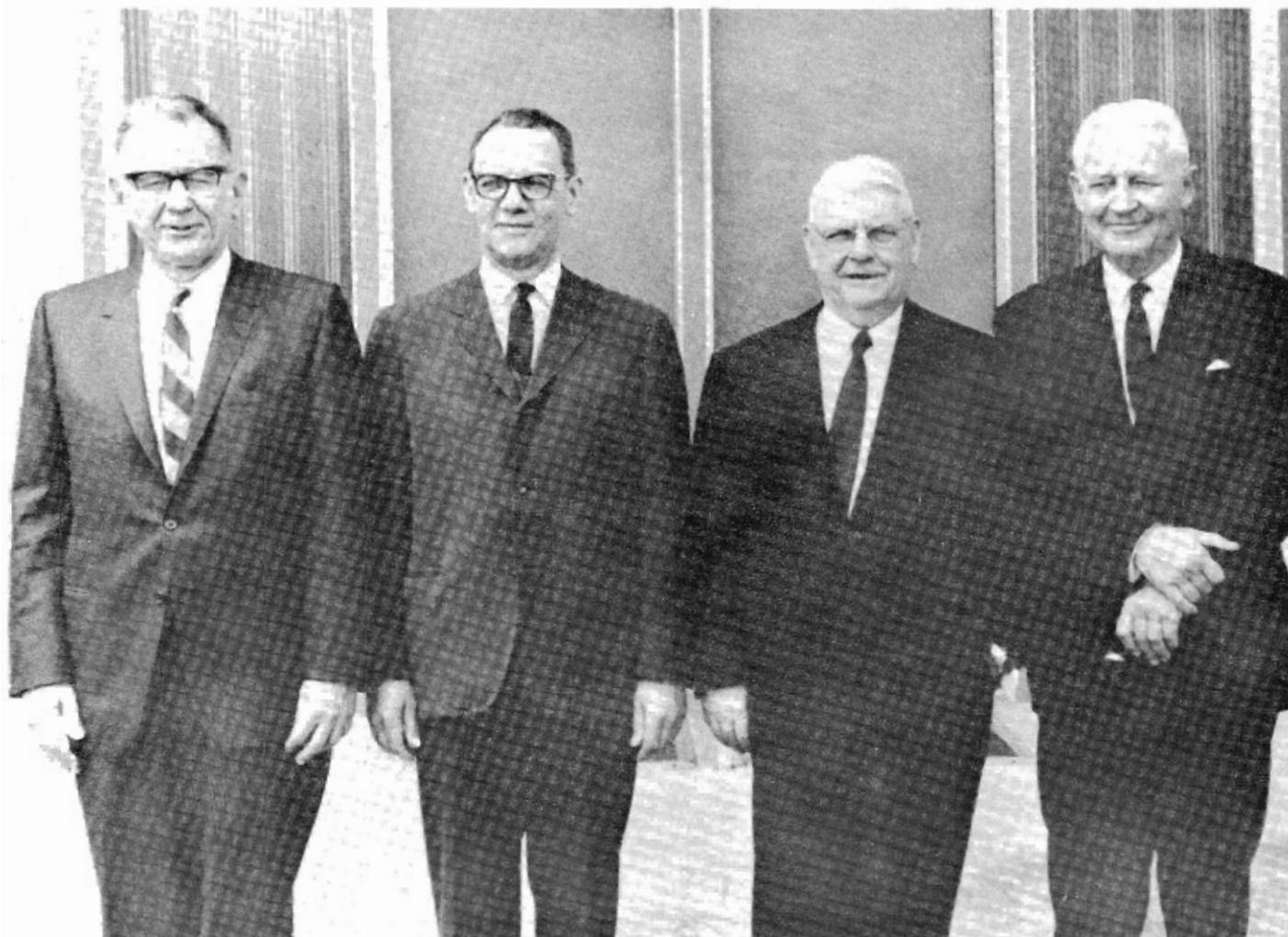
was a great believer in being ahead of the pack. Even if it was 1932 when we were just breaking even, we were doing beautifully because Bloedel-Donovan was almost going broke and Polson was losing a million dollars a year.

During the period of the deepest shutdown in the Depression, I think we were the only commercial logger able to continue operating on Puget Sound. There was only enough business on all of Puget Sound to run a few camps selling open-market logs, and we were the main producers. We continued to be an efficient outfit all during Kreienbaum's era, probably not quite as outstanding as under Mark Reed's management, but still very good.

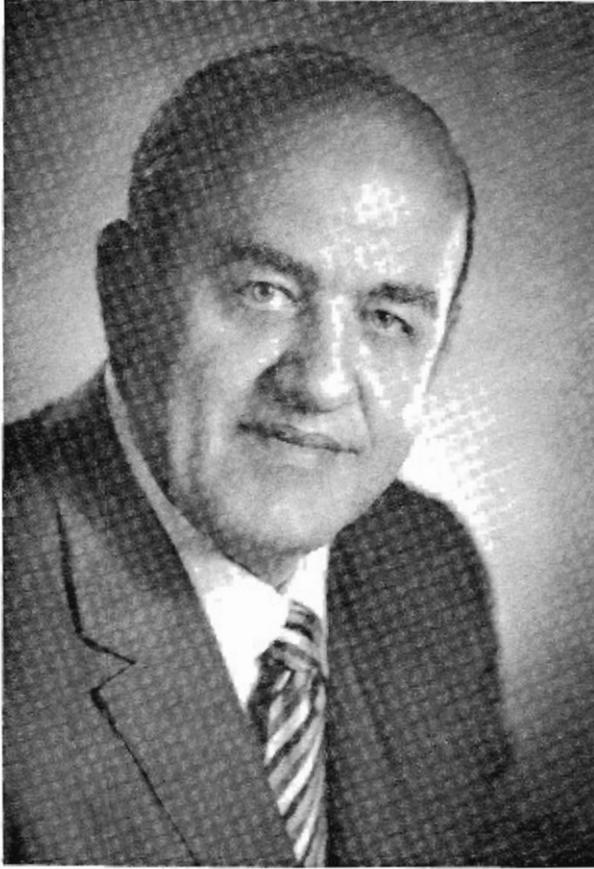
After Kreienbaum's time I got Gleed as president. He came from the presidency of Seattle-First National Bank, and in retrospect you could say it was a good move in total. He was excellent at negotiating financing and acquisitions, but as an operating man he did not make such a good record. Our comparative efficiency in the sense of our ranking in the industry declined greatly after Kreienbaum retired, and we have never retained our old position.

After Gleed, we made Hank Bacon president. I hired him in 1945 to run the store in Shelton and, after a few years, transferred him to the Timber Company as a manager in Shelton. He did a good job there, and when the operating efficiency was pretty low, we promoted him to executive vice-president in charge of the operations. Bacon seemed to get the company into a situation where we made money at about the same rate as our competitors, although not up to the old Mark E. Reed standards. Bacon was a good leader, and I have used the simile about him: "If the decision is made that we should take San Juan Hill, he would be a good guy--as fine as Teddy Roosevelt--to charge up the hill at the head of the troops, but he would not be the guy who ought to make the decision whether to go to war with Spain or not."

Gleed and Bacon were good men, and perhaps I did not assign their duties properly, for our efficiency declined a lot. I am not an operating man, and my problem was always to find good men to delegate the responsibility to. The latest one is Gil Oswald, who was selected as president by Gary and me when I was turning the chairmanship over to Gary. Gleed was retired and Bacon was then moving to a senior consultant type of job. I think that we have an improved organization now and that it's going to become more competitive.



*C. Henry Bacon, Jr. W. G. Reed, Thomas F. Gleed
and C. H. Kreienbaum in 1967.*



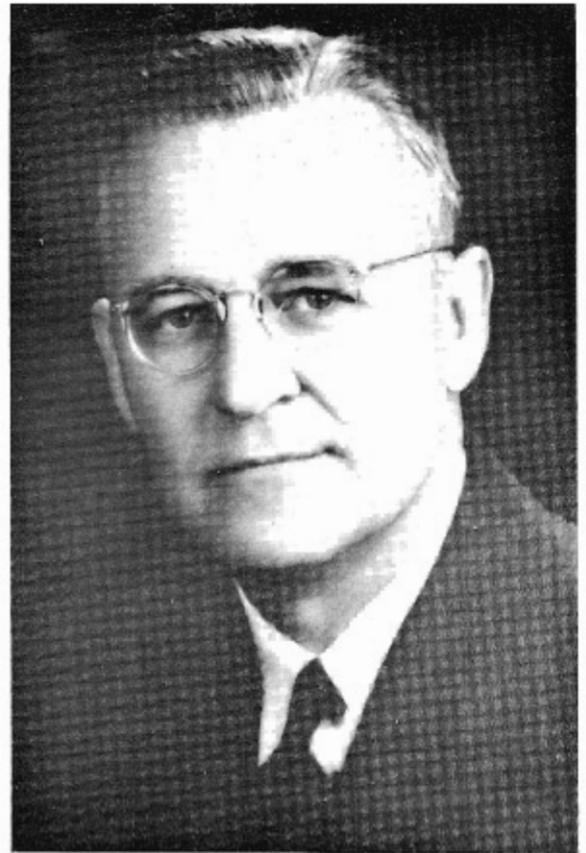
G. L. Oswald, president of Simpson
Timber Company since 1970.



C. Henry Bacon, Jr. served as presi-
dent of the company from 1962-1970.



William G. Reed was president of Simpson from 1942 to 1945 and from 1949 to 1950.



C. H. Kreienbaum was president of the company from 1945 to 1949.

CB: What are the characteristics that are needed in the Simpson presidency? You mentioned Kreienbaum as one who had the qualifications. What does he have?

WGR: He had an intuitive understanding of organization of the line and staff. He also had an effective way of motivating his people and most of his operating decisions were very good. Although Gleeed really didn't have any very good sense of organization, he is a very gregarious and fine guy. I like him and we have been friends all the time. He is excellent in personal relationships, in associations, and his general thinking is sound; but when it came to delegation of authority, I think he was not very effective. He liked people so much and got along with them so well that he would develop the same kind of relationship with the man running the warehouse as with the general sales manager, and the result might have been some confusion in the organization. Such a system might have been suitable in the days of Mark Reed, who kept a close eye on all the operations, but a more formal organization is probably appropriate now.

Our warehouse experience is an example of how we fumbled in wholesale distribution for twenty-five years. In the 1940s we acquired a warehouse or two in the Los Angeles area as part of another transaction, and after some vacillating about them, we concluded that wholesaling was a logical way to expand our integration program. So we kept on acquiring--and sometimes selling--warehouses all over the country. We have several of them in the West and a few in other areas, and I am not sure whether we are still fumbling in that field or not.

ERM: Marketing has not been your main forte.

WGR: It is certainly my weakest point, although Kreienbaum was good at it. When we got away from selling logs, I failed to keep up with marketing needs and perhaps never really expanded my own concepts beyond what was needed to sell logs in Tacoma, Olympia, McCleary, and Shelton.

ERM: Marketing or selling logs has been the most profitable area of involvement in the forest products industry. And making finished products has been the least profitable area. Is that right?

WGR: Right. In looking back on my career I sometimes think I should have stuck to timber purchasing. I was a good or lucky timber speculator. Generally speaking, all of our timber purchases were good ones, and I failed to make a lot of them that I wish I had. Probably I diverted funds to integration--building mills and that kind of activity--when it would have been better to be just a tree farmer.

- ERM: If you had all the capital that you invested in diversified operations, and spent it instead on putting land under intensive management and purchasing cutovers, what do you suspect your position might be compared to what it is today? Do you think it might be better, or worse?
- WGR: There is no doubt that timber bought with the money invested in plants would today be worth much more than it is in the plants, including all the profits we have made in the meantime on the plants. So it would have been a wiser expenditure of the money, except in a couple of respects. One is the possibility that there would have been times when nobody wanted to buy any logs or stumpage at all. We might have been in some distress during such periods, and I wanted to avoid any risk of having to sell long-term assets at distress prices.
- The other question is, What would you do without a regular marketing operation? We now have a well-integrated operation in northern California, but if we had 200 million feet of redwood logs to sell a year, who would buy them without a long-term contract? And if we made such a contract, we might still not get the current market value of the stumpage. If we made too tough a contract, the buyer of the logs would go busted, and if we made one too liberal, we would not get what the timber is really worth.
- ERM: Are there any companies that you know about today which operate mainly as log sellers and not as manufacturers?
- WGR: No large companies, but Port Blakely Mill Company is a good example of one that grows trees and sells them on the stump.
- ERM: Garrett Eddy has made quite a success at that.
- WGR: Oh, yes. Since the old Port Blakely Mill was closed, they haven't had any mill facilities, and it has paid off for them. The Eddys were in the shipbuilding business in World War I, but I think have done no lumber manufacturing since the early 1900s.
- ERM: Of course, another factor is the fear of loss from fire, which was always a deterrent to the investor, even until recent times when fire has come under pretty good control.
- WGR: If I had taken the position you just described and became only a stumpage owner and logger instead of going into manufacturing, we might today have 2 or 3 million acres of land instead of 500,000 acres, assuming

we used all the money that was available at the right time; that is, if we had done nothing but buy land in the thirties and forties. Of course, the problem is: Who rings the bell and tells you that this is the time to buy? You can say the same thing about buying IBM or General Motors at the right time. We'd all be multi-millionaires. Why waste your time in the lumber business when all you have to do is to call your stockbroker and tell him to buy or sell at the right time?

The same problem about whether to buy or not buy timber will be with us always. In fact, I was recently more critical of Simpson's management than I ever have been because they paid over \$200 a thousand for some timber when their average return to stumpage was about \$125 a thousand. They say they are better off in dollars incrementally than if they didn't do it, but I am a little too old-fashioned in my bookkeeping to think that that is a good sort of deal.

I use this example not as a statement that anything is wrong with the company's management, but as an illustration that even now stumpage is not necessarily a good buy. Nor is it true that timberland has always gone up. For instance, the price of good virgin redwood in the early 1900s was \$5 a thousand on the stump but forty years later I bought a billion feet for 75¢ a thousand.

ERM: Down in Del Norte County and Humboldt County a lot of people lost their shirts on redwood.

WGR: And now it's worth more than fir! So in retrospect I think it would have been better if I had got off the integration kick.

ERM: Didn't you start integrating because you wanted to use your hemlock?

WGR: That's why my father had Simpson Logging Company organize the Reed Mill Company as a subsidiary. A few years later for reasons that are not clear to me, Reed Mill Company also built a shingle mill. It was closed early in the Depression and never operated again. Frank and I sold it in 1939 or 1940 to the Olympic Plywood Company, in which we had a minority interest. Olympic then converted it to a small plywood plant.

We became integrated not because we had intended to expand broadly from logging into manufacturing. The reason for our going that route was that a year or so before we got into World War II, the Office of Price Administration was established and it froze the price of

forest products at a time when the price of logs was very low and plywood and lumber were high. Our customers were getting rich and we were getting poor. So I just went to our customers and said, "We will sell you no more logs, but we'll buy as many of your mills as our logs can supply. We'll build a plywood plant if we have to, but we can't stand these prices on logs, especially when you fellows are getting rich." This was a reflection of my theory of staying ahead of the pack, and at the time we were at the tail end of the pack.

ERM: But you were in the driving position because you controlled the log supply.

WGR: First we bought the Olympic Plywood Plant (our former shingle mill) and then we bought the Henry McCleary Timber Company. Thus, we got into fir lumber, plywood, and door manufacturing. We shut off all log sales to our old customers, except the Gange mill, which used a Swedish gang saw and cut logs too small for the Reed, McCleary, and Olympic plants. In short, the specific answer to your question of why we became integrated is that it was done because of the government OPA regulations. Polson went the other way. The company had a mill which cut part of the log output, but the market was so bad for the rest of the logs that Polson just shut down.

You remember we sold the Malahat Logging Company to W. C. Butler when there were similar problems in Canada. Butler did exactly the right thing from the financial standpoint: He closed it down until after the war and then sold it to B. C. Forest Products Company. The Polsons did crank up and operate for a few years after the war, and then they sold out to Rayonier. That gets into a story about Rayonier, which is one in itself, but I should stay on the track as to why we were integrated. At first, I had thought we might sell the mills when we could again operate in a free market after the war, but when I came back from the navy and got on the job again, I realized that the company was approaching complete liquidation. It had done a good job in both earnings and supply of products to the armed forces, but our remaining virgin timber could not keep us going for more than ten years. We had a great big cash balance, but I did not plan to liquidate the operation.

That is when I called Fenwick Riley, who was working for Bloedel at the time. He was a good timber cruiser and a college friend of mine. About six months before the war ended, naval duty in the North Pacific became almost

a matter of housekeeping and I requested a discharge. The admiral gave me a medal and the discharge, and I was back perhaps before our competitors were ready with postwar plans. So I hired Riley away from Bloedel, Stewart & Welch and sent him out with the assignment to go around the Pacific Ocean and find the best place to get some more timber and build a new operation.

He started in Juneau and came down south writing reports along the way. The problem in Alaska was that we'd have to agree to build a lot of mills in order to get in a Forest Service contract, and timber wasn't very good anyhow. In Canada there were some reasonable possibilities. In southeastern Oregon he reported that the trees were too defective, but history has shown that the standard changed quite a bit. From the redwood country, he came back with very favorable reports. He continued down to Central America and wasn't enthusiastic about it because of the diversity in species. His reaction was the same in northern South America, but when he saw the timber in Chile he was very enthusiastic.

Then he came back to Seattle to make verbal reports supplementing the written ones he had sent. We decided the best bet was the redwood country, and the next best would be Chile. Then we called on the university for advice about where he should go in the eastern Pacific. Since Indonesia, Malaysia, the Philippines, and so forth were still involved in the war, we decided on Manchuria. The university professor gave us information that one of the best timber stands in the world was there and we started planning how to get Fenwick into it; but before we could clear the way for him, the atomic bomb was dropped and the Russians marched into Manchuria.

I realized then that we had better start moving instead of just investigating, especially because there were no softwoods in the southeastern Pacific, and we didn't want to get into the hardwood business. So we opened negotiations in the redwoods, and the first result was that Fenwick got an option on the Regua tract near the mouth of the Klamath River. At the same time, I turned down an offer to buy back the Malahat and got a verbal--but reliable--option from Neil Jamison on the Elk River Timber Company on Vancouver Island.

I had purposely got the two attractive options so that I would be in a good trading position. Then I let the million dollar Regua option expire, offered \$750 thousand in cash for the 250 million feet of fir and 750 million feet of redwood it covered, and told the owners that if

they did not take it I would buy the Elk River. They accepted the offer, and that is how we came into the redwood country. My plan then was to take at least five years before deciding when, where, and what to operate there. In the meanwhile, we would just be in the timber acquisition business. Fenwick Riley was stationed there, and we bought small tracts whenever we could.

ERM: In other words, you were doing a blocking-up job. What was the next big one?

WGR: Exactly. The next big one was Coast Redwood Company, which had a sawmill. We wanted only the timber, but the owner would not sell it unless we took the mill, too. He was A. K. Wilson, and I got along well enough with him for a while, but he eventually turned out to be very difficult to deal with.

The others whose businesses we acquired were all professional men--hard traders, but good businessmen and high class citizens. In the redwood country they included officials and owners of Sage Land and Lumber Company, Northern Redwood Company, the operators of the old Dolbeer-Carson property, and biggest of all, the M & M Woodworking Company.* The M & M was owned by the Malarkeys in Portland and most of its property was in Oregon, but we bought it in order to get its redwood holdings.

Anyway, because of the Coast Redwood Company acquisition, we found ourselves in the manufacturing business much earlier than planned. Fenwick was a hell of a good negotiator, an excellent judge of timber, and an old friend of mine, but I reluctantly came to the conclusion that he was not the best man to run the show. At this time, Chris Kreienbaum's job was to run the Shelton operation and I was taking care of the expansion in other areas, and he had nothing to do with the redwoods. Riley reported directly to me, not to Chris; Chris didn't even know whether we were going to buy, or what we were thinking of.

After we bought the Wilson property about 1948, we had to operate the sawmill, but Fenwick was not attuned to running a mill, and anyway I wanted him to continue aggressive timber buying. To replace him as operations manager, we sent Don Clark, our former manager at

*For further comments by Mr. Reed concerning the role of Tom Glead in the acquisitions of M & M Woodworking Company and Northern Redwood Lumber Company, see Appendix, pp. 174-175.

McCleary, to Klamath as the sawmill manager reporting to Kreienbaum, while Riley continued as logging manager and timber buyer reporting to me. The divided responsibility was a difficult organization to work in, and when the timber purchasing activity slacked off, Fen and I agreed he would be wise to go into business for himself as a cruiser and consultant. He owns and still lives in the antique house we bought for him in Eureka thirty years ago.

I was very pleased with what Fen had done, but he was not the kind of an organization man we needed then. The problems were compounded because Chris had his heart attack about this time. I mistakenly thought this meant he could never work, but of course he recovered, and although the presidency had by then been filled, Chris did spend a couple of years for us in the redwood country and got the manufacturing operations straightened out. In fact, he is still healthy twenty-five years after his seizure.

FRM: Where has the business expanded beyond California, and what went on in the expansion of your operations?

WGR: After getting the sustained-yield contract in Shelton in 1946, we built the insulation board plant there and have ever since spent lots of capital in the mills and logging operations there to keep them in a state of high efficiency. Then I decided that we should not only have more Pacific Northwest timber, but should also expand into pulp and paper.

My first move was to try to buy Polson Logging Company, whose owners then wanted to sell. I agreed to pay the \$18 million they asked, but I was not willing to mortgage the property as would have been necessary to raise that much cash. When they sold to Rayonier in the late forties, I decided to buy a portion of Rayonier stock equivalent to a pulp mill big enough to use all of Simpson's chips. Thus began my Rayonier venture, which ended in 1951 with a financial profit but a loss of pride. That's a separate story, but after it was over we used the proceeds of the sale of our Rayonier investment to purchase the Everett Pulp and Paper Company. Later we changed its name to Simpson Paper Company and in the 1960s merged it with Lee Paper Company of Kalamazoo to form Simpson Lee Paper Company, which is now a fair-sized papermaker, 99 percent owned by Simpson Timber Company.

When we were solidly established in the paper business, my thoughts naturally turned again to expansion.

Riley's favorable report on Chilean timber had stuck in the back of my mind, and I went to South America to look the situation over. Not wanting to become involved so soon in the intricacies of managing a business in a foreign country, my conclusion was to buy stock of BIMA, a major lumber manufacturing company in Chile and owner of the world's biggest remaining stand of alerce, which is the timber species Riley had reported on so favorably. First I bought a nominal interest, just to get their annual reports. In the ensuing year or two I got acquainted with the president, the manager, and most of the directors, and then I bought 10 percent of it on the stock market.

They liked me and I liked them and the property, so I kept acquiring the stock until we had about 20 percent of it. They asked me to keep buying, and I did until we owned nearly 50 percent--a percentage I refused to exceed. They asked us to share our *norteamericano* expertise, and we sent executives there from time to time as consultants. We also brought several of their managers north for training in our redwood operations because alerce is similar to redwood. It's officially Fitzroy cypress and grows commercially only in Chile.

Finally, we sent Furman Moseley, my son-in-law, down to be our general representative, while our redwood foresters cruised the Pichicolo tract, then the biggest block of virgin alerce in the world. They came back and first reported there was a billion feet.

ERM: It grows very much like redwood?

WGR: Yes, and it has an even better market. It was introduced to Spain and Italy by the conquistadors, and the demand for it still is primarily in the Mediterranean countries. Quite a bit goes to Argentina, but even in London it commands a premium over fir, redwood, and almost every other softwood; it's ideal to work and it's good looking.

ERM: Is there still quite a bit of it in the old growth?

WGR: It has been cut off ever since Cortez's day, and we thought we had the last billion feet. In the province of Chiloe where Pichicolo is, the Indians kept the white man out for many years after the colonization of the Americas, but the conquistadors got some alerce from the more northern provinces. Everybody was entranced with it; for instance, it was used in the cathedral in Toledo, Spain, which is one of the most beautiful in the world. The altar is built of alerce. They are proud of it, and you might hear a guide say that this is alerce which was imported 400 years ago.

The Pichicolo tract was tough to get into, being in rugged topography in southern Chile. The nearest town is Puerto Montt, about fifty miles away across the water. There was no land access at all, although it is part of the mainland.

ERM: This is in the far southern end of South America?

WGR: It's about 500 miles north of Cape Horn and 500 or 600 miles south of Santiago. You have got to be familiar with Chile to realize the geography of it. It's one long narrow strip of land, and there is no industrial activity between the BIMA operation and Punta Arenas, the city on the Straits of Magellan. Inland there is sheep country, but not on the coastal area. Some of the Chilean stockholders in BIMA disapproved of the development, and I think the reason our ownership got so close to 49 percent is that we bought out some of the objecting stockholders. Financing the development was a problem, and the U. S. government agency for undeveloped countries put up several million dollars. Simpson's total commitment was about \$1.5 million and the price that BIMA had paid for this billion feet of alerce ten years earlier was only about \$5,000.

The Chilean government also gave BIMA substantial financial support. While these arrangements were being worked out, we had a second cruise made of the timber, and it showed much less--something like 750 million instead of a billion feet. To get more positive data about the timber quality, I also tried to have a shipment of alerce logs from Pichicolo sent to Arcata for manufacturing, so we could see what we really had. We cut some of the fringe timber, hauled it by oxen to a little Chilean mill, and decided it looked pretty good. However, the time for closing the governmental financing was approaching, and our men hadn't yet been able to send the logs to Arcata on account of difficulties in shipping. So I went down to look at the forest again and confer with our men: Furman Moseley, our representative in Chile; Starr Reed, Simpson's vice-president for timberlands/management; and Bill McCredie, Simpson's cruiser who had headed the study of the timber stand. After a few days in the woods we all came back to Puerto Montt to make the awful decision. I was very uncomfortable with it, for there were some signs of defect in the timber, but I had to decide whether to go ahead with insufficient information or to give up the project. I came home thinking it over, and then sent the message to Moseley: "Okay to proceed." Then we started work on the mill site at Pichicolo Bay.

Meanwhile, the White Swan Lumber Company of Yakima, which had a small mill and some timber in the same general area, began having troubles, which we thought were due to the inefficient mill. The owner, Hitchcock, called me up one day from Yakima, and said, "Bill, I have got to get out of Chile and you must buy my operation." I said I didn't want it because we had started building our own. He said he would take anything we offered, and that he had about \$1.5 million in the project. I really wasn't seeking to buy his operation, but there was a chance that we could get it at a great bargain, and I asked Furman Moseley to go to White Swan and offer him \$150 thousand. To my surprise and pleasure, Mo came back with a deed to the property.

ERM: What broke this guy?

WGR: He is far from broke and continues his thriving operation at White Swan. We thought his troubles in Contao, Chile, were due to transportation problems, lower grade timber than BIMA's, and an inadequate mill.

ERM: Transportation costs were the key, weren't they, as in any logging operation?

WGR: Yes, they were important, but there were the other elements and we thought his operation was uneconomically small. What we really wanted were his timberlands, which when added to BIMA's made a total of about 250 thousand acres. This was what attracted me.

ERM: Were you working with an indigenous labor force, or did you import your own people?

WGR: All indigenous, except for two of the managers. The president of the company was Chilcan, and Mo acted as his advisor and our representative until the Chileans requested that we permit him to become president, which he did.

After buying Hitchcock's Contao property, we decided to abandon the mill site at Pichucolo Bay and build our new mill alongside his mill after we had used his to prove out the yield and quality of the timber.

INTERVIEW II

Session 3
August 26, 1975

ERM: Please go on with your story of operations in Chile.

WGR: After taking over Hitchcock's operation at Contao, our first move there was to shut the mill down for a month while we studied the facilities, took inventory, moved our people over from Pichicolo, and made plans for the consolidation and development. Apparently the Araucarians employed by Hitchcock's company took offense at this procedure, and one night they burned the sawmill down. So there we were again without a chance to check the quality of the logs, but I reaffirmed the decision to go ahead.

Then we had another costly setback. We were rebuilding the Reed mill in Shelton, and I planned to move its machinery to Contao, but the Chilean government wouldn't let us bring in second-hand equipment. So, contrary to expectations, we had to erect a new building and equip it with new machinery--a much more expensive move than anticipated. Nevertheless, we went ahead and built a powerful, high-speed mill, which was certainly the best in Chile and indeed would have been a credit to any North American operation.

We also built a truck road up to the high standards suitable for the Kenworth trucks we operated. Unfortunately, we had to log for the first two years in the timber we bought from Hitchcock, for it took us that long to build the road through very mountainous country back into BIMA's timber, which we expected would be of much higher quality than his.

ERM: What protection against vandals did you have?

WGR: We used normal security measures. The workers were fine people, who liked working for us after they got

used to us, and we had no further problems with sabotage. Hitchcock's timber didn't cut out as well as we hoped, and we could hardly wait until we got over the mountains into our beautiful stand in what's called the Big-Foot area. When we finally got there, disaster instead of bonanza befell us: The heart of the big virgin alerce was dry rot. It seemed incredible that we didn't recognize it before, but the final episode was that we learned that the merchantable timber was now cruised at 75 million feet, only a tiny fraction of the original estimate of a billion. So we told creditor government agencies that they had better take it over because we were going to have to close the operation. In fact, I said to the Chilean government that although we had spent some of their money and lots of ours, we had at least given the Araucarians good jobs for several years, and had opened up such a beautiful area that they ought to make it a national park and forget it as a commercial enterprise.

Politics apparently wouldn't let them do that, and we turned it over to the Frey government. Simpson also had an excellent pine plantation which was not involved in the BIMA problem, and a few months later we sold it to the Chilean government in exchange for promissory notes. Shortly afterwards Allende came in, and I thought we had better just charge off those IOUs but, by Jove, Allende's government paid them when they came due in the next two years. Since he wouldn't let us transfer the money out of the country, we used it to buy stock in a big paper manufacturing company called Cartones y Papeles. We own about 2 percent of it, and it's getting along all right now. It is even conceivable that someday it will result in a significant recovery of the cost of the Chilean venture.

However, the operation must still stand as a financial disaster, for had I not got the company involved in Chile, we almost surely would have been expanding in the southeastern United States. We had lots of studies made there even as we were going ahead with the Chilean development, and I think I could have made a deal with some of the family companies I liked.

ERM: Did you enter into any real discussions with any of them?

WGR: Yes. I touched base lightly with Dierks and a couple of others, but the most serious communications were with Leo Burdon, president of East Texas whom I had known earlier in Everett. East Texas makes paper for Time Life publications, and I think also sells pulp.

We were working on an agreement to buy their peelers and sawlogs and sell them the chips. The plan looked as if

it might go, but then I went to a refresher course at Harvard Business School and was taught that the boss didn't make arbitrary decisions any more. So we had several participative meetings in which I practically had to keep my mouth sewn shut, and the group decision was not to go ahead. However, the procedure was not all bad, for it probably established a more modern way to make management decisions and enabled Chuck Runacres to get us to set up the operation in Saskatchewan. His father had been chief accountant and financial man, and Chuck served as my administrative assistant in Seattle for several years.

After my reeducation at the business school, we set up a long-range planning department and put him in charge of it. Runacres led this group into making the decision to build a mill in Saskatchewan, and it proved to be a good venture. This happened while we were still active in Chile, and I used to have fun saying that although we may not have been the biggest timber manufacturer in the world, we sure were the longest. Somebody would say, "What do you mean?", and I'd respond that we stretched all the way from Hudson Bay to Puerto Montt, and that nobody else spans so many degrees of latitude. Chile was a great place and I'm sorry we (like all other *Norteamericanos* lumbermen) failed there, but I wouldn't be surprised to see Simpson go back someday. BIMA is still running under government control, and it may even be profitable because of the demand for hardwood chips, which were valueless when we were there.

That's the end of the saga of the Chilean venture, except to add that our official and personal *Chileno* relations are good enough so that a new director of Simpson Lee Paper Company is Jorge Ross, who is a leading Chilean citizen and has been serving as president of BIMA since the government took it over. It's a good country; it was just a shame that so many Americans failed there. Even the Polsons took a brief run at it in the 1920s; and they, Hitchcock's White Swan Lumber Company, the Waltons of Everett, and Simpson all came a cropper in the same area. It looked so good that each of us thought he could avoid the mistakes his predecessors made.

We all missed the fact that the alerce timber was so defective, and another thing that I am sure was wrong was that all of us--and especially Simpson--went there encouraged by the Chilean and the U. S. governments to set an example of the superiority of American management ability, operating technique, and production facilities.

ERM: With federal support?

WGR: Yes indeed. With support from both governments we built a U. S. style logging and milling operation. We should have built one like the Araucarian Indians. They were still using oxen, and in the older BIMA operations, if an ox broke down, they could use a sledge hammer on him and have him for dinner. But if one of our big trucks broke down, it was six months before we could get the parts to repair it in that primitive area. Perhaps we just tried to make too big a jump; probably we would have been smarter if we had replaced the oxen with horses rather than with what worked most efficiently in the sophisticated economy of North America.

ERM: What year did the Chilean venture end? And would you describe how the Saskatchewan venture got under way and how it developed?

WGR: I believe 1969 was the year the Chilean venture ended. At this time Saskatchewan had been going some years and was doing well. It was primarily a delegated operation put together by Runacres. A Canadian was trying to peddle a timber contract he had acquired. Runacres investigated it and came up with a favorable recommendation. First we bought about 75 percent of it, and subsequently bought the rest. It was very profitable for quite a while, but a couple of years ago, a newly elected government of Saskatchewan decided to revise the contract unilaterally after passing a special law that there could be no recourse against the province if private corporations were damaged by revision.

We started out with about a million and a half acres of spruce under the timber concession. We cut studs out of it and we also cut random length and random width out of it at first. We sell the chips to the pulp mill at Port Albert or the mill at The Pas, Manitoba.

ERM: Where is the market for all this?

WGR: It's the U. S. An attractive thing to us was the freight rate to the Midwest, especially after the failure of the campaign to repeal the Jones Act."

Although, of course, I had approved the project, I was not directly involved in it. Runacres, Starr Reed, the mill managers, and others concerned with our activity there adapted well to the business environment, such as

learning how to log in the wintertime when things were frozen, and not to log when the weather is nice--the opposite of West Coast practice. As a result, we had an efficient sawmill and logging subsidiary.

It was a profitable enterprise until the Saskatchewan government changed the contract about two years ago because they wanted to build a plywood plant. They will take all the logs of ten-inch diameter and larger, while we will have to do the best we can with nine-inch and smaller logs. We made some effort to sell them the whole operation, but they didn't have the money to buy it.

- ERM: Isn't the provincial government a socialist government? And are they moving with deliberate speed to nationalize the whole western complex?
- WGR: Yes, they are socialist. I can't tell if they're trying to nationalize. Their plywood mill is on our plant site. Their relations with us are still good, for we do all the logging; we sort the logs; we give them the logs ten inches and over, and we run the small logs through our mill which has been adapted to small logs. It's not nearly as profitable as it was, but it may work out all right.
- ERM: I think there is a rising Canadian nationalism. Socialism is involved, of course, but isn't there a feeling up there of, "Dammit, we've just got to run our own show. We can't be letting these Americans with their capital and their smart guys come up here telling us how to do everything." This spirit of nationalism is probably behind them.
- WGR: That is certainly a factor, and I suppose the reason I didn't specifically apply it to this case is that the community of Hudson Bay is very supportive of Simpson, and the province not only didn't buy our mill but even increased the area of the timber contract.
- ERM: You say they have expanded the area in which you can draw raw material? How far out can you range before you start getting uneconomical?
- WGR: I am not close enough to it now to give you the mileage, but our loggers range farther than I thought they could because they've got the hang of how to log seasonally. I think they go almost to the Flin Flon area.
- ERM: In the snow season they would sled the stuff in?
- WGR: I think they run the trucks on ice. A lot of the land in summer is much like Graysmarsh, but in the winter it becomes a mixture of solid ice with a grassy cover.

- ERM: Is it truck or tractor logging where they carry the logs behind in a train?
- WGR: Sometimes, yes. They are very adaptable and use whatever equipment is best for each area.
- ERM: Do you expect to stay there for some while?
- WGR: Yes. We don't feel shut-out yet. A related element is that after I retired, the company got a very large contract in Alberta, which presently has a conservative government. To my delight, Simpson won the contract over tough competition, including Weyerhaeuser, after bidding and negotiating with the province.
- ERM: Have you been expanding anywhere else in the world?
- WGR: No. After Chile we took a look at Indonesia, but decided we would be at a disadvantage compared to the companies which already had timber concessions there.
- ERM: How about going into Africa or Europe?
- WGR: I looked over Africa lightly and thought about it some, but was not interested. We don't manufacture anything in Europe, although of course we sell in those markets.
- ERM: Like so many of the other big companies in the industry, European expansion is hard on them. You are not considering that sort of expansion?
- WGR: In the 1960s we carefully considered building a joint-venture paper mill at Dusseldorf [West Germany] to be supplied by a pulp mill in Fairhaven, California, but we decided against it. As recently as last spring I looked at a couple of sawmills on the Thames near London but found nothing exciting. However, I was tremendously impressed by the site quality of Douglas-fir timberlands in the Azores and suggested to Gary that he investigate the feasibility of doing something there, and also studying the Canary Islands forests. However, he probably won't follow it up until and unless he decides that it fits into the overall long-range picture, and I think he's right.
- ERM: A somewhat different aspect of expansion during your time as president was in new processing and development. I'd like to hear you recount a little of that history, its successes and failures.
- WGR: The new product approach came about when we wanted to get the sustained-yield unit; and during the preliminary unofficial negotiations, we agreed that we should have

some way to make full utilization of the refuse from the Douglas-fir logs, instead of just sending the chips out by barge.

ERM: Using your own residual?

WGR: Yes, and the contract provides that 80 percent of the product must be processed in the working circle. The obvious answer was to build a pulp mill, but since the Rayonier mill was already having pollution problems in the South Sound, we concluded that was not feasible. After much study as to whether we should make a hardboard like Masonite or a softboard like Celotex, we decided on softboard. This was at Shelton.

One unusual action was that we built only half a plant then, expecting to expand it later if the business was good enough. It was ultimately to have an arch roof, but it still stands there as a half plant with just one side of the arch. Sort of half a quonset. We started with an eight-foot machine and planned that if it was successful, the other half of the quonset would be built for a twelve-foot machine.

As a part of the operation we also organized Simpson's first research department, with the initial objective of finding out how to make a better board than the competitors were making. Carl Macke, who had worked for Henry McCleary and for us, was in charge of the research unit and he did a great job, not only in insulation board but in plywood, and then we added other products, especially Forestone acoustical tile developed by Macke's group. Forestone is the registered trademark of an acoustical tile which was developed by the research lab. It was much more attractive in appearance than the standard perforated tile, and it was a popular product. The lab also developed a roofing board which was strong enough to support shingles without having to put plywood under them. It was really a superior product, but wasn't patentable. We put it on the market, and its success was so overwhelming that we could not come near filling the demand. Our competitors rushed to supply it, with the result that we lost the great advantage the research department had given us. However, it made us recognize that research was worthwhile.

ERM: Bill, was this the beginning of research and development within the company?

WGR: Yes. The lab was started in the early 1940s as a pioneer for the insulation board plant, but gradually it took on additional functions and by the 1950s it was

practically an autonomous unit. Soon we built the new research laboratory on a site near Bellevue, which I had envisioned as a place eventually to build the headquarters of the whole company, but when the time came to move out of the Washington Building, the new generation of management transferred the offices to the new Bank of California building at 900 Fourth Avenue instead of going ahead with the idea of a campus-type structure at Bellevue. The case was probably complicated by the fact that I had become enamored with historic structures and wanted to buy the Smith Building in Seattle for the corporate headquarters.

In Bellevue the research department had a much bigger budget, a fine facility, and a high-grade group of people. By this time we had bought M & W, which had a chemical plant for making plywood glue, and our lab was very useful in that end of the business. It also developed a superior concrete-form plywood, which probably has made us the principal manufacturer of the product in the United States.

ERM: Who was the main pusher in the creation of a research department?

WGR: Carl Macke started it, and after his retirement, he was succeeded by Art Walton, who was killed in an automobile accident in the early 1960s. Then we were able to get Bob Seidl from the U. S. Forest Products Laboratory in Madison, Wisconsin. He was the man who really built the research organization, and he was transferred in about 1971 to the Simpson Lee Paper Company in San Francisco, of which he is now president. In the last few years the lab has done quite a bit of work in new designs for doors for the McCleary plant, but I don't know of any outstanding new products it has come up with recently. Probably its functions have been reduced since the insulation board plant was closed for good last December.

ERM: Is that in tune with what's happening generally in your industry?

WGR: I think probably not. I would imagine Weyerhaeuser is going the other way.

ERM: What do you think of Weyerhaeuser's magnifying its research and development facilities to the extent of a multi-million dollar facility?

WGR: On a hunch basis, I would say they are going in the right direction, but to prove what you get out of a research laboratory in exchange for the expense can be difficult.

- ERM: Is your research and development oriented to the woods as well as to the manufactured product, or do you separate the two?
- WGR: They are separated. Simpson has been behind the times in its research and development on forest species, not because we didn't recognize it but because George Drake thought it was nonsense, as I stated earlier.
- ERM: That attitude was typical of an earlier time. The thought then was what was happening in forestry was learned about every year at the Pacific Logging Congress, where you saw the latest machines for work in the mill and in the woods. Technical sciences like pedology and tree breeding were considered far out.
- WGR: We had another setback, perhaps due to my getting involved in too many other things. In the 1960s we finally started a major forestry research project and hired a Ph.D. who was a Canadian and had been working with MacMillan Bloedel. He was a prestigious forestry scientist and perhaps the first advocate of fertilizing. We built him a nice little facility on the Mad River near Korbelt with the assignment to select superior trees in the redwood area. He did a whole lot of experimenting and wrote a lot of material, but nothing ever came of it.
- ERM: He never set up his own seed orchard or anything like that?
- WGR: No, and I can't remember why, to tell you the truth. It might be simply that in a management change there, we put Bill Lawson in charge. He was a good operating man, but not very imaginative, and he may have thought it was crazy. He may also have been under orders to reduce his overhead expenses and since there were no immediate returns from this fellow's project, he may have closed it up. I don't believe I was aware of it until long afterwards. I think the company now is conscious of the need for forestry, but we certainly can't be classified as leaders in advanced forestry. I hope we will at least be good followers and am glad that the present management has greatly strengthened our forestry research.
- ERM: In what areas of the industry activity do you consider Simpson Reed a leader?
- WGR: We have a few products where you might say we excel, as with overlay plywood, and some specialty doors are pretty good, but I doubt if we are tops in anything significant now. We may be good, but excellent, no.

ERM: What about your philosophy, the "Hawthorne Dent theory" of staying ahead of the pack?

WGR: We are into a new era of company management, I imagine. I don't think Hawthorne's theory would be denied by them, but they consider that what counts is the present value of the incremental cost and "return" of following option A versus following option B or C, and the thing to do is to go in whatever direction yields the highest present value. Some such type of reasoning seems to be in vogue today, and it's more sophisticated than I am able to handle.

CB: Obviously you feel strongly that the company should remain in the family interest as opposed to stockholders. Do you feel that the family can manage it as well as if it was managed by stockholders?

WGR: When it became my responsibility to manage the financial affairs of the family early in the 1930s, I gave a lot of thought to what the structure should be and came to the conclusion, with the general concurrence of the other members of the family, that we should try to have (a) about half of the family assets in the forest products business and half in other industries; (b) half in a family company and half in outside investments; and (c) at least a quarter of the total in marketable securities. The family company was naturally Simpson Logging Company, and Mrs. Anderson was not considered an outsider. I even considered her immediate heirs as partners, but investors (or speculators) to whom some of them sold their shares are intruders in my estimation.

When Mrs. Anderson died, the ownership pattern was the same as Mark Reed and Anderson agreed on when they bought out the Port Blakely stockholders in 1906. Thirteen twenty-fourths were held by the Simpsons and the Reeds, mostly in the Simpson Investment company, and eleven twenty-fourths by Mrs. Anderson. Mr. and Mrs. Anderson had no descendants and when her estate was distributed in 1943, she left it to about sixteen different heirs, a few of whom were her personal friends, but most of whom were relatives. I bought the stock of the Anderson heirs whenever they wanted to sell, and one time I tried to buy them all. I had become friendly with Samuel W. Anderson, Alfred Anderson's nephew, a major heir, and a partner of Kuhr, Loeb and Company, the New York brokers and underwriters (or was it Goldmans Sachs?) . I employed him to negotiate to buy the stock of all the Anderson heirs, and I told him that if we could get it all, I would pay a whole lot more than the price which the government appraised it for.



Simpson Timber Company Directors' Meeting in Arcata, California in 1967. Left to right: Thomas F. Gleed, C. Henry Bacon, Jr., C. H. Kreienbaum, W. G. Reed, Robert L. Wiley, Eleanor H. Reed, and L. Chapin Henry.

He worked on it for a couple of years, but somehow it made some of the other stockholders suspicious because they probably thought Sam and I were doing something undercover. This attempt may have strained relations between some of the stockholders and me, especially those who believed that Simpson was bound to go public someday with an opportunity for them to make a lot of money on the stock exchange.

ERM: To what extent did the stockholders meet annually?

WGR: Never. I mean never as a group of individuals. Never did we have more than one or two of the Anderson heirs at a stockholders' meeting. We had one on the board of directors, Miss Helen Bunn, a niece of Anderson's from Minneapolis. She was a fine woman and a good director.

ERM: Your bylaws and articles of incorporation call for an annual meeting, I presume.

WGR: Yes, the annual meetings were held, but hardly anybody came, except Miss Bunn, and her cousin, Robert Bunn, a young man in Seattle who was also one of the principal heirs of Mrs. Anderson. He would have liked very much to have been a director, and we might have made him one, but then he offended me by giving some of his stock to friends of his. This was one of the first violations of the historic ownership pattern.

CB: Is that how stocks were originally let outside the family?

WGR: Not quite the first. Shortly after inheriting it, one of the principal heirs in Wisconsin gave half of his stock to the University of Wisconsin and half to the University of Washington. He was a professor at the University of Wisconsin and apparently took the view, "I don't want a lot of money; I just want to be a professor." He actually gave away the shares which represented about half of his total inheritance. Subsequently I bought all the University of Washington's stock and about 50 percent of the University of Wisconsin's. The University of Wisconsin still owns a few shares. However, the first very bad divisions of the shares occurred when one of the Anderson heirs got a divorce, and in the settlement, his wife's attorneys in Berkeley got a few shares of Simpson stock, which they still hold. His wife got the rest of it and sold it to a wealthy man in Bend, Oregon, who owns the Mt. Hood Stages. I tried to talk him out of it, but he said he's holding it for his grandchildren.

The worst of all the transactions occurred only a few years ago when a stockbroker in San Francisco by the name of Block, who was with Strauss and Company, bought some shares and made a point of distributing them widely to investors in San Francisco and Seattle. He even got other stockbrokers in Seattle involved, and suddenly we had twenty-five or thirty outside stockholders. I tried to talk him out of it, but my arguments were of no avail. I was infuriated, but for once I didn't lose my temper.

CB: How did he obtain the stock?

WGR: He probably bought it from one of the Anderson heirs who thought my price was too low. I had set up a program to buy and sell stock to the company executives at a formula price which was based on earnings, profit margin, dividends, and balance sheet ratios. The formula was coordinated with values the government had established for estate and gift taxes, and it was what we offered to all the stockholders who wanted to sell.

ERM: Bill, did you ever have meetings at which the family as a whole considered its investments and discussed them openly together? Or were you and your father looked upon as the official heads of the family to whom all decisions concerning investments were deferred?

WGR: A mixture of the two. As chief executive, I naturally made most of the decisions, but when consideration was given to basic questions of family policy, I usually called a family meeting. A different condition exists regarding 'Nor's father's estate, of which she is the beneficiary and the bank and I are trustees. She gets quarterly investment reports, but regularly leaves the investment decisions to us, although she approves our basic policy, which is to invest the funds in marketable stocks unrelated to Simpson and the forest industry. My father likewise made most of the decisions in his day, although he submitted regular reports--sometimes verbal and sometimes written--to Mrs. Anderson and Mrs. Simpson, who together controlled over 90 percent of the stock.

ERM: You mentioned a wide range of different kinds of investments: first, those that relate to Simpson Timber Company; second, those that relate to other forest industry activity and investments; and third, those related to investments that fall outside the forest industry. What counsel have you employed over the years in making investment decisions?

WGR: During my term as chief executive, I set the basic policy as to the type of investments, be they timberlands, manufacturing plants, local securities, or listed stocks and bonds. However, specific selections in the latter two categories were usually made after consultation with bankers, brokers, or the company's financial staff. I did employ administrative assistants over a period of years and some of them were very competent financially. Bob Wiley, who is still with us as president of Simlog, is a good example of this and so is Chuck Rowe, to whom I finally sold control of Lumbermen's Mercantile Company. We do not have a structure like the Rockefellers or the Weyerhaeusers with a family investment counsel department.

Actually, the answer to your question is yes and no. For instance, in 'Nor's father's estate, I decide in connection with our lawyers and tax accountants what's the most economical amount of tax exempt bonds to have, and then I'll decide how much ought to be in companies I am familiar with, like Safeco, Carnation Company, and Weyerhaeuser; and the bank makes the decisions on how to invest the remaining funds as well as what specific bonds to buy. So to that extent we have personal counsel, and with our charitable trusts, Simpson Reed Foundation, Simpson Timber Company Foundation, and Mark E. Reed Scholarship Foundation, we employ consultants to manage the funds for a fee.

ERM: Do they screen all the applicants who apply for aid?

WGR: No. They invest the principal of the fund. The preliminary screening of applicants was done by my administrative assistants like Wiley, Rowe, Martinson, and others. Now it's Joe Leitzinger, the vice-president of public relations, and Hank Rickleffs, the young man who is administrative assistant to Gary Reed. The decisions on who gets money are made by the distributions committee which usually meets every quarter.

ERM: Allocating money is not an easy job.

WGR: Oh, that's right. And it's good for the family, too. Maybe Susan has a couple of children in Bush School and Mary's got one in Overlake, and Vicki has one or two in another school. These parents serve on the distributions committees and have to jockey among themselves to see who is going to get the most for his or her school. It is good for training and development of the family.

CB: Speaking of the family, Mark Reed was considered a very paternal man in Shelton in that he dealt humanely and passionately with all the people. I've spoken with



The Mark E. Reed family.

people in Shelton who feel that this attitude is a characteristic of the company that has gone on through the years up to the present. It certainly must have something to do with your upbringing and the relationship you had with your father and what he passed on to you.

WGR: I think he taught mostly by example, very little by direct instruction. He certainly instilled in me very early the feeling of oneness of everybody who worked in the company--a sense of responsibility for all the employees. Since I moved away from Shelton in 1932, I haven't actually known many of the employees except through the chain of command structure. Nevertheless, I think we all still feel this responsibility. When we have to close down a mill, we work very hard to make sure that the workers don't suffer. When the insulation board plant was closed, we spent months and months and tens of thousands of dollars relocating and supporting them.

This feeling has been dampened a little by governmental activities such as social security, tax changes which discourage giving, and many kinds of transfer payments. For instance, I set up the Mark E. Reed Scholarship Foundation to provide scholarships in my father's memory for college students from high schools in areas where Simpson is the principal employer and for children of the employees of the company wherever they may be in school. Now the government has the whole thing tied up, saying this is favoritism and improper.

CB: Saying that it has to be open to the entire community?

WGR: Yes. Even though the foundation has always had a great deal of community involvement. The chamber of commerce, the city council, or other agencies in each community set up committees to help select the award students.

This is just an example of the feeling of the responsibility, but I would say I don't remember my father ever telling me anything about it, except that when I was his administrative assistant during the early days of the Depression, part of my job was making sure that our people didn't starve.

ERM: What would you say about the quality of family life that you had?

WGR: I had a good family life. My father was a strict disciplinarian and authoritative in handling the children, and my mother was more gentle--I guess a perfectly normal relationship. Until 1920 we were very much a part of the

community, and our house wasn't the biggest in town. Sure, Dad was the boss of everything, but I had no problems in making friends with the other kids except, of course, when I was away during the IWW years. I had lots of friends around Shelton, quite a few of whom were Indians and Japanese; Indians worked in the woods, and the Japanese on the oyster beds. The community was mostly white but the Japanese and Indians were accepted with no feeling of racial differences. In the summertime we, the family, would move out into the country, at first in tents to an old logging site near Matlock, and later to an old, old house at Oakland on the beach north of Shelton. Then in about 1920 my parents built a new house in town which is a big mansion kind of thing referred to now as the Colonial House. Probably we were thereafter not quite so close to the community, chiefly because all three of us boys were away most of the time in military school or college. We had an intimate, pleasant family life there, but there was no question that my father's word was absolutely law. However, I do remember that when I was at the University of Washington, I would frequently bring friends home with me for a weekend or longer, and I sometimes managed to steal a bottle of bourbon from my father's cache. By then I had been in Culver, in the army, and in the University.

- ERM: Your father must have been an extremely busy man, and as such, obliged to be on the go a good deal of his time.
- WGR: That's very true.
- ERM: What feelings were expressed about this within the bosom of the family? Did anyone resent his spending so much time with business instead of the family?
- WGR: As far as I know, it was just accepted. I wasn't aware of any difficulty it caused.
- ERM: You didn't feel neglected in your life because of that?
- WGR: No. I was not close to my father for quite a long time, and I probably thought I wasn't supposed to be close because I was the number three man. Dad was much closer to Sol and a little closer to Frank than to me, but that did not bother me. Frank was married and moved out of the house in 1928, and after that time and especially after Sol's death in 1930, my relationship with Dad became very close. He and my mother liked to live on the ranch in Arizona for a month or two in the winter, and on the last few such occasions he left me in charge at Shelton.

- ERM: How did your mother wear all these absences? Was it a strain or difficult thing for her and did she express any feelings about it?
- WGR: She liked the Arizona trips, but I think she sometimes felt hemmed in in Shelton. When she was a girl living in Seattle before they were married, she was very gregarious and very active socially. Later, I met many of her contemporaries who would say things like, "I knew Irene--she was one of my favorite girl friends." And she told me that when she set up housekeeping in Shelton after they were married, she thought she had an understanding with Mark that they were going to stay there only for a few years until the timber was cut out, and then they would come back to Seattle where she would resume her active social life. It was a problem with her, I think, to adjust to Shelton. She became rather withdrawn. However, she got very interested in education and was chairman of the school board for many years, and of course that accounts for the name of the Irene S. Reed High School. I'd have to say she had few intimate friends in Shelton, but she did have friends in Seattle that she liked dearly, one of whom was a nurse called "Coley" Coleman. Mother would sometimes keep her in Shelton for months and months although there wasn't anything to nurse.
- ERM: Did she and your father regularly take extended trips abroad or elsewhere?
- WGR: No, they were never abroad. My father once went on a business trip to Japan, which I think was the only time he was outside of the U. S. He never was in Europe.
- ERM: Your mother never traveled with him very much when he went on political tours?
- WGR: Generally not. They would travel together to California and they'd spend the winters in Arizona, but on business trips and political trips she never traveled with him. Nor does my wife with me, as a matter of fact. I used to do a lot of traveling on business for a day or two at a time, and 'Nor wouldn't think of going along. If it's for a longer period, she usually will. And sometimes having someone else along detracts from the business trip. I can get a full schedule of meetings, and lunches, and cocktails with one guy, and dinner with another to talk about business. This may mean 'Nor has to spend an evening sitting in a hotel room, and the explosion is too much for either of us.

CB: Do you recall many experiences with your mother taking in young women in Shelton? Many people in Shelton mentioned that your mother looked out for everybody and tried to find little jobs so they could keep going through high school.

WGR: Yes. She had girls around as friends, or sometimes even as housekeepers or maids who maybe didn't do very much. And, of course, relatives. It was probably a kind of mothering, but she didn't really seem to have any close friends in Shelton among her contemporaries. She was also very close to her sister, until the sister ran away with the chauffeur. This was such a shock that their relationship essentially terminated.

Now that I think of it, she did have one very good friend there, Herbert Enslow Loop. He was superintendent of schools and she was chairman of the school board. I got a letter from him the other day in which he mentioned that he is ninety-four. She also frequently saw the Goveys, the Fredsons, the Sniders, the Weinels, and her local relatives such as the Grisdales and the Crosbys.

CB: There is one other interesting thing that once again points out the changes over the years. In one of Mark Reed's letters to Bomma, he was talking about how your mother made sacrifices because when you moved to Seattle, she moved up there with you and took care of many things.

WGR: Yes, she did. She apparently didn't want me to be at the university alone. When I had been away at Culver, she watched over me pretty closely; and for instance, when Frank and I got scarlet fever there, she came whamming back on the train to make sure we were getting proper care. While finishing my last year there, I struggled with the big problem of whether to go to Dartmouth or Williams, but finally I decided on the University of Washington because I was probably going to live in Seattle and wanted to get acquainted with people there. I joined a fraternity, but she didn't think it would be good for me to live in a fraternity house, so she rented a place and I lived with her. This went on for about two years and then she stayed home and I moved into the Psi U house. When she was housekeeping for me, we would go to Shelton nearly every weekend, and Dad came to town every week or so. Occasionally, we'd go back and forth to Shelton on the family yacht, for which I had dreamed up the name *Markirene*.

CB: Why don't we switch back now to some of the investments. Could you give us some information about Simlog and Simpac and related companies?

WGR: That gets into the general question of our financial structure outside the Logging Company. The central unit was Simpson Investment Company, which was incorporated in 1906 to hold all of Mr. Simpson's property after his death and to finance the purchase of the Simpson family's share of the Logging Company stock from the Port Blakely group. The Investment Company was owned 50 percent by Mrs. Simpson and 25 percent by each of her daughters, Mrs. Ridgley C. Force (Caroline) and Mrs. Mark E. Reed (Irene). As I said before, Mrs. Simpson and Mrs. Reed later bought Mrs. Force's interest when she was divorced and married her chauffeur, Roy McLean. The Investment Company had 11/24 of the Logging Company and Mark Reed had 1/12, giving the Simpson-Reed group 13/24 and the Andersons 11/24.

This type of a family organization was not unusual, as evidenced by 'Nor's family holding company, the H. C. Henry Investment Company, which was also organized early in this century, and the Anderson Estate Company, which was organized after Mr. Anderson's death in 1914. These structures worked well until the Revenue Act of about 1933 put special penalties on personal holding companies. A result of this was that a few years later I got Bomma (Mrs. Simpson), Mother (Mrs. Mark Reed), and Frank to join me as partners in organizing Simpson Reed & Co. After the deaths of Mother and Bomma in 1940, we dissolved Simpson Investment Company and put into Simpson Reed & Co. practically all of the family's business assets, including our stock in the Simpson Logging Company, the Lumbermen's Mercantile Company, the Olympia Oyster Company, and the Seattle-First National Bank, as well as our liquid securities. As time went on, the partnership grew and we acquired some other operations which involved additional management responsibility and eventually caused us to set up Simlog Corporation.

First of the new operations was Simlog Equipment Company, which we formed about 1950 at the suggestion of John Meyer, Jr., a friend of mine who recently retired as chairman of J. P. Morgan & Company and was the Morgan partner who had handled the financial end of my attempt to get working control of Rayonier. Tom Gleed and Jo

Muckley, then president and treasurer of Simpson Logging Company, set up Simlog as a leasing company patterned after the Carnation Company's Carnaco Equipment Company. The names were even similar, being acronyms of their principal associate companies. The plan was to have Simlog Equipment Company buy logging equipment for lease to Simpson and other loggers. Unfortunately, Muckley (who left Simpson shortly afterwards) was never able to get another customer, but the leasing business with Simpson was profitable.

An outside company I bought was Stetson Ross Machine Company, the leading manufacturer of planers for lumber mills. It was profitable, but naturally required management attention. About this time, Steve Hall, who had come to Simpson Logging Company several years earlier from Booz, Allen, and Hamilton, had more or less worked himself out of his job as industrial relations manager, and so was transferred to the presidency of Stetson Ross. A few years later, my administrative assistant, Bob Martinson, was put in as chief accountant for Stetson Ross.

Then, Bob Wiley, who was from Boise Cascade, became my administrative assistant. He was an eager, high-powered, Harvard Business School man oriented toward corporate growth, and I approved his purchase of a small Montana furniture manufacturing company for Simpson Reed & Co. He renamed it the Sirco Furniture Company and started it on a growth program.

As managing partner of Simpson Reed & Co. I had these three new outfits which required a fair amount of attention. Wiley was also eager to find more fields to conquer, and at this time in the late 1960s conglomerates were a kind of business which was very popular with investors. Hence, we thought that if we put these three unrelated businesses together with Wiley as the headman, he could use them as a basis for acquiring additional companies in exchange for shares and probably also create a good enough market for the shares not only to attract new capital, but also to give a degree of liquidity to Simpson Reed & Co.'s holding and reduce our proportion of the ownership. Thus, we put Simlog Equipment Company, Stetson Ross, and Sirco into a new holding company called Simlog Corporation, and the name of Simlog Equipment Company was changed to Simlog Leasing Company. Wiley was president and manager of the holding company while I was chairman of the board and representative of the partnership, which owned all the stock.

Some of the things we had in mind worked out, and some did not. For instance, a good one was that right after the new organization was formed, Wiley bought an ailing little pill-packing company for, I think, something like \$25,000. Within a couple of years he had it earning that much a month! On the other hand, he took Simlog into several high-technology operations for automatically making measurements by things like light rays and printed circuits, but none of them was a financial success. Perhaps the most disappointing development of all was that conglomerates--especially little ones--started going out of style among investors only a few months after we put Simlog together.

(Charlie, I know this has been a long answer to what seemed like an easy question, but in order to make sense of it, I had to fill in the background. The net of it all is that Simlog has made a reasonable return on its net worth, but it did not develop along the lines expected and does not fit precisely into our overall financial plans. In fact, we have been thinking of some moves to dismantle it.

ERM: Bill, there is a lot of public discussion and some misunderstanding about the part that a losing enterprise plays within the total structure of complex investment patterns such as your family is involved in here. Could you explain that a little as you see it? Does a losing measure sometimes work to advantage in a tax way?

WGR: I say no to that idea. I don't think it works to the advantage of Simpson or our family. I suppose there are cases where a taxpayer could deduct a loss from ordinary income and somehow recover the funds as capital gains. However, insofar as I am concerned, we get good tax advice from smart lawyers and accountants, and I have never wanted tax considerations to interfere with running a business. I always have said to every one of our managers, "Your job is to make money and to run the business so that it does a good job for your stockholders, your customers, your employees, and your community. Don't worry about taxes. You make the money and we'll pay the taxes." Of course, people come to the office and try to sell me tax shelters or something like that, and I tell them I'm not interested because I am in business not to juggle taxes but to try to make money.

ERM: That is not the philosophy followed by others.

WGR: That's right. Many investors and executives look at their after-tax profits. I look at it the other way: Let's make the money now and worry about the taxes afterwards. I am very tax conscious in estate management as distinguished from business management. We do own tax exempt securities and, of course, we try never to pay more taxes in the operating businesses than the law requires. In the Timber Company we take advantage of the capital gains section of the Internal Revenue Code, and I guess there have been times when we shifted the cut from high-cost to low-cost timber or vice versa if there was some advantage taxwise and no effect on operations. However, there has been very little of that kind of maneuvering, and my advice to Gary is, "Don't let your operating men try to be tax experts."

On the other hand, Simpson Reed & Co. was created because of tax laws, and I think it has performed very well for the family. In fact, today two of the other partners already own a bigger share of it than I do, and I hope that by the time I get to having a life expectancy of a week or two, my estate will be but a small part of the family's total assets.

ERM: Do you have a prescribed plan of diminishing your holdings and distributing them through the members of the family year by year?

WGR: Yes. That started in 1933 when I advised my grandmother and mother to make the first gifts to Frank and me. We have since made intrafamily gifts every year.

CB: We were talking yesterday about taxes. I've tried to learn how the different tax laws affected Simpson's development, but I've had a hard time coming up with something concrete.

WGR: The taxes I was referring to in response to Woody's question were income and estate taxes, and I should have said my comments did not apply to property taxes. Real property taxes are managed by the operating organization, but personal income, estate, gift, and inheritance taxes are managed by me.

ERM: I have a letter here that is pertinent to Charley's question. It is from James G. Eddy of the Port Blakely Mill Company to Mark Reed and is dated May 13, 1932. I'll quote this in part:

Timber owners who are few in number but have been prompt payers of all taxes in the past are

doing a wonderful service in conserving the present timber resources of the Puget Sound Region and not getting free from the tax burden by ruthless cutting at this time. Mason County has been reasonably fair in the past but we must realize that if we are to accomplish our end and perform a broad service now and in the future, we must get the taxes cut in half or more which, of course, means that the cost of all government must come down in proportion. Therefore, will you not kindly allow the taxes to go delinquent June 1 as we intend to do and we understand from Merrill & Ring, Clallam County owners expect to do and thus bring the full force of such delinquency to the attention of the county commissioner so that they will start economizing, based on such action. And make them realize that the matter of reducing taxes on timberland must be done and done promptly. I am sure that when they, the various counties, see no money in their coffers on June 1 from the timber owners, they will give us reasonable consideration on the point at issue, namely government, less cost of government, less taxes.

Your father wrote back to Eddy three days later on the 16th of May the following:

I appreciate the force of your position on the tax question, but I feel that our taxes have been more reasonable than they are in other counties, and as our logging camps are closing down for summer which will add to our unemployment situation, it is my thought that our obligation should be to pay these taxes if we can to allow them to go ahead with them with their improvements and put as many men to work as possible during the summer season at a time of year when they can get the most work for the money. Simpson has worked an understanding with the county that one half of the taxes will be paid in May and the rest in November. Having this tentative understanding, I do not think we would be in a position to join with you in a deferrance [sic] of these payments.

I think that is a rather interesting documentary comment, that it bears at least in part upon the question you raised, and it's evident of the different philosophies, vis-a-vis real estate taxation, that existed within the fraternity of lumbermen and loggers of this time. You were probably privy to the discussion of this matter because you were already beginning to be involved in the 1930s.

- WGR: I have no specific recollection of that incident, but they are perfectly typical letters by both men, expressing their real attitudes. They were telling the truth, I am sure, each man to the other. Simpson was in favor of the yield tax as opposed to the annual tax and felt that this could make it possible to hold land long enough to grow another crop. We were actively supporting the yield tax because it fixed the assessed valuation of the land at \$1 an acre. The annual tax was therefore 4¢ an acre or less, and the yield tax would not have to be paid for many years. As a consequence, Simpson classified all its lands under the yield tax; Port Blakely classified none of its.
- CB: What was the main cause for the difference?
- WGR: The Eddy's were then already relying almost wholly on merchantable second growth, for their virgin timber had been logged forty to fifty years earlier. Probably if they paid the yield tax on their annual cut of second growth, it would be higher than they were paying annually on the assessed valuation.
- ERM: Wasn't it also true that for many, many years the industry had complained constantly that taxes were a great burden, the thing that was wrong with the whole structure of things, and they argued for tax reform? I think the first real breakthrough came in Oregon about 1928 or 1929 with adoption of the yield tax. A few years later the state of Washington followed suit and the lumbermen achieved their objective. Why did the industry not register its lands as they had sought to get laws to permit them to?
- WGR: Simpson was a company which believed in the yield tax principle, and we did classify all our lands. So far as I know we were the only significant land holder whose cutover land was all classified. Weyerhaeuser undoubtedly had more acres classified, but probably a smaller percentage of its total ownership. As a matter of fact, when the revision of the yield tax was being considered in the last two or three sessions of the legislature, Simpson was going under criticism from some legislators because it had saved money on its second-growth taxes while the yield tax was in effect, and some even argued that we should be charged for the savings. I considered that such action would be a breach of faith, for we had spent lots of money on our lands which we would not have done if the property taxes had been higher. What triggered the criticism of Simpson was that the company bought some land in Chehalis County which had not been classified. In accordance with our policy, it was then classified, causing the assessed valuation of Chehalis County to go down.

- CB: Has the yield tax or something like it been in action since the 1930s or has it been repealed at any time along the line?
- WGR: It was not repealed before my retirement, and I don't know exactly what the situation is now. The move to repeal it started about four or five years ago. I tried to have our management raise the issue of breach of faith with the legislature, but they were kind of astonished when I used the phrase. I contended that we had in effect made a contract with the state government that we would pay 40¢ an acre a year on our land when the yield tax was fixed at 12½ percent (or was it 15 percent). When the legislature says that it will raise the yield tax to 20 percent, I say we've been making payments all the time on the state's 1933 representation that the yield tax would be 12½ percent. If we'd known it was going to be a 20 percent tax, we might never have classified the land in the first place.
- ERM: What would you have to say about the attitude within the ranks of the industry itself about the kind of tax laws that are written?
- WGR: Well, probably each man is looking after his own.
- ERM: Each in a different way. But you have in the state legislature lobbyists of the industry who are working in opposition to one another relative to what kind of tax law might next be presented.
- WGR: I think that's right, but I'm not very familiar with the legislature anymore.
- ERM: Surely Simpson had its representative watchdog in Olympia. Dave James kept you posted and sought to assert whatever influence he could on the various members of the legislature to go in directions that were favorable to your position, what were in your best interests.
- WGR: He was the closest thing we had to a lobbyist. Before that, we did it ourselves. I would go to the legislature and make a speech, or Kreienbaum would. Also, we had personal contacts with the legislators. Now the public relations function in the company includes relations with the legislative bodies. Until the last few years, public relations was a much less significant item in Simpson than in the industry in general. We tried to maintain a very low profile, community-oriented posture, with public relations handled by the local managers. If there was a public relations problem, we really looked more to the managers to handle it, but of course this began to change after Chris hired

Dave James. Nevertheless, our basic policy has been to maintain as low a profile as we can. I suppose it is in conflict with Dave James's thinking. A public relations man probably should say that, if you are doing a good thing, people ought to give you credit for it; and conversely, if you are about to do something the public would not like, you ought to try to vary your plans. It must be frustrating sometimes for a public relations man to try to make the company inconspicuous, just the opposite of, say, Georgia-Pacific, IP, Champion International, and in recent decades even Weyerhaeuser.

I imagine that Simpson's public relations department now works more closely with the general management. I doubt that the relationship desired between the operating managers and the public relations manager was ever carefully spelled out in Simpson, and it should have been. As I told you, Dave was a good man; we all liked him; he makes a good appearance when somebody has to make a speech representing Simpson Timber Company, and he has good personal contacts with politicians--especially the ones whose thinking is less classically oriented than mine. However, his input to the general management decision-making process was negligible. My communication with him in all the years we were in the company together would usually be on what to do when specific questions came up, usually about communities where we had operations, but sometimes about the posture with regard to political campaigns.

Actually, Dave and I often did not see alike on that, but I nevertheless let him distribute contributions from our executives and corporate political fund, subject to my veto power in extreme cases. However, I handled my own political contributions and relationships independently. Probably it wasn't the kind of an arrangement you describe as an ideal one for public relations.

- ERM: The values involved tend to be very abstract; you just can't button them down and say they are going to have this value at the end of the fiscal year and show a return. And I think for most business managers this is where the problem of management in the future lies, in being able to grapple more intelligently with abstract values.
- CB: Could you discuss some of your outside interests in the community, with emphasis on what you feel, as a businessman, are your responsibilities to the community?
- WGR: My outside directorates, like the bank, the railroad, the airplane company, and the insurance company, are

one thing. I was on the PACCAR board for somewhat different reasons: I knew Paul Pigott very well, and I stayed on after his death at sixty because he had told me he wanted Bob O'Brien president at first, and then Chuck Pigott when he was ready. I remained active on the board until these steps were accomplished and Chuck was running it beautifully. Later a complaint was filed with the Federal Trade Commission asserting that my being on both the PACCAR and Burlington Northern boards was a conflict of interest, and so I resigned from PACCAR to avoid all the time and legal expense a contest would have required, even though I thought the charge was baseless.

ERM: In that instance you were taking care of the responsibility of friendship. This was the primary motivation behind your activity in PACCAR?

WGR: Yes--plus making money. I bought stock in the company and it proved to be very profitable.

ERM: What about Burlington Northern?

WGR: When Bob Macfarlane asked me to go on the Northern Pacific board about twenty-five years ago, I was attracted by its old land-grant background because I thought I could be helpful to the management in the handling of their million and a half acres of timberlands, and on top of it all, they had the only transcontinental railroad serving Shelton. Both before and after its merger with the Great Northern, I got along well with the management and the other directors, several of whom I knew outside as well as on the board.

ERM: As a manufacturer of some considerable importance in the Northwest, you are a main user of their facilities, and therefore involved importantly, I would imagine, in how their business goes and what the rates are.

WGR: Simpson is involved as a user, but I try to stay out of the rate matters, as was very clear when I was trying to get the Jones Act repealed. It was a specific conflict of interest and I wanted everybody to know where I stood.

ERM: You are not the only lumberman on the board of Burlington Northern?

WGR: Bob Wilson is the only other one now; Fred Weyerhaeuser used to be. He retired quite a while ago, as a matter of fact, and our terms did not overlap. He was a director of the Great Northern while I was a director of Northern Pacific, and the two were merged. He did not go on the

board of the consolidated company because his age was over the retirement limit--as mine soon will be.

ERM: You know Binger then, too?

WGR: Oh, sure. My committee oversees Bob Binger as president of the resources division, and I think very highly of him.

In summary, I went on the railroad board because of my acquaintance with Bob Macfarlane and because of the interesting features of the land grant. There was an entirely different motive when I went on the insurance company board; in fact, it was a crazy sort of thing.

Hawthorne Dent was running the company, and he had an office on the eleventh floor of the White-Henry-Stuart Building, and we were on the tenth. The insurance company (now Safeco, and then General Insurance Company) had raised the rates greatly on houses with shingle roofs while I was on the Shingle Bureau board. So I walked up a flight of stairs to see Hawthorne about it. He had founded the company in 1923, and this was probably 1931 or 1932. I had a running debate for quite a while with him about this discrimination against cedar shingles and the upshot of it was that he said, "Bill, why don't you come on the general board? I've enjoyed our fights, and nobody's giving in, but why don't you join us anyway?" I accepted for no reason at all except that we did have a rapport as a result of our fights, and I hoped maybe I could have more influence with him as a director.

ERM: How old were you?

WGR: I think I was twenty-five or twenty-six at the time.

ERM: Was Bob Slaughter on the board at that time?

WGR: Yes. He was a major stockholder in the company, too, and a lumberman. He had the Cascade Lumber Company and the Central Lumber Company back in Stillwater, Minnesota. If he'd kept all that, now he'd own most of Boise Cascade. Of course, Bob is long deceased now, but he may have been on the board until he died.

There were lots of lumbermen on the board. For years, they had wanted Mark Reed on the board, and when I reported that Hawthorne had asked me to become a director, Dad said, "He is a salesman. He and I are not the same kind of men, but if you want to go on the board, it would be good experience." So I did, and Hawthorne and I later became friends and neighbors.

ERM: You have been a member of boards of directors for a good many years dating back to the 1920s. What would you say about the character of business decision making in the many different companies and industries that you have served? Has the pattern of decision making changed?

WGR: I could write a book on this easily. I think that directors are now more likely to be involved in making policy decisions and sometimes even operating decisions than they used to be. In the early days most directors believed it was our job to hire the president and keep track of his performance. If he and the company did well, we would give him a raise in compensation, and if he did a bad job, we would get another guy. With some exceptions, this was the general philosophy. In the insurance company, for instance, Hawthorne was dominant; although he would listen to our ideas, he would always win the arguments. Even O. D. Fisher, the biggest stockholder and chairman of the board, couldn't win a point from Hawthorne. O. D. would talk so much everybody would lose interest, but finally we would vote with Hawthorne. His successor, my friend Wiggs Campbell, led the board into more participation; and now Gordon Sweaney--like many modern chief executives--has fairly elaborate procedures to make sure that the board and its committees participate in all major decisions.

There are similar structures in the bank, the railroad, and Boeing. The bank has always had active and powerful committees, and Boeing in my day always had full participation by the board. To tell the truth, hindsight leads me to believe that lots of times Boeing would have been better off if we had just said, "Allen, we directors are going out and play golf. You make the decision."

ERM: Generally speaking, we see the trend is away from authoritative control by one man to control by executive committees.

WGR: Yes. However, I can't let that stand without talking about the early years of the Seattle-First National Bank. I went on the board in the Depression, right after my father's death in 1933. I suppose two-thirds of all the bank loans in the United States were in trouble, and circumstances in the First Seattle Dexter-Horton Bank (now Seattle-First) were further complicated by the fact that it had been created by the merger of three large banks just before the 1929 crash. The three managements were jockeying for position all the time, and the board of directors, consisting of fifty men, was far too large to be effective. It was more of a political body than a deliberative one.

As a consequence, the bank was really run by a small executive committee, in which I also succeeded my father. We met every week and approved every loan over \$25,000. It is hard to believe the bank could function at all with such tight control by a directors' committee. There was just no significant delegation from the executive committee to the officers. Their functions weren't even well defined; the chairman of the board, the president of the bank, and the executive vice-president had very unclear responsibilities, and there was political jockeying among them all the time. However, the bank prospered, grew, and ran well.

Finally, M. A. Arnold emerged as the strongest executive and the political maneuvering decreased. In the early 1940s a new management generation took over, consisting of Lawrence Arnold as chairman and chief executive with Tom Gleed as president. Later, the bank merged with First National of Everett, of which I was also a director, and Bill Jenkins became chairman. He has run it well and aggressively.

ERM: How many boards of directors can a man reasonably serve?

WGR: I got on too many, but have pulled back to a reasonable number. It depends on the state of a man's ambition, health, drive, and other involvements. I am speaking not only of outside corporate boards, but also of those like the chamber of commerce, a hospital, the art museum, the science center--and now even the Forest History Society. Inside boards, in which we have a substantial financial interest, I consider as a part of my regular job.

ERM: You said yesterday that you felt that operations had become less efficient over the years. Do you see any relationship there to what has been happening in society, where institutions have become enormous in size; companies have become giants; unions have become gigantic; higher educational systems have become mammoth; and government and bureaucracy have grown out of sight?

WGR: Earlier, I mentioned Simpson's relative decline in profitability. One cause might have been that I was giving so much attention to outside affairs that I did not give enough to Simpson. Another possible factor which has worried me is that Simpson may be too big to be nimble and too small to be dominant. If we were a little operation with 300 men in the Shelton working circle and a good man like Mark Reed was running it, we might again be the most efficient in the whole area.

Or, if we were as big as Weyerhaeuser, we could build an efficient \$500 million pulp mill instead of having to settle for a cheap, inefficient one for only \$75 million. Maybe we are big enough to be cumbersome, but not big enough to take advantage of the economies of size.

ERM: Simpson has been opening up in size over the years.

WGR: I am not sure if that is true in relative size. We may just be consolidating. Take Willamette Industries, for example. They are bigger and more profitable than Simpson now, but before they were created by a merger ten or twenty years ago, we were bigger, better, and stronger than any of the component companies. They became a public company and perhaps followed a more profitable path than we did, although I think our way is better for a family like ours.

ERM: What do you see in the future of the family oriented industry? Do you think the number of enterprises will grow or decline?

WGR: Decline. We used to be the norm, as a family-owned company in the forest products business, and now we are the exception. Some people have said that Simpson is the biggest privately-owned company in the West Coast forest products business.

ERM: You have a unity of thinking within your family that is not possible to maintain in certain other companies.

WGR: We anticipate that disagreements will happen in our family, but we have set up devices we think will enable the family to cope with them.

ERM: The wider the family grows, the greater the danger becomes that the control will no longer be with certain central figures.

WGR: It becomes a non-family company then, and if you go on the basis that the family doubles every generation, you are bound to have conflicts. The question is how do you respond to them, and we've set up a mechanism for doing it.