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THE SILVER LINING--LITERALLY

In 1932, \$100 bills were hard to come by. The United States was four years into the Great Depression. Unemployment was at 24%, and within a year, unemployment would reach its peak at 25.6%.¹ The average annual income in the 1930's was \$1,368.00.²

It was also a transition year. Much of the middle part of the United States was in the middle of the Dust Bowl, displacing 2.5 million people from Texas, New Mexico, Colorado, Nebraska, Kansas, and Oklahoma and sending Black Blizzards as far as New York City and Washington D.C.³ Democrat Franklin D. Roosevelt defeated Republican incumbent Herbert Hoover, upsetting seventy-two years of almost constant Republican presidencies (Democrats Grover Cleveland and Woodrow Wilson did manage to squeak in there for a bit).⁴

Nevertheless, 1932 was the year 23-year-old Herman borrowed \$100 to acquire a warehouse in Nashville, Tennessee.⁵ Herman had been making about \$23 a month selling bagged potato chips manufactured by Barrett Food Products in Atlanta.⁶ He travelled around Tennessee and Kentucky selling potato chips from the back of his Model A Ford, but he thought he could expand...in the middle of a Depression and a Dust Bowl.⁷ That is precisely what he did.

He used that \$100 to purchase Barrett's warehouse and distributorship in Nashville, and by 1933, he was able to hire his first salesperson.⁸ Within three years, he had 25 employees, and he was able to move into a larger location.⁹ It was a smart move—right across the street from the Belmont Boulevard Esso gas station.¹⁰ That gas station was owned by Ed and Bernice Johnson.¹¹

Ed and Bernice did not have much. They owned a gas station at the southwest corner of Belmont Boulevard and Portland Avenue, across the street from Belmont University.¹² But, they had big hearts. During the Depression, cash was scarce. But, when the U.S. entered World War II, gas became even more scarce due to government-mandated rations. That was a problem for Herman because he needed gas to deliver the potato chips as sales were starting to climb.

Ed and Bernice came to the rescue. They did what few would, letting him buy gas for the delivery trucks on credit.¹³ He paid when he could. It was their generosity that kept Herman and his small company from going under.

In 1947, after fifteen years in business, Herman and his company had survived the Great Depression, the Dust Bowl, and World War II. He had the opportunity to buy Barrett Food Products in Atlanta for \$40,000.00.¹⁴ Herman didn't have \$40,000.00. So, Ed and Bernice invested their entire life savings, \$8,000.00, to buy stock.¹⁵ Bernice "cried for more than a day . . . this was their life savings, and she was not a risk-taker."¹⁶

But, the risk paid off. In less than a decade, the company went public with more than \$11,000,000.00 in annual sales.¹⁷ According to the handy-dandy Internet inflation calculator, that is the equivalent of \$106,365,955.85 today.¹⁸ When the company went public, Herman's potato chips were selling for between 5 and 9 cents a bag.¹⁹ That is a lot of potato chips.

Five years later, in 1961, the H.W. Lay Distribution Co. merged with Frito Co. in Dallas, Texas, and five years after that, Pepsi-Cola Co. bought Frito Lay.²⁰ When Bernice Johnson died in 1998, she was able to leave more than eighteen million dollars to Belmont University.²¹

In 1634, John Milton wrote a poem called *Comus*.²² It tells the story of three young people, lost in the woods, who come upon a god named Comus. I won't ruin it for you, but after some musings the Lady asks, "Was I deceived, or did a sable cloud turn forth her silver lining on the night?" And, since it is poetry, the Lady answers her own question, "I did not err: there does a sable cloud turn forth her silver lining on the night, and casts a gleam over this tufted grove."²³ This couplet is generally considered the origin of the idiom, "Every cloud has a silver lining."²⁴

You might say that the story of Herman Lay and Ed and Bernice Johnson is a silver lining story—borrowing \$100 in the middle of a depression to start a company selling potato chips for pennies a bag and taking a risk on a young entrepreneur to help him expand that company

during a gas shortage. You would be correct—more correct that you know.

The reason Lay's potato chips became so successful was not because of the potato chip, although I dare you to find another snack as simple, light, and delicious. No, Lay's potato chips became so popular because of the silver lining in the bag.

When Herman first got into the business, the chips were fried and placed in paper bags. They didn't stay crisp for long, and although my research hasn't been able to confirm this, I have to believe the grease spots on the bags weren't that appetizing. But, after some progress with wax paper linings, Lay found out that glassine bags kept the chips crisp, could be vacuum packed, and (most important), could be printed with that iconic Lay's logo.²⁵ That means we can thank Herman for inventing branding as well.

And so, a silver lining in a potato chip bag turned a \$100 loan into a multi-billion dollar company. It enabled a kind-hearted couple to turn an \$8,000 investment into an \$18,000,000.00 bequest. But, it isn't that simple. There were lots of people who did not start businesses during the Great Depression. There were lots of people whose businesses did not survive the Great Depression or the World War II gas shortages. But, Herman's did. He saw the silver lining in the situation before he put the silver lining in the bag.

Boat builders build boats. Writers write. Engineers design. Pilots fly. Lawyers represent client, and visionaries see silver linings even in a 5-cent bag of potato chips. "Betcha can't eat just one."[®]

¹ Tevan Pettinger, Unemployment During the Great Depression (Apr. 1, 2020), <https://www.economicshelp.org/blog/162985/economics/unemployment-during-the-great-depression>, last visited Apr. 10, 2021.

² Diane Petro, Brother, Can you Spare a Dime?, National Archives (Spring 2012, Vol. 44, No. 1), available at <https://www.archives.gov/publications/prologue/2012/spring/1940.html#:~:text=The%20average%20income%20was%20%241%2C368,5.2%20percent%20in%20the%201920s>.

³ History.com, Dust Bowl (Aug. 5, 2020), <https://www.history.com/topics/great-depression/dust-bowl>, last visited Apr. 10, 2021.

⁴ Encyclopedia Britannica, United States Presidential Election of 1932, <https://www.britannica.com/event/United-States-presidential-election-of-1932>, last visited Apr. 10, 2021.

⁵ Funding Universe, Frito-Lay Company History, <http://www.fundinguniverse.com/company-histories/frito-lay-company-history>, last visited Apr. 10, 2021.

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ Herman Lay & America's Appetite for Junk Food, The Nashville Post, <https://www.nashvillepost.com/home/article/20446310/herman-lay-and-americas-appetite-for-junk-food#:~:text=In%201932%2C%20a%20South%20Carolina,all%20over%20Tennessee%20and%20Kentucky>, last visited Apr. 10, 2021.

¹¹ *Id.*

¹² Paul Chenoweth, Belmont Receives \$10 Million Donation from Johnson Estate, Belmont University (Jan. 28, 2008), available at <https://news.belmont.edu/belmont-receives-10-million-donation-from-johnson-estate>.

¹³ *Id.*

¹⁴ Nashville Post, *supra* n. 10.

¹⁵ *Id.*; see also Chenoweth, *supra* n. 12.

¹⁶ Nashville Post, *supra* n. 10.

¹⁷ *Id.*

¹⁸ CPI Inflation Calculator, <https://www.in2013dollars.com/us/inflation/1956?amount=11000000>, last visited Apr. 10, 2021.

¹⁹ Nashville Post, *supra* n. 10.

²⁰ *Id.*

²¹ Chenoweth, *supra* n. 12.

²² J. Milton, *Comus*, available at https://www.gutenberg.org/files/19819/19819-h/19819-h.htm#Page_7.

²³ *Id.*

²⁴ The Phrase Finder, Every Cloud has a Silver Lining, <https://www.phrases.org.uk/meanings/every-cloud-has-a-silver-lining.html>, last visited Apr. 10, 2021.

²⁵ Smithsonian, National Museum of American History, Fritos Twist Record, https://americanhistory.si.edu/collections/search/object/nmah_1417999, last visited Apr. 10, 2021.