DOCUMENT RESUME

ED 269 777 CS 209 733

AUTHOR	Olasky, Marvin N.
TITLE	Corporate Public Relations and the National Recovery Administration.
PUB DATE	Aug 86
NOTE	27p.; Paper presented at the Annual Meeting of the Association for Education in Journalism and Mass Communication (69th, Norman, OK, August 3-6, 1986).
PUB TYPE	Viewpoints (120) -- Speeches/Conference Papers (150) -- Historical Materials (060)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	*Business; *Business Cycles; Competition; Court Litigation; Economic Climate; Federal Legislation; *Government (Administrative Body); Organizational Communication; *Public Relations; Small Businesses; United States History
IDENTIFIERS	*Depression (Economic 1929); *National Recovery Administration

ABSTRACT

During the spring of 1933, several leading corporate executives, working with those favoring government planning, attempted to use the economic crisis to establish government-mandated prices that would provide leading corporations with competitive advantage, including government-insured profits without the hardships of competition. The result was a government-business partnership bill that became known as the National Industrial Recovery Act. Because it had the assistance of a huge public relations push, the bill almost succeeded. Eventually, owners of small businesses protested, and their objections were publicized by sympathetic journalists and legislators. Finally, the Supreme Court declared the National Recovery Act unconstitutional. Recently, some public relations-minded corporate leaders have been pushing for greater business involvement in politics. Although executives have the right to suggest intensification of strategic public relations, they should also remember that past involvement in politics was not successful for some companies. (DF)

CORPORATE PUBLIC RELATIONS AND THE NATIONAL RECOVERY ADMINISTRATION

Dr. Marvin N. Olasky
Assistant Professor
Department of Journalism
The University of Texas
Austin, Tx. 78712

CORPORATE PUBLIC RELATIONS AND THE NATIONAL RECOVERY ADMINISTRATION

In recent years public relations-minded corporate leaders have been pushing for greater business involvement in politics. Executives such as former Du Pont (and Business Roundtable) Chairman Irving Shapiro have charged that many past business problems resulted from a refusal to dicker and deal in Washington. Du Pont News in June, 1985, put the Shapiro message in command form to corporate managers: "Get into politics or get out of business."[1]

Executives certainly have a right to suggest intensification of strategic public relations. They should also attempt to be accurate in their historical justifications. Unfortunately, Shapiro and his top speechwriter, Carl Kaufmann, presented in their book America's Third Revolution merely a series of typical myths, including one about the 1930s: That corporations generally fought hard for free enterprise practices throughout the decade but had their heads bashed in. The implication is that any similar stand on principle these days will bring similar results.[2]

In their words, "Through the 1930s, business stood firm, heels dug in against the New Deal 'reforms'...Some leaders feared a deliberate 'sell-out' of free enterprise, into socialism or worse." That is just not true. Certainly, criticism of many New Deal policies by business leaders is apparent. Few corporate leaders openly supported FDR during his 1936 re-election campaign. But, as this article will show, leading corporate spokesmen who had decided to get _into_ politics were among FDR's most consistent and conspicuous supporters during 1933 and much of 1934. They were not worried about "selling out" free enterprise, for they themselves were doing the selling, through a vehicle called the National Recovery Administration (NRA).[3]

Analyzing myths of this sort is important because of the growing number of calls for "public-private partnerships," "New Industrial Policy," and other forms of government-business collaboration. If public relations problems developed because corporations in the past did not go far enough in pursuing such opportunities, then current practitioners may want to fill the Shapiro prescription. If, however, problems developed because corporations went too far, then a different public relations agenda emerges.

Background

Modern corporate public relations practice developed in the late nineteenth century, with major railroad corporations gaining government backing and others following. By the 1920s it was almost an established principle that those who were failing in private enterprise could save the day by winning in Washington, and those who were winning could win even bigger.[4]

Examining money-losing corporations, Robert Himmelberg has found that during the 1920s less profitable concerns often looked to "legalized cartelism" and other political solutions to their problems. Many saw competition as an obstruction; for instance, trade association management consultant Charles W. Stevenson wrote that large companies were being "crucified on the cross of competition." Stevenson's proposal, a typical one for this period, was that each industry establish government-enforced prices and production quotas, with new entrants allowed in only after approval by established companies.[5]

Successful companies, on the other hand, often had the hubristic desire to make over entire industries in own image. Business imitation often comes about voluntarily as competitors emulate the successful; following the Stock Market crash, though, executives such as Gerard Swope, president of General Electric, wanted government-backed power to force the issue. At a September, 1931, meeting of the National Electrical Manufacturers Association, Swope called for "mandatory government of industry" by trade associations dominated by large companies and backed up by state power. Swope and his public relations associate, J. G. Frederick, produced a book with the message, "One cannot loudly call for more stability in business and get it on a purely voluntary basis."[6]

Public relations-minded business leaders such as James H. Williams, Albert Deane, Charles Abbot, and Henry S. Dennison, liked the cartelized economy ideas intrinsic to the "public-private partnership" concept. Legalized cartels were never popular with the public, though. Silas Strawn, spokesman for the Chamber of Commerce, and James Emery, counsel for the National Association of Manufacturers, both believed prior to 1933 that an attempt to impose cartels would bring enormous opposition and, in Strawn's words, lead to "something a great deal worse." Robert Lamont, soon-to-be spokesman for the Iron and Steel Institute, said in 1930 that cartel-legalizing proposals "can never pass Congress in the present state of public opinion."[7]

Many corporate leaders saw a need to change public opinion, which was becoming volatile anyway as the Depression unravelled some traditional economic beliefs. Public relations issue analysis suggested that any plan projected to increase employment would win public favor. Chamber of Commerce Chairman Julius Barnes told automobile executive Roy Chapin, in April, 1931, that the public would now support moves to "eliminate much destructive competition," as long as they were coupled with programs to increase employment. Similarly, Swope suggested a public relations strategy based on a pledge to "tie" expanded employment to "a modification [of antitrust laws] which would give us more latitude..."[8]

Such suggestions received considerable corporate applause from publications such as Business Week, association leaders such as National Association of Manufacturers President James Edgerton, and corporate executives in many fields. If the public could be brought along, it would then be possible to pressure all businesses to join in, as Swope's colleague Owen Young argued: "Cooperation is required by the great majority of the participants and the coercion of the rest may ultimately be necessary."[9]

A major big business stumbling block in 1931 and 1932, ironically enough, was President Herbert Hoover, generally lambasted for being too cozy with corporations. Hoover did not believe that giving corporate executives governmental authority would lead to more jobs. He decided to fight plans such as those of Swope, publicly complaining in September, 1931, that the Swope Plan's "price-fixing" would "bring into existence such a union of forces in the industrial world as has never been dreamed of before. It would lead to the creation of a series of monopolies...and the public would be called upon to bear the burden."[10]

Hoover himself claimed that he lost big business' support by not buckling; clearly, Franklin Roosevelt in 1932 did pick up some significant corporate support. For instance, astute public relations executives such as new Chamber of Commerce president H.I. Harriman and Robert Lund of the National Association of Manufacturers both exuded sympathy; Harriman was "anti-Hoover" and "very friendly to the whole Roosevelt campaign," and Lund called the 1932 Democratic platform "our Party Platform." While historians still debate the full extent of corporate support for Roosevelt, it is clear that in 1933 big business had excellent ties to the Roosevelt administration, and was justified in expecting a piece of the policy action.[11]

Birth of the NRA

The markers were called in during the spring, 1933, as corporate leaders pushed for a government-business partnership bill that became known as the National Industrial Recovery Act. Chamber president Harriman, National Industrial Conference Board

President Virgil Jordan, trade association attorneys David Podell and Gilbert Montague, corporate executives Swope, Malcolm Rorty, James Rand, and others, were able to work well with liberal supporters of national economic planning such as Rexford Tugwell, Jerome Frank and Robert Wagner.[12]

The partnership idea of corporatists and leftists, keystone of the original New Deal conception, received great support from Washington corporate representatives. Secretary of Labor Frances Perkins remarked that at Congressional hearings the businessmen were the radicals: "Compared to them," she said, "I'm a conservative. They're willing to go to any length of government regulation if it will get them out of their troubles..." Business Week reported that Chamber of Commerce leaders "are ready to subscribe to the idea of governmental control of business to a degree that would have seemed incredible a year ago."[13]

Harriman was perhaps the most influential cheerleader. He continued his election support of Roosevelt throughout 1933, and even told a Congressional committee that he would favor a Constitutional amendment giving the President power to control industry. Harriman's pitch was a standard Progressive stress on the inevitability of what appeared to be progress: The "laissez-faire economy which worked admirably in earlier and simpler industrial life must be replaced by a philosophy of planned national economy."[14]

Other corporate representatives were applauders. When FDR spoke to the national meeting of the U. S. Chamber of Commerce in

May, 1933, he was greeted with "an enthusiasm which can hardly be overemphasized." At the meeting Harriman offered him instant placement in the American pantheon, telling Chamber members that "Never in the history of the nation has an Administration more courageously and fairly attempted to deal with so many and such far-reaching problems." But Harriman was not out on a limb, since 27 of the 49 speakers at the Chamber meeting also called for more government direction of industry.[15]

So did others from the corporate realm. The National Association of Manufacturers supported the NRA. A Steel Founders Society of America spokesman talked of collaborationism as an "inevitable step in social evolution." A Republic Steel spokesman said, "We are not afraid of government intervention in business. If it corrects some of the long-standing evils in the steel business it will be doing something we have for years been trying unsuccessfully to accomplish for ourselves."[16]

Some corporate leaders went even further. Goodyear Tire and Rubber Co. spokesman P. W. Litchfield proposed "substantial concessions to what we have in the past classified as the more radical school of thought." Link-Belt Co. spokesman George Torrance suggested appointment of an "industry dictator" for each major industry. The "dictator" would be authorized to set production schedules, prices, wage rates, and just about everything else. One executive proposed that companies wanting to compete in the traditional ways should be denied use of the United States mail.[17]

The corporate public relations message was summarized in Business Week's May, 1933, suggestion that "The American business man at this moment is utterly weary of the ruthless competitive struggle....He is willing, he feels just now, to surrender some part of his freedom of action to achieve a degree of stability." The result of the corporate push was a bill which would allow some smaller competitors to rest, sometimes for good. Under the legislation hammered out, large corporations would be allowed to have the trade associations they often controlled establish codes binding on their smaller competitors.[18]

It is important to note that this National Industrial Recovery Bill went far beyond reasonable revocation of some anti-trust provisions. Instead, it allowed legally enforceable establishment of favorable prices for some products and unfavorable ones for others, with the result that companies powerful enough to write the rules could help themselves and hurt others.[19]

Industry by industry, the big boys won. The Steel Code, for instance, was largely controlled by United States Steel and Bethlehem, since those two companies alone had over half the voting strength of their "code authority." As historian Broadus Mitchell noted, "In general the members of a code authority were chosen by a minority of firms in an industry, often by a small minority of the most powerful...smaller and scattered business units were underrepresented on code authorities, labor and consumers were practically not represented at all."[20]

Overall, over 700 codes were established under NIRA, with implementation made possible by about 11,000 Federal administrative orders and 70 Presidential executive orders.

Almost every business transaction came under an NIRA classification, from Automobile Manufacturing and Cotton Textiles to Lightning Rod Manufacturing and Corn Cob Pipes.

Groups that were competitively successful faced the prospect of losing their advantages because of political coercion. Four hundred codes allowed for the fixing of minimum prices so that major companies could not be undersold. Other provisions in many codes restricted trade-in allowances, credit terms, competition in quality, or reduction of prices based on geographical proximity. Thirty industries even received governmental backing to limit the construction of new plants or prevent the opening of closed ones, even though such provisions obviously cut against the announced purpose of job creation.[21]

The check on possible abuses was supposed to be the National Recovery Administration itself, in its role as expediter and reviewer of industry codes, and enforcer when when necessary. But NRA administrator Hugh Johnson and his key assistants -- Alvin Brown, Robert Lea, Kenneth Simpson, Arthur D. Whiteside, Clarence Williams, and others -- not only had large corporate backgrounds (often a vital preparation for their work) but also shared a preference for greater economic concentration and a dislike for entrepreneurial competition. The result, according to one observer, was that complaints tended to end up in a "bargain between business leaders on the one hand and businessmen in the guise of government officials on the other."[22]

Such a view is born out by close analysis of the codes as a whole. Ellis Hawley's scholarly conclusion is worth quoting at length:

> Most of the price clauses were directed against price cutting by 'little fellows.' In numerous industries the advantage of large firms lay not so much in the area of price as it did in non-price fields, in such matters as advertising, access to credit, ability to conduct research, control of patents, and attraction of the best managerial talent. Small firms often existed only because they offered lower prices to offset consumer preferences for advertised brands, prices sometimes made possible by lower wage rates, sometimes by more favorable location, sometimes by other advantages arising out of specialization or recapitalization. It was in the interest of larger firms, therefore, to eliminate price and wage differentials and wipe out the special advantages that made them possible. In general, the majority of the codes did move in this direction.
>
> To a small businessman the destruction of these differentials seemed like an effort to legislate him out of existence. He protested that he was unable to pay the same wages and charge the same prices as larger firms, that he could not possibly find his way through all the reports and red tape that were meant for larger companies...23

Those who could send corporate representatives to Washington found that knowing how to get around the capital was beginning to pay more than production or marketing adeptness. On the road to Washington, one observer noted, were "groups of excited businessmen from the same line of industry working until late at night putting the finishing touches on what they wanted Washington to sanction -- because once these codes were approved and had been signed by the President their provisions were legally enforceable..." Washington itself became filled with "codifiers, coordinators and all the great assemblage of other seekers after light and lucre."[24]

Governmental expansion in 1933 was largely a corporate enterprise. NRA Administrator Hugh Johnson noted correctly that it was corporate leaders, not governmental New Dealers, who insisted on government-imposed reductions of business freedom:

"There was not one single code that industry did not propose and beg to have applied." Conservative columnist Frank Kent wrote of the "enthusiasm of the industrialists," with their visions of "competition eliminated, prices raised, profits assured and every business man put on Easy Street."[25]

Leaders of industry who made up the National Civic Federation early in the twentieth century, along with prophetic public relations counselors such as Ivy Lee, had long been working toward intra-industry "cooperation." Now, the dream was becoming reality. Industry by industry, stories of anti-competitive moves stand out. In the tire industry, for instance, Harvey Firestone did not like being undersold by "special-brand distributors" who featured cut-rate prices and large trade-in allowances on used tires. Such distributors, according to Firestone, put pressure on tire manufactur s "to meet the prices of the special-brand tires or be eliminated from the business."[26]

Firestone did not want to meet prices, so he used political means to try to eliminate the special-brand dealers from the business. He and his colleagues from other major companies developed and had the NRA accept a Retail Rubber Tire and Battery Trade Code which called such price cutting an unfair method of competition. Firestone was one of the leading cheerleaders for NRA, and was quick to send FDR telegrams promising "to adopt and to put your program into effect." The world would be made safe for more costly tires.[27]

Such examples pose an obvious question: How would the public be made to sit still for conduct which ran against traditional economic beliefs? Would the public applaud as the economic interests of those businesses without political clout lost out? How could government-corporate collaborationism be sold?

Part of the public sales resistance, of course, had been eliminated by the Depression; some individuals were willing to try almost anything for a while. Still, Americans basically believed that competition was healthy. Leaders knew that extraordinary public relations efforts would be required to shake that belief. "Public opinion must be marshalled," Bernard Baruch insisted in a Brookings Institution speech on "Economic Planning and Government Control." Business Week noted that "the President has the power" to become an economic dictator, but his goal was to "rely at first largely on the vast power of public opinion."[28]

The first step in gaining public backing involved the display of carrots which Swope and others had suggested: Promises of jobs and recovery. James Rand, a member of the NRA Steering Committee, announced in May, 1933, that his Committee for the Nation, working together with the National Association of Manufacturers, had a plan to put three million men back to work -- if an NRA were established. The Chamber of Commerce's Harriman told the House Labor Committee in late April that trade association control of individual businesses would lead to recovery within thirty days. Overall, corporate executives were "lavishly promising a dramatic improvement in the unemployment rate if the antitrust barriers were let down."[29]

The second step relied on corporate sticks: Large companies were asked to make sure that their employees showed NRA enthusiasm. At IBM, for instance, company publications promoted the NRA, company employees were ordered to march in NRA parades, and company executives regularly made favorable comments about public-private partnership. Company spokesmen anticipated Orwell in their attempts to turn white into black: In hundreds of corporate speeches free competition became known as "cannibalism," classical economists became "old dealers," reduced-price sales became "cut-throat price slashing," and those who produced bargains became "chiselers."[30]

The NRA soon demanded that all of its advocates use the new vocabulary. Companies joined with the Administration in distributing handbooks with titles such as Pointed Paragraphs for Speakers. Economic collusion was renamed "cooperation," elimination of competition became "codes of fair competition," and "ethical behavior" was defined as forced maintenance of prices. The new style of thought at times seemed pervasive; for instance, at one business convention a skeptical reporter noted much "talk about freedom...freedom from too much free enterprise, too much individual initiative, and much too much competition."[31]

The general pressure to join in was backed throughout the second half of 1933 by a publicized flow of executive speeches and interviews. One day Alfred I. du Pont would suggest that corporations should be "free from inordinate competition." Then a leading shipbuilder, C. L. Bardo, would call the NRA-creating bill "the most important legislation ever enacted." P.S. du Pont, Alfred Sloan, and others who later broke with the New Deal, joined Swope and other "progressive businessmen" in making kind comments about the NRA during 1933.[32]

When some started doubting, H.F. Sinclair, chairman of Consolidated Oil, could be quoted to the effect that governmental regulation "all the way from the derrick to the service station" would be the industry's best friend. Frank Phillips, president of Phillips Petroleum, would then chime in: "The NRA is going to succeed and we are going to succeed."[33]

For those still unswayed by promises of bread, circuses were provided. Three dozen NRA public relations practitioners working out of Washington worked with corporate staffs to develop symbols, songs, mass spectaculars, and other publicity devices.

Most famous of the symbols was the Blue Eagle, which every company was pressured to display. The Blue Eagle's function was depicted by NRA Administrator Johnson this way: "To play any game you must of course know who you are playing with and who against. That is the reason for baseball uniforms and that is the reason for the Blue Eagle." Those displaying the Blue Eagle were virtuous, Johnson suggested, and those without it were enemies of the people: "All we want is to make very clear just what side everybody is playing on."[34]

Blue Eagles appeared on placards, gummed labels, and flags; on store windows, office doors, and newspaper pages; in the patterns of ties, dresses, and even tattoos. Blue Eagle banners were rushed to NRA offices across the country and distributed to businesses. Public relations managers organized hundreds of thousands of schoolchildren to go door-to-door asking for pledges to buy products only from Blue Eagle businesses. NRA speakers bureaus even included Hugh Johnson's 77-year-old mother.

She warned citizens at a Tulsa rally that, "People had better obey the NRA because my son will enforce it like lightning, and you can never tell where lightning will strike."[35]

NRA songs were also useful in developing public support. They had lyrics such as: Join the good old NRA, Boys, and we will end this awful strife./ Join it with the spirit that will give the Eagle life./...How the Nation shouted when they heard the joyful news!/ We're going back to work again, and that means bread and shoes." New oaths of allegiance were designed: On Boston Common, Mayor James Curley (out of jail for a time) and 100,000 schoolchildren said in unison, "I promise as a good American citizen to do my part for the NRA. I will buy only where the Blue Eagle flies....I will help President Roosevelt bring back good times."[36]

Corporations gave employees release time to march in mass NRA parades; some individuals, moved by the fervor and hoping for economic recovery, joined in voluntarily. Two hundred bands and 250,000 individuals marched down New York's Fifth Avenue on September 13, 1933, and saluted an NRA flag 90 feet long and 75 feet wide: "The eyes of the Blue Eagle measured a foot across." Business and government public relations practitioners set up smaller parades in other cities.

Skillful orchestration of press releases highlighted the supposed success of the public-private partnership throughout the country. Press release subjects included proclamations of supposed recovery in Kansas City; town meetings of praise for the NRA throughout Texas; and one quarter of the population of

Springfield, Mo., participating in a march. Some stories were exaggerated; others accurately reflected the combination of public despair and whipped-up popular furor; all seemed to receive first-class publicist handling.[38]

The master public relations practitioner of them all was NRA Administrator Johnson. A former businessman, he had been one of Roosevelt's speechwriters and issue analysts before his promotion, and he believed that words made deeds. Johnson loved to use religious metaphors, especially when speaking about the "Holy Thing" which was the NRA, "the Greatest Social Advance Since the Days of Jesus Christ." He compared his critics to "Judases" and responded to complaints by writing, "I often think of Moses. His NRA was a code of only ten short articles and according to latest reports it isn't working perfectly even yet -- after some 4,000 years of trial and error and even after the great reorganization of the years 30 to 34 A.D.."[39]

Johnson, with corporate associates, tried hard through public relations to convince individuals to ignore economic rationality and spend whatever they had saved. "People who have a little left have adopted a non-buying policy," he complained in one speech. "We must shake ourselves out of this four-year-old idea of doing without against a rainy day and we must do that overnight....Buy! Buy now!..."[40]

Johnson also had enormous faith in the power of public opinion pressure. He said that anyone who broke with NRA code restrictions by lowering prices in his shop would be in trouble: The NRA will "break the bright sword of his commercial honor in the eyes of his neighbors -- and throw the fragments -- in scorn

-- in the dust at his feet. It is a sentence of economic death. It will never happen. The threat of it transcends any puny penal provision in this law."[41]

But it would happen.

Failure of the NRA

In 1934 it became apparent that the NRA was not working. A study by the liberal Brookings Institution found that the economy was not recovering: 1 1/2 million jobs had been added during the first year of NRA, but only through work spreading, not job creation. Brookings scholars noted that both hourly wages and living costs had increased by about nine to ten percent during that year, so the average loss in real wages was five to six percent. Brookings concluded that "the NRA on the whole retarded recovery."[42]

Under pressure from Senator William Borah (R-Idaho), the NRA was forced to hold hearings in January, 1934, concerning complaints about the NRA from small businessmen; Borah said his office had received over nine thousand complaints. Johnson wanted the hearings to be a carefully-controlled vindication of NRA policies, so the NRA "Consumers' Advisory Board" he had agreed to establish was at first kept from presenting its critical findings. The press found "gagging" of the board a conflict story too good to pass up, and the NRA had its first thoroughly unfavorable publicity.[43]

The pressure accelerated as Borah, a wonderful orator, began giving a series of public and Senate chamber speeches. In

February, 1934, he gave a radio talk about price fixing by large corporations and destruction of small businesses, noting that "When these conditions are pointed out, someone goes into a trance and begins to ejaculate about how we cannot go back to rugged individualism; that we have arrived at a new era, the era of planned industrialism." Whatever the public relations label, Borah said such railroading was a "travesty upon justice."[44]

Following his speech, Borah received over 18,000 requests for help from small businessmen and publicized many of them. NRA public relations practitioners had planned out their general lines of publicity, but they were not able to anticipate a single senator refusing to play ball, nor a newspaper columnist such as Frank Kent of the Baltimore Sun constantly hounding them.

A great rift between large corporations and small businessmen developed. Small businesses pushed for elimination of price and production controls and restoration of free markets, but Kent continued to point out "the great love of the Big Business Man for the NRA." Companies such as Bethlehem Steel had written into codes strategically advantageous policies, and they were still joyful; Eugene Grace, Bethlehem's head, was still speaking "with glowing approval of what the NRA has done for industry." The NRA system itself, though, began breaking down in late 1934.[45]

For one thing, many NRA codes were just proving to be unmanageable. Typically, the lumber industry's price schedules and production quota systems were so complicated that regulators could not understand them well enough to enforce them. Disputes broke out in other industries as well. Even worse from a public relations standpoint were those situations in which enforcement had been vigilant. Kent and others began writing human interest stories about individuals such as the pants-presser undergoing prosecution because he had pressed a pair of pants for 39 cents instead of 75 cents. Publicity such as this the NRA did not need.[46]

By 1935 small businesses were beginning to openly defy the NRA codes. In the service trades code price-fixing provisions were especially hard to enforce because consumers favored those who offered bargains. Mail-order houses and small manufacturers openly defied the plumbing fixtures code. Minimum price schedules had to be revised or removed in the mop, shoe polish and twine industries. Senator Borah told his constituents to disregard NRA codes, fees, and fines, and tell him of any enforcement attempts. Hugh Johnson could no longer count on his dream of public support so overwhelming that legal enforcement was not needed; Johnson himself was relieved of his position and told to take an extended vacation.[47]

The NRA's Last Stand

Congress was scheduled in June, 1935, to decide whether to renew tho NRA. As that month approached corporate public relations practitioners tried to get the bandwagon rolling again. Corporate-sponsored rallies in New York and Washington attracted 1,700 and 1,500 businessmen, respectively. Practitioners from the retailing, textiles, coal, steel, paper, drug, tobacco, and copper industries all spoke for NRA extension; their repeated explanation was that we must adopt to "present day needs and not the economic society of fifty years ago."[48]

Proto-Orwellian language once again dominated NRA discourse. For instance, textile industry spokesman G. H. Dorr, asked whether NRA codes collided with individual rights, said: "What is this boasted freedom that we talk about?...It is ordinarily only through the collective action of a code that the majority can get the 'liberty' to conduct their business by the competitive methods and standards that they desire."[49]

The Supreme Court temporarily settled the matter. In May, 1935, the Court unanimously declared the NRA to be unconstitutional. If the Constitution's commerce clause were interpreted as broadly as the Administration wanted, the Court argued, "federal authority would embrace practically all the activities of the people," and that was not what the framers of the Constitution had in mind. Following the Supreme Court decision, Kent noted that the "tremendous manufactured NRA enthusiasm" was all gone. The hype followed by reality "does leave the American people looking foolish," he commented. "Never has a nation been put in a more ridiculous position. We are right back where we started..."[50]

Not quite, though. There was still the matter of the public commitment corporate leaders had made: If given their way, they had promised, increased employment and prosperity would result. That public contract had not been fulfilled, and the result was greater public animosity toward big business. Significantly, the stock market crash by itself did not turn the public generally against large corporations, nor did the reports of misconduct revealed in 1932 by Senate Banking and Currency Committee hearings. Most members of the public were uninvolved in such matters, and they still trusted traditional societal leaders to make things right.

The public did become heavily involved in the NRA, though. The involvement was by necessity if the plan was to work, for Johnson and others saw courts of public opinion rather than courts of justice essential to NRA enforcement. Marches, songs, Blue Eagle placards, and other methods of public involvement became essential attempts at (to use the modern parlance) consciousness-raising.

Once raised, though, consciences are no longer tame. When corporate leaders were perceived as having fallen down in their side of the bargain, production of new jobs and economic recovery, the public turned on them. By the late 1930s the Chamber of Commerce could note accurately that business had become "the country's Number One whipping boy." It took a long time for the pain of that whipping to go away. Perhaps it hurt even more because the whipping was warranted.

Conclusion

The real NRA story is that some leading corporate executives, working with those favoring government planning, attempted to use the economic crisis to establish what they had been urging all along: Government-mandated prices which would provide leading corporations with competitive advantage, including government-insured profits without the hardships of competition. In the words of Virgil Jordan, president of the National Industrial Council Board, these executives had a strategy: "By enlisting the aid of the sheriff to control the other fellow they could get some advantage for themselves."

This was the latest in a long series of attempts to use a "public interest" cover in order to win through political competition what was not winnable in the marketplace. It almost succeeded. It had the advantage of a huge public relations push. Eventually, though, small businessmen protested the sheriff's actions under sanctimonious cover Those protests were publicized by sympathetic journalists and legislators. The public saw that corporate promises were not being kept. The Supreme Court eventually finished off the plans, for a while.

Now, though, new promises are being made, and new strategies for achievement of corporate public policy goals suggested. Chairmen tell their sub-executives to dicker and deal in Washington if they want to reach their financial goals. It should be clear by now, though, that this is hardly a new approach, nor an invariably successful one. It is an approach that can easily backfire, as the NRA push backfired.

A half-century has gone by since corporations were forced to beat a retreat. There is no need to pay undue attention to the past. However, an old Russian proverb is worth recalling: Dwell on the past and you will lose one eye; forget the past and you will lose two.

Notes

1. Du Pont News, June, 1985, p. 7.

2. See Irving S. Shapiro with Carl Kautmann, America's Third Revolution (New York: Harper & Row, 1984).

3. Ibid., p. 12.

4. See two papers delivered by Marvin N. Olasky at the 1985 convention of the Association of Educators in Journalism and Mass Communication, Memphis, Tn.: "Asking Basic Questions: Public Relations vs. Private Enterprise" and "Two Front War: Utility Public Relations versus Competitive Enterprise, 1900-1930."

5. Robert Himmelberg, The Origins of the National Recovery Administration (New York: Fordham University Press, 1976), p. 116; Charles R. Stevenson, The Way Out (New York: Privately printed, 1932), pp. 3-4, 25-33.

6. Gerard Swope, The Swope Plan, edited by J. G. Frederick (New York: The Business Course, 1931), p. 159.

7. Ellis Hawley, The New Deal and the Problem of Monopoly (Princeton: Princeton U. Press, 1966), p. 41; Himmelberg, p. 159.

8. Barnes to Chapin, April 20, 1931, Roy Chapin Papers, The University of Michigan; Himmelberg, p. 135.

9. Swope, p. 58.

10. Himmelberg, pp. 185, 187.

11. Byron D. Shaffer, In Restraint of Trade: Business Attitudes Toward Competition and Regulation, 1918-1938, unpublished manuscript, p. 3-55.

12. Ibid.

13. Business Week, May 17, 1933, p. 3.

14. New York Times, April 28, 1933, p. 14; June 17, p. 2.

15. Wall Street Journal, May 5, 1933. pp. 2,3

16. Steel, June 19, 1933, pp. 10, 15.

17. New York Times, May 16, 1933, p. 23; Iron Age, 1933, pp. 484, 907.

18. Business Week, May 10, 1933, p. 32; also see Textile World, May, 1933, pp. 901-902.

19. See Shaffer, chapter four, "Under the Blue Eagle and Beyond"; Business Week, June 7, 1933; Hawley, p. 57.

20. Broadus Mitchell, Depression Decade (New York: Rinehart and Co., 1947), p. 243.

21. Shaffer, op. cit.

22. Hawley, pp. 56-57; Lewis L. Lorwin and A. Ford Hinrichs, National Economic and Social Planning (Washington: General Printing Office, 1935), pp. 71, 85;.

23. Hawley, p. 83.

24. New York Times, September 14, 1933, p. 1.

25. The Rotarian, July, 1936, p. 14; Baltimore Sun, July 3, 1933, included in Frank Kent, Without Gloves (New York: William Morrow, 1934), p. 35.

26. Alfred Lief, The Firestone Story, pp. 198-203; New York Times, June 8, 1933, p. 29; Wall Street Journal, June 9, 1933, p. 13.

27. Lief, pp. 198-203; Cabell Phillips, From the Crash to the Blitz (New York: Macmillan, 1969), p. 221.

28. Wall Street Journal, May 20, 1933, p. 1; Business Week, June 24, 1933, p. 12.

29. Himmelberg, p. 205; Albert Romasco, The Politics of Recovery (New York and London: Oxford University Press, 1983), p. 200.

30. Hugh Johnson, The Blue Eagle from Egg to Earth (Garden City: Doubleday, Doran, 1935), pp. 169, 171, 262; American Magazine, August, 1934, p. 21.

31. Romasco, p, 200.

32. Shaffer, p. 4-12.

33. Herman Krooss, Executive Opinion (Garden City, N.Y.: Doubleday, 1970), p. 172; Business Week, Sept. 16, 1933, p. 8.

34. Wall Street Journal, August 31, 1933, p. 2.

35. Phillips, p. 220.

36. Hawley, p. 54; Phillips, p. 221.

37. Wall Street Journal, September 14,1933, p. 9; Current History, October, 1933, pp. 78-81; Saturday Evening Post, December 2, 1933, p. 10; Raymond Moley, The First New Deal (New York: Harcourt, Brace & World, 1966), p. 15.

BEST COPY AVAILABLE

38. Wall Street Journal, September 14, 1933, p. 9; Dec. 3, 1933, p. 2.

39. Johnson, p. 301. Unsurprisingly, the conception of critics as Judases brought out "love it or leave it" arguments from opponents. Donald Richberg said that critics should simply "emigrate to some backward country." Frank Kent noted that presidential prestige and "Blue Eagle ballyhoo reduced those who opposed to almost complete silence." Kent, Without Gloves, p. 107.

40. Johnson, p. 263.

41. Ibid., p. 265.

42. Charles L. Dearing et. al., The ABC of the NRA (Wash: Brookings, 1934), pp. 745, 788, 828, 851-3, 873). Hawley observed that starting in the fall of 1933 "the realization began to dawn th_ essentially the codes reflected the interests of the larger and more highly organized businessmen, that the NRA was busily promoting cartels in the interest of scarcity profits." (p. 66).

43. New York Times, Jan. 11, 19, 20, 1934; Time Jan 29, 1934, p. 14.

44. Ibid., Feb. 3, 7, 8, 21, 22, 1934.

45. Baltimore Sun, January 20, 1934, included in Kent, Without Gloves, p. 158.

46. New York Times, January 18, 1935, p. 4; March 14, p. 1; March 15, p. 40; March 20, p. 43; March 21, p. 41; March 22, pp. 15, 38; March 26, p. 37; March 28, p. 6; April 18, p. 33; May 3, p. 26; May 7, p. 15; May 16, p. 2; May 18, p. 2; May 24, p. 40; May 27, p. 13. Hawley, pp. 114-115.

47. Johnson, pp. 377-408.

48. New York Times, May 23, 1935, p. 1; May 26, 1935, sec. 4, p. 10; May 2, 1935, p. 38.

49. New York Times, May 2, 1935, p. 2.

50. Wall Street Journal, May 28, p. 1; May 31, p. 2.

51. Virgil Jordan, speech to U.S. Building and Loan League, quoted in Wall Street Journal, Sept. 14, 1933, p. 4.