

# **PROPAGANDA**

**EDWARD BERNAYS**

With an Introduction by Mark Crispin Miller



Brooklyn, New York

information. It is not merely a case of bestowing favors in the hope of receiving favors: these activities of the railroad, besides creating good will, actually promote growth on its right of way. The interests of the railroad and the communities through which it passes mutually interact and feed one another.

In the same way, a bank institutes an investment service for the benefit of its customers in order that the latter may have more money to deposit with the bank. Or a jewelry concern develops an insurance department to insure the jewels it sells, in order to make the purchaser feel greater security in buying jewels. Or a baking company establishes an information service suggesting recipes for bread to encourage new uses for bread in the home.

The ideas of the new propaganda are predicated on sound psychology based on enlightened self-interest.

I have tried, in these chapters, to explain the place of propaganda in modern American life and something of the methods by which it operates—to tell the why, the what, the who and the how of the invisible government which dictates our thoughts, directs our feelings, and controls our actions. In the following chapters I shall try to show how propaganda functions in specific departments of group activity, to suggest some of the further ways in which it may operate.

## CHAPTER V

### BUSINESS AND THE PUBLIC

The relationship between business and the public has become closer in the past few decades. Business today is taking the public into partnership. A number of causes, some economic, others due to the growing public understanding of business and the public interest in business, have produced this situation. Business realize that its relationship to the public is not confined to the manufacture and sale of a given product, but includes at the same time the selling of itself and of all those things for which it stands in the public mind.

Twenty or twenty-five years ago, business sought to run its own affairs regardless of the public. The reaction was the muckracking period, in which a multitude of sins were, justly and unjustly, laid to the charge of the interests. In the face of an aroused public conscience the large corporations were obliged to renounce their contention that their affairs were nobody's business. If today big business were to seek to throttle the public, a new reaction similar to that of twenty years ago would take place and the public would rise and try to throttle big business

with restrictive laws. Business is conscious of the public's conscience. This consciousness has led to a healthy cooperation.

Another cause for the increasing relationship is undoubtedly to be found in the various phenomena growing out of mass production. Mass production is profitable only if its rhythm can be maintained—that is, if it can continue to sell its product in steady or increasing quantity. The result is that while, under the handicraft of small-unit system of production was that typical a century ago, demand created the supply, today supply must actively seek to create its corresponding demand. A single factory, potentially capable of supplying a whole continent with its particular product, cannot afford to wait until the public asks for its product; it must maintain constant touch, through advertising and propaganda, with the vast public in order to assure itself the continuous demand which alone will make its costly plant profitable. This entails a vastly more complex system of distribution than formerly. To make customers is the new problem. One must understand not only his own business—the manufacture of a particular product—but also the structure, the personality, the prejudices, of a potentially universal public.

Still another reason is to be found in the improvements in the technique of advertising—as regards both the size of the public which can be reached by the printed word, and the methods of appeal. The growth of newspapers and magazines having a circulation of millions of copies, and the art of the modern advertising expert in making the printed message attractive and persuasive, have placed the business man in a personal relation with a vast and diversified public.

Another modern phenomenon, which influences the general policy of business, is the new competition between certain firms and the remainder of the industry, to which they belong. Another kind of competition is between whole industries, in their struggle for a share of the consumer's dollar. When, for example, a soap manufacture claims that his product will preserve youth, he is obviously attempting to change the public's mode of thinking about soap in general—a thing of grave importance to the whole industry. Or when the metal furniture industry seeks to convince the public that it is more desirable to spend its money for metal furniture than for wood furniture, it is clearly seeking to alter the taste and standards of a whole generation. In either case, business is seeking to inject itself into the lives and customs of millions of persons.

Even in a basic sense, business is becoming dependent on public opinion. With the increasing volume and wider diffusion of wealth in America, thousands of persons now invest in industrial stocks. New stock or bond flotations, upon which an expanding business must depend for its success, can be effected only if the concern has understood how to gain the confidence and good will of the general public. Business must express itself and its entire corporate existence so that the public will understand and accept it. It must dramatize its personality and interpret its objectives in every particular in which it comes into contact with the community (or the nation) of which it is a part.

An oil corporation which truly understands its many-sided relation to the public, will offer that public not only good oil but a sound labor policy. A bank will seek to show not only that its management is sound and conservative, but also that its officers are honorable both in their

public and in their private life. A store specializing in fashionable men's clothing will express in its architecture the authenticity of the goods it offers. A bakery will seek to impress the public with the hygienic care observed in its manufacturing process, not only by wrapping its loaves in dust-proof paper and throwing its factory open to public inspection, but also by the cleanliness and attractiveness of its delivery wagons. A construction firm will take care that the public knows not only that its buildings are durable and safe, but also that its employees, when injured at work, are compensated. At whatever point a business enterprise impinges on the public consciousness, it must seek to give its public relations the particular character which will conform to the objectives which it is pursuing.

Just as the production manager must be familiar with every element and detail concerning the materials with which he is working, so the man in charge of a firm's public relations must be familiar with the structure, the prejudices, and the whims of the general public, and must handle his problems with the utmost care. The public has its own standards and demands and habits. You may modify them, but you dare not run counter to them. You cannot persuade a whole generation of women to wear long skirts, but you may, by working through leaders of fashion, persuade them to wear evening dresses which are long in back. The public is not an amorphous mass which can be molded at will, or dictated to. Both business and the public have their own personalities which must somehow be brought into friendly agreement. Conflict and suspicion are injurious to both. Modern business must study on what terms the partnership can be made amicable and mutually beneficial. It must explain itself, its aims, its

objectives, to the public in terms which the public can understand and is willing to accept.

Business does not willingly accept dictation from the public. It should not expect that it can dictate to the public. While the public should appreciate the great economic benefit which business offers, thanks to mass production and scientific marketing, business should also appreciate that the public is becoming increasingly discriminative in its standards and should seek to understand its demands and meet them. The relationship between business and the public can be healthy only if it is the relationship of give and take.

It is this condition and necessity which has created the need for a specialized field of public relations. Business now calls in the public relations counsel to advise it, to interpret its purpose to the public, and to suggest those modifications which may make it conform to the public demand.

The modifications then recommended to make the business conform to its objectives and to the public demand, may concern the broadest matters of policy or the apparently most trivial details of execution. It might in one case be necessary to transform entirely the lines of goods sold to conform to changing public demands. In another case the trouble may be found to lie in such small matters as the dress of the clerks. A jewelry store may complain that its patronage is shrinking upwards because of its reputation for carrying high-priced goods; in this case the public relations counsel might suggest the featuring of medium-priced goods, even at a loss, not because the firm desires a large medium-price trade as such, but because out of a hundred medium-price customers

acquired today a certain percentage will be well-to-do ten years from now. A department store which is seeking to gather in the high-class trade may be urged to employ college graduates as clerks or to engage well-known modern artists to design show-windows or special exhibits. A bank may be urged to open a Fifth Avenue branch, not because the actual business done on Fifth Avenue warrants the expense, but because a beautiful Fifth Avenue office correctly expresses the kind of appeal which it wishes to make to future depositors; and, viewed in this way, it may be as important that the doorman be polite, or that the floors be kept clean, as that the branch manager be an able financier. Yet the beneficial effect of this branch may be canceled, if the wife of the president is involved in a scandal.

Big business studies every move which may express its true personality. It seeks to tell the public, in all appropriate ways, by the direct advertising message and by the subtlest aesthetic suggestion, the quality of the goods or services which it has to offer. A store which seeks a large sales volume in cheap goods will preach prices day in and day out, concentrating its whole appeal on the ways in which it can save money for its clients. But a store seeking a high margin of profit on individual sales would try to associate itself with the distinguished and the elegant, whether by an exhibition of old masters or through the social activities of the owner's wife.

The public relations activities of a business cannot be a protective coloring to hide its real aims. It is bad business as well as bad morals to feature exclusively a few high-class articles, when the main stock is of medium grade or cheap, for the general impression given is a false one. A sound public relations policy will not attempt to stampe

the public with exaggerated claims and false pretenses, but to interpret the individual business vividly and truly through every avenue that leads to public opinion. The New York Central Railroad has for decades sought to appeal to the public not only on the basis of the speed and safety of its trains, but also on the basis of their elegance and comfort. It is appropriate that the corporation should have personified to the general public in the person of so suave and ingratiating a gentleman as Chauncey M. Depew—an ideal window dressing for such an enterprise.

While the concrete recommendations of the public relations counsel may vary infinitely according to individual circumstances, his general plan of work may be reduced to two types, which I might term *continuous interpretation* and *dramatization by high-spotting*. The two may be alternative or may be pursued concurrently.

Continuous interpretation is achieved by trying to control every approach to the public mind in such a manner that the public receives the desired impression, often without being conscious of it. High-spotting, on the other hand, vividly seizes the attention of the public and fixes it upon some detail or aspect which is typical of the entire enterprise. When a real estate corporation which is erecting a tall office building makes it ten feet taller than the highest skyscraper in existence, that is dramatization.

Which method is indicated, or whether both be indicated concurrently, can be determined only after a full study of objectives and specific possibilities.

Another interesting case of focusing public attention on the virtues of a product was shown in the case of gelatin. Its advantages in increasing the digestibility and nutritional value of milk were proven in the Mellon

Institute of Industrial Research. The suggestion was made and carried out that to further this knowledge, gelatin be used by certain hospitals and school systems, to be tested out there. The favorable results of such tests were then projected to other leaders in the field with the result that they followed that group leadership and utilized gelatin for the scientific purposes which had been proven to be sound at the research institution. The idea carried momentum.

The tendency of big business is to get bigger. Through mergers and monopolies it is constantly increasing the number of persons with whom it is in direct contact. All this has intensified and multiplied the public relationships of business.

The responsibilities are of many kinds. There is a responsibility to the stockholders—numbering perhaps five persons or five hundred thousand—who have entrusted their money to the concern and have the right to know how the money is being used. A concern which is fully aware of its responsibility toward its stockholders, will furnish them with frequent letters urging them to use the product in which their money is invested, and use their influence to promote its sale. It has a responsibility toward the dealer which it may express by inviting him, at its expense, to visit the home factory. It has a responsibility toward the industry as a whole which should restrain it from making exaggerated and unfair selling claims. It has a responsibility toward the retailer, and will see to it that its salesmen express the quality of the product which they have to sell. There is a responsibility toward the consumer, who is pressed by a clean and well managed factory, open to his inspection. And the general public, apart from its

function as a potential consumer, is influenced in its attitude toward the concern by what it knows of that concern's financial dealings, its labor policy, even by the livableness of the houses in which its employees dwell. There is no detail too trivial to influence the public in a favorable or unfavorable sense. The personality of the president may be a matter of importance, for he perhaps dramatizes the whole concern to the public mind. It may be very important to what charities he contributes, in what civic societies he holds office. If he is a leader in his industry, the public may demand that he be a leader in his community.

The businessman has become a responsible member of the social group. It is not a question of ballyhoo, of creating a picturesque fiction for public consumption. It is merely a question of finding the appropriate modes of expressing the personality that is to be dramatized. Some business men can be their own best public relations counsel. But in the majority of cases knowledge of the public mind and of the ways in which it will react to an appeal, is a specialized function which must be undertaken by the professional expert.

Big business, I believe, is realizing this more and more. It is increasingly availing itself of the services of the specialist in public relations (whatever may be the title accorded him). And it is my conviction that as big business becomes bigger the need for expert manipulation of its innumerable contacts with the public will become greater.

One reason the public relations of a business are frequently placed in the hands of an outside expert, instead of being confided to an officer of the company, is the fact

that the correct approach to a problem may be indirect. For example, when the luggage industry attempted to solve some of its problems by a public relations policy, it was realized that the attitude of railroads, of steamship companies, and of foreign government-owned railroads was an important factor in the handling of luggage.

If a railroad and a baggage man, for their own interest, can be educated to handle baggage with more facility and promptness, with less damage to the baggage, and less inconvenience to the passenger; if the steamship company lets down, in its own interests, its restrictions on luggage; if the foreign government eases up on its baggage costs and transportation in order to further tourist travel; then the luggage manufacturers will profit.

The problem then, to increase the sale of their luggage, was to have these and other forces come over to their point of view. Hence the public relations campaign was directed not to the public, who were the ultimate consumers, but to these other elements.

Also, if the luggage manufacturer can educate the general public on what to wear on trips and when to wear it, he may be increasing the sale of men's and women's clothing, but he will, at the same time, be increasing the sale of his luggage.

Propaganda, since it goes to basic causes, can very often be most effective through the manner of its introduction. A campaign against unhealthy cosmetics might be waged by fighting for a return to the wash-cloth and soap—a fight that very logically might be taken up by health officials all over the country, who would urge the return to the salutary and helpful wash-cloth and soap, instead of cosmetics.

The development of public opinion for a cause or line of socially constructive action may very often be the result of a desire on the part of the propagandist to meet successfully his own problem which the socially constructive cause would further. And by doing so he is actually fulfilling a social purpose in the broadest sense.

The soundness of a public relations policy was likewise shown in the case of a shoe manufacturer who made service shoes for patrolmen, firemen, letter carriers, and men in similar occupations. He realized that if he could make acceptable the idea that men in such work ought to be well-shod, he would sell more shoes and at the same time further the efficiency of the men.

He organized, as part of his business, a foot protection bureau. This bureau disseminated scientifically accurate information on the proper care of the feet, principles which the manufacturer had incorporated in the construction of the shoes. The result was that civic bodies, police chiefs, fire chiefs, and others interested in the welfare and comfort of their men, furthered the ideas his product stood for and the product itself, with the consequent effect that more of his shoes were sold more easily.

The application of this principle of a common denominator of interest between the object that is sold and the public good-will can be carried to infinite degrees.

"It matters not how much capital you may have, how fair the rates may be, how favorable the conditions of service, if you haven't behind you a sympathetic public opinion, you are bound to fail." This is the opinion of Samuel Insull, one of the foremost traction magnates of the country. And the late Judge Gary, of the United States Steel Corporation, expressed the same idea when he said: "Once



you have the good will of the general public, you can go ahead in the work of constructive expansion. Too often many try to discount this vague and intangible element. That way lies destruction."

Public opinion is no longer inclined to be unfavorable to the large business merger. It resents the censorship of business by the Federal Trade Commission. It has broken down the anti-trust laws where it thinks they hinder economic development. It backs great trusts and mergers which it excoriated a decade ago. The government now permits large aggregations of producing and distributing units, as evidenced by mergers among railroads and other public utilities, because representative government reflects public opinion. Public opinion itself fosters the growth of mammoth industrial enterprises. In the opinion of millions of small investors, mergers and trusts are friendly giants and not ogres, because of the economies, mainly due to quantity production, which they have effected, and can pass on to the consumer.

This result has been, to a great extent, obtained by a deliberate use of propaganda in its broadest sense. It was obtained not only by modifying the opinion of the public, as the governments modified and marshaled the opinion of their publics during the war, but often by modifying the business concern itself. A cement company may work with road commissions gratuitously to maintain testing laboratories in order to ensure the best-quality roads to the public. A gas company maintains a free school of cookery.

But it would be rash and unreasonable to take it for granted that because public opinion has come over to the side of big business, it will always remain there. Only

recently, Professor W. Z. Ripley of Harvard University, one of the foremost national authorities on business organization and practice, exposed certain aspects of big business which tended to undermine public confidence in large corporations. He pointed out that the stockholder's supposed voting power is often illusory; that annual financial statements are sometimes so brief and summary that to the man in the street they are downright misleading; that the extension of the system of non-voting shares often places the effective control of corporations and their finances in the hands of a small clique of stockholders; and that some corporations refuse to give out sufficient information to permit the public to know the true condition of the concern.

Furthermore, no matter how favorable disposed the public be toward big business in general, the utilities are always fair game for public discontent and need to maintain good will with the greatest care and watchfulness. These and other corporations of a semi-public character will always have to face a demand for government or municipal ownership if such attacks as those of Professor Ripley are continued and are, in the public's opinion, justified, unless conditions are changed and care is taken to maintain the contact with the public at all points of their corporate existence.

The public relations counsel should anticipate such trends of public opinion and advise on how to avert them, either by convincing the public that its fears or prejudices are unjustified, or in certain cases by modifying the action of the client to the extent necessary to remove the cause of complaint. In such a case public opinion might be surveyed and the points of irreducible opposition discovered.



The aspects of the situation which are susceptible of logical explanation; to what extent the criticism or prejudice is a habitual emotional reaction and what factors are dominated by accepted clichés, might be disclosed. In each instance he would advise some action or modification of policy calculated to make the readjustment.

While government ownership is in most instances only varyingly a remote possibility, public ownership of big business through the increasing popular investment in stocks and bonds, is becoming more and more a fact. The importance of public relations from this standpoint is to be judged by the fact that practically all prosperous corporations expect at some time to enlarge operations, and will need to float new stock or bond issues. The success of such issues depends upon the general record of the concern in the business world, and also upon the good will which it has been able to create in the general public. When the Victor Talking Machine Company was recently offered to the public, millions of dollars' worth of stock were sold overnight. On the other hand, there were certain companies which, although they were financially sound and commercially prosperous, would be unable to float a large stock issue, because public opinion is conscious of them, or has some unanalyzed prejudice against them.

To such an extent is the successful floating of stocks and bonds dependent upon the public favor that the success of a new merger may stand or fall upon the public acceptance which is created for it. A merger may bring into existence huge new resources, and these resources, perhaps amounting to millions of dollars in a single operation, can often fairly be said to have been created by the

expert manipulation of public opinion. It must be repeated that I am not speaking of artificial value given to a stock by dishonest propaganda or stock manipulation, but of the real economic values which are created when genuine public acceptance is gained for an industrial enterprise and becomes a real partner in it.

The growth of big business is so rapid that in some lines ownership is more international than national. It is necessary to reach ever larger groups of people if modern industry and commerce are to be financed. Americans have purchased billions of dollars of foreign industrial securities since the war, and Europeans own, it is estimated, between one and two billion dollars' worth of ours. In each case public acceptance must be obtained for the issue and the enterprise behind it.

Public loans, state or municipal, to foreign countries depend upon the good will which those countries have been able to create for themselves here. An attempted issue by an east European country is faring badly largely because of unfavorable public reaction to behavior of members of the ruling family. But other countries have no difficulty in placing any issue because the public is already convinced of the prosperity of these nations and the stability of their governments.

The new technique of public relations counsel is serving a very useful purpose in business by acting as a complement to legitimate advertisers and advertising in helping to break down unfair competitive exaggerated and overemphatic advertising by reaching the public with the truth through other channels than advertising. Where two competitors in a field are fighting each other with this type of advertising, they are undermining that particular

industry to a point where the public may lose confidence in the whole industry. The only way to combat such unethical methods, is for ethical members of the industry to use the weapon propaganda in order to bring out the basic truths of the situation.

Take the case of toothpaste, for instance. Here is a highly competitive field in which the preponderance of public acceptance of one product over another can very legitimately rest in inherent values. However, what has happened in this field?

One or two of the large manufacturers have asserted advantages for their toothpastes which no single toothpaste discovered up to the present time can possibly have. The competing manufacturer is put in the position either of overemphasizing an already exaggerated emphasis or of letting the overemphasis of his competitor take away his markets. He turns to the weapon of propaganda which can effectively, through various channels of approach to the public—the dental clinics, the schools, the women's clubs, the medical colleges, the dental press and even the daily press—bring to the public the truth of what a toothpaste can do. This will, of course, have its effect in making the honestly advertised toothpaste get to its real public.

Propaganda is potent in meeting unethical or unfair advertising. Effective advertising has become more costly than ever before. Years ago, when the country was smaller and there was no tremendous advertising machinery, it was comparatively easy to get country-wide recognition for a product. A corps of traveling salesmen might persuade the retailers, with a few cigars and a repertory of funny stories, to display and recommend their article on a

nationwide scale. Today, a small industry is swamped unless it can find appropriate and relatively inexpensive means of making known the special virtues of its product, while larger industries have sought to overcome the difficulty by cooperative advertising, in which associations of industries compete with other associations.

Mass advertising has produced new kinds of competition. Competition between rival products in the same line is, of course, as old as economic life itself. In recent years much has been said of the new competition, we have discussed it in a previous chapter, between one group of products and another. Stone competes against wood for building; linoleum against carpets; oranges against apples; tin against asbestos for roofing.

This type of competition has been humorously illustrated by Mr. O. H. Cheney, Vice President of the American Exchange and Irving Trust Company of New York, in a speech before the Chicago Business Forum.

"Do you represent the millinery trades?" said Mr. Cheney. "The man at your side may serve the fur industry, and by promoting the style of big fur collars on women's coats he is ruining the hat business by forcing women to wear small and inexpensive hats. You may be interested in the ankles of the fair sex—I mean, you may represent the silk hosiery industry. You have two brave rivals who are ready to fight to the death—to spend millions in the fight—for the glory of those ankles—the leather industry, which has suffered from the low-show vogue, and the fabrics manufacturers, who yearn for the good old days when skirts were skirts.

"If you represent the plumbing and heating business, you are the mortal enemy of the textile industry, because

warmer homes mean lighter clothes. If you represent the printers, how can you shake hands with the radio equipment man?...

"These are really only obvious forms of what I have called the new competition. The old competition was that between the members of the each trade organization. One phase of the new competition is that between the trade associations themselves—between you gentlemen who represent those industries. Inter-commodity competition is the new competition between products used alternatively for the same purpose. Inter-industrial competition is the new competition between apparently unrelated industries which affect each other or between such industries as compete for the consumer's dollar—and that means practically all industries...

"Inter-commodity competition is, of course, the most spectacular of all. It is the one which seems most of all to have caught the business imagination of the country. More and more businessmen are beginning to appreciate what inter-commodity competition means to them. More and more they are calling upon their trade associations to help them—because inter-commodity competition cannot be fought single-handed.

"Take the great war on the dining-room table, for instance. Three times a day practically every dining room table in the country is the scene of a fierce battle in the competition. Shall we have prunes for breakfast? No, cry the embattled orange-growers and the massed legions of pineapple canners. Shall we eat sauerkraut? Why not eat green olives? is the answer of the Spaniards. Eat macaroni as a change from potatoes, says one advertiser—and will the potato growers take this challenge lying down?

"The doctors and dietitians tell us that a normal hard-working man needs only about two or three thousand calories of food a day. A banker, I suppose, needs a little less. But what am I to do? The fruit growers, the wheat raisers, the meat packers, the milk producers, the fishermen—all want me to eat more of their products—and are spending millions of dollars a year to convince me. Am I to eat to the point of exhaustion, or am I to obey the doctor and let the farmer and the food packers and the retailer go broke! Am I to balance my diet in proportion to the advertising appropriations of the various producers? Or am I to balance my diet scientifically and let those who overproduce go bankrupt? The new competition is probably keenest in the food industries because we have a very real limitation on what we can consume—in spite of higher incomes and higher living standards, we cannot eat more than we can eat."

I believe that competition in the future will not be only an advertising competition between individual products or between big associations, but that it will in addition be a competition of propaganda. The business man and advertising man is realizing that he must not discard entirely the methods of Barnum in reaching the public. An example in the annals of George Harrison Phelps, of the successful utilization of this type of appeal was the nationwide hook-up which announced the launching of the Dodge Victory Six Car.

Millions of people, it is estimated, listened in to this programs broadcast over 47 stations. The expense was more than \$60,000. The arrangements involved an additional telephonic hookup of 20,000 miles of wire, and included transmission from Los Angeles, Chicago,

Detroit, New Orleans, and New York. Al Jolson did his bit from New Orleans, Will Rogers from Beverly Hills, Fred and Dorothy Stone from Chicago, and Paul Whiteman from New York, at an aggregate artists' fee of \$25,000. And there was included a four-minute address by the president of Dodge Brothers announcing the new car, which gave him access in four minutes to an estimated audience of thirty million Americans, the largest number, unquestionably, ever to concentrate their attention on a given commercial product at a given moment. It was a sugar-coated sales message.

Modern sales technicians will object: "What you say of this method of appeal is true. But it increases the cost of getting the manufacturer's message across. The modern tendency has been to reduce this cost (for example, the elimination of premiums) and concentrate on getting full efficiency from the advertising expenditure. If you hire a Galli-Curci to sing for bacon you increase the cost of the bacon by the amount of her very large fee. Her voice adds nothing to the product but it adds to its cost."

Undoubtedly. But all modes of sales appeal require the spending of money to make the appeal attractive. The advertiser in print adds to the cost of his message by the use of pictures or by the cost getting distinguished endorsements.

There is another kind of difficulty, created in the process of big business getting bigger, which calls for new modes of establishing contact with the public. Quantity production offers a standardized product the cost of which tends to diminish with the quantity sold. If low price is the only basis of competition with rival products, similarly produced, there ensues a cut-throat competition which

can end only by taking all the profit and incentive out of the industry.

The logical way out of this dilemma is for the manufacturer to develop some sales appeal other than mere cheapness, to give the product, in the public mind, some other attraction, some idea that will modify the product slightly, some element of originality that will distinguish it from products in the same line. Thus, a manufacturer of typewriters paints his machines in cheerful hues. These special types of appeal can be popularized by the manipulation of the principles familiar to the propagandist—the principles of gregariousness, obedience to authority, emulation, and the like. A minor element can be made to assume economic importance by being established in the public mind as a matter of style. Mass production can be split up. Big business will still leave room for small business. Next to a huge department store there may be located a tiny specialty shop which makes a very good living.

The problem of bringing large hats back into fashion was undertaken by a propagandist. The millinery industry two years ago was menaced by the prevalence of the simple felt hat which was crowding out the manufacture of all other kinds of hats and hat ornaments. It was found that hats could roughly be classified in six types. It was found too that four groups might help to change hat fashions: the society leader, the style expert, the fashion editor and writer, the artist who might give artistic approval to the styles, and beautiful mannequins. The problem, then, was to bring these groups together before an audience of hat buyers.

A committee of prominent artists was organized to choose the most beautiful girls in New York to wear, in a

series of tableaux, the most beautiful hats in the style classifications, at a fashion fête at a leading hotel.

A committee was formed of distinguished American women who, on the basis of their interest in the development of an American industry, were willing to add the authority of their names to the idea. A style committee was formed of editors of fashion magazines and other prominent fashion authorities who were willing to support the idea. The girls in their lovely hats and costumes paraded on the running-board before an audience of the entire trade.

The news of the event affected the buying habits not only of the onlookers, but also of the women throughout the country. The story of the event was flashed to the consumer by her newspaper as well as by the advertisements of her favorite store. Broadsides went to the millinery buyer from the manufacturer. One manufacturer stated that whereas before the show he had not sold any large trimmed hats, after it he had sold thousands.

Often the public relations is called in to handle an emergency situation. A false rumor, for instance, may occasion an enormous loss in prestige and money if not handled promptly and effectively.

An incident such as the one described in the New York *American* of Friday, May 21, 1926, shows what the lack of proper technical handling of public relations might result in.

#### **\$1,000,000 LOST BY FALSE RUMOR ON HUDSON STOCK**

Hudson Motor Company stock fluctuated widely around noon yesterday and losses estimated

at \$500,000 to \$1,000,000 were suffered as a result of the widespread flotation of false news regarding dividend action.

The directors met in Detroit at 12:30, New York time, to act on a dividend. Almost immediately a false report that only the regular dividend had been declared was circulated.

At 12:46 the Dow, Jones & Co. ticker service received the report from the Stock Exchange firm and its publication resulted in further drop in the stock.

Shortly after 1 o'clock the ticker services received official news that the dividend had been increased and a 20 per cent stock distribution authorized. They rushed the correct news out on their tickers and Hudson stock immediately jumped more than 6 points.

A clipping from the *Journal of Commerce* of April 4, 1925, is reproduced here as an interesting example of a method to counteract a false rumor:

#### **BEECH-NUT HEAD HOME TOWN GUEST Bartlett Arkelly Signally Honored by Communities of Mohawk Valley**

*(Special to the Journal of Commerce)*

CANAJOHARIE, N.Y., April 3.—Today was 'Beech-Nut Day' in this town; in fact, for the Mohawk Valley. Business men and practically the whole community of this region joined in a per-

sonal testimonial to Bartlett Arkell of New York City, president of the Beech-Nut Packing Company of this city, in honor of his firm refusal to consider selling his company to other financial interests to move elsewhere.

When Mr. Arkell publicly denied recent rumors that he was to sell his company to the Postum Cereal Company for \$17,000,000, which would have resulted in taking the industry from its birthplace, he did so in terms conspicuously loyal to his boyhood home, which he has built up into a prosperous industrial community through thirty years' management of his Beech-Nut Company.

He absolutely controls the business and flatly stated that he would never sell it during his lifetime 'to any one at any price,' since it would be disloyal to his friends and fellow workers. And the whole Mohawk Valley spontaneously decided that such sprit deserved public recognition. Hence, today's festivities.

More than 3,000 people participated, headed by a committee comprising W.J. Roser, chairman; B.F. Spraker, H.V. Bush, B.F. Diefendorf and J.H. Cook. They were backed by the Canajoharie and the Mohawk Valley Chambers of Business Men's Associations.

Of course, everyone realized after this that there was no truth in the rumor that the Beech-Nut Company was in the market. A denial would not have carried as much conviction.

Amusement, too, is a business—one of the largest in America. It was the amusement business—first the circus and the medicine show, then the theater—which taught the rudiments of advertising to industry and commerce. The latter adopted the ballyhoo of the show business. But under the stress of practical experience it adapted and refines these crude advertising methods to the precise ends it sought to obtain. The theater has, in its turn, learned from business, and has refined its publicity methods to the point where the old stentorian methods are in the discard.

The modern publicity director of a theater syndicate or a motion picture trust is a business man, responsible for the security of tens or hundreds of millions of dollars of invested capital. He cannot afford to be a stunt artist or a freelance adventurer in publicity. He must know his public accurately and modify its thoughts and actions by means of the methods which the amusement world has learned from its old pupil, big business. As public knowledge increases and public taste improves, business must be ready to meet them halfway.

Modern business must have its finger continuously on the public pulse. It must understand the changes in the public mind and be prepared to interpret itself fairly and eloquently to changing opinion.