

EARLY ROOTS OF PROPAGANDA IN THE U.S.

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With the communication technology of today we are almost continuously blasted with information aiming at swaying our opinion. The message comes in many forms and is delivered in many ways. In this series on “Engineering Public Opinion” I will delve into those techniques. For this paper, however, I will keep the definitions pretty general.

The technique of swaying public opinion has been called by many titles. Foremost among them are *Advertising* and *Public Relations*, both of which have developed into numerous other euphemisms. Basically they all come under the category of propaganda. The general connotation of the word “propaganda” is to deceive people or to distort information. That is often the case but is not invariably true. But even when the truth is used, there is usually a “spin” put on it to lead a person’s thinking toward a desired conclusion. That “spin” may involve only presenting part of the truth or putting undue emphasis on one aspect of the truth. So to start off this paper with a better understanding of the word “propaganda,” let us look at *Webster’s New World Dictionary*. The applicable definition of propaganda for this discussion is:

prop-a-gan-da 2. any systematic, widespread dissemination or promotion of particular ideas, doctrines, practices, etc. to further one’s own cause or to damage an opposing one.

To conduct this “systematic, widespread dissemination or promotion of particular ideas” one must reach the thinking and reasoning capabilities of the public at large. That means mass communication. Mass communication flourishes today -- television, satellite relays, computers, the internet, cellular phones, *ad infinitum*. But mass communication of thoughts and ideas has not always been as extensive or as instantaneous as we now experience it, and neither has propaganda. Let us journey backwards a few decades to trace the evolution of today’s age of mass and instantaneous propaganda.

STEPS TO MASS COMMUNICATION

In my younger years information did not flow so quickly or in such quantities. I recall during the 1930s when I climbed up on a chair to speak into the mouthpiece of a wall-mounted telephone. Then I would take the receiver off it’s hook and hold it to my ear to see if anyone else was talking on the party line. If the line was clear, we did not hear a dial tone. Rather, we just waited until “Central” -- a real, live human voice -- came on the line and said “number please.” Then she -- it was usually she -- would make the necessary connections and ring the party I was calling. We would then carry on a conversation over a copper wire that was strung along a circuitous route between me and the other party. Today we merely flip open our cell-phone and dial anywhere in the world. Our voice is carried by microwave or through an earth-synchronous

communications satellite parked some 25,000 miles high above the equator. By hooking our phone connection to a computer we can send massive “bits” of information in a matter of seconds.

Media communications were also more Spartan in my early years. Television and computers had not yet made their debut. We had vacuum-tube AM radios and rotary press newspapers -- foreign news for the latter coming to the editorial offices by ticker tape and teletype machines connected to the “wire services.” The highlight of my media entertainment, other than the 10-cent Saturday afternoon matinee at the movie house, was listening to the Lone Ranger every Monday, Wednesday, and Friday evening at half-past seven.

But even conditions in the 1930s were quite luxurious compared to a century earlier. Communication was still somewhat primitive in the early 1800s. Newspapers were printed by a slow and cumbersome process. The first powered printing press was not patented by Friedrich Konig until 1810. It was essentially a steam driven hand press with automatic inking. Later Konig improved his design by replacing the flat platen with an impression cylinder. The 29 November 1814 issue of the *London Times* was touted as the first steam-printed newspaper.

In 1845 the rotary press was introduced and the first successful version was manufactured by Richard M. Roe of New York. Two years later it was installed by the *Philadelphia Public Ledger*. The rotary press was further automated in 1865 by an automatic feed from large rolls of paper. The linotype was invented in 1885. This was essentially the type of printing press that remained in use for several decades into the 20th century.

In other areas of communication, Samuel Morse is generally credited with inventing the telegraph although there were crude experiments by others dating back to 1747. But Morse did construct the first practical telegraph and the accompanying “Morse Code” that was used with it to send messages. Morse’s associate, Alfred Vail, added the contact lever, or “key.” This system became commercially practical around 1850 and was the first means of rapid communication.

Next came the telephone, to which Alexander Graham Bell was the most prominent contributor. He invented and patented it in 1876. This instrument came into increasing use shortly thereafter. Other modern means of communication -- the radio and the motion picture shows -- did not debut until the turn of the 20th century or shortly thereafter. Space assets, computer technology, and microwave communication came along many decades later. As communication technology evolved, so did propaganda techniques.

While mass propaganda was dependent on mass communication, the techniques and motivations for propaganda (in the form of advertising and public relations) developed simultaneously with the evolution of mass transportation and mass marketing. The locomotive was the chief means of land transportation, aside from the horse, until late in the 19th century. Although steam engines dated back much further, the first commercial railroad in the United States, the Baltimore and Ohio, began carrying passengers and freight in 1830. By 1840 there were 2,800 miles of railroad in the U.S. That figure jumped to 30,000 miles in 1860. After the transcontinental railroad was completed in 1869, railroad construction accelerated. In the decade of the 1880s alone there were 70,000 miles of track laid.

Automobiles did not appear in the U.S. until almost the end of the century. George B. Selden patented the first auto in 1879 but, although he kept his patent pending for 16 years, did not build one. Charles E. and J. Frank Duryea built the first car and ran it on 21 September 1893. It was a one-cylinder gasoline engine on a former horse-drawn carriage -- the first “horseless carriage.” Commercial production was not immediately practical but gained momentum quickly after Henry Ford produced the first Model-T in 1908.

Then, of course, the airplane was invented and has developed into our present means of air transportation. All in all, the most significant developments in communication and transportation took place following the Civil War, when America metamorphosed from an agrarian country to an industrialized nation.

POST-CIVIL-WAR CHANGES IN AMERICAN SOCIAL STRUCTURE

The American Civil War ended on 9 April 1865. Four days later President Abraham Lincoln was assassinated. His death was announced to the public by newspapers from automatic feed presses which were alerted by a network of telegraph lines throughout the eastern states. Railroads connected this most populous part of America at that time and Bell introduced telephone communication the following year. The last spike of a railroad from ocean to ocean was driven in 1869.

All of these developments in communication and transportation had a significant effect on businesses whose marketing techniques were also evolving at the time, as were the means of transportation. Improved communication allowed manufacturers to advertise their products more widely. In addition to adding products to the market, which communication and transportation devices certainly did, they also allowed all manufacturers to advertise their products more widely and ship them to distant destinations.

At this point in the 19th century, 53 percent of the labor force (of almost 13 million) were still engaged in agriculture. (Teacher Vision) Non-farm occupations accounted for the other 43 percent but only 19.1 percent of the total labor force was working in manufacturing. (See <http://www.cc.utah.edu/~tnm08560/1741f99n9.html>) Nevertheless, capitalism¹ was emerging and would eventually become a dominant institution in American society. At the end of the 19th century farm occupations had dropped to 37.5 percent. Toward the end of the 20th century a mere 1.6 percent of the US labor force was working on farms.

The transformation from an agrarian economy to an industrial economy was in its embryonic stage in the decade following the Civil War. Up to this time people had traditionally grown what they needed and made what they wore. Some non-farm occupations provided staple goods and materials necessary for the subsistence type lifestyle. Certain craftsmen such as blacksmiths, barbers, bankers, doctors, and the like provided the needed services. Everyone was fairly self-sufficient for the necessities of life. But the work was hard and the hours were long. There were not too many conveniences.

As manufacturing jobs became more popular, and people started migrating from farm labor to factory work, they likewise became dependent on others for their needs. They received wages and these wages were used to purchase their necessities. Providers of goods and services had to increase their activity. In addition, as people started working in factories they naturally settled in locations close to their work. This sparked the demographic shift from a rural population spread widely across the land to urban dwellers concentrated in towns and cities. In 1860, some 14.7 percent of the total population lived in cities of 10,000 people or more. By 1900 that had jumped to almost 31.8 percent. (Bailey, p. 547) The conveniences of the city were also enticing -- telephones, lighting (first gas and then electric), indoor plumbing and public water systems, sewage disposal, paved streets, and transportation. By the end of the century electric elevated railways and subways were introduced.

These city folks depended on factories to produce their goods, transportation devices to carry the raw materials to the factories and then the finished product to the distributor, and larger stores to handle the sales to an increasing number of customers. Specialization in production led to mass production, mass distribution, and mass marketing. The factory workers specialized in their function to perform the varied tasks required.

¹Capitalism has become such a buzz word that many people hold a distorted concept of it meaning. To clarify how I use the word "capitalism," I offer this definition from *Webster's New World Dictionary* (Second College Edition): "**cap-i-tal-ism** *n.* **1.** the economic system in which all or most of the means of production and distribution -- as land, factories, railroads, etc. -- are privately owned and operated for profit, originally under fully competitive conditions: it has been generally characterized by a tendency toward concentration of wealth, and, in its later phase, by the growth of great corporations, increased government control, etc. **2.** the principles, methods, interests, power, influence, etc. of capitalists, especially those with large holdings."

Even agriculture transformed and specialized to produce enough crops to feed an enlarging non-farm population. The farmer became a businessman and the land, rather than cherished as a gift for survival, was considered a means to riches. New sources for earning a living and new patterns of authority and politics were taking shape. America's self-sufficient, rural-agrarian society was gradually being transformed into a dependent, urban-consolidated consumer society.

What was now needed was a means of mass communication so that manufacturers and retailers could make their products known. Stuart and Elizabeth Ewing explain: "For capitalism, mechanical production and image-making have long shared the same quilt," and that "the growth of capitalism has depended on the ability to manage and distribute standardized know-how and information." (Ewen, *Channels of Desire*, p. 16) What they are talking about is advertising the products and using public relations (PR) to enhance public confidence and respect for the manufacturer and retailer.

Phineas Taylor Barnum, reputed author of the phrase "there's a sucker born every minute," was one of the first to practice publicity. (*Encyclopædia Britannica*) Barnum started a traveling circus and discovered that making posters to place around towns that he would soon visit, increased attendance when his circus arrived. As other circuses came into existence, Barnum added sensational events such as increasing the number of rings in which performances took place. A popular catch phrase in publicity was the "three-ring circus." Barnum merged with James A. Bailey in 1881 to become Barnum and Bailey. Their catch phrase then became "The Greatest Show On Earth." Later still this combination merged with Ringling Brothers.

As railroad tracks expanded farther westward, settlers and farmers were moved into the remote frontier land. The beef industry blossomed as railroads provided transportation from rangeland to marketplace. With the specialization of industry came the parallel specialization in farming. As farmers departed from the self-sufficient subsistence farming to concentrate on one money crop, they moved westward to seek new land.

Advertising and PR became increasingly geared toward producing a society of mass consumption. When on the farm, growing what was needed and making what was worn, it was natural for a person to conserve so that food and clothing would last and resources would not dry up. A mass society, on the other hand, became divorced from nature and the land as they were pressured to buy and consume more. PR was increasingly aimed at clouding recognition of the need to conserve resources and obliterate the idea of stewardship on this planet. Consumption became a way of life.

Mail Order Catalogs, Department Stores, and Chain Grocery Stores.

As home-grown produce gave way to canned foods, and home-sewn garments to ready-to-wear clothing, mail order houses came into being. Richard Warren Sears and Aaron Montgomery Ward were the most renown pioneers in this endeavor. I will use Sears as an example because it still exists, although Ward started his firm earlier, in 1872, with a one-sheet catalog.

Richard Sears started work as a railroad station agent in North Redwood, Minnesota at age 17 to support his family after the death of his father. A shipment of watches was received but the local jeweler refused to accept them. Sears bought the shipment and sold the watches at a higher price through the mail to other station agents. Recognizing a profitable enterprise, he established the A.W. Sears Watch Company in 1886 and hired Alvah C. Roebuck as repairman. They moved the firm to Chicago the following year and began producing mail order catalogs for watches and other jewelry. That business was sold in 1889 and in 1891 the two men founded what is now Sears, Roebuck & Company. At this time they branched into a virtual department store of goods, sold by mail. Sears handled all the advertising and catalog production. The first Sears catalog in 1893 contained 196 pages. That jumped to 500 pages the following year and 1,000 pages a few years later.

Improvements in printing and publishing technologies created mail order catalogs that were tempting displays of clothing and other commodities available for a modest price. Shoppers didn't even have to leave

their homes to make the purchase and the commodity was delivered to their doors. They could order almost everything from a catalog. In a time when about 65 percent of the total population lived in rural areas, this “wish book” (a very effective PR name) became an efficient advertising tool for reaching the people. Its temptations and its convenience made Sears, Roebuck & Company into an American institution. The catalog was a ready made PR instrument.

As farmers and other settlers moved westward, they needed access to clothing and other commodities. Department stores sprang up in population centers but did not expand to accommodate the sprawled-out frontier population. Catalog marketing was the answer and mail order houses became the early settlers’ exclusive shopping place.

Sears discontinued its general catalog some years ago, although it continues with smaller, specialized catalogs. Nevertheless, the end of the thick, general catalog was heralded as the death of an icon. But Sears has followed the path of many big corporations of erecting an architectural icon as its symbol of business. Sears Tower in Chicago is probably better known today than the company’s past reputation as a mail order house.

Department stores made the scene to accommodate urban dwellers, however, and those living close enough to visit the city occasionally for supplies. The locations selected had to provide the business to support these stores. Department stores also provided the mass marketing needed for mass production. They developed PR techniques that used slogans and visual devices to make themselves and their product a household name. Stuart and Elizabeth Ewing elaborate: “Mass imagery ... creates for us a memorable language, a system of belief, an ongoing channel to inculcate and effect common perceptions, explaining to us what it means to be part of the ‘modern world.’” (Ewen, *Channels of Desire*, p. 42)

Diverse approaches have been used by PR engineers throughout the years to project a favorable visual image. Attractive packaging of products, wasteful as it is, has become an effective attention-grabber. Sensational ads in newspapers, tantalizing radio blurbs and, in our modern age, television bites are aimed at hooking a customer. So many PR techniques are designed to reinforce the consumer lifestyle that we now, unthinkingly, refer to ourselves as consumers. Macy’s provides an excellent example.

Macy’s is one large department store from the 19th century that is still with us. It was founded in New York City by Rowland H. Macy in 1857 -- the decade preceding the Civil War. As the appearance of ads for factory-made clothing became more prevalent, Rowland Macy used this medium with his own unique adaptation. He arranged words of print in patterns which repeat short and catchy phrases. In 1859 Macy invested \$2,800 in advertising which paid off well when the store finished that year with \$85,000 in sales. These ads were supplemented by pictures and eventually began appearing in major magazines where the slick paper enhanced the photographic imagery.

Macy’s has used many innovations to garner public attention, and business, throughout the years. In 1866, Margaret Getchell became the first woman retail executive. That was sure to identify with women shoppers. In 1870 Macy’s introduced elaborate holiday window displays with the first in-store Santa Claus. The store moved to 34th Street in New York and was the setting for the 1947 movie *Miracle on 34th Street* -- a gigantic PR accomplishment which really put Macy’s in the spotlight. Other real attention grabbers were introduced such as introduction of the tea bag in 1912, introduction of the baked Idaho potato in 1926, colored bath towels in 1932, standardizing clothes according to size in 1934 (rather than measuring and tailoring for each customer), introducing the annual spring flower show in 1945 and, better late than never, a mail order catalog in 1998.

What has become one of Macy’s more outstanding PR innovations is the annual Thanksgiving Day parade which first marched in 1924. It had colored floats, marching bands, and animals from New York’s Central Park Zoo. Some 10,000 people viewed that procession. In 1927 the live zoo animals were replaced by huge balloons in buoyant shapes. One of the first was an early cartoon character, “Felix the Cat.” During the years of World War 2, 1942-1944, Macy’s canceled the parade and still touts the patriotic act of donating

to the war effort the rubber that would have been used for balloons. This was very good PR because patriotism was running high at that time. But the Thanksgiving Day parade was back immediately following victory. It was first televised in 1948 and today is watched by 60 million viewers. What more can be asked from an advertising/PR venture?

Railroad Tycoons.

Not all businesses in the post Civil War years were concerned about public approval. Some enterprises made their founders so rich and powerful that those men began to see themselves as above public opinion and even the law. Cornelius Vanderbilt made a fortune in shipping but turned his attention to railroads shortly before the Civil War. He bought three railroads in New York State. Jason "Jay" Gould was a railroad executive and financier who got started working for the railroads during the Civil War. Daniel Drew was also a steamship magnate who took an interest in railroads in 1850. He purchased a small railroad line with Vanderbilt and established a stockbroking and banking firm which specialized in US railroad stock. James "Jim" Fisk was a Wall Street financier who started his own brokerage firm, becoming a stock market operator with Daniel Drew.

In 1867 Gould, Fisk, and Drew joined forces to acquire the Erie Railway. Gould became president, Fisk vice president and comptroller, and Drew a director and principle stockholder. They embezzled corporate money in Broadway shows. They made State Senator William Tweed a director of the company so as to influence legislation. In 1868 competitor Vanderbilt tried to purchase the Erie Railway by buying up the stock but Gould, Fisk, and Drew floated fake stock. Vanderbilt lost millions which foiled his attempted takeover.

Gould, assisted by Fisk, then tried to take over the gold market. This led to the Black Friday of 24 September 1869. The resulting depression ruined many businesses in the US and Europe. Drew suffered such great losses that he went bankrupt. Fisk was assassinated in New York by E.S. Stokes in early January 1872. Gould was forced out of the Erie Railway but recovered financially by selling his control of Union Pacific. He then invested in other railways, including the elevated railways of New York, and acquired an interest in Western Union Telegraph. After Gould's death in 1892, his eldest son, George Jay Gould, took over the presidency of six railroads and the vice presidency of Western Union.

Meanwhile, Vanderbilt went on to acquire many railroads. He was worth some \$100 million at the time of his death in 1877. The Vanderbilt fortune passed down for many generations and branched out to control newspapers and motion pictures. As Taylor Caldwell pointed out in *Captains and the Kings*, the gray and deadly men passed their wealth down from father to son to grandson, and they owned the media that educates the public.

Railroads were known as the makers of millionaires. In 1865 there were 35,000 miles of railroad in the United States. By 1900 that had jumped to 192,556 -- more than all of Europe put together. By 1893 there were four transcontinental railroads. These were not attractive to private investors because the land was unsettled and there was no immediate prospect of profit. Congress was cajoled into subsidizing coast-to-coast tracks under the guise of military and postal needs. This was done with huge grants of land for right-of-ways and tens of millions of dollars in cash. Construction was accomplished by exploiting cheap foreign labor -- Irish "paddies" and Chinese "coolies" -- which made the construction cost perhaps as low as two-thirds what the government had granted. The remainder was pocketed by the railroad barons. Likewise, granted land exceeding that needed for right-of-way was sold and the proceeds pocketed.

This massive government handout, furnished at the expense of the American public, did not make the railway tycoons more humble and appreciative. Responsibility was subordinated to a feeling of power and the tycoons ran the railroads as a private business. They felt no obligation to the public. A common retort was: "Can't I do what I want with my own?" When Cornelius Vanderbilt was once advised that something was unlawful, his comeback was: "Law! What do I care about the law. Haven't I got the power?" Years

later, his son, William H. Vanderbilt, when asked why he discontinued a fast mail train that was a service to the public, replied: "The public be damned." (Quotes in this paragraph cited in Bailey, p. 525)

Accompanying this cavalier attitude, the railroad barons conspired to fix prices, they bribed judges and legislators, they gave free passes to people of influence, and they gave secret kickbacks to big shippers. They adjusted rates and services according to friends or enemies, whether or not there was competition on a certain line, and whether it was a short haul or a long one -- in short, they charged all the traffic would bear and made the rules to reap the most profit. There was a strong railroad lobby of government and the railroad companies made generous campaign donations in order to put sympathetic people into office.

Arbitrary and excessive rates also put the farmers at the railroad's mercy. The agrarian people successfully pressured state legislators to pass regulatory laws only to have them overturned by a US Supreme Court ruling that states cannot regulate interstate commerce. Finally the US Congress was persuaded to pass the Interstate Commerce Act of 1887 which set up the Interstate Commerce Commission. The Act was weak and unenforceable but it was the first attempt by Congress to regulate any business for the interest of the public. And it was a precursor to more effective regulation which would doom exploitive monopoly, at least for many decades.

Industrial Magnates and Trusts.

Railroads weren't the only industry that boomed after the Civil War. It was actually the railroad that caused other industries, especially steel, to swell during that period. In 1860 the United States ranked fourth in manufacturing capacity. By 1894 it had risen to first place. This was facilitated by two circumstances: 1) a bountiful supply of natural resources such as coal, iron, and oil; and 2) an abundance of unskilled labor, both national and foreign. In the area of new technology, 440,000 patents were filed between 1860 and 1890. The total property value of the US in 1890 was estimated at \$65 billion, of which \$25 billion belonged to corporations. (Cited in Bailey, p. 533) This period of growth has often been referred to as the second American industrial revolution.

As business boomed, it was not long before the various business entrepreneurs devised ways to maximize profits while minimizing production costs. The technique that evolved to monopolize the market was the Trust. The way it works is that stockholders in several businesses which produce the same or similar products would combine their stocks in trust in one large company. This company would then pay dividends to the various stockholders of the smaller companies.

Under this system the Trust essentially owned all or part of several companies doing similar business. Through its size the Trust could take the fullest advantage of mass production (with ability to limit production in order to create demand), mass transportation (while securing favorable railroad rates and secret kickbacks), mass marketing (with the ability to set prices according to local conditions), and mass advertising. It eliminated duplication and increased efficiency. It eliminated competitive pricing but could lower prices where necessary to drive smaller companies out of business. Most important of all to the stockholders, and the reason for the Trust's existence in the first place, this means of consolidation brought in a much higher profit than if the various companies had operated separately.

Consolidation into Trusts proved more profitable than competition and price wars. There was a Sugar Trust, a Tobacco Trust, a Leather Trust, a Meat Trust, and more. The new, mechanized, business-man farmer found that he was also at the mercy of trusts, such as the Harvester Trust and the Fertilizer Trust. As people began to organize against the Trusts they appealed to state legislatures. State attempts to regulate monopolies met with the same fate as state laws which attempted to regulate railroad behavior, they were declared unconstitutional by federal courts. The 14th Amendment, possibly influenced by corporate lawyers when it was passed in 1866, gave corporations the same legal rights as individual persons. Although the amendment was for the purpose of protecting ex-slaves, corporations were also able to assert their right not

to be deprived of their property without due process of law. As it was with the railroads, Trusts were thrown back to the federal government to regulate.

The Sherman Anti-Trust Act was passed in 1890. It outlawed conspiracies to control commerce but didn't differentiate between good and bad combinations. All in all, it was weak and not vigorously enforced, and was used to prevent trade union organizing to raise wages more than restrict business monopolies from increasing profits. Judges, legislators, and other men of influence were bribed to prevent serious enforcement of the Act. But, again, along with the Interstate Commerce Commission Act, the Sherman Anti-Trust Act foreshadowed what was to come in regulating greed.

Petroleum was one of the leading commodities to be placed in a Trust. Oil was used to fuel locomotives and to manufacture kerosene for lighting and heating. The first successful US oil well, named "Drake's Folly," was drilled at Titusville, Pennsylvania in 1859. Four years later John Davison Rockefeller entered the oil refining business in Cleveland, Ohio. Rockefeller's brother, William, joined the enterprise and started a second refinery in Cleveland. In 1867 the two refineries consolidated as Rockefeller, Andrews, Flagler & Company.

Then on 10 January 1870 the joint stock company, Standard Oil Company of Ohio, was established. It was the first significant American Trust and John D. Rockefeller was president. By 1882 the Standard Oil Trust controlled 95 percent of the petroleum refining capabilities, 90 percent of the pipelines, and had a substantial interest in railway tank cars. The Trust also had interests in other areas -- iron ore mining, lumbering, manufacturing plants, railroad transportation, and more. By 1900, Standard Oil and its first overseas subsidiary, Anglo American Oil Company, owned the world's largest fleet of oil tankers. Rockefeller's business practices were ruthless as he eliminated middle men and forced competitors out of business. He hired spies and extorted secret rebates from railroads. As Thomas Baily portrays: "The Trusts, with their thirst for power, had neither souls nor social consciences. Rockefeller, who believed in the Divine Right of Monopoly, wielded more influence over more people than many kings. 'God gave it to me,' he is said to have remarked of his princely fortune." (Cited in Bailey, p. 533)

The Supreme Court of Ohio in 1899 invoked the Sherman Anti-Trust Act to declare Rockefeller's Trust illegal. But Rockefeller reopened his business in another state, did a little shuffling around, and recreated his monopoly as a holding company entitled Standard Oil of New Jersey. It existed in that form until 1911 when it, too, was deemed illegal by the US Supreme Court and had to be split up.²

The steel industry also developed into an empire. When the English inventor, Sir Henry Bessemer, announced his process for making a cheap steel in 1856, it opened the door for a new market in railroad and bridge construction. The very malleable mild Bessemer steel was produced by the simple method of blowing cold air through molten pig iron to remove the carbon. Bessemer steel was later improved when a means of making non-phosphoric pig iron was devised.

Early railroad tracks and bridges were made of iron. In the 1870s Cornelius Vanderbilt started installing steel rails, which he ordered from England, in his New York Central Line. From then on, American production of steel picked up and by 1890 it was turning out a third of the world's supply. By 1900 the US was making as much steel as Britain and Germany combined. This was made possible partly by the unique geographic situation where coal for fuel, iron ore mines, and other essential ingredients for the manufacture of steel were located close to one another.

During his twelve years of railroad work, Andrew Carnegie saw that steel was going to be a big business. He started the Keystone Bridge Works in 1865 and then started specializing in steel in 1873. He formed a partnership with about forty Pittsburgh millionaires. By 1888 Carnegie's steel empire consisted

²In recent years, through the mechanism of corporate mergers, we have seen many of these oil companies come back together again.

of an elaborate Pittsburgh plant with nearby coal and iron mines served by 425 miles of railroad and a fleet of steamships on the Great Lakes. By 1901 this empire was producing a quarter of the nation's Bessemer steel.

Financiers also entered the picture during this era -- those resourceful entrepreneurs who invested in promising enterprises. In 1857 John Pierpont Morgan began his banking career in New York and became a legend in post-Civil War history. He established himself by financing the reorganization of railroads, insurance companies, and banks. At the turn of the 20th century, J.P. Morgan & Co., one of the world's most powerful banking houses, bought Carnegie's steel empire for \$440 million cash. He added other holdings to the Carnegie purchase, manipulated the stock, and established the United States Steel Corporation in 1901. US Steel became America's first billion dollar corporation.

Morgan's firm also carried through the formation of General Electric and International Harvester, while harmonizing competition and reorganizing numerous coal and railroad industries. Morgan was on the board of directors for many corporations. He died in 1913.

Morgan's son, John Pierpont Morgan, Jr. took over his dad's business. In 1933 the house of J.P. Morgan was forced by the Securities Act to separate investment banking from commercial banking. The resulting corporations became Morgan, Stanley & Co. for investment banking and J.P. Morgan & Company for commercial banking.

Philanthropy

As Taylor Caldwell described in *Captains and the Kings*, the cold and deadly men who make up the invisible government were all "respectable" by social standards, and they were all philanthropists. Philanthropy refers to charitable activity to improve the welfare of humanity. It generally applies to large donations for the purpose of alleviating or preventing social problems.

It appears that these entrepreneurs have to do something of social worth to assuage their consciences after arrogating such a disproportionate amount of wealth for themselves. Thomas Bailey explains: "Many of the new industrial millionaires [of the late 19th century], developing tender social consciences, donated immense fortunes to educational enterprises." (Bailey, pp. 551-552) In the twenty years between 1878 and 1898 these donations amounted to some \$150 million. According to the Encyclopædia Britannica, the 27 philanthropic organizations that existed in 1915 jumped to 12,000 by 1960 and were being created at the rate of 1,000 a year.

Cornelius Vanderbilt contributed \$1 million to found and endow Vanderbilt University (Nashville, Tennessee) in 1872.³ Jason "Jay" Gould's eldest daughter, Helen Miller Gould Sheperd, made huge philanthropic gifts to US Army hospitals during the Spanish-American War. It is reported that both J.P. Morgan Sr. and J.P. Morgan Jr. gave generously to charities. In 1889 Andrew Carnegie published an essay called "The Gospel of Wealth." He suggested that a rich man goes through two phases of life -- 1) amassing his wealth and 2) distributing the surplus to benefit the general public. After his steel empire was incorporated into United States Steel, Carnegie retired with \$440 million and spent the rest of his life giving money away. He must have felt somewhat guilty because he gave \$350 million of that away. That must have been his "surplus," as he stated in his essay -- he could live comfortably on the remaining \$90 million. That is equivalent to over \$2 billion today.

Libraries, particularly in the US and Britain, were the principle beneficiaries although libraries in other English-speaking countries received some help. All in all, Carnegie contributed \$60 million toward construction of public libraries. Among his other philanthropic endeavors was establishing the Carnegie

³One million dollars doesn't seem like much by today's standards. However, \$1 million in 1900 was equivalent to \$22.7 million today.

Institute of Technology in Cleveland in 1900, the Carnegie Institute in Washington D.C. in 1902, a large donor to Booker T. Washington's Tuskegee Institute in Alabama, and retirement funds for US college professors through his Carnegie Foundation for the Advancement of Teaching. He donated to many more charitable causes and created a number of other philanthropic institutions.

By the time Rockefeller's petroleum empire was shattered by anti-trust legislation, John D. had retired and was busy giving away his fortune. He donated some \$530 million to establish charities and foundations to study future opportunities for public service. The University of Chicago received his first gift which amounted to \$35 million.

Rockefeller's son, John Davidson Rockefeller Jr., joined his father's business in 1897 and later helped distribute the wealth. He assisted in forming the Rockefeller Institute for Medical Research, the General Education Board, the Rockefeller Foundation, and the Laura Spelman Rockefeller Memorial. Later he founded the International Education Board for the fields of natural sciences, humanities, and agriculture. Rockefeller Jr. focused mainly on preserving historic places and conserving natural resources. His gifts amounted to about \$400 million.

The financial musclemen of today do the same thing. The world's richest couple have set up the Bill and Melinda Gates Foundation with a base of \$24.2 billion to promote health care in poor countries. Other leading philanthropic foundations today are the Lilly Endowment, Inc. (\$12.5 billion), The Ford Foundation (\$10.8 billion), The Robert Wood Johnson Foundation (\$8.7 billion), the J. Paul Getty Trust (\$8 billion), the David and Lucille Packard Foundation (\$6.2 billion), the W.K. Kellogg Foundation (\$5.4 billion), and The Starr Foundation (\$5 billion). Even if those donations are partially motivated by good will, they also have much public relations value.

Stock Exchanges

During the "second industrial revolution" of the 1800s, large corporations were owned by millionaires. The corporation made the millions but, in turn, it was only the millionaires who could move ahead and expand and improve the business. But as technology advanced and investments soared, ownership of the means of production shifted to a wider base. Corporations "went public" and allowed others to buy shares, or stock, in it. Sales and exchanges of these public stocks were handled by stock exchanges.

The first stock exchange, the New York Stock Exchange, dates back to 1792 when a group of merchants banded together and started charging a commission for selling government securities. It is reported that they operated under a buttonwood tree on wall street during fair weather and moved their operation into a coffee shop when it rained.

Speculation in stocks grew as banks and insurance companies increased in numbers. Then the Civil War gave the New York Stock Exchange a spurt of growth. Upon entering the 20th century, and the breakup of oligarchical monopolies, public ownership in the large corporations increased. More stock exchanges emerged and competition to sell stock became more severe.. The system of stock ownership has now grown to where corporations have to scrape and burrow to earn stock dividends or keep the value of their stock high enough that will encourage speculators to hold onto it. This keeping the stockholders happy and wealthy has degraded the service that corporations can offer to their employees and to the public.

Summary

Capitalism, in the form of a second industrial revolution for America, made tremendous inroads during the last half of the 19th century. Railroads, mass production, mass marketing, and banking matured considerably.

Public Relations techniques to accompany capitalism made some headway in the marketing aspect, particularly mail-order houses and department stores. Some of the techniques used were very good but the

general approach to PR was haphazard and came closer to advertising than PR. Refinement of public relations did not commence until after the turn of the century when the backlash against arrogant monopolies began to take effect.

NOURISHING MONOPOLY BY REFINING PROPAGANDA: 1900-1930

The 20th century dawned in the glow of numerous new technologies. Orville and Wilbur Wright piloted a heavier-than-air machine off the ground in Dayton, Ohio in 1903. Motion pictures also got off the ground that same year with the Edison Company's silent film *The Great Train Robbery*. Guglielmo Marconi made a wireless transmission of 200 miles in 1901. By 1912 radio-telegraph service was established between San Francisco and Hawaii.

In the 30 years between 1890 and 1920, some 23 million people immigrated to the United States from eastern Europe and Italy. The silent movie which came into being at the turn of the 20th century was an ideal medium for overcoming the language and cultural barrier of immigrants.

Concurrently with all of this new technological development and demographic realignment, monopolies and trusts flourished more than ever. Railroads with their vast network of tracks were as arrogantly insensitive to the public as ever. The Sherman Anti-Trust Act of 1890 and the Interstate Commerce Act of 1887 had so many loopholes that they were worthless. Appeals to meaningful court decisions would drag on for years and nothing was changed. The public was outraged and restraint on big business was needed.

Trust-Busting During The Pre-World War 1 Years.

A new type of journalism emerged as the public was showing their discontent with the cavalier attitude of big business and big money. Some enterprising journalists, seeing public interest in the topic, began searching out and printing all the nuances of corruption practiced by government officials and business executives. In his 1906 speech, President Theodore Roosevelt dubbed this type of journalism "muckraking," reportedly by a reference to the man with a "muck rake" in Bunyan's *Pilgrim's Progress*. The name stuck and muckraking became a form of journalism that raises public attention to issues of social interest. As a result of these exposés, the monopolistic trusts and contemptuous railroads met their doom. Industry and transportation began to see that public opinion is a factor to be considered as a business practice.

All of this media and taxpayer prodding got Congress off its duff. To control the railroads the Elkins Act of 1903 was passed to curb the practice of rebates. That was followed by the Hepburn Act of 1906 which severely restricted bribery and the granting of free passes. It also revitalized the Interstate Commerce Commission and expanded to oversee all forms of interstate business. It was also given the power to set maximum rates.

The trusts met a similar fate. Theodore Roosevelt resurrected the Sherman Anti-Trust Act and started charging large businesses with monopolistic practices. In 1905 the US Supreme Court found the beef trust illegal. More were to follow -- the sugar trust, fertilizer trust, harvester trust, and many more were dissolved. Rockefeller's Standard Oil trust was splintered into 30 companies in 1911. Likewise, in May 1911 the Supreme Court also broke up the American Tobacco Company. But, like many of the other gigantic monopolies, these businesses were able to gel into other forms to keep their prices high and their profits flowing.

At the same time as it dissolved the Standard Oil Trust in 1911, the US Supreme Court also clarified the Sherman Anti-Trust Act with the "Rule Of Reason." This mandated that the courts only prosecute those trusts having unreasonable restraint on trade. This differentiated between good trusts and bad trusts, and prevented the legislation from being used against useful combinations like labor unions.

During the Woodrow Wilson administration, and in an effort to break up the trusts, the Federal Trade Commission Act of 1914 became law. This Act established a five-man bi-partisan commission under the President to protect the public from unscrupulous and dishonest business practices associated with interstate commerce. The Meat Inspection Act and The Pure Food and Drug Act were both passed by Congress in 1906. More substantial advances were achieved at the state level because US congressmen and senators were being “bought” by campaign donations and unduly influenced by lobbying.

To counteract the increasingly restrictive legislation designed to protect the public, and to skirt the trust-busting legislation, industrialists conjured up the concept of holding companies. These holding companies held securities along with more than 50 percent of the voting stock in various corporations, and reaped a profit on that stock. Then a super holding company may buy a majority of the voting stock in several holding companies, and reap a share of the profits of each. As Bailey describes it: “A corporation produced a useful commodity like harvesters; a holding company produced profits.” (Bailey, p. 694)

Attempting to counter monopoly and business practices which inhibited competition and resulted in price discrimination, the Clayton Anti-Trust Act was passed in 1914. It restricted holding companies if they were involved in a monopoly. The Clayton act also exempted labor unions from anti-trust actions and limited court injunctions to stop strikes to cases that involved irreversible damage to property.

In the area of banking, in 1908 the Aldrich-Vreeland Act was passed to allow National Banks to issue currency backed by various kinds of collateral. This would lead to the Federal Reserve Act in a few years. Banker-Senator Aldrich then headed a four-year study by the National Monetary Commission to overhaul the civil-war era banking laws. The Commission recommended a gigantic central bank with many branches.

The House of Representatives commissioned the so-called Pujo Committee in 1912 to make a prolonged investigation into the “Money Trust.” The committee investigators found that 341 directors in the largest corporations were held by banking houses controlled by Morgan and Rockefeller interests. Dr. Woodrow Wilson, then governor of New Jersey, noted: “The greatest monopoly in this country is the Money Monopoly.” (Cited in Bailey, p. 676)

After Woodrow Wilson was elected President, the recommendations of Aldrich’s National Monetary Commission lost out and the Federal Reserve Act became law in late 1913. Under the Federal Reserve System a Federal Reserve Board in Washington was appointed by the President. This Board could print currency and oversaw twelve Federal Reserve Banks -- one in each of twelve geographical districts of the United States -- which were actually banks for bankers, they didn’t accommodate private accounts.. From these centralized banks the money pipeline flowed to member banks in the areas of most need. All National Banks were required to join and others could do so if they wished, providing they complied with the rules of the Federal Reserve System.

In 1933 the house of J.P. Morgan was forced by the Securities Act to separate investment banking from commercial banking. The resulting corporations became Morgan, Stanley & Co. for investment banking and J.P. Morgan & Company for commercial banking.

Business Turns To Public Relations (PR).

With all this flurry of regulatory legislation accompanied by strict enforcement, the predatory trusts and greedy millionaires became acutely aware that the public must be kept happy and that businesses establishments must be liked. In short, they recognized a desperate need to have good relations with the public.

Ivy Ledbetter Lee entered the picture with the turn of the century. After graduating from Princeton University, he worked as a journalist for several newspapers including *The New York Times*, specializing in finance and business reporting. In 1903 he became publicity manager for the Citizens’ Union and then press agent for the Democratic National Committee. Lee and a colleague, George Parker, established their own

public relations company in 1905. The following year he made a classic contribution to the public relations profession by publishing *Declaration of Principles*.

Lee's approach to PR was to give the public facts so they could understand the position of business operations. Frankness and openness was his way of winning public approval. He distributed *Declaration of Principles* to reporters during an anthracite coal strike. An excerpt from that publication states: "This is not a press bureau.... This is not an advertising agency.... In brief, our plan is frankly, and openly, on behalf of business concerns and public institutions, to supply the press and public of the United States prompt and accurate information concerning subjects which it is of value and interest to the public to know about." (Cited in Turney)

The value of open and honest communication was demonstrated after a 1906 accident of the Pennsylvania Railroad which was taking a lot of public flak. In railroads at that time -- as in industry and banking -- there was no interest in public relations. The tycoons who ran those enterprises felt they were above public opinion and looked upon the public with contempt. Their only expenditure to promote business was buying off judges, legislators, and other influential people. By providing to help people better understand the policies and routines of business corporations, Lee changed that public impression in this case. His successful PR work earned him the title of executive assistant to the president of Pennsylvania Railroad. As he pointed out: "You suddenly find you are not running a private business, but you are running a business of which the public itself is taking complete supervision." (Cited in *Public Relations Founding Fathers*) In conjunction with that philosophy, Stuart Ewen points out that "the truth is something that can be merchandised to the public ..." (Ewen, *PR: A Social History Of Spin*, p. 80)

Attracted by the successes of Lee's approach, John D. Rockefeller, Jr. hired Lee in 1914 to handle media relations during the labor strikes at Colorado Fuel and Oil Company. During the following year he joined the personal advisory staff of John D. Rockefeller, Sr. It was a difficult job smoothing the well-deserved image of a "robber baron" -- the man who said "the public be damned" -- but Lee's persuasiveness and perseverance eventually wore the tyrant down. Eventually Lee was advising the Rockefeller family on a wide range of management policy and business decisions that included salving workers' grievances and the working environment. As Michael Turney puts it: "In many ways this presaged the interactive adjustment and mutual satisfaction approaches to public relations that weren't fully articulated until 70 years later." (Turney)

World War 1 -- Propaganda to Mobilize the Public.

President Woodrow Wilson was inaugurated in January 1913 and World War 1 started the following year. America entered the fray in 1917. Support from the American public was desperately needed. To mobilize public opinion to support the war, Wilson appointed journalist George Creel to head a newly-created Committee on Public Information. One mandate for this Committee was to sell America on the war. The second was to sell the world on Wilson's war objectives. This Creel Committee, as it was often called, had some 150,000 employees, located both in the US and abroad. Among them was Ivy Lee and a soon-to-be-popular public relations counsel named Edward L. Bernays.

Creel arranged many forms in which to conduct his propaganda campaign. Artists were recruited to make patriotic posters that were tacked to bulletin boards and fences, placed in store windows, and otherwise prominently displayed. Leaflets and pamphlets were printed by the millions and showered across the globe. Red, white and blue patriotic booklets were also delivered by the millions. Both of these efforts promoted an enemy image of the bloody Hun and a murderous German Kaiser. Movies were filmed to carry the same message. Patriotic songs were chorused at every public gathering to denigrate the enemy and glorify our troops.

Another technique used was the army of “Four Minute Men.” Some 75,000 men delivered about 7½ million patriotic pep talks -- short speeches during movie theater intermissions and other opportune occasions. Creel has been referred to as the mobilizer of emotion. His techniques were later picked up by Hitler’s war machine in the ‘30s and ‘40s.

Because of the many immigrants in America, especially the 8 million German-Americans which comprised 8 percent of the US population, there was a fear of espionage and sabotage from within the country. This fear was fanned by rumors of spies within the armed forces and elsewhere, and by the anti-German hate hysteria that was spreading. Congress passed the Espionage Act of 1917 and the Anti-sedition act of 1918.

There were over 1,900 persecutions under both laws. German-Americans proved to be quite loyal and this legislation was directed mostly against socialist leaders and socialist organizations. The Bolshevik Revolution in Russia touched off a post-war “Red Scare” in the US which resulted in a massive crusade against left-leaning citizens and those suspected of being leftists. Some 6,000 suspects were arrested and alien radicals were deported. Some states enacted their own anti-red laws and suspected state legislators, all duly elected, were denied their seats.

This brief explanation of World War 1 propaganda will suffice for now. I plan to address war propaganda in more detail in a future paper.

Capitalism’s Post-war Rebound.

The widespread disenchantment with big business practices at the turn of the century prompted millionaire entrepreneurs to conjure up devious devices to preserve their empire. World War 1 saved their day as big business became essential to the war effort. An outside threat coupled with slick propaganda techniques has always been able to rally a nation.

The railroads, which had been commandeered by the government during the war, were returned to private operation in 1920. To compensate the owners for their loss the government, in an extremely generous mood, passed the Esch-Cummins Transportation Act of 1920 to provide financial health and provide arbitration for labor squabbles. Whether intended to or not, the Act stimulated amalgamation rather than prevent monopoly and compel competition.

The taxes invoked during the war were especially distasteful to the rich. Between 1921 and 1926 Treasury Secretary Mellon successfully prodded Congress to repeal the excess profits tax and the gift tax; and to reduce the excise tax, the surtax, the income tax, and the inheritance tax. This efficiently shifted the tax burden off the shoulders of the rich, reducing their income tax alone from almost 70 percent to a much more enjoyable 20 percent.⁴ These tax cuts were accompanied by raising the tariff on imports to protect American industrialists.

Learning from wartime propaganda, PR took a new tack during the 1920s. According to Stuart Ewen, one school of thought in the early 20th century was that *the crowd* and *the public* were two distinct entities. *The crowd* is brutish and emotional which functioned in a simple emotional state at the perception stage of awareness. *The public* has the intrinsic ability to engage in rational debate, and its behavior is expressed as public opinion resulting from discussion and debate of the facts presented.

Ivy Lee was still a prominent PR expert during the 1920s. Prior to the war, his approach was to address *the public*. At that time he believed PR was “grounded in a premise of rational argumentation.” This

⁴Bailey uses the example that a man receiving \$1 million a year had his income tax burden reduced from \$663,000 in 1921 to \$200,000 in 1926. (p. 778).

was modified somewhat after World War 1 when he swung more toward addressing *the crowd* -- to “tactics of psychological manipulation, on seductive appeals to the subconscious recesses of mental life.” Lee said in 1921: “Publicity is essentially a matter of mass psychology. We must remember that people are guided more by sentiment than by mind.” (Quotations in this paragraph cited in Ewen, *PR: A Social History Of Spin*, p. 132)

Walter Lippman made his debut in the early 1920s as an advocate of public opinion management. He is described as a “democratic realist of the twenties” who addressed the problem of how to mediate between the democratic aspirations of ordinary men and women and the conviction that elites should govern without an active or participatory public. His approach was to “manufacture consent.” (Ewen, *PR: A Social History Of Spin*, p. 147)

Lippman appealed to *the crowd* mentality to achieve the desired behavior from *the public*. He did not believe the average person could clearly understand the world. He thought humanity comprehended their environment through images, or pictures, in their minds. He maintained that people are little inclined toward logic or reasoning, and that the inclination becomes even less as technology -- communication and travel -- advances. To him, public opinion is basically an irrational force conditioned by their cultural milieu.

From this analysis, Lippman concluded that people do not really know their world and cannot be expected to act wisely in it. In what has been termed “democratic realism,” Lippman advocated that a pseudo environment could be created by trained social analysts for the elite to manipulate public opinion. He termed this approach “cognitive engineering.”

To engineer public opinion (i.e. conjure up the desired image of the world in the people’s minds), Lippman saw the best approach as the use of pictures. Next best is words that call up pictures. To that end, it is not enough to leave it to the press to form public opinion. He endorsed specialists for the leadership that will formulate how the press handles certain issues -- so called preemptive management.” Ronald Steel explains:

Without some form of censorship, propaganda in the strict sense of the word is impossible. In order to conduct a propaganda there must be some barrier between the public and the event. Access to the real environment must be limited, before anyone can create a pseudo-environment that he thinks is wise or desirable. (Steel, Ronald; *Walter Lippman and the American Century* (New York, 1980), pp. 42-43. Cited in Ewen, *PR: A Social History Of Spin*, p. 152)

Lippman saw no techniques or persuasion as effective in unifying public opinion and derailing independent analysis as scientific use of symbols. Toward that end, motion pictures -- first the silent and then the talkies, first the black-and-white and then the colored -- provided a ready means of mass impression. Again, Stuart Ewen emphasizes: “Intrinsic to this outlook was Lippman’s firm belief that most people are inescapably oblivious to their world and cannot be expected to deal intelligently with the merits of a controversy.” (Ewen, *PR: A Social History Of Spin*, p. 158)

Edward L. Bernays, a former member of the World War 1 Committee on Public Information and a self-styled public relations counselor, was impressed with Lippman’s ideas and spent the next seven decades of his life building and improving on them.. Bernays “conceives of his profession as ‘the conscious and intelligent manipulation of the organized habits and opinions of the masses’ ... Through his expert control over the ‘mass mind’ the (public relations) counselor functions as ‘the invisible government.’” (Vaughn, Wayland F.; *Social Psychology: The Science and the Art of Living Together* (The Odyssey Press, 1948). Cited in Larson, p. 279) Whether or not the public relations expert is, himself, the invisible government may be a point of contention. It seems more likely that the entity that employs public relations specialists may be the invisible government. Nevertheless, it is with the consent of the public that any invisible government would function. Therefore, it would be a goal of any invisible government to engineer the public’s consent.

The term “Engineering of Consent” is attributed to Bernays. He uses it to define his principles and practices to sway people’s opinions in favor of certain ideas and programs. He again mentions the invisible government: “Those who manipulate this unseen mechanism of society,” Bernays wrote about engineering consent, “constitute an invisible government which is the true ruling power of our country.... [O]ur minds are molded, our tastes formed, our ideas suggested, largely by men we have never heard of....” (From Bernays’ 1928 book *Propaganda*. Cited in Griffith) Bernays had a special formula for applying this power of PR:

When defining a public relations goal, it is essential to validate it through independent, impartial audiences. This represents to target audiences, and to the general public, that the goal is important and clearly in the public interest.

Validation is analogous to playing a game of billiards instead of pool. If you assert yourself directly on the various elements of society, as one ball directly hits another in pool, you will be labeled a *propagandist* by those whose attitudes and actions you are attempting to influence. However, if you have independent sources deliver your message indirectly, as a billiard shot uses a cushion before hitting its target, you are more likely to gain acceptance and achieve the desired social ends. (Cited in *Communication Blueprint*)

One example used to illustrate this technique is advertising bacon. One could claim that eating bacon is good, or cheap, or gives you reserve energy. But who is the authority on eating habits? Doctors and dieticians, of course. So the effective approach would be to get a doctor or dietician to advocate eating bacon. We have seen this approach used over and over on TV. Screen stars and athletes often degenerate to making commercials. The masses tend to follow a trusted leader.

Regarding the relationship between democracy and its elite leaders, Bernays said in his 1928 book, *Propaganda*, that PR counsels would provide the skills necessary to bring about a successful negotiation between the chaos of popular aspirations and elite power. He said that “the conscious and intelligent manipulation of the organized habits and opinions of the masses” has become an indispensable feature of a “democratic society.” (Cited in Ewen, *PR: A Social History Of Spin*, pp. 166-167)

Bernays has used some very imaginative methods to authenticate his PR messages. A classic example was the Light’s Golden Jubilee in Dearborn, Michigan, which was orchestrated by Bernays while he was working for General Electric and GE’s secret holding company -- the National Electric Light Association. He planned the jubilee celebration for 21 October 1929 to celebrate the 50th anniversary of Thomas A. Edison’s invention of the electric light bulb. To give it public credibility and interest, he arranged for the presence of President Herbert Hoover, movie star Will Rogers, aircraft pioneer Orville Wright, and radium discoverer Marie Curie. With such an impressive lineup the event was certain to have powerful public relations value.⁵

The Lights Golden Jubilee event was also newsworthy. Bernays prescribed that a good PR man generated the news. He encouraged his clients to create an overt act that woke people up from the daily routine to draw attention. In Bernays’ own words: “News is not an inanimate thing. It is the overt act that makes news, and news in turn shapes the attitudes and actions of people.” (Cited in Ewen, *PR!: A Social History of Spin*, p. 22) Lights Golden Jubilee was certainly a creation of circumstances to make news.

Another technique that Bernays advocated was to make connections with social causes. When he was working for the American Tobacco Company and selling the “benefits” of smoking, particularly of smoking Lucky Strikes, one of his main projects was getting women to smoke. Toward that end he conjured up the Torches of Freedom campaign and focused on the contemporary cause of equality of the sexes. Again, he used his other wiles by getting authoritative personalities to support his campaign, in this case

⁵ A good narration on Lights Golden Jubilee see Tye, pp. 63-69.

prominent members of the feminist movement who were also married to men of notoriety. The overt event was to have several young women marching down Fifth Avenue in the 1929 Easter parade while smoking their “torches of Freedom.”⁶ This of course had much press coverage which was also orchestrated. Here, as in essentially all of his projects, Bernays created a newsworthy event, enlisted a social cause, and obtained other authorities to promote the project.

With ingenious PR experts like Lee, Lippman, and Bernays, the post-war economic rebound of finance and industry during the 1920s was sensational. Stockholders in large corporations increased from 500,000 in 1900 to 2 million in 1920, and then to 10 million by 1930. As stockholders increased, the interest in controlling monopoly decreased. The *Laissez-Fair* Republican administrations of the 1920s hastened the concentration of industry into increasingly fewer companies. Between 1919 and 1930, over eight thousand business establishments disappeared through mergers and consolidations, or simply inability to compete with larger enterprises. President Calvin Coolidge once declared: “The business of the United States is business.” (Cited in Ewen, *PR: A Social History Of Spin*, p. 226)

As businesses consolidated to fewer and larger corporations, a mass-production/mass-consumption society evolved at a rapid rate. But the commercial boom was not to extend beyond the decade. Following the stock market crash of 1929, public opinion took a dramatic shift to a new direction. Capitalism was in deep trouble.

DEPRESSION YEARS AND THE “NEW DEAL”

The stock market crash of 1929 devastated the US economy. In the four years between 1929 and 1933, America’s gross national product (GNP -- the total annual output of a nation’s goods and services) fell from \$103.1 billion to \$55.6 billion. Between 1929 and 1932, the total net profits of private corporations fell from \$8.4 billion to \$3.4 billion, and more than 100,000 US businesses failed. During that same four years, industrial production declined 51 percent and American exports dropped by two thirds. By 1932 a quarter to a third of the US workforce was unemployed and many of the rest were working part time or at reduced wages. Life savings evaporated as banks failed. America was ready for drastic changes.

Franklin Delano Roosevelt (FDR) was inaugurated as US president in January 1933. Journalist Louis McHenry Howe had been FDR’s campaign manager since he ran for the New York state senate in 1912 and then through his gubernatorial campaign. Howe explained his simple yet persistent approach: “If you say a thing often enough, it stands a good chance of becoming a fact.”⁷ (Cited in Ewen, *PR: A Social History Of Spin*, p. 243) Although FDR had an introverted personality, Howe helped him develop a leadership style of getting out with the ordinary people and making himself available. During his presidency, FDR dispelled the aloofness usually ascribed to a leader by making radio his preferred publicity device. In his 32 fireside chats, he delivered well-digestible bites of information and explained them well. Keeping the people informed and being available to the press was FDR’s publicity approach.

FDR’s “New Deal” policies were aimed at improving the economy and providing jobs. It was a final stage in a growing disenchantment with *Laissez-Faire* capitalism. This trend, of course, was bucked by the corporate giants. To counteract that, the people had to be united. In a strange twist for techniques which had been systematically used to sway public opinion in favor of business interests, PR was then employed to encourage the people and to show them their potential power. While displaying trust and affection for the people (as opposed to the usual fear of public opinion embodied by most politicians), FDR stressed the

⁶For a more complete presentation of the Torches of Freedom campaign see Tye, pp. 28-31.

⁷This same approach was adopted by Nazi propaganda minister Joseph Goebbels who counseled: “Keep it Simple. Say it often.”

greater good of humanity over the selfish interests of a few. As Ewen states, Roosevelt called for a “reanimation of America’s honorable democratic roots, a return to principles that had gotten lost amid an inferno of commercialism.” (Ewen, *PR: A Social History Of Spin*, p. 259)

One forceful propaganda tool used employed pictures and photography. In 1935, Roy Stryker became head of the Historical Section of the Information Division of what later became the Farm Security Administration (FSA). He produced a display which illustrated the goals of the FSA. It depicted the prevalent poverty but in a way that showed the people had spirit and were struggling. By making widely known the dire needs of poverty while at the same time upholding the ideal of human rights and the common good, this exhibit unified the people and gave them a purpose. It spread to many institutions by 1938 and was even used by commercial media up to 1940. Hollywood was influenced and produced films like *The Grapes of Wrath*. What has been termed as “social photography” had a significant impact on photojournalism. The exhibit also allied the middle class with the poor and energized that alliance with a “simple blunt directedness” to oppose the misuse of America’s resources.⁸

In addition to this photo exhibit, a constant flow of government-manufactured information overwhelmed the media. Labor unions gained ground and workers’ rights became a sacred principle. A progressive income tax (the more money you make, the more you pay) was institutionalized. Consumer cooperatives (Co-Ops) emerged which actually competed with businesses in marketing brand-name foods and other commodities. As a militant and organized consumer movement emerged, business interests actually had the audacity to question if democracy could work when public opinion is manufactured by the government.

New Deal Legislation -- Uniting and Empowering the People.

Accompanying this effort to unite the people was a flurry of “New Deal” legislation aimed at the three “R”s of recovery, relief, and reform. On 6 March 1933, shortly after his inauguration, FDR declared a nationwide bank holiday. Then on March 9th he called Congress back into what became known as “the hundred-day session” to pass emergency legislation. First was the Emergency Banking Relief Act of 1933 which empowered the president to regulate bank transactions and foreign exchange, and to reopen banks that were solvent. Another law pertaining to banking was the Glass-Steagall Banking Reform Act which created the Federal Deposit Insurance Corporation (FDIC). The FDIC insured every individual bank account up to \$2,500 (later increased to \$5,000 and then \$10,000) and restored public confidence in banks.

Regarding the stock market, this “hundred-day congress” also passed the Federal Securities Act on 27 May 1933. Also known as the “Truth in Securities Act,” it required promoters to certify the soundness of the stocks and bonds they were offering for investment. On 6 June 1934, Congress authorized the Securities and Exchange Commission (SEC) to regulate the stock market to prevent deception and fraud. The Public Utility Holding Company Act of 26 August 1935 eliminated the pyramiding of layers of business under those super corporations.

Farmers were helped with the Agricultural Adjustment Act of 12 May 1933. Under this legislation the farmers were reimbursed for withholding some crops from the market, thus creating a demand and raising prices. The millions of dollars for reimbursement was obtained by taxing the industries which processes the

⁸ A similar propaganda technique was used in February 2002 to rally support for the Bush administration’s war on terrorism. The State Department’s Bureau of Educational and Cultural Affairs organized an exhibition of photographer Joel Meyerowitz’s collection called “After September 11: Images From Ground Zero.” These photographs documented the tragic aftermath of the terrorist attack that destroyed the twin World Trade Center towers. Twenty seven sets of the Meyerowitz collection went on a worldwide traveling tour.

farm products. This act was declared unconstitutional by the Supreme Court in 1936 when it was replaced by the Soil Conservation and Domestic Allotment Act of 1936 which used a conservation approach to limiting crops. Rather than withhold existing crops from the market, farmers were paid to let the land lie fallow or to plant nitrogen-producing crops to improve the soil. This legislation was followed the Second Agricultural Adjustment Act of 1938 which provided parity payments for restricting certain crops like cotton or wheat.

The National Industrial Recovery Act was passed on 16 June 1933. It created, among other things, the National Recovery Administration (NRA) for the triple purpose of helping industry, labor, and the unemployed. Industry had to work out codes for “fair competition,” to increase employment by reducing the hours of labor for each person, and to observe a set minimum wage. Under the NRA, labor was given the right to collective bargaining by representatives of their own choice, anti-union contracts were outlawed, and restrictions were placed on child labor.

In 1935 the Supreme Court killed the NRA. Congress then immediately passed the National Labor Relations Act of 1935 (The Wagner Act) which created the powerful National Labor Relations Board to oversee collective bargaining, supervise elections, and guarantee the workers’ rights to choose their own bargaining representatives. The Fair Labor Standards Act of 1938 (also known as the Wages and Hours Bill) banned child labor, set a minimum wage, and set maximum-hour standards for workers. A wave of strikes, sometimes violent, established in practice what congress had legislated. First the auto industry laborers were organized and then labor unions were recognized by the steel industry. From there on, labor unions grew in strength.

Finance and Industry’s Response -- Reconstructing the Public Image.

With the overwhelming New Deal momentum of wide-spread sentiments favoring labor and the consumer, the clout of business and finance was being challenged. The days of *Laissez Fair* were over as the balance of power shifted. Nevertheless, persistent corporate PR campaigns were so dramatic, and had such a durable political effect, that public relations firms flourished. Some prominent ones during the 1930s were Edward Bernays (who also had an influence on Germany’s propaganda minister, Joseph Goebbels), Carl Byoir and Associates (which also represented Hitler’s Third Reich in the US), Whitaker & Baxtor, Hill & Knowlton (who also represented Kuwait during the 1991 Persian Gulf war and concocted the story of babies being pulled from incubators by Iraqi soldiers), and Bernard Lichtenberg’s Institute of Public Relations.

Corporate PR now had to address the public as a whole rather than aim toward individual customers. With the growing public unity, Edward Bernays said in 1936 that businesses should also unite -- that they should transcend their individual corporate interests and look out for their collective interests. Carl Byoir wrote in 1938: “American industry -- the whole capitalist system -- lives in the shadow of a volcano. That volcano is public opinion. It is in eruption. Within an incredible short time it will destroy business or it will save it.” (Byoir, Carl; “The Volcano of Public Opinion,” *Public Relations 1* (First Quarter, 1938), p. 18. Cited in Ewen, *PR: A Social History Of Spin*, pp. 294-295) Also in 1938, the August issue of *Fortune* magazine editorialized that businesses would fare better if they presented themselves more as public-service institutions than as profit-oriented entities.

Chain grocery stores are one group that combined to counter legislation which damaged their image and profits. A 1935 major food industry meeting in New York established the National Food and Grocery Committee as their front organization to propagandize the advantages of chain stores. In doing so, co-op brands were presented as inferior. Three years later, in 1938, Carl Byoir was hired by A&P Markets to rally public opinion against federal taxes on chain stores. And to illustrate how devious and misleading corporate propaganda can get, the California Chain Store Association in 1938 established a paper organization called

the Foundation for Consumer Education. While publicly touted as a clearing house for information that benefits consumers, the connection of this organization with chain stores was kept secret.

Corporate America had a hey day during the 1939 New York World's Fair. It offered the most resounding opportunity of the decade for big business to respond to the politically hazardous publicity they had received from the New Deal. In that international exposition, corporations depicted a future in which private businesses existed primarily to serve the almighty consumer. As described by Stuart Ewen: "The fair's entire physical ambience communicated a theatrical rendition of a corporately animated tomorrow in which hardships had disappeared." (Ewen, *PR: A Social History Of Spin*, p. 328)

The Great Depression and the New Deal years of the 1930s were the greatest crisis ever for world capitalism. In spite of their strenuous PR efforts, it took businesses and financial institutions 40 years before they could even begin to recover their previous control of public opinion and the economy.

CONCLUSION

The purpose of this paper is to serve as an introduction to a series of papers on propaganda. Many promoters of ideas and concepts often claim that their information is educational, not propaganda. It is not always easy to recognize the fine line that differentiates one from the other. But, shortly after World War II, Max Wertheimer, a psychologist who fled Nazi Germany, constructed a useful rule-of-thumb to distinguish propaganda from education. Pratkanis and Aronson explain that, according to Wertheimer, "propaganda tries to keep people from thinking and from acting as humans with rights; it manipulates prejudice and emotion to impose the propagandist's will on others. Education, in contrast, should provide the skills for people to stand on their own two feet and to make their own decisions; it should encourage critical thinking." (Pratkanis and Aronson, p. 266)

Critical thinking and group discussion are at the heart of Wertheimer's concept of education. It is important to analyze many views from different perspectives and not just be guided by what we like or dislike. Education on a topic means finding out more about that topic. Analysis and discussion with an open mind promotes the educational process. That process, in turn, helps one to recognize and guard against the manipulative intent of propaganda. N.R.E. Maier, an organizational psychologist, developed guidelines in the 1950s for probing group discussion and decision making. They are outlined by Pratkanis and Aronson:

1. Do not accept the first answer you hear as *the* answer. Explore alternatives. Ask, "What else should be considered?", "What else might we do?"
2. Keep any discussion problem-centered and avoid looking for excuses or seeking to blame others for the problem. Avoid saying things like, "That's a really stupid idea."
3. Keep track of all suggestions for solving a problem or making sense of an issue so that each may be explored fully.
4. After gathering a number of suggestions for addressing an issue, then probing and evaluating questions may be asked. These might include: "How would that work out?" "Do I understand the issue or do I need to search out more information?" "Am I mistaken in my assumptions about the issue?" "What are the advantages and disadvantages of each proposal?" "Is there a way to combine suggestions to generate an even better idea?"
5. Protect individuals from personal attacks and criticism, especially if they present minority or divergent viewpoints (after all, they might be right).
6. Make your objective one of understanding differences of opinion in the group and attempting to resolve them.

(Pratkanis and Aronson, p. 267)

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GLOSSARY

AM	Amplitude Modulation.
FDIC	Federal Deposit Insurance Corporation.
FDR	Franklin Delano Roosevelt.
FSA	Farm Security Administration.
GE	General Electric.
GNP	Gross National Product.
NRA	National Recovery Administration.
PR	Public Relations.
SEC	Securities and Exchange Commission.
US	United States.