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Public Relations and Business Recessions: A study of 1957-58 business recession and its significance to the practice of public relations

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PUBLIC RELATIONS AND BUSINESS RECESSIONS: A STUDY OF
THE 1957-58 BUSINESS RECESSION AND ITS SIGNIFICANCE
TO THE PRACTICE OF PUBLIC RELATIONS

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CHAPTER I

INTRODUCTION

The question of why public relations should be involved in business recessions is perhaps best answered by saying that recessions are still another area where public opinion is becoming more important in this contemporary society.

A recession is a kind of crisis situation and typically arouses public opinion. But today, more than ever, public opinion is stirred during a business decline as news and information of every incipient economic tendency is spread rapidly and uniformly throughout the country.

The 1957-58 recession, the subject of this study, illustrates well the trend toward broader, more comprehensive news coverage of current economic slumps. That recession was widely publicized and the vast public attention it received caused one news writer to quip that "never had a stumbling economy been so widely discussed or vigilantly watched...it was Topic A from club car to subway strap."¹

Since public relations men monitor and prepare a large portion of business news, a contemporary recession has

¹"The Morning After," Time, (March 24, 1958), pp. 96-100.

obvious implications in the general area of publicity, and is, in fact, one facet of public relations involvement in business recessions to be considered in this study. But publicity is only one phase of public relations and there seemed to be some feeling that the recession had deeper public relations implications. This particular view was expressed by one public relations executive during the recession.

It must be contended with considerable force that the recovery from the decline itself has rather heavy overtones in the field of public relations. This is due to the fact that public psychology and confidence are such powerful forces in determining the amount of goods which consumers will purchase, and, equally important, the extent to which business will risk new capital to meet what it estimates to be likely consumer demand.²

The point which this executive seems to make--and one that is central to this study--is that in the present economy, both consumers and businessmen can make economic decisions that count. To state it another way, the attitudes and opinions (the bases for most decisions) of millions, not just a select few, can conceivably shape this country's economic fortunes. Thus, the matter of favorably influencing attitudes and opinions (e.g., building public confidence during a recession), which is basic to all public relations activities, takes on special significance when bad business conditions develop today.

²Harold Brayman, "The Challenge of Today," Public Relations Journal, (May 1958), pp. 12-14 & 16.

I. DISCRETION IN ECONOMIC BEHAVIOR

This contention requires elaboration since traditional business cycle theory gives considerable attention to factors that are distinctly non-psychological. Economists in the past have generally viewed the consumer and businessman simply as economic elements in an impersonal market place. Such theories, of course, still have some validity. But economists have increasingly called on psychology to round out their theories as the businessman and particularly the consumer attain greater degrees of discretion in their economic behavior.

Consumer discretion. The consumer has only recently evolved as a decision-maker. At one time, economists could predict with confidence how people would spend their money since the vast majority of consumers spent nearly all their incomes on necessities, having only a little to spare for purchases that were not absolutely essential. But consumer spending is no longer bound so tightly by needs and income. The consumer has considerably more latitude of action; his economic behavior has become more significant.

This new consumer stature or power has been widely discussed and studied. George Katona, Director of the Economics Behavior Section at the University of Michigan, has been conducting studies and writing books on consumer behavior for several years. Katona maintains that consumer "demand is

a function both of ability to buy--that is, of income, assets, debts, etc.--and of willingness to buy--that is, of changes in optimism or pessimism, confidence or uncertainty, feelings of security or insecurity."³

Katona, a proponent of economic psychology, thus assigns considerable importance to psychological factors in shaping consumer behavior and believes that intervening variables (consumer attitudes, opinions, expectations, etc.) play an especially important role in determining how much the consumer is willing to spend for discretionary items like durable goods and other postponable purchases.⁴

Katona cites several recent changes that have given consumer attitudes more power. The principal one is that growing numbers of people are receiving what he describes as "supernumerary" incomes--incomes beyond the outlay for necessities-- which give them substantial discretion of action.⁵ Statistically, some twenty and one-half million American families were found to have supernumerary incomes

³George Katona, "The Psychology of the Recession," Speech Delivered at the Convention of the American Psychological Association, September 1, 1958, pp. 1-2.

⁴George Katona, The Powerful Consumer, (New York: McGraw Hill, 1960), p. 5.

⁵Ibid., pp. 12-13.

in 1957 as compared to twelve million in 1944.⁶ In addition to larger incomes, consumers have greater liquid reserves, can easily obtain credit to buy additional goods, and may all be influenced by the same economic information at the same time. Also, they spend increasingly for durable goods and other discretionary items.⁷

These changes in the consumer role affect our economy today. There exists now a vast industrial complex engaged in the production of durable goods, and the well-being of the economy depends heavily on how this sector fares. If, for example, a consumer majority decides to buy fewer durable goods, it is conceivable that this action will have decided deflationary impact on the economy. As Katona states: "Relatively small changes in discretionary spending may make the difference between an upturn and downturn."⁸

Business discretion. It has long been recognized that businessmen are in a position to make economic decisions that may collectively affect economic fluctuations. To some degree, however, the businessman's discretion is limited by his competitive position. He is often compelled to "follow the pack", i. e., do as his competitors do, or suffer the possible consequence of business failure.

But in spite of the competitive limitation the businessman still has considerable discretion which is often

⁶Ibid. ⁷Ibid., p. 14. ⁸Ibid., p. 21.

exercised when bad business conditions develop. He may, for example, reduce inventories, cut back production schedules and lay off workers. He may, also, introduce severe cost-cutting or austerity programs aimed at reducing overhead expenses.

Some will argue that even these business decisions are "automatic" responses to market conditions. But it is doubtful, allowing even for the wealth of precise economic information available to a top executive, that the attitudes and opinions of the executive himself do not color these business decisions.

Business, particularly big business, is a position analogous to the consumer with a "supernumerary" income. The typical large corporation makes substantial profits and has heavy credit reserves. And the corporation, like the consumer, can easily obtain credit. In short, the affluency of the modern corporation enables its executives to have considerable latitude in their economic decisions, just as the more secure economic position of the consumer allows him a broader range of decisions.

II. ANTI-RECESSION MEASURES

Because the attitudes of consumers and businessmen are more important and because these attitudes may be

influenced on a broad scale, any measures to combat a business recession must have both a favorable economic and psychological impact. To cite Katona:

Anti-recession measures may be intended to generate additional income or greater confidence. In order to be effective, anti-recession measures must serve both purposes. Appeals and moral suasion alone do not work. Likewise, additional income provided by government expenditures which create mistrust and anxiety cannot prove helpful.⁹

In this paper we deal primarily with anti-recession measures intended to generate greater confidence through appeals and moral suasion. Such efforts were carried on by the government, by national industrial organizations, by business concerns and by community organizations--and each one of these groups had a public relations arm to assist in these undertakings.

The nature and extent of these efforts were varied. In some cases they were limited to public statements by the leaders of these organizations while in others they involved elaborate "confidence-building" programs.

In the following chapter we will consider the nature of the 1957-58 recession to provide a framework for discussion of the basic appeals by numerous organizational leaders that appeared in various publications. Since newspapers, magazines and other methods of mass communications do devote considerable space to recession matters, the

⁹George Katona, "The Psychology of the Recession," op. cit., p. 16.

organizations involved are thrust into the public limelight. The leaders of these organizations have an opportunity to pass their comments freely through the many channels of mass communications available. What they say and how they say it may favorably influence feelings of insecurity and help to restore confidence.

The more direct and extensive efforts to promote confidence--namely, the confidence-building and promotional programs--are considered separately in the third chapter.

III. OTHER RECESSION CHALLENGES

Aside from helping to restore public confidence in the national economy, a recession offers two other distinct public relations challenges. One involves the public relations man's obligation to the interest group he represents and is well stated by one public relations executive.

The recession has been a factor of behavior in industry, government and labor. Each used it for his own purposes. Labor used it to strengthen its own platform; industry used it to point out the matter of long-term declining profits and government, caught in a dilemma, had to stress the over-riding problem of inflation in our economy. Each had to do certain things using the facts of a changing economic situation, and each was armed with a public relations counsel to help handle certain problems.¹⁰

Thus, public relations helps to articulate and spread certain organizational themes and creeds on the underlying

¹⁰George Hammond, President, Carl Byoir & Associates, New York City, Personal Interview, August 15, 1958, New York City.

"causes" of business recessions; it, also, helps to defend organizations under "public opinion" attacks resulting from the recession situation. These themes and conflicting interests will be discussed in chapter two when we consider the various organizational appeals.

Declining sales during a business recession offer another public relations challenge. Business executives today are looking beyond their sales and marketing departments for assistance in promoting and selling their products. This is particularly true when a company's sales are hard-hit by a business slump.

Public relations can help by advising and assisting the company's marketing force. It can also support promotion and sales programs with ideas and actions. In chapter three we discuss some product-promotion effort.

CHAPTER II

THE RECESSION, PREVAILING SENTIMENTS AND BASIC APPEALS

The 1957-58 recession was the third--and probably the worst--post-war business decline. It began roughly in August, 1957, when production, employment and income peaked after a three-year economic advance.¹ Thereafter, the recession began to develop--slowly at first--then picked up considerable momentum. In April, 1958, one news magazine reported that there was virtual unanimity among economists that the slump was more serious than the two previous recessions after the war.²

I. NATURE OF THE RECESSION

Business investment and defense spending. The impact of the decline, popularly referred to as a "durable goods" recession, was principally upon employment and production in durable goods manufacturing. Unemployment hovered around the five-million mark during the serious stages of the recession. This was nearly seven percent of

¹Committee for Economic Development, Anti-Recession Policy for 1958, A Statement Prepared by the Program Committee of Committee for Economic Development, (New York: Committee for Economic Development, March, 1958), p. 10.

²"How the Slump Got This Way," Business Week, (April 5, 1958), pp. 25-28.

the labor force out of work, which was considerably more than in the 1953-54 downturn, slightly more than in the 1948-49 recession.³ The index of industrial production fell from the fall of 1957 to the spring of 1958 from 145-126.⁴

At the August peak business had already begun to reduce its expenditures for plant and equipment, mainly the latter. There was a leveling-off of such expenditures and an actual reduction in the fourth quarter of 1957. Business investment programs for 1958 called for further contractions in such outlays.⁵ In fact, there was an estimated thirteen percent decline in expenditures for plant and equipment in 1958, as compared to 1957.⁶ Fortune described the slump in capital-goods buying as the "focal point of the recession."⁷

At the same time business investment for plant and equipment was declining, the government restricted its spending for defense. Defense spending, which had edged up up in 1957's first eight months to a yearly rate of \$42

³"The Morning After," Time, (March 24, 1958), pp. 96-100.

⁴George Katona, The Powerful Consumer, (New York: McGraw Hill, 1960), p. 50.

⁵Committee for Economic Development, loc. cit.

⁶Marcus Nadler, "When and How the Upturn Will Come," Nation's Business, (June 1958), pp. 32-33.

⁷"Business Roundup," Fortune, (April 1958), p. 45.

billion, was cut to an annual rate of \$36 billion.⁸

Business Week reported:

Though these defense cutbacks were small in relation to total private expenditures, they were widely publicized and had important effects on consumer and business confidence. They gave what was left of the boom its coup de grace. The country felt the chill of a crisis of confidence --aggravated by the concern over the first two Russian Sputniks and the President's illness.⁹

Consumer spending. Consumer expenditures, which represent close to two-thirds of all expenditures, remained surprisingly strong during the recession.¹⁰ Retail sales for the year were two percent ahead of 1957.¹¹ However, consumers took a major rift in their spending for durable goods. From the first, automobiles did not sell well in 1958; later, consumer purchases of household equipment also declined.¹² People spent substantially the same on food and necessities as a year earlier, and spending on luxury items (e.g., entertainment, vacations) increased somewhat during the recession.¹³

⁸"The Morning After," loc. cit.

⁹"How the Slump Got This Way," loc. cit.

¹⁰Katona, op. cit., p. 18.

¹¹New York Times, August 6, 1958, p. 33

¹²Katona, op. cit., p. 50.

¹³Ibid.

There were conflicting views on the extent of consumer savings during the recession. The Commerce Department report on 1958's first quarter savings showed that consumers not only increased their savings but spent a little more out of their incomes than in any quarter of the previous year. Meanwhile, the Federal Home Loan Bank Board reported that savings of the cash-type savings accounts, Government savings bonds and life insurance were at a record rate--higher even than the war-time peak reached in 1944. The source said that the "Home Loan Bank Board figure is probably more reflective of actual saving-spending decisions of consumers." It showed, according to the account, "that large numbers of people decided to save rather than spend" during the recession.¹⁴

Consumer ability to buy remained strong throughout the recession as the result of wage increases, automatically provided through long-term union contracts, and government transfer payments--social security, unemployment compensation, etc. However, consumer willingness to buy was impaired. There was little favorable economic news which might encourage the consumer to accept long-term contractual obligations or risk liquid reserves for automobiles or major household appliances. Said Katona: "It appears when the

¹⁴New York Times, June 24, 1958, p. 21.

news about declining automobile sales reached the people, willingness to buy cars dropped sharply."¹⁵

Inventory reductions. The leveling and subsequent reductions in hard-goods sales, coupled with much sharper reductions in new orders, made inventories seem excessive, especially at the manufacturer's level.¹⁶ And by April of 1958, inventory buying plunged from a \$2-billion rate of accumulation to an \$8-billion rate of liquidation.¹⁷ Inventory accumulation in the early stages of the recession helped to absorb some of the economy's output. But with the shift from accumulation to liquidation of inventories there were substantial drops in national product.¹⁸

Other factors. This, in broad terms, is what happened during the 1957-58 recession. The severity of the decline was due mainly to a simultaneous restriction of business and consumer investment. Government reductions in defense spending and "tight money" policies may have added fuel to the recession fire. Slumps in U. S. sales abroad and a slight sag in residential housing construction were other deflationary factors. And many seemed to think that

¹⁵Katona, op. cit., p. 215.

¹⁶Committee For Economic Development, loc. cit.

¹⁷"Business Roundup," loc. cit.

¹⁸Committee for Economic Development, op. cit., p. 11.

the success of the Russian Sputniks and the President's illness, two events which occurred when the economy was faltering, helped to undermine public confidence.

II. PREVAILING SENTIMENTS

The 1957-58 business recession was the first really serious economic downturn this country has experienced since 1937. The economic situation, especially during the grim winter months of 1958, was considered very serious. The New York Times reported in June, 1958, that "two leading economists, writing in early April, told Congress the nation was probably in for a major depression."¹⁹

Despite the bleak economic picture, neither consumers nor businessmen were inordinately concerned about the recession. This is not to say that the recession was not a disturbing situation for many people. It was. However, there was little or no evidence of panic at any level.

In a nation-wide survey of consumer attitudes and expectations about three-quarters of upper-income people said that a depression like that of the thirties would not or could not happen.²⁰

¹⁹New York Times, June 1, 1958, p. 51.

²⁰George Katona, "The Psychology of the Recession," Speech at the Convention of the American Psychological Association, September 1, 1958, p. 5.

Reasons for confidence. One explanation for these sanguine attitudes is that people in general have profited from the experiences of war and frequent economic slumps. Fortune has this observation on businessmen:

...the confidence that U. S. business has acquired in its own economic system by living through a depression, two wars, two postwar recessions, and a long boom was clearly discernible. In itself, this confidence was undoubtedly having a braking effect on the recession.²¹

People, too, have acquired greater confidence in the Federal Government's ability and power to prevent an economic crisis. Many people today are no doubt confident that the government can, in fact, prevent a deep depression. Businessmen may be somewhat more skeptical of the effectiveness of government anti-recession measures but they surely find considerable comfort in the stabilizers that have been built into the economy by the government. They also know that the government can act to help the economy, as this statement which appeared during the 1957-58 recession reflects:

Executives were convinced that this Republican Administration would use credit, taxes, spending--whatever is necessary--to fight any threat of real depression. However, there was little inclination to think that government action alone would reinvigorate business.²²

²¹George B. Bookman, "How Top Businessmen View the Recession," Fortune, (April 1958), p. 110.

²²Ibid., p. 111.

The prosperous post-war era in itself has fostered attitudes which add to the country's economic resiliency. Feelings of confidence and security have prevailed. According to survey findings, people believe that both their incomes and standards of living will be higher or the same in the next five or ten years.²³

Self-reinforcing features of bad news. People's long-range views of the economy were basically unchanged by the recession, but feelings of insecurity about the short-range possibilities of the economy did develop. In a recent book, The Powerful Consumer, Katona discusses the 1957-58 recession. He says mainly that the developments during the decline were cumulative and self-reinforcing.²⁴

He traces the cutbacks in capital expenditures, inventories and production from 1957's last quarter through the more advanced stages of the recession. In each case, he said, bad news was self-reinforcing. When information that other businessmen were also cutting back their investments and production reached the entrepreneur, they repeated the same measures--only to a greater extent. He describes the reductions in steel production as "reinforcement in action."²⁵

²³Katona, op. cit., p. 4.

²⁴Katona, The Powerful Consumer, op. cit., pp. 212-213.

²⁵Ibid.

The extent of curtailment in steel production can only be explained in terms of businessmen and consumers "overdoing" what they began to do. Pessimistic expectations of business managers fed upon reduced demand by consumers; pessimistic expectations of consumers were reinforced by news of the effects of business inventory policies, and so on.²⁶

Katona said, also, that "broad groups of consumers were likewise subject to cumulative adverse expectations" ...and that "by December, 1957, consumers on the whole were fairly pessimistic."²⁷ He adds:

Consumer purchases of automobiles and other durables were, however, curtailed only slightly in the last quarter (1957). Somewhat later, when news spread about substantial increases in unemployment, consumers found their expectations justified and responded with much greater intensity.²⁸

Saliency of bad news. Katona argues that consumers constantly need new evidence to support their optimism. He says that the bad news about business and government expenditures was salient despite such good news as record personal incomes and a high level of consumer spending. "Though many ...people admitted they, themselves, were well off, they became worried about their own jobs and incomes," he said.²⁹

The failure of prices to yield under recession pressures also disturbed many people. Prices of automobiles

²⁶Ibid., p. 216. ²⁷Ibid. ²⁸Ibid.

²⁹Katona, "The Psychology of the Recession," op. cit., p. 8.

and other hard goods, in particular, continued to rise during the recession. The unprecedented combination of inflation and recession most certainly had an impact on consumer spending decisions.³⁰

Incoming orders probably influenced business thinking more than any other single factor. When orders dropped, businessmen began to worry about the economic health of the nation. Businessmen were also concerned by growing unemployment, by sales and costs problems and by the squeeze on their own profits.³¹

III. BASIC APPEALS

Economic recessions have traditionally been a business problem. In the past, it was generally felt that it was up to the members of the business community to work out the solutions when business declined. The government had little voice, unions virtually no say-so.

A contemporary recession is, of course, still essentially a business problem. However, both the government and unions now have the power to make their opinions count, too. As noted earlier, people today have considerable confidence in the government's ability to cope with the problems of economic recessions.

³⁰Ibid., p. 16. ³¹Bookman, op. cit., p. 8.

Shortly after the 1957-58 recession had developed, President Eisenhower, in a State of the Union message, proclaimed:

...it is my conviction that the underlying forces of growth remain strong and undiminished. As a nation, we must provide the needs of a population growing at three million a year. Billions of dollars are being spent every year on research and development that will mean new products and jobs. Overseas economic development will provide growing markets for our resources. The future will belong, not to the fainthearted, but to those who believe in it and prepare for it.³²

The initial Eisenhower statement on the recession set the tone for subsequent government claims and actions. An early upturn--about March--was continually predicted and the government followed a consistently conservative anti-recession policy.

Businessmen, while skeptical of the President's prediction for an early upturn, were generally aligned with the government position, seeing neither the need nor the urgency for massive government intervention.³³

Union leaders were less philosophical about business conditions. Many of their constituents were laid-off or out of a job, so they pressed for increased unemployment compensation, tax cuts, public works spending and other remedial measures by the government.

³²"The President on Business," U. S. News & World Report, (February 21, 1958), pp. 82-83.

³³Bookman, op. cit., p. 110.

Government position. The government's recession appeals were, of course, tempered by many factors. For example, prior to the onset of the 1957-58 recession, one of the major economic problems confronting the Eisenhower Administration was inflation. Prices spiraled upward during a three-year period of economic prosperity following the 1954 recession and the Administration was still taking anti-inflation actions when the recession developed. With inflation problems still fresh and the stickiness of prices in spite of recession, the government was inclined to move cautiously when the decline began. Most government statements on the recession situation generally stressed the underlying problem of inflations, and at the same time were intended to remind the people of the basic strengths of the American economy.

The government's statements and actions were also governed to some degree by political considerations. The Republican position is fundamentally conservative and Eisenhower himself repeatedly affirmed his conviction that the Federal Government should use its power sparingly in dealing with problems of recession. In addition, the Eisenhower Administration had made the campaign promise of a balanced budget. To plunge large sums into the economy for anti-recession purposes would have shattered any hopes of the government to put its fiscal house in order.

The experience of the 1953-54 recession may also have affected government attitudes on the recession. One writer mentions this in connection with a tax cut, which was widely discussed during the 1957-58 decline.

The tax cut then (1953-54 recession) came about through the expiration of existing legislation. It thus required the acceptance rather than the initiation of action, and between Arthur Burn's gentle urging that spending should be speeded up and Secretary Humphrey's reluctant acquiescence in such a course, the recession ended quickly. No radical measures had been necessary, and the gloom-and-doom boys had been proved wrong again.³⁴

Business position. During the recession, business had a golden opportunity to express its views and opinions on the economic situation.

Business also got a chance to grind some old axes. Representatives from virtually every phase of the business world were queried by a myriad of business writers, and not infrequently, businessmen were permitted to speak for themselves in the columns of some of the more widely circulated publications.

The business spokesmen seemed to use this "space" to advantage. Pet problems were rehashed with a recession twist: government controls, high taxes, inflation, unions--all these issues and several others were incorporated in their discussions. Often, the business authors sought to deal directly

³⁴Hans H. Landsberg, "We Cannot Afford This Recession," The Reporter, (May 15, 1958), p. 11.

with the recession problem by suggesting ways the reader himself could help to halt--or at least slow down--the decline.

Business remained consistently conservative in expressing its views on government intervention. Basically, it voiced the old theme that there should be as little government tampering with the economic mechanism as possible.

This statement by a leading executive in the durable goods industry typifies what business had to say about the government's role in the recession.

...We cannot achieve a swift and steady recovery by...relying...on government stimulants, deficit spending, meaningless tax cuts, deliberate inflation or any other economic sleight of hand.³⁵

Because of the extremely influential position government occupies today, business is usually careful to include certain government actions in its suggested plans for recovery. One businessman said that there are important functions government can perform to help recovery and cited acceleration of those defense and public works programs that were already authorized and truly needed as positive steps. He also said that "in the field of taxation, tax reform rather than temporary tax cut is needed."³⁶

³⁵Ralph J. Cordiner and Sylvia Porter, "Two Experts Tell You What to Do About the Recession," Life, (June 2, 1958), pp. 22-23.

³⁶Ibid.

Some business spokesmen were more adamant in their statements on government intervention. This comment appeared in a pamphlet published by a large stock brokerage firm:

Given time, a recession cures itself through the liquidation of excess supply, excess debt, and excess pricing. Given government intervention, a recession drags along and leads to eventual inflation. This is the lesson of the 1930's and we are faced with a clear choice today between the economics of experience and the economics of socialism.³⁷

While businessmen often discussed the recession in general terms, there were also some specific problems brought on by the slump that they had to talk about. One was unemployment.

The unemployment question was an extremely touchy one. How, for example, does one explain to over six million people the reasons for their unemployment. None the less, the question had to be dealt with in practically every recession discussion.

A frequently used tactic by businessmen and economists in public statements on unemployment was to emphasize the positive side. For example: "...despite the decline in business activity and the rather sharp rise in unemployment, nearly 63 million people are still employed in civilian occupations."³⁸

³⁷Hayden, Stone & Co. (Investment Company), Monthly Investment Letter, (New York: Hayden, Stone & Co.), (April, 1958), 10 pp.

³⁸Marcus Nadler, "When and How the Upturn Will Come," Nation's Business, (June 1958), pp. 32-33.

Another related approach was used in a number of instances to point out that a large portion of the total unemployed constituted what was described as "bedrock unemployment."³⁹ Such unemployment is the kind that results from people's changing jobs, being temporarily laid off, not accepting an available job and other similar reasons.

A corollary to this appeal to the unemployed was an attempt to incite those who had jobs to action--to help insert new life into a stumbling economy.

What prevents inevitable and moderate down periods from turning into depression? The answer is the attitude of you and me, and the rest of the 62,000,000 of us who have jobs. The best way a man with a job can insure that he will have it is...to buy what he needs, wants, and can honestly afford.⁴⁰

Trying to pry more money out of the American consumer seemed to be management's foremost problem. There was a decided tendency on the consumer's part to save more, to repay debt and spend less.⁴¹

Consumer credit, for example, decreased by \$1.7 billion during the first two months of 1958. It is interesting to note, however, that disposable income--the amount of money people have available for purchase of goods and services--was still rising.⁴²

³⁹Cordiner and Porter, loc. cit.

⁴⁰B. P. Mast, "What's the Cause of the Downturn," Printer's Ink, (April 11, 1958), p. 34.

⁴¹Nadler, loc. cit.

⁴²"The Morning After," Time, (March 24, 1958), pp. 96-100.

Businessmen were aware of these statistics and patterned their comments accordingly.

A shift in consumer psychology...could quickly set the cash registers ringing, executives thought; the consumer had plenty of money to buy but was simply not inclined to spend it.⁴³

The vice president of one business corporation told an American Management Conference in February, 1958, that "psychological warfare may prove the real answer to the recession."⁴⁴

One foreign economist expressed a similar view:

The general atmosphere in this so-called recession can be explained only in psychological terms. It seems to me that the recession has its roots not in economics but in some sort of a psychological short circuit.⁴⁵

This economist also spoke of the widespread pessimism in the country, and felt that it was not justified, even considering the slump in the auto industry which had adverse effects on steel. He added that "it would...be a grave fallacy to believe that the average citizen--manufacturer, trader, worker or consumer--cannot help or harm the situation."⁴⁶

In several instances, businessmen and economists alike insisted that both consumer and businessman must act

⁴³Bookman, loc. cit.

⁴⁴"It's That Extra Enterprise," Newsweek, (March 31, 1958), pp. 79-84.

⁴⁵Ludwig Erhard, "Practical Recession Advice," Life, (June 9, 1958), pp. 47-48.

⁴⁶Ibid.

positively. Consumers were urged to spend: "...those who are afraid to spend today because they are afraid of the future will be jeopardizing their income of tomorrow."⁴⁷ Business itself was urged to spend: "It is not prudent or intelligent of management to halt expansion when things are poor."⁴⁸

The responsibility of getting consumers to buy rested wholly upon business, especially upon those areas of business that were doing poorly.

"Business," said one executive, "must concentrate on selling and serving the customer as never before." At the same time he insisted on sophisticated selling efforts--not just promotional or sales programs, or telling people that it was their "patriotic" duty to buy.⁴⁹

The durables industry in particular needed imaginative efforts to sell their products, for they contended that they were caught in a bind and could not reduce the prices of their goods. The "bind" as described by most executives, was spiraling costs.

Costs are too high to permit a cut without wiping out our profit margins, they protested. They also argued that the unprecedented combination of inflation and recession at the same time made it pointless to lower prices.⁵⁰

⁴⁷Ibid. ⁴⁸"The Morning After," loc. cit.

⁴⁹Cordiner and Porter, loc. cit.

⁵⁰Bookman, op. cit., p. 254.

Companies pressed for tighter internal economy, but insisted that there were some costs that were out of their hands, particularly wages.

One news magazine noted that business pointed the finger at unions for the price situation: "The reason," (for the high costs) say businessmen, "is the organized labor philosophy that good business or bad, wages--thus prices--must go up every year."⁵¹

During the recession, business was advised by the U. S. Chamber of Commerce that it could help speed recovery by stiffening its resistance to union demands for higher wages.

"We can afford wage increases only when they are fully offset by productivity improvements," said the Chamber's director of economic research.⁵²

An economist noted that the wages in highly organized mass production industries had increased faster than in other fields. The result, he decided, was the higher prices of goods produced by these industries, which were often beyond the buying power of the fixed income groups.⁵³

⁵¹"The Morning After," loc. cit.

⁵²U. S. News & World Report, (June 20, 1958), p. 91.

⁵³Nadler, loc. cit.

One writer said most comments like this were infrequently heard but he got this one for the record: "We have taxes and laws to control business monopoly; we must find some way of sanely controlling the power of labor leaders to impose an unhealthy wage inflation."⁵⁴

Occasionally businessmen referred to the recession as "a test of the system." Recessions make for bad propaganda, they commented, with the U. S. the recognized leader of the free world.⁵⁵

In addition, the continuing comparison of the Russian and American economic systems was made.

...It is my opinion that the American people will leave both the recession and Russians far behind. That is what the American people want. And we always work hard for what we want. This is all a country needs.⁵⁶

The majority of businessmen apparently wanted to project a genuinely sympathetic attitude toward those people who had suffered as result of the recession; and they wanted to leave the impression that they were concerned enough to take constructive action.

However, a number of executives were quoted as feeling that the recession might be a "good thing"--a chance for people, business people as well as consumers, to get back to earth, to cut off their debts and correct their personal and ~~busi~~ business habits.

⁵⁴Bookman, op. cit., p. 112. ⁵⁵Ibid., p. 256.

⁵⁶Cordiner and Porter, loc. cit.

One executive said he thought the recession had been artificially created, "overadvertised", he said. "Let's not be fooled by it; it's probably good for us!"⁵⁷

Another businessman ascribing to this view said: "The country has gone soft, fat and flabby, and it's a damn good thing business got bad."⁵⁸

Union position. Unemployment during the recession was heaviest in the strongly unionized durable goods manufacturing area. Some fifty percent of the unemployment rise was in basic industries (automobiles, aircraft, steel appliance makers) which employ roughly twenty-three percent of the labor force. The service industries, which employ thirty-five percent, showed no recession.⁵⁹

The unemployment situation, therefore, directly affected many of the members of the big unions. While we have little data on the kinds of appeals union leaders were making during the recession, it's for certain that they favored more liberal spending policies by the federal government--and frequently voiced this opinion.

In March, 1958, nearly one thousand top labor officials of the AFL-CIO met in Washington at the same time several bills for anti-recession measures were being considered.

⁵⁷Bookman, op. cit., p. 256. ⁵⁸Ibid.

⁵⁹Sumner Slichter, "How Long Will This Recession Last?," The New Republic, (March 3, 1958), pp. 8-10.

AFL-CIO President George Meany outlined three union proposals on the recession.⁶⁰

1. The government should cut income taxes (for individuals only), liberalize unemployment benefits and plunge billions extra into defense and public works.

2. Organized labor must go after higher wages to increase consumer purchasing power. He cautioned union heads not "to let anyone tell you this is the time to hold the line on wages."

3. Business should reverse its "pricing policy." Greater volume of sales should be sought by having smaller price per item.⁶¹

⁶⁰"Unions Prescribe for a Recession," Business Week, (March 15, 1958), p. 127.

⁶¹Ibid.

CHAPTER III

ANTI-RECESSION PROGRAMS AND RELATED EFFORTS

The 1957-58 recession inspired a number of confidence-building and promotional efforts by a variety of organizations. In many instances it seemed to be a case of individual groups following Washington's lead. The President stressed the need for renewed confidence and many others picked up the cry. Slogans were devised, public-spirited citizens conducted confidence "rallies" in conjunction with local merchants throughout the country, and nation-wide associations and business organizations developed elaborate programs intended to help promote confidence.

Several of these efforts will be reviewed and evaluated in this chapter. First to be considered is a program conducted by the Advertising Council, a national, non-profit business association.

Some efforts by industrial organizations are then examined. A General Electric program called "Operation Upturn" and "Operation Capacity," which was conducted by the Hudson Paper Pulp Company, will be reviewed, followed by a discussion of some product-promotion and "hard sell" efforts by business concerns. Finally, some community efforts to help restore confidence are discussed.

I. THE ADVERTISING COUNCIL'S PROGRAM

The Advertising Council. The Advertising Council is a non-profit organization which was formed in 1942 to aid the government in World War II home front drives such as war bonds, victory gardens, WAVE and WAC recruiting and numerous others.

Since the war, the Council has continued its work, assisting in forest fire prevention (the Council originated "Smokey the Bear"), economic education, community campaigns and other similar endeavors, with about one hundred-sixty million dollars being contributed to the organization annually.

The Council campaigns are supported by contributions from American business firms and generally prepared without charge by volunteer advertising and public relations agencies.

"Growing America" campaign. Two notable contributions made by the Council in the area of national economy are a pair of programs it has conducted during post-war business recessions. The first such program was during the 1953-54 decline; the second was conducted during the 1957-58 recession.

Plans for the second recession-inspired campaign were revealed March 5, 1958, when representatives of McCann-Erickson, Inc.--the advertising agency which volunteered to

handle the campaign--made the initial presentation of prospective campaign themes to the Advisory Committee of the Advertising Council in New York City.

The comments and recommendations received as a result of that presentation were embodied in an all-media, nation-wide advertising and public relations campaign entitled "Your Future is Great in a Growing America". The public relations affiliate of McCann-Erickson, which is Communications Counselors, Inc., offered its services to handle the public relations end of the campaign.

The rationale for the program was summed up in a speech by the co-chairman of the Advisory Committee.

He said first that it was the Council's conviction that the element of public confidence was of great importance in preventing a recession from turning into a depression, and that public confidence could be influenced by advertising.¹

Secondly, the Council believes that the American economy is substantially sound and dynamic, he said, and that a substantial amount of buying power, through fear of the future and the impact of bad news, had been channeled into savings.²

¹Remarks by Charles G. Mortimer, President, General Foods Co., (Undated material distributed by the Advertising Council, New York, N. Y.).

²Ibid.

He concluded that the Council believes that if its information campaign could maintain and strengthen public confidence, the minimum effect would be to offset the impact of the bad news, and at most, the campaign could mark a psychological turning point from which the whole direction of the economy could be turned upward.³

As in other programs conducted by the Council, it relied on mass dissemination of facts and arguments, primarily through advertising. The facts were based mostly on updated figures of a survey that an economist affiliated with McCann-Erickson had done for the Council during the 1953-54 recession. Statistics were secured from the U. S. Bureau of Labor Statistics.⁴

This information was used in framing seven basic points that could be used for wide public dissemination. Each one emphasized a positive economic aspect that indicated future growth and economic strength. Cited, for example, in nearly all the Council literature for the campaign were favorable employment figures, population statistics, production increases, research efforts and other similar appeals.

³Ibid.

⁴Theodore S. Replier, "RX for a Short Recession: No Panic," Look, (November 11, 1958), pp. 51-52.

The Council program, which began April 10, 1958, was to run for a four-month period. But because of favorable public reaction and reception, said a Council spokesman, it was decided to extend the campaign another four months.⁵

In addition, a status report in August revealed that media representatives were giving the program very favorable treatment. The total value of the media time and space, which was given freely, was later estimated at nearly twenty million dollars.⁶

Public relations effort. A public relations and publicity campaign was run in conjunction with the public service advertising. The reported primary objective of the public relations effort was to replace some of the bad news, which had been appearing in newspapers, with more optimistic business reports. It was the Council's contention that bad news, like "recession fever", generally tends to feed on itself.⁷

The public relations affiliate for the campaign assisted on several tasks. Along with preparing a weekly round-up of "good news" to be distributed by the Council news bureau, the public relations counsel prepared a speaker's kit, an editorial writer's kit and a fact sheet on the Council campaign.⁸

⁵Advertising Council, Status Report, Confidence in a Growing America Campaign, (New York: Advertising Council, August 11, 1958), p. 6.

⁶Ibid. ⁷Ibid.

⁸Roy Kollenborn, President, Communications Counselors, Inc., New York, N. Y., Personal Interview, August 13, 1958.

Industry participation. Several large industrial firms adopted the general theme of the Advertising Council's campaign in promotion and/or public relations efforts during the recession. The Council encouraged business firms to tie-in with their program. A Council spokesman said that individual action by private concerns extended the campaign out of the media and put it more on a personalized selling basis.⁹

One of the first industrial firms to identify with the Council program was the Sinclair Oil Corporation.

Sinclair built the Council campaign message into a saturation spot radio campaign it had been conducting for two years in the company's thirty-six-state marketing territory. Sinclair, which had been tying its gasoline sales pitch to the safe-driving theme in its spot announcements, changed the spot to read: "Your Future is Great in a Growing America--remember to drive with care and use Sinclair."¹⁰

Sinclair's advertising manager explained further adaptations of the Council's program:

Newspapers were considered a natural follow-through and the most effective way of spreading the message to important medium size cities and small towns was through Sinclair's widely used cooperative advertising plan. More than 1,564

⁹Maxwell Fox, Director of Public Relations, Advertising Council, New York, N. Y., Personal Interview, August 12, 1958.

¹⁰Advertising Council, Sinclair's Participation in the Advertising Council's Campaign, (New York: Advertising Council), 5 pp.

Sinclair wholesalers and dealers use newspapers and share the cost with the company. An Ad Council ad was made available to everyone of these participants.¹¹

Sinclair's marketing department used the Council theme around which to build what they described as "a tough, shoe-leather selling campaign."¹² Such a campaign, they said, needed two requisites:

1) something to restore confidence and enthusiasm to a marketing organization that was facing a decline in its commercial business, and 2) a theme that would lend itself to a program that would compel Sinclair salesmen, and its marketers, jobbers and distributors to go out on the pavements and make a record number of calls.¹³

One of the first steps was to prepare literature which gave optimistic forecasts of increased demand for petrol. The literature, distributed to salesmen, marketers, jobbers, and distributors, carried the optimistic message that petroleum demand would grow from 8,880,000 barrels daily in 1956 to 14,300,000 barrels daily by 1966. Sinclair was, in other words, making the "Growing America" theme specific to the oil industry.¹⁴

One Sinclair representative said that "by focusing salesmen's eyes on this strong probability of dramatic future growth, Sinclair felt it had the key to a restoration of confidence and enthusiasm for its marketing organization."¹⁵

¹¹Ibid. ¹²Ibid. ¹³Ibid. ¹⁴Ibid.

¹⁵J. E. Gorman, Assistant Advertising Manager, Sinclair Refining Company, Personal Interview, New York City, August 11, 1958.

The next problem was how to blend this confidence into a program to compel calls, according to a Sinclair statement.¹⁶

This, they said, was accomplished by equipping each salesman with a supply of desk pen sets of four ball-point pens--red, green, black and blue--and a pen-holder. These four pens were to be the basis of four calls by each Sinclair salesman on as many prospective accounts as he could find in his territory.¹⁷

Each pen represented an historical economic event in the nation's growth. The story of each was printed on a small card keyed to the color of each of the pen sets.¹⁸

The salesman presented one card and the appropriate pen during each of his four calls. On his first call he also presented the pen-holder. The red card, for example, described how discovery of the first oil well sparked new industry to an extent never dreamed of:¹⁹

As oil proved to be a vital economic necessity, men went into the laboratory for research and testing to devise better fuels and lubricants needed for a mechanized, motorized age...to keep 62,000,000 vehicles moving on the highways today. As in the past, new discoveries will mean a great many new jobs in completely new industries. As things now look, red ink, symbolized by this pen, is passing from the business scene. It signifies our confidence in business.²⁰

¹⁶Advertising Council, Sinclair's Participation in the Advertising Council's Campaign, loc. cit.

¹⁷Ibid. ¹⁸Ibid. ¹⁹Ibid. ²⁰Ibid.

Each card, in turn, told its own story of America's dynamic growth:

The green pen with green ink symbolized new prosperity...more 'greenbacks' and higher standards of living for us all. The black pen pointed out that accounts are going to be in the black! Here's your third pen...in black ink! The blue pen connotes that the future is brighter than ever...we are part of it. The blue ink is the fourth pen and tells us that for the businessman the sky is the limit.²¹

Sinclair adopted the Council campaign theme in other ways. It ran an advertisement supplied by the Council in the company house organ, which it distributed to customers and prospective customers; it carried a story of the company's participation in the program in the company dealer magazine, and it distributed Council ad reprints to dealers for display in the service station windows.²²

The Kraft Foods Company was another active participant in the Advertising Council program. The president of the firm sent a letter to some two thousand key Kraft people which outlined how they could help create an atmosphere of confidence by following the Advertising Council's suggestions.²³

Kraft also distributed a bulletin on the confidence campaign to all members of the Kraft credit union--and reached non-company people by using the Council's confidence symbol and slogan on its postal meter for outgoing mail.²⁴

²¹Ibid. ²²Ibid.

²³Advertising Council, Business Promotion of the Confidence Campaign, (New York: Advertising Council), 10. pp.

²⁴Ibid.

Plant and city advertising was used by some companies to disseminate and localize the more positive aspects of the U. S. economy. Continental Can Company, for example, used an ad stating the concern was spending \$15 million during 1957 on research and other millions to improve plant facilities.²⁵

The General Foods Corporation appealed to its stockholders by mailing the Council campaign booklet with quarterly dividend payments. The company also asked its radio and television stars to offer the booklet to their audiences.²⁶

The United States Steel Company used television to help put across the Council's confidence message. In June, 1958, a film called "Confidence in America" was shown on the "United States Steel Hour." Beginning with the Panic of 1907, script and images related the story of America's increasing prosperity in spite of recession, a major depression and two world wars.²⁷

Prudential Insurance Company produced a two-minute film on "Confidence in a Growing America" and used it on the television program "Twentieth Century"...The Chicago Federal Savings and Loan Association sponsored a color telecast on the recession and rebroadcast the sound portion on radio... The National Gas Council distributed free mats to every

²⁵Ibid. ²⁶Ibid. ²⁷Ibid.

weekly and most small town newspapers in the country. These mats were cartoons on the "Changing Scene", illustrating America's material progress between 1908 and 1958.²⁸

Views on the program's effectiveness. In August, the director of public relations for the Advertising Council and the President of Communications Counselors, Inc., were interviewed by this writer and asked several questions pertinent to the Council's recession campaign.

Both were asked how effective they thought the program had been in building confidence and encouraging people to buy. The two spokesmen seemed to think that the program had been effective but were hesitant to make positive claims of results. This hesitancy is understandable since the program was intended to influence the attitudes and opinions of large segments of the American population. To gauge how successfully this was done would require extensive and costly research, and even then it would be difficult to discover the cause-and-effect relationships.

In commenting on the public relations end of the program, the president of Communications Counselors, Inc., said:

I think public relations and publicity helped but to what extent I am not sure...I don't mean to enter into an economic discussion but we all know that confidence is an important factor, especially when disposable income remained high,

²⁸Ibid.

but was being channeled off into soft goods and savings. We have this thing called state of mind...and it is undoubtedly in this area that public relations and advertising played its share in combating fear with those who had no reason to fear.²⁹

The executive recalled "how black things looked in the early days of the recession as compared with the present (August 1958)."³⁰

When we started every headline played up the bad news about the economy...The Ad Council seems to think that our good news program helped to reverse this trend...I feel that advertising and public relations helped to re-establish confidence in a public which had disposable income to dispose of.³¹

The Advertising Council representative said that in the current program it was more difficult to get figures which in some way show results than in previous Council campaigns.³²

He had these views on the effectiveness of the programs:

...in regard to our campaign, as it started and developed, the attitude of people as expressed in the newspaper seemed to turn upward. In June we began to notice the change from bad news. We have been putting out good news about the economy at the rate of one release a day, just recently calling a halt to that effort. Criticism has been so positive, constructive and laudatory that it has been amazing. Actually we expected a number of complaints accusing the boys of Madison Avenue of trying to talk us out of a recession, but there have been few received.³³

²⁹Kollenborn, personal interview, loc. cit. ³⁰Ibid.

³¹Ibid. ³²Fox, personal interview, loc. cit.

³³Ibid.

II. OPERATION UPTURN

"Operation Upturn" was a recession-inspired program conducted by General Electric Corporation from May through October of 1958. Although the recession and the resultant sales slump seriously affected the durable goods manufacturer, General Electric, company officials insisted that "Operation Upturn" should not be interpreted as a "fight the recession" program.³⁴

The company also said that the program was not one that should be thought of as a price-cutting campaign and explained their motives for this tact thusly:

This is not a price-cutting campaign. We feel that nothing destroys confidence like cutting prices. People soon get the impression that prices are on their way down and postpone purchases. Price is but one of many, many factors in the market place.³⁵

General Electric reported that it decided to conduct a company-wide program of aggressive action after careful review of the economic situation. Company officials concluded that the worst of the recession was over in March and that the program should accelerate the upturn in business by bringing "extra values" to customers in hopes of building sales and jobs in 1958.³⁶

³⁴General Electric, Operation Upturn Plan Book, (New York: General Electric), p. 9.

³⁵L. W. O'Brien, Council Secretary of "Operation Upturn," Personal Interview, August 13, 1958.

³⁶Ralph J. Cordiner, Chairman of the Board, General Electric Corporation, "Annual Address to Stockholders," (April 23, 1958), p. 25.

"We told our employees," said one executive, "that if they build extra values like services, shipment on time, quality, savings, waste reduction, efficiency or anything representing a value to the customer, they would in turn make their jobs and income more secure."³⁷

One way the company tried to find out what extra values might be recognized by the consumer was to invite customers who toured General Electric plants to express their opinions on what they did and did not like about the company's products.³⁸

In one of its initial statements on the program, General Electric said that the key to success in the program would depend on the ability to marshall all resources of the company and bring them to bear upon the task of providing extra values for customers, and then building customer confidence in "buying now".

Every General Electric function (marketing, engineering, manufacturing, finance and public and employee relations) was asked to contribute in providing and dramatizing extra values for the customer.

Each department was represented by a man who served on the "Operation Upturn" Advisory Council. The Advisory Council's function was to formulate basic ideas and suggestions

³⁷L. W. O'Brien, . loc. cit. ³⁸Ibid.

that could be passed on to the respective departments for implementation. These meetings and other unified efforts that were needed for "Operation Upturn" yielded highly favorable results in one company spokesman's estimation.

In the past managers were well aware of the importance of customer attitudes, but the employees were not too conscious of it. This program has enabled them to see that the customer really is king. Also, the program has helped reduce rivalries that sometimes exist between departments. When you face a common enemy like slumping sales, all functions work together in greater unison.³⁹

The central Public and Employee Relations department of General Electric, which is located in New York City, helped in developing many of the basic ideas and materials for the program. One executive from that department, interviewed after "Operation Upturn" had been running for about four months, said that "although the program is very extensive, the planning was relatively simple. The symbol (an arrow turning upward) of the campaign, for example, was devised in a regular meeting of this department", he added, "and the work was done by our staff."⁴⁰

This executive described "Operation Upturn" as just another program"--and not a crash program. "Our budget was not increased," he said, "and the program was done in an orderly and effective manner."⁴¹

He also added that the central office put out the why's of the program and the general principles; the bulk of the

³⁹Ibid. ⁴⁰Ibid. ⁴¹Ibid.

materials produced came from the action of independent public relations departments of company branches throughout the country.⁴²

The announcement of General Electric's plans for "Operation Upturn" was made by the company president in an annual address to share owners at Schenectady, N. Y., on April 23. In this announcement, the president said that the non-centralized approach of General Electric would apply in the program.

Instead of depending on ideas, directions and decisions from centralized headquarters, "Operation Upturn" will have more than one hundred decentralized points of initiative and decisions, each group applying its efforts to the specifics of its own market and organization.⁴³

The central public relations department still had certain functions to perform. The department prepared a plan book for "Operation Upturn", which was first distributed at the stockholders' meeting. The plan book included such things as the basic plan, themes for action, objectives, organizational schemes, guide lines, ideas from past General Electric campaigns around the country, an address by the General Electric Chairman of the Board and promotional materials that were available from the company.⁴⁴

The spokesman from the central public relations department said that the guide lines were a particularly important

⁴²Ibid. ⁴³Cordiner, loc. cit.

⁴⁴General Electric, Operation Upturn Plan Book, loc. cit.

aspect of the kit. Through these, he said, the company emphasized that "Operation Upturn" was not a fight-the-recession campaign and that the company did not want a patriotic theme. The guide lines also described the campaign as "work-smarter" program--not a speed-up program.⁴⁵

The public relations department also prepared what the executive interviewed described as an "idea" manual. It contained the numerous ideas which came from all the various departments during the program. The major purpose of the manual, according to the spokesman, was to give the company officials some notion of the results when the program reached the half-way mark.⁴⁶

In summing up the public relations goals of the central public relations function for "Operation Upturn", he said:

Our function is to research, teach and appraise efforts. We are supposed to have the time to think ahead and offer suggestions to our various divisions throughout the country. They, of course, are not obliged to act on our suggestions.⁴⁷

When asked how effective he thought the program had been, the executive replied:

This is the same question many have been asking us. We are very conservative in making any claims about effectiveness. However, we feel that it...is by far the most successful campaign that General Electric has ever staged.⁴⁸

⁴⁵O'Brien, loc. cit. ⁴⁶Ibid. ⁴⁷Ibid. ⁴⁸Ibid.

He also noted that things of a permanent nature had been learned, and could be incorporated in the basic aims and purposes of the company. The greatest result, he concluded, was improved understanding on the part of the employees.⁴⁹

III. OPERATION CAPACITY

In June, Printer's Ink carried a story on a company which had responded to the recession challenge with a working program. The lead paragraph of the story said:

Washington has told business repeatedly that it is businesses' responsibility to provide the basic force for economic growth during the recession. One company that has translated this advice into a working program is the Hudson Paper Pulp Corp., with headquarters in New York City.⁵⁰

The Hudson Corporation, which manufactures towels, hankies, facial tissues, gummed tape and other products for home and industry, developed a recession program called "Operation Capacity" (O. C.).⁵¹

The purpose of the program, according to the article, was to "inspire enthusiasm and boost the morale of its four thousand employees in five plant communities." Four specific objectives were listed: 1) increase sales volume, 2) lower

⁴⁹Ibid.

⁵⁰"Hudson Pulp Paper Shows the Way to Beat Recession Thinking," Printer's Ink, (June 27, 1958), pp. 56-57.

⁵¹Ibid.

costs, 3) keep plants on full schedule and 4) furnish the base for further expansion.⁵²

Fourteen specific projects were selected for "Operation Capacity," which ranged from strengthening the company organizational structure to mustering employee support for Hudson consumer products. With the program as an impetus, the company also sought to expand its sales force, improve company-employee communications, increase supervisory training, increase sales aid programs for distributors, reduce unnecessary paper work, improve quality, make a good employee suggestion system, reduce inventory and develop standards of individual and general performance.⁵³

The program was introduced by Hudson plant managers, who arranged meetings with employees to discuss and explain the "Operation Capacity" plan. A slide presentation, featuring "Ossie" or "O. C."--the typical Hudson worker and symbol of the campaign--was made and talks were given on departmental projects.⁵⁴

Each worker was told that Hudson was operating at normal capacity, as compared to a four-fifths level of production in the remainder of the industry. They were reminded that if Hudson production fell to the industry level each employee would lose \$52.50 per month in wages. The workers were also told that two-thirds of every sales dollar went into

⁵²Ibid. ⁵³Ibid. ⁵⁴Ibid.

manufacturing and if a five percent reduction of costs could be achieved, it could mean an addition of fifty salesmen, who could further enhance company sales and insure continued high rates of production.⁵⁵

The company also tried to reach other publics with "Operation Capacity." School principals were invited to tour company plants. During the tours, company representatives announced plans for an essay contest for students. Three twenty-five dollar Savings Bonds were to be awarded for the best essays on the "Value of Paper in Our Daily Life." The Company also told the principals that a color film on the paper-making process would be made available to schools.⁵⁶

Brochures and other literature were mailed to employees' families, telling the meaning and goal of O. C. and announcing employee-of-the-month and employee-of-the-year contests.

Hudson also tried to stimulate local business in plant communities. It sponsored local merchant sales promotions, featuring O. C. sales days. The purpose of these days, said the article, was to help defeat recession psychology and spur aggressive selling to keep local business operating at full capacity.⁵⁸

The company also devised a visual symbol for letter-heads, bulletins, press releases and plant signs. The symbol

⁵⁵Ibid. ⁵⁶Ibid. ⁵⁷Ibid. ⁵⁸Ibid.

consisted of the company's sailing ship trademark loaded to the gunwales with products--heading up a sales chart.⁵⁹

The program cost roughly about \$10,000 and after its inception, volume increased and inventories decreased. In addition, "Operation Capacity" received heavy play from local newspapers, both in news and editorial columns.⁶⁰

IV. PRODUCT PROMOTION AND "HARD SELL" EFFORTS

Many businessmen were convinced that the most effective way to beat recession problems was to tempt customers with new and better products.

New products. One company which had outstanding success in this area was camera maker, Bell & Howell. Bell & Howell not only introduced nine additional items to its line of equipment during the recession, but also offered substantial price reductions. Four 8-mm "electric eye" cameras were priced from \$99.95 to \$159.95 in 1958. In the previous year, the company had only two of these, tagged at \$149.95 and \$169.95.⁶¹

Bell & Howell was able to lower prices by stepping up production to force lower unit costs. To focus consumer attention on these new lines and prices, the company quadrupled its advertising budget in 1958's second quarter.⁶²

⁵⁹Ibid. ⁶⁰Ibid.

⁶¹"It's That Extra Enterprise," Newsweek, (March 31, 1958), pp. 79-83.

⁶²Ibid.

The recession actually helped Bell & Howell set up its big drive, said one source. The company was able to pick up television time at a twenty-five percent discount and suppliers were ready and willing to slice their prices to get the big component and raw-materials orders.⁶³

The Philip Lesly Company, which handles public relations for Bell & Howell, contributed mostly publicity and promotional assistance. Press releases and photographs of each of the company's new product lines were given wide dissemination and numerous promotional booklets were prepared and distributed to dealers.⁶⁴

W. A. Sheaffer Pen Company also responded to the recession with a new product line. It introduced a fancy line of "Lady Sheaffer" gold, silver, periwinkle, and carmine-colored pens--adorned with silver, rhinestones and other touches. The company nearly doubled output by selling through new distribution outlets--cosmetic counters, boutiques, and jewelry departments.⁶⁵

"Hard Sell." For those companies lacking new products, their promoting and selling problems were more difficult during the recession; it was a time for more concentrated selling efforts, as the Wall Street Journal reported:

⁶³Ibid.

⁶⁴Personal Communique from Philip Lesly Co., Chicago, Ill., July 29, 1958.

⁶⁵"It's That Extra Enterprise," loc. cit.

In the jargon of Madison Ave. ad agencies, advertisers are shifting from the "soft sell" to the "hard sell," putting more emphasis on products and prices and less on institutional or "company image" advertising.⁶⁶

The return of the so-called "hard sell" inspired, to some degree, a rebirth of gimmicks and giveaways. Hotpoint, Electrical Co., for example, sent several dealers and their wives, garbed in full pirate regalia, to a Pacific island to dig for buried chests containing \$7,500. Another electrical company sent dealers and mates to a Spanish castle for a week-long stay.⁶⁷

But beyond all these promotional schemes were some strong selling efforts--and bargains. As one publication commented:

"...the hard sell's clincher was bargains. And bargains were showing up again...If this was not a cure-all, the hard sell boys made clear that there was no better single tonic for economy than relentless advertising and muscular merchandising of attractive goods at attractive prices."⁶⁸

One example of a recession "hard sell" effort is a program which was conducted by the Davega Stores Corporation. It was advertised as a "By-Your-Way-To-Prosperity" program and conducted in cooperation with such companies as RCA, Bell

⁶⁶Wall Street Journal, January 29, 1958, p. 1.

⁶⁷Wall Street Journal, January 24, 1958, p. 1.

⁶⁸"The Hard Sell vs. Hard Times," Life, (April 14, 1958), p. 24-25.

& Howell, Emerson Radio, Wilson Sporting Goods, Frigidaire, Zenith, Amplex and General Electric.⁶⁹

Special sales were offered and consumers were able to buy without down payment through a liberalized financing plan in conjunction with General Electric's Credit Corporation.⁷⁰

V. COMMUNITY CAMPAIGNS

"You Auto Buy Now". One of the most widely discussed and publicized anti-recession campaigns, "You Auto Buy Now", began at the community level. Lagging auto sales were a big factor in the recession, and Detroit was hit for failure to produce cars at reasonable prices. Automobile spokesmen, on the other hand, often blamed their poor sales on dwindling public confidence. And a Cleveland (Ohio) auto dealer came up with a plan to build confidence and sell automobiles.⁷¹

The program was supported by the Cleveland Auto Dealers Association and the Chamber of Commerce, which launched the effort under the slogan, "Keep Cleveland Business Healthy --You Auto Buy Now." Cleveland auto dealers spent some \$250,000 on promotion, car makers poured in additional money

⁶⁹"Can Advertising Help Reverse Recession? Some Advertisers Are Willing to Try," Printer's Ink, (April 11, 1958), pp. 9-10.

⁷⁰Ibid.

⁷¹"Push Car Sales," Business Week, (March 8, 1958), p. 48.

and local papers featured the drive editorially. Radio and television donated \$50,000 of spot time.⁷²

The Cleveland campaign, which was held during the last week of February, 1958, was deemed a success. Some 3,300 new cars were sold at a retail value of \$10 million and 3,500 used cars, valued at \$5 million, were sold. In the first three weeks of February, Cleveland auto dealers had sold only 2,565 new cars.⁷³

Seven days after the Cleveland campaign ended, the car manufacturers in Detroit set up a joint committee to stage similar promotions in other cities, agreeing to send a top executive from the companies to arouse dealers in each city, and to provide organizational support. The idea caught on and "You Auto Buy Now" campaigns were conducted in about three hundred cities. In each campaign, major emphasis was placed on the sale of automobiles as the cornerstone of the economy.⁷⁴

In a "Report on What Really Happened in the 'You Auto Buy Now' Campaign", the Bureau of Advertising of the American Newspaper Publishers Association found that ninety-three percent of two hundred-fourteen Chamber of Commerce groups surveyed termed the program "successful." Only six percent

⁷²Ibid. ⁷³Ibid.

⁷⁴Carl Spielvogel, New York Times, September 10, 1958, p. 45.

reported "failure". The bureau also reported that the program had "a considerable effect on the economy as a whole and on public morale."⁷⁵

The bureau concluded:

The event proved conclusively that old-fashioned selling backed by strong advertising and other promotion, was the dire need of the slipping economy. It emphasized once again a truism of business that has been largely forgotten during a long period of easy prosperity --that the customer does not buy; he must be sold.⁷⁶

"Buy Now". The "You Auto Buy Now" campaign in Cleveland was followed by another similar promotion effort. It was called "Buy Now" and was backed by some two hundred community leaders, in an effort to promote retail sales.⁷⁷

A double "V" sign was adopted--Values for Victory, to signify victory over recession. Downtown Cleveland retailers stayed open every night during the first week of the campaign and there were city-wide decorations. In addition, restaurants offered specials for shoppers, the Chamber of Commerce encouraged suppliers to bring products into the city for special promotion and the news media gave heavy support, as in the auto campaign.⁷⁸

⁷⁵Ibid. ⁷⁶Ibid.

⁷⁷"Cleveland Plans Drive to Rout the Recession," Printer's Ink, (April 18, 1958), p. 15.

⁷⁸Ibid.

Other cities carried on similar efforts and some communities tried to build confidence through dramatic stunts. For example, an April, 1958, issue of Life had a two-page picture spread on a group of businessmen in Kankakee, Illinois, attired in funeral black, who "rode on a rail and laid to rest 'Mr. Gloom', symbol of the recession." The local entrepreneurs had dressed an effigy, taken it on a railroad hand-car to a site outside town and buried it with due pomp and circumstance. Said Life: "The Kankakee carryings-on were aimed directly--and quite properly--at penny-pinching pessimism."⁷⁹

⁷⁹"The Hard Sell vs. Hard Times," loc. cit.

CHAPTER IV

NEWS COVERAGE AND PUBLIC RELATIONS

PUBLICITY POLICY

As we have mentioned repeatedly, the 1957-58 recession was one of the most publicized business declines in this country's history. When a recession is so widely publicized, it places a heavy burden of responsibility on newsmen and publicists. If either fails to report the story fully and accurately, distortions may result which can have serious effects on public confidence. In this chapter we shall cite some shortcomings in the publicity area during the 1957-58 recession, set down some personal observations on problems confronting the newsmen and publicists during a recession, and offer some public relations policy ideas on handling recession news.

I. THE MASS MEDIA

The mass media is a major source of economic intelligence. Through the mediums of television, radio, newspapers and magazines, people gain a number of definite impressions about the country's economy. To what degree these impressions influence individual economic decisions is anybody's guess, but the potential to influence does exist.

What are some of the problems confronting the mass media during a recession and how might they influence reporting?

One problem relates to advertising. The mediums of mass communications are, of course, dependent on advertising for their existence. Through fear of possible advertising curtailments during a business recession, some media managers may order reporters to "go easy" on the recession story.

Time reported two instances where southern newspapers withheld unfavorable news during the recession. The Atlanta (Ga.) Journal, said Time, suppressed the news of a layoff of two thousand Lockheed Aircraft workers in the fall until it could report the factory had found other jobs for them. And in Memphis (Tenn.) a Scripps's Howard paper ran a glowing story on expansion plans for a local Firestone Tire & Rubber Co. plant without mentioning that 2,600 of its 3,600 employees had been laid off. Remarkd Time: "Many newspapers were afraid to scare their advertisers."¹

In addition to the possibility of advertising "bias" during a recession, there is some evidence to support the idea that newsmen favor "rosy" headlines, even when times are bad.

A study was conducted during the war at an interval when defeats and discouragements were intermingled with successes. The authors classified the heads and subheads of

¹"Silver Lining the Slump," Time, (March 17, 1958), p. 53.

twelve representative newspapers from August 17 to November 17, 1942, and found that there was a preponderance of optimistic headlines.²

The authors note that while the invasion of North Africa occurred during this period, there were "plenty of grim communiques from the Solomons, from the Stalingrad front, and from the submarine zone."³

Few editors, we feel, would defend their cheery headlines on the grounds of the preponderance of happy events during the period under discussion.⁴

Some editors, they said, might argue that optimistic headlines make people feel gayer, raise morale--but the authors question the validity of this idea, too, citing this piece from Time:

Since the North African victory, some blood donors are failing to keep appointments at Red Cross donor centers. The Red Cross has noticed such defaults always increase after good news.⁵

Whether or not these findings can be applied to headline writing during contemporary business recessions is questionable. However, they do offer some basis for speculation.

If newsmen did write predominantly optimistic headlines during the 1957-58 recession, they may have unwittingly

²Elizabeth C. Winslop and Gordon W. Allport, "Do Rosy Headlines Sell Newspapers," Public Opinion and Propaganda, (New York: The Dryden Press, 1954), pp. 271-74.

³Ibid. ⁴Ibid. ⁵Ibid.

fed feelings of pessimism. People, said Katona, generally derive their "economic" views from their own personal situation.

A current of information, which overrides personal experiences, is probably a rare occurrence and requires confirmation and reinforcement over an extended period. At most other times, news and information are evaluated in terms of personal experiences. This is particularly true of news about incipient recessions. When newspapers, radio and television report on growing unemployment and falling production and make dire predictions, people whose personal situations have been adversely affected are influenced for a short while only, rather than permanently. Knowledge of unfavorable economic events may even result in seeing one's own situation in a more favorable light and may later become the basis for renewed confidence and optimism. This does not, of course, mean that a much advertised recession cannot become severe. It does mean, however, that suppressing or sugar-coating bad news for fear that it may create mass hysteria --as was advocated in 1958--is not necessary and may even be dangerous.⁶

There was considerable feeling that newsmen failed to mention enough good things about the economy during the recession and that they gave too much emphasis to unfavorable developments. This was, in fact, one of the major contentions of those who supported the Advertising Council program.

In terms of space allotted, the media did devote considerable attention to the recession, perhaps more than the

⁶George Katona, The Powerful Consumer, (New York: McGraw Hill, 1960), pp. 38-39.

story merited. This could have been good or bad, depending on one's own personal interpretation. It would seem, however, that heavy news coverage of a recession would be valuable if it enabled people to make a more precise estimate of the economic situation. If people more clearly understand a situation, the possibility of their making incorrect decisions is generally lessened. On the other hand, if people are given only a partial view--an incomplete estimate of economic conditions--they may act unwisely.

Of course, it is not always possible to equate the "quantity" of information received with understanding. Much of the recession news may have been simply a facts and figures round-up with little or no attendant explanation. Surveys have revealed that people want to know what is happening.

News must carry information and explanation for developments that take place since people genuinely want to know what takes place, and likely won't be influenced otherwise.⁷

II. GOVERNMENT PUBLICITY

Earlier we said that the government adopted a confident recession "line." This policy backfired to some extent when the recession got progressively worse and some of the President's predictions for an early upturn were proved false.

⁷Ibid., pp. 39-40.

During a recession, the government has several special responsibilities. It must interpret the wealth of economic data it has available and then give the best possible appraisal of economic conditions; it must, within the boundaries of available facts, bolster public confidence; and it must use its anti-recession financial "guns" when circumstances dictate. Considering the complexity of the economy, there is ample room for policy errors or misjudgements when a business downturn occurs. The problem is, however, that such errors can crack public confidence since they are so quickly noticed and publicized. Observant reporters and the political opposition warily watch an incumbent administration, particularly during a business recession. Here is one reporter's comments on the President's statements:

The White House is practically alone in its prediction of a strong recovery. President Eisenhower's report on the state of the economy on February 12 was freely interpreted as an attempt to bolster the waning confidence of both businessmen and consumers. But stock prices dropped when the statement was issued, and many businessmen, made skeptical by Eisenhower's earlier view that the economy was simply taking a "breather," felt that his confidence that this month would "mark the beginning of the end of the downturn" was policy uncomfortably reminiscent of Hooverian.⁸

⁸M. J. Rossant, "Washington and the Recession: Will it be too Little too Late," The Reporter, (March 6, 1958), pp. 11-16.

Once the publicity tone for the government was set by President Eisenhower, other governmental departments followed suit.

The Secretary (Weeks of Commerce) is the latest official to sound the new Administration line-- that business is expected to pick up by mid-year and that 1958 as a whole will be as good as, or better than, 1957.⁹

When public statements by the governmental leaders, business executives or any opinions leaders smack of deliberate, unsupported confidence-building attempts, people sooner or later grow skeptical. Publicity must have substance in fact and attempts to gloss over real economic problems with well-turned phrases can have serious effects.

Late in February, 1958, publications began to reveal inconsistencies between statements and policy by the government. A Wall Street Journal lead story was headed: "Chances Grow for Big Tax Cut as Pessimism Deepens in Washington." The articles said essentially that the recession was worse than officials publicly admitted, that it had become a political issue, and that there were deep-seated fears of deflationary trends.¹⁰

Government statements in March (1958) had a ring of urgency. Early in the month, Vice President Nixon said that

⁹Wall Street Journal, January 2, 1958, p. 3.

¹⁰Wall Street Journal, February 18, 1958, p. 1.

he favored a tax reduction as the next major step to deal with the recession.¹¹ His comments were followed by Secretary of Labor Mitchell's remarks to an AFL-CIO conference:

...a major and substantial cut in personal and business taxes is being fully considered and its details worked out. It is ready for the immediate use as an additional stimulus to the economy and it will be used if necessary.¹²

After following a "hands off" policy through most of the recession--and justifying its position with frequent statements on the basic strength of the economy--the government suddenly began issuing remarks on a possible tax cut--an anti-recession measure of major proportion.

The quick reversal in policy and publicity could have done serious damage to public confidence were it not for the general awareness of the public.

There was, as we said earlier, firm foundation for confidence. Both consumers and businessmen were in general agreement with the government's views that the recession would not develop into a deep depression. However, neither group seemed as confident as the government of an early upturn in business.

The government was, in a sense, trying to use publicity as an anti-recession weapon and it is difficult to make any

¹¹Hans H. Landsberg, "We Cannot Afford This Recession," The Reporter, (May 15, 1958), pp. 10-16.

¹²Ibid.

judgement about its success or failure. Economic conditions did begin improving in 1958's final quarter and this may have been due in part to the generally optimistic news that the government helped create. But one is inclined to feel that the good-news-for-good-news-sake idea was overdone by government spokesmen.

The government must, of course, promote the economy, particularly at times of recession. But how can it best do this? Certainly by not filling the press with confident predictions while ignoring the problems created by the decline. The basic issues, it seems, should be discussed freely and openly, and possible government anti-recession measures should be listed from the outset. The assurance people want and expect from the government is that it recognizes the problems and has at least mapped federal plans for meeting them.

III. BUSINESS PUBLICITY

For business organizations, publicity is often unfavorable during economic recessions. News of layoffs, production cutbacks and other adverse developments are dutifully noted in the press.

Of course, when a company's sales increase despite a recession, it may be showered with laudatory comments by the press. American Motors Corporation's sales, for example, countered the downward trend in 1958 by zooming twenty-six

percent above the previous year's and many publications noted this success in contrast to generally dismal sales in the remainder of the automobile industry.¹³

Generally speaking, however, a recession is a "bad news" situation for industry. The problem which may arise as a result of this situation is that many companies may be reluctant to have its recession setbacks known publicly; they may try to conceal or withhold unfavorable information of public interest. Or they may attempt to "bury" bad news in a sea of meaningless press releases which speak of the "good" things that may happen to the company.

If a company's motives are discovered--and they usually are in these cases--the bad news can be compounded. People may make unfounded speculations simply because they lack reliable information.

In most large business organizations today, public relations departments or counseling organizations are responsible for the preparation and distribution of publicity. And in many corporations, publicity policy is often guided by public relations department heads or public relations counsel. One public relations executive feels that many public relations practitioners are failing to fulfill their responsibilities in this area.

¹³Wall Street Journal, February 10, 1958, p. 1.

Probably the most important shortcoming of public relations practitioners today is a tendency to limit their efforts to publicizing the "nice" things about their companies while sweeping under the rug the crucial issues...¹⁴

Although public opinion and publicity experts supply mounting evidence that one of the most effective ways to spike rumor, innuendo and confusion is to make all available facts on a problem situation known immediately, many cling to the idea that people should know as little as possible about such matters.

Sometimes, management will block honest efforts by public relations men by withholding information or forbidding the distribution of certain information of public nature. Obstinate executives cannot always be convinced, but through fear of position or reprimand, some public relations men may be less than zealous in their efforts to alter management attitudes on these matters.

Competitive pressures and publicity assaults from other interest groups may also affect company publicity policies during a recession. Businessmen may feel compelled to withhold certain information for fear competitors and groups such as unions and government agencies might turn it to their advantage.

A Fortune article illustrates another dilemma that may develop during a business recession. The article said that a

¹⁴J. Stanford Smith, "Challenge for Business Statesmen," Public Relations Journal, (February 1958), p. 14.

few businessmen were "talking for effect," and "taking it upon themselves to protect the public from what they really thought, under the impression that they were helping to promote prosperity."¹⁵ Two examples are given:

One prominent Chicago banker carried the best-foot-forward policy to unusual lengths. In February he had taken an informal poll of the mood of thirty top business executives and found them more optimistic than they had been two months earlier. Accordingly, he picked up the telephone and told a member of the Cabinet in Washington that sentiment in the Midwest had improved. Fortune asked the banker if he personally thought the business prospects were actually better. "No, not personally," he blandly replied. Another banking executive, who writes a monthly business review distributed throughout Texas and who has been bullish in print, said in private: "Of course I give the facts in my newsletter but I can't tell everything I know. I have quite a following in Texas and I have to be careful what I say."¹⁶

Conclusion. Publicists and public relations men, representing business, union organizations and government agencies, are a major news source for reporters and can exert some control over information. Sometimes, however, public relations men have erroneous notions as to how their control should be exercised in releasing news on adverse economic developments. There is probably a minority of publicists who believe that by suppressing or withholding bad news at a time of business decline, they can help the psychological climate. While this may work in rare instances, it seems to

¹⁵George B. Bookman, "How Top Businessmen View the Recession," Fortune, (April 1958), p. 112.

¹⁶Ibid.

be a rather bad policy. Newsmen have other information sources and they will not hold a very high opinion of a publicist who attempts to conceal a legitimate news item simply because it casts his organization in a bad light, or because it might "scare" people.

If, during a recession, reporters come looking for bad news--and an organization has some to report--it should be reported fully and accurately by the public relations representative; it is his job to answer honestly and completely any reasonable request by a mass media representative.

However, dispatching bad news is only one phase of recession publicity. For the imaginative public relations man, a recession can offer unique publicity opportunities. After the initial barrage of stories on how the recession has affected various sectors of the economy, reporters begin looking for new "angles". In our review of the newspapers and magazines published during the 1957-58 recession we noted that in the beginning most of these publications devoted considerable space to stories on the unfavorable economic developments. Once this phase of the recession story was reported, they began carrying stories on anti-recession actions by business and government. It is at this point that public relations and publicity men can help to change the complexion of the news, and perhaps garner some favorable publicity for the organizations they represent.

Industrial publicists can contribute by getting out every piece of positive news on the business organizations they represent. Stories on new product innovations, expansion and development plans, worker callbacks, clever cost-cutting measures, unusual promotion schemes, special employee efforts and many other company responses to the recession challenge may be well received.

A recession might also be an especially good time to open company doors to media representatives who want to find their own stories. The element of control is mostly limited in such cases and the story might not be one hundred per cent in the company's favor, but it might cement press relations for years to come.

CHAPTER V

CAN ATTITUDES BE INFLUENCED?

We have said that attitudes are important and have discussed some attempts to favorably influence attitudes during the 1957-58 recession. In this concluding chapter we will first consider the role of information in affecting attitude changes. Then, we will evaluate the programs discussed in Chapter Three in terms of their possible impact on attitudes, and offer some opinions on their relative merits. In a concluding statement, we will discuss the responsibilities of public relations practitioners during a business recession.

I. THE ROLE OF INFORMATION

While there has been a substantial increase in the number of people who can make economic decisions that matter, business and consumer discretion could hardly be exercised to influence the economy if broad masses of people were entirely uninformed about economic events. Economic awareness is probably higher today than ever before. Through the media of mass communications, news--both good and bad--is spread rapidly, and because of the centralized nature of news sources, fairly uniformly. Every localized economic ailment can be known nationally in a matter of hours, even minutes!¹

¹George Katona, The Powerful Consumer, (New York: McGraw Hill), p. 13.

However, the mass media are not the only sources of economic information, and, according to one source, probably not the most important. Information received on a more personal level may have greater impact on decisions than the news which is transmitted by the mass media.²

Friends, fellow workers, merchants and other personal associates are believed to be a major source of economic intelligence for consumers. So, too, are unions, fraternal groups and other organizations to which the consumer may belong. Information received by word of mouth, says one writer, can influence consumer decisions. People are more attuned to the information they receive at these informal levels, mainly because it applies more specifically to their own personal views and opinions. Another reason why this information may influence individual economic behavior is the tendency of people to accept information that conforms to group norms.³

One important aspect of our behavioral environment is group belonging...What news and information reaches us is at least colored by our group belonging; so is our interpretation of the news; and the principle of social vacillation says that action similar to the action of other members of our group is easy, while contrary action is difficult.⁴

Businessmen, who have access to information which comes through both standard channels and highly specialized sources,

²Ibid., p. 147. ³Ibid. ⁴Ibid., p. 55.

would seem less prone to group conformity, observes Katona, because of their solid knowledge. However, he believes that the reverse is probably true. Businessmen, he says, unite in cohesive groups, while consumers do not.

"Businessmen are more subject to group conformity," he concludes.⁵

It is possible for information about events outside the business sphere to affect consumer and/or business decisions. Information about government spending is one example. Although the government spends far less than the private sectors--and its spending is rigidly controlled by budgetary requirements--slight changes in government spending can have considerable impact on business decisions--and ultimately on consumer decisions.

News of Federal Reserve Board actions (announcement of changes in the interest rate, for example) may also influence decisions. So, too, can international developments like increased world tension...or domestic problems like inclement weather in farm belts, labor strikes and political conflicts. The list of news events that may sway economic decisions **by** businessmen and consumers is virtually inexhaustible.

Bad news in itself does not cause recessions. News is only an account of an event that has transpired. However,

⁵Ibid., pp. 233-34.

our argument is that news or information can cause an exaggerated response if conditions are right. In other words, if people (consumers and businessmen) in one area of the country learn that business is not good in another locale, they may, if for some reason they are worried or concerned somewhat about their own economic security, respond to the news by curtailing their expenditures by more than their own situation warrants.

Is it possible for good news to have a similar effect? Will people, once a recession has developed, respond to good news in a somewhat exaggerated fashion? Economic behavior, it is said, is most commonly influenced by new information. People are constantly looking for new stimulation. When business is bad, they look for good signs. Conversely, they are inclined to be more sensitive to unfavorable economic news during good times.

If this assumption is valid, business, government and other groups are appealing to a generally receptive audience when they propose anti-recession measures during a business decline. It is not implied, however, that unsophisticated appeals will be well received.

Contrary to some popular notions, surveys have shown that American consumers have generally sound economic views.

We are told nowadays that consumers are puppets in the hands of unscrupulous or hidden persuaders and manipulators. It is true that consumer thinking is not fully logical, and frequent repetition

influences consumer choices, especially when the choice does not matter much. But, on the whole, the broad middle-income groups have been found to have a concise and meaningful picture of the workings of the economy.⁶

What type of information is most likely to stimulate this group of sophisticated consumers, which, through its discretionary spending role, can influence economic trends? What statement and "deeds" can trigger favorable attitudes during a business decline? What can industry do to encourage consumers to spend more during a business decline? And what can government do, not only to encourage consumer spending but also to urge greater business investments?

II. INFORMATION PROGRAMS

The Advertising Council endeavored to stimulate economic behavior by offering new information. Its program was designed for general appeal, although many business organizations were able to tailor the general "confidence" theme to their specific promotional needs.

The Council was interested mainly in promoting confidence in the basic economic health of the nation. What it did essentially was to round-up some facts on the country's growth potential, translate them into basic advertising appeals and give them wide dissemination. Their efforts were

⁶George Katona, "The Psychology of the Recession," Speech Delivered at the Convention of the American Psychological Association, September 1, 1958, pp. 17-18.

well received by the mass media in terms of space and time allotted, and they also received some favorable editorial comment.

Since it is difficult to trace any cause-and-effect relationships, one can only speculate as to how effective an information program of this nature may be.

Source credibility. One important factor in determining the effectiveness of communications is the attitude of the audience toward the communicator. Can the individual or group relaying the information be trusted?

The Advertising Council, while a non-profit organization, is still aligned with business interests and views. Leading executives from industry serve on the Council advisory and planning committees; advertising and public relations men implement the programs and business organizations support the Council through voluntary contributions.

Do these ties with business interests make Council information programs less effective? Do people suspect the validity of the information which is promulgated through the contributions of businessmen who may benefit financially if the information has the desired effects?

It is doubtful that people in general question the veracity of Council statements for these reasons. Although the Council is supported by business contributions and businessmen do take an active part in some of its programs, the

Council image as a public service organization prevails. The Council has established an excellent reputation through its many and varied programs--its efforts in forest fire prevention probably being most widely recognized. Everybody likes "Smokey the Bear."

Nature of information. The critical question in determining the type of information to be distributed during business recessions is whether or not the information should refer to the problems the economy is facing. There are two fairly distinct views.

One view is that people are fully aware of these problems--that they need not be discussed further. Information, say adherents to this view, should relate to positive elements in the economy; people need to be reminded of the economic development and growth which is going on all around them in spite of recession conditions. This, they say, is the way to restore confidence and get the economy going in the right direction.

The other view is that problems must be discussed if the information is to have any real influence. Proponents of this view say to ignore the problems is to practice a kind of deceit which can harm rather than help feelings of confidence.

Of the two views, the Council program adhered more closely to the first. The information distributed by Council

bureaus cited only positive elements in the economy with no reference to specific problems.

The Council argued that it was trying to reverse the bad news trend with some favorable economic facts. Undoubtedly, there was need for some positive news, if for no other reason than to give reporters a fresh slant on the recession story. Several papers discussed the Council campaign in their editorial pages and the Council public relations arm pumped out news releases on favorable economic development at the rate of one per day. However, it is doubtful that this information turned the "bad news" tide, as the Council hoped it might.

While the media may have given a disproportionate amount of space to the recession story, they were not creating "bad news." The economy was faltering and the press reported the story. Only an upturn in business could significantly change the tone of the news.

Limitations of the advertising technique. Advertising techniques have seemed to prove effective in previous Council campaigns, (the Council figures on forest fire prevention are impressive), but one questions how effective they be in promoting economic strengths during business declines. Can an economy be sold to the people in the same way as toothpaste and chewing gum?

The Council advertising messages were flashed in news publications and on radio and television networks from coast

to coast; subways and buses carried them on car cards. In terms of the advertising axioms of "exposure" and "repetition" the Council effort was outstanding. Millions of Americans surely "got the message." But aside from the public service tag, which distinguishes Council ads somewhat, the advertisements were competing for attention, much like the millions of other advertisements. Perhaps the ads did serve to remind millions of Americans of the country's economic potentials. But it does not necessarily follow that this information would change their short-term economic decisions.

Business confidence. The Council campaign received substantial support from businessmen. The Industries Advisory Committee, which passes judgement on all Council campaigns, consists of some sixty executives, representing nearly every major industry in the country. As the program gained momentum, many other representatives of industry became involved. The campaign thus encouraged a number of business executives to think and to talk about the positive factors in the economy. Whether or not the exposure to the campaign had any effect on their economic decisions is another question. Businessmen may lend verbal support to a program like the one discussed, but their own economic decisions may be governed by an entirely different set of facts. Businessmen, like consumers, are essentially conservative. They may have confidence in their economy's ultimate potentials but they usually act in

accordance with existing data. Only a few venture large sums of capital when business conditions are bad.

Business participation. In our earlier discussion, we cited instances of individual concerns employing the basic campaign ideas. This may have been the major contribution of the Council effort. Sinclair, for example, was able to translate the ideas into a sound recession sales program. Other companies used the Council materials in supplementary public relations efforts, revamping some for distribution to specific publics like dealers, stockholders and customers. We know that attitudes are more apt to be influenced if the appeal is in terms of individual interests. And these participating companies did, to some degree, make the Council appeals more specific.

Public relations approach. Public relations played only a minor role in the Council campaign. The major function of the public relations counseling organization involved was to prepare basic materials like press kits, press releases, speeches, fact sheets, and the like. The campaign was essentially an advertising effort and the public relations approach was used sparingly.

Perhaps if greater emphasis had been given to public relations the program would have been more effective. But to support a strong public relations program that would reach specific publics and interest groups throughout the country

would be extremely costly and contrary to the philosophy of the Council organization. The Advertising Council seeks to influence behavior through advertising, not public relations.

Conclusions. Information programs to influence economic behavior on a mass scale have distinct possibilities. Post-war recessions have been spotty; some areas of the country have been hard-hit while others have continued to prosper. None of these recessions, with the possible exception of the 1957-58 decline, has threatened to develop into a deep depression. The problem has been, however, that when people have learned that the country is in a recession, they have often curtailed their spending even if their own situation has not been adversely affected.

In his recent book, Katona commented that consumers may not be receiving adequate information.

Instead of arguing that there is too much manipulation of consumers, a good case might be made for the thesis that they are not manipulated enough in the sense of not being helped to acquire sufficient information and knowledge. To attempt to influence consumers so that they should better understand their function and make better use of their power is a task for leaders of public opinion.⁷

A recession might be an excellent time to conduct such educational efforts. For one reason, they may help to influence people's short-term economic behavior (i. e., encourage

⁷George Katona, The Powerful Consumer, op. cit., p. 245.

them to spend more) by dispelling certain doubts and uncertainties. Also, public interest in the economy seems to run high during a recession, and the audience might be more receptive. People may be generally indifferent about the subject of economics, but their interest seems to perk-up when the economy is not doing well.

Economic information, of course, is dispersed at many levels, but we are primarily interested in large-scale attempts to inform and influence the masses such as the Advertising Council program.

The Advertising Council effort was an information program only in a limited sense. Information was distributed by the Council but it was narrow in scope, since it did not deal directly with the problems of the recession and the "facts" were limited to seven basic points on economic growth.

If more comprehensive information programs are conducted, what kind of information should be distributed? Who should sponsor these efforts? And how should the information be distributed?

A recession is an ambiguous situation. Surveys have shown that most consumers understand the major reasons for the recession but few have insights into the complex inter-relationships involved. Therefore, one of the first objectives of an information program should be to explain and interpret the recession.

People receive a wide range of views and opinions on a recession from many sources, but they are seldom offered in an organized fashion from a single source.

The basic problem in conducting such an information program is translating economic data into informative, stimulating and persuasive messages. There is a certain public apathy about economics which makes this a challenging task. Many people find economics a dry, uninteresting subject. However, as we mentioned earlier, interest is stimulated by a recession, and it is possible to make economics a highly interesting subject for many. Harvard economist, John Gailbraith, has ably proved this point with his best seller, "The Affluent Society."

A recession information program could be supported by a number of groups. Large business organizations, the government, unions and national industrial organizations such as the Advertising Council might bear the expense. However, there is danger that a single sponsor will bias the information. A desirable solution might be to have a program supported jointly by industry, government and the unions. A joint sponsorship of this nature would require many compromises by each of these groups, but it could be a step toward greater mutual understanding that would be dramatized in a national information program.

However, such cooperation is not likely in the near future, especially when each of these groups continues to hold so many divergent views on the factors responsible for a recession.

Individual business organizations or industrial associations are the most likely sponsors. Of course, these groups are likely to bias information with a business "party line" on the recession. Few businessmen are willing to support ideas that are contrary to their personal economic philosophies.

It seems, however, that business organizations, which support recession information programs of an objective nature, might reap substantial public relations benefits.

The government and unions could also sponsor similar information programs, or programs which better clarify their functions in the economy and the contributions they can make in alleviating economic recessions. The government role in the economy is particularly confusing to many people. For example, most people do not understand the purpose of deficit spending, according to survey results. They fail to comprehend how unemployment benefits, increased defense spending and other government outlays can stimulate business. Generally, they believe that such government anti-recession actions can only increase taxes. Many people associate recession with the necessity for economizing and cannot

understand how government deficits could contribute to increased demand. As Katona notes:

Scholars and publicists have not yet succeeded in clarifying the function of government deficits among the masses.⁸

Information can be distributed in many ways but a recession information program to reach the masses would require using one or more of the mediums of mass communications. The selection of the medium or mediums would depend, of course, on the nature of the program.

Television might be an effective medium, considering its popularity and its notable success in several documentary and educational efforts. For example, a series of hour-long shows for several continuous weeks during a recession might be favorably received if they were both informative and interesting. Such programs could be given greater appeal if outstanding television news commentators participated and leading economists, industrialists, union leaders and government figures appeared. A program of this nature might be sponsored by the television industry as part of its public service contribution.

Information programs, no matter how extensive or elaborate, will not necessarily reverse a recessionary trend. Social learning is slow and many people interpret information

⁸Ibid., p. 240.

in terms of deeply ingrained stereotypes and views.⁹ However, the need for greater economic understanding is paramount and if consumers are to act so as to favorably influence the trend of the economy, they need continuing sound guidance and direction from opinion leaders. Katona says that today there seems to be some value in economic ignorance. "...the little knowledge people have of the workings of the economy does not seem to lead them astray frequently."¹⁰

However, he adds that a "little learning" can be "a dangerous thing. No doubt, more knowledge and better knowledge is preferable to incomplete and unsophisticated information."¹¹

Since recessions happen to be one of the pressing problems of this economy, a comprehensive information program conducted during a business decline might give people greater insights into this problem and the workings of the economy in general.

III. COMPANY PROGRAMS

Company-sponsored programs like "Operation Upturn" and "Operation Capacity" must be evaluated mostly in terms of their benefits to the individual concern. Individual corporations have only limited powers to influence an economic

⁹Ibid., p. 239. ¹⁰Ibid., p. 233. ¹¹Ibid.

trend, either through words or deeds. Even a giant corporation like General Electric can do very little on its own in promoting a general business upturn.

While in many respects the programs of the companies were similar, there were two fundamental differences. General Electric launched its program after company sales had dropped, while Hudson's program was more of a preventive measure since its sales had not been adversely affected by the recession. The programs also differed in size and scope. "Operation Capacity" was a relatively small program, which extended only to the five plant communities of the Hudson Paper Pulp Company. In contrast, "Operation Upturn" was an elaborate, large-corporation program, which was adopted by General Electric divisions in all areas of the United States, and even in some foreign countries where General Electric plants are located.

Unlike the Advertising Council campaign, the programs conducted by General Electric and Hudson Paper were of a public relations nature. General Electric did advertise "Operation Upturn" extensively to reach a mass audience but the company was primarily interested in appealing to specific publics, as was Hudson paper.

It is, of course, difficult to gauge results in public relations endeavors like these two companies conducted. Hudson reported that sales increased and inventories decreased during the period that "Operation Capacity" was in effect, but

there may have been factors other than the program responsible for these improvements. General Electric officials seemed very satisfied with "Operation Upturn"--one spokesman reporting that he believed it was the most successful program ever conducted by the company--but they were cautious in claiming results.

Publicity benefits. Any company which responds to a recession with a unique and timely effort is apt to receive favorable publicity. Judging from our perusal of newspapers and magazines published during the 1957-58 recession, these mediums--particularly the business periodicals--will allot considerable space to aggressive business actions during an economic decline.

"Operation Upturn" was apparently well received by the nation's news media. We discovered a number of favorable stories on the program in our review of publications printed during that period. Some publications, such as Business Week, carried the "Operation Upturn" story in depth.¹² Printer's Ink reported favorably on "Operation Capacity", as did newspapers in the Hudson plant communities.¹³

By sponsoring these programs, General Electric and Hudson Paper received good publicity at a time when most business

¹²"GE Launches Own Plan for Recovery," Business Week, (May 17, 1958), p. 28.

¹³"Hudson Pulp Paper Shows the Way to Beat Recession Thinking," Printer's Ink, (June 27, 1958), pp. 56-57.

news was bad. And the story probably helped to "polish" each company's "image" since the programs were tangible evidence that the companies were not sitting idly by, waiting for the recession to pass--but were, instead, taking constructive actions in an effort to offset the ill-effects the decline was having, or might have, on their businesses.

The publicity these companies received for their programs may have had other beneficial effects. In a small way, it may have helped to offset some of the bad news about the economy. The General Electric program, in particular, generated a number of "good" news stories, and the name, "Operation Upturn", had the obvious implication that the company believed the worst of the business decline was over. While we have no supporting evidence, the publicity may also have inspired renewed efforts by competitors. Seeing that General Electric and Hudson were seeking to capitalize on the recession situation, other manufacturers in the respective industries may have responded with more aggressive efforts.

Communications vehicles. The programs of the two companies were, in a sense, effective communications vehicles for reaching a number of publics. We have mentioned briefly how a mass audience was reached through national publicity on the programs. More specific appeals were also possible.

General Electric, it will be recalled, advantageously used its annual shareholders meeting as the occasion to

announce its program in an effort to enlist support from hundreds attending. Hudson sought initial support from its employees by first explaining "Operation Capacity," a production oriented program, to its working force.

The Hudson appeal to their employees was relatively simple--but was a sound recession theme; it was an appeal to their workers' desires for wage and job security.

The company told its workers how much they could lose in wages if company sales fell to the industry level, and then explained that a five percent reduction of manufacturing costs would enable the company to hire fifty more salesmen, which would enhance sales and insure higher production levels. Later company suggestions to employees on cutting costs blended with the "capacity" theme.

General Electric intensified its over-all employee relations effort, using "Operation Upturn" as the catalyst. The public and employee relations departments were assigned the broad responsibilities of inspiring "all employees in all functions with a sense of mission" and of enlisting "their enthusiastic participation" in "Operation Upturn."¹⁴ The prime objective in the area of employee motivation, according to company literature on the program, was "to help develop a feeling of personal responsibility for meeting the high

¹⁴General Electric, Memorandum to all Employee and Plant Community Relations Representatives on "Operation Upturn" Planning Councils, (New York: General Electric, May 16, 1958), 6 pp.

standards of excellence which people expect of General Electric."¹⁵

General Electric, like Hudson Paper, emphasized security in communicating with employees. Employees were told that by working more carefully, eliminating waste, reducing inefficiency and enhancing any method producing a so-called "extra value" to the customer, they would make their own jobs--and the jobs of others--more secure. Through the program, the company tried, first, to help employees better understand the interdependence of sales and jobs, and how both depend on how well the customer realizes "extra values", and, second, the responsibility of the employed to make jobs for the unemployed. The program's internal slogan was "Build Sales and Jobs in '58."

To more fully explain how "Operation Upturn" was used at the employee level, we include the following abstract of a suggestion list for employee relations, which was part of the program plan.

1) Encourage managers at all levels to analyze what restrictions they may be placing on performance of subordinates. Are employees being given the opportunity to work?

2) Dramatize competition through lost orders, lost man-hours of work. Schedule on-the-floor talks with appropriate salesmen. Have customers talk to employee groups on what values they want in locally made products and how products are used.

¹⁵Ibid.

- 3) Publicize costs of various materials. Such dramatization may stimulate waste reduction programs.
- 4) Intensify promotion of Suggestion Plan to generate increased participation in "Operation Upturn."
- 5) Schedule periodic "Operation Upturn" meetings to re-stimulate employee interest and efforts--and to give progress reports.
- 6) Give appropriate recognition for constructive participation in "Operation Upturn."
- 7) Welcome any genuinely constructive suggestions for cooperation which are offered by local union officials.
- 8) Utilize all available communication media to help employees in all functions develop a sense of mission and common interest.
- 9) Take advantage of every opportunity to weave economic education and "mutuality of interest" themes into all "Operation Upturn" communications programs.
- 10) Build a special communication program around "What Makes Jobs" and relate it specifically to "Operation Upturn."
- 11) Encourage employees to buy now the General Electric products and other products and services they need--for best values and to help build sales and jobs for themselves and others in 1958.
- 12) Encourage employees to mail literature on General Electric consumer products to their friends.¹⁶

The community relations phase of "Operation Upturn" was much like employee relations aspect, in that it was an intensification of effort rather than a radically new approach.

The basic theme of "Operation Upturn"--building sales and jobs in 1958--was carried to the community level, as

¹⁶Ibid.

General Electric tried to develop a better business climate in plant locations.

Everyone in the community, said one General Electric statement, should be encouraged to cooperate with General Electric employees and management in building sales and jobs in their location.

With your encouragement, the press, radio, TV and community thought leaders, including city, state and national government officials representing your area, and other local businessmen, including General Electric distributors, dealers and suppliers, can rally around this constructive approach to build sales and jobs throughout the community.¹⁷

Hudson also tried to rally community support for its programs, first by inviting school principals to tour its plant as part of the "Operation Capacity" program, and second by sponsoring special "O. C." sales days in plant community stores where company products were sold.

Conclusions. Programs like the two reviewed are not the solution for all recession problems that a business organization may encounter, and we do not suggest that every business corporation should sponsor similar programs in subsequent business declines.

We have tried to show in our review that these programs enabled General Electric and Hudson Paper to utilize the recession situation somewhat to their advantage. Through these

¹⁷Ibid.

programs, the companies dramatized the recession so as to rally support from various groups and encourage greater collective efforts within their respective organizations.

The question, of course, is will people respond favorably to such programs, i. e., will behavior be influenced? Will employees offer more suggestions, work harder, try to cut costs, etc.? Will customers buy more products? Will management make greater contributions?

The responses depend on an infinite number of factors --the kinds of appeals which are made, individual attitudes toward the corporation, the effect of the recession on the business and the economy in general and so forth.

Hudson Paper was apparently most interested in improving productivity through its program. The company framed its appeals mostly in terms of worker interests and the program was appropriately named "Operation Capacity." Since we have only limited data on the program and on the company itself, it is difficult to say how successful their effort to incite greater employee efforts may have been. We can say only that the program appeal appeared to be sound, being both specific and simple to communicate. The workers were told exactly what benefits reduced production costs would yield (more salesmen) and were reminded of what might happen if company sales fell to the industry level (reduced wages).

The General Electric program was more comprehensive but its appeals were relatively simple. To reach the man on the

job, the "extra values" theme was the primary communications vehicle. The success of this phase of "Operation Upturn" hinged on the company's ability to explain the interdependence of sales and production to its employees. If, indeed, the bulk of General Electric employees perceived this relationship, they may have extended their efforts. However, there are other factors to consider. Employees may have believed that the customers would not buy more products, even if the "extra values" were provided. Or they have interpreted the "Operation Upturn" program as just another propaganda effort to speed-up production. Company literature stressed the fact that "Operation Upturn" was a "work smarter", not "work faster", program, but employees were no doubt exposed to counter propaganda from unions. One General Electric spokesman reported that the program was criticized by the union.

The "extra values" theme also had external implications and was an effective way for the company to side-step the question of price cuts. The customer was told that although he wasn't getting a less expensive product, he was realizing such extra values as better workmanship and better service.

By trying to promote "extra values" at the sales level, General Electric followed a "quality" sales philosophy. The company chose to stress the quality of its products, as opposed to cutting prices or offering special sales or other bargains to stimulate consumer desires. The company argued

that price reductions could have had effects on consumer psychology, since it would give them the impression that prices were dropping and they would continue to postpone purchases.

There are many arguments pro and con, but it seems that in a market so bountifully stocked with all types of consumer durables, price is becoming a very important factor in consumer decisions, particularly during a recession when sales are down and people expect bargains. We will have more to say about the general question of price as a stimulant to recession buying in subsequent pages.

In light of recent evidence on price-fixing in the electrical industries, it is apparent that General Electric was not in position to slash its prices during the recession. "Extra values" were about all the company could promote during "Operation Upturn", and the company may have had some difficulty convincing people that they were actually receiving these intangible benefits in General Electric products.

As far as technical excellence is concerned, both programs appeared to be sound public relations efforts. General Electric, of course, has the human and financial resources to carry through such a program. As a spokesman from the General Electric Public and Employee Relations Department said, the company did not have to instigate any "crash" activities for "Operation Upturn," and the program was carried through in a fairly routine fashion. Hudson Paper's "Operation Capacity"

was a less ambitious effort and probably did not entail too many extra efforts.

It is impossible to say with any degree of certainty how individual decisions may have been affected by these programs. We have offered some speculations in these concluding remarks, but we cannot furnish much supporting evidence. We believe that, at the very least, these programs were useful to both companies in promoting certain public relations themes. The programs helped to cast General Electric and Hudson Paper in roles of aggressive companies, trying to combat the recession. General Electric, of course, could have been forced to "eat crow" in the end if the business upturn it so thoroughly publicized through "Operation Upturn" had fizzled out.

IV. PRODUCT PROMOTION

In the opening chapter, we said that public relations men can help during a recession by positive suggestions and actions for selling company products in a recession economy. Later, we discussed some specific promotion efforts. In this section, we discuss some basic ideas on the kinds of business actions that may encourage consumer purchases during a recession.

Price cuts. Price reductions are the most direct stimulant business can offer for consumer buying. Expected

price cuts, says Katona, may favorably influence consumer attitudes and stimulate buying. Most people believe that during a recession they should be able to purchase most products for lower prices.

However, prices continued to rise during the 1957-58 recession and people neither understood this development nor responded to it favorably. People have stereotyped notions about price; they believe that "what goes up must come down."¹⁸

In 1958, though food prices continued to advance, many people argued that recession and inflation cannot take place at the same time. They thought that business conditions would make it necessary for sellers of automobiles and durable goods to offer large discounts and "good buys."¹⁹

With few exceptions, the manufacturers in basic industry were solidly opposed to cutting their own prices, although they admitted that high prices in many other parts of the economy helped bring on the recession. The automobile makers and appliance manufacturers, in particular, held their prices constant throughout the recession.²⁰

In the absence of price cuts, these companies relied to some extent on basic business themes to answer their critics. In frequent public statements, representatives of these organizations noted that wages continued to rise during the recession

¹⁸George Katona, The Powerful Consumer, (New York: McGraw Hill, 1960), p. 58.

¹⁹Ibid., p. 230.

²⁰George T. Bookman, "How Top Businessmen View the Recession," Fortune, (April 1958), p. 254.

because of long-term labor contracts. They also cited increasing costs of raw materials and heavy tax burdens as reasons for holding prices constant.

Some businessmen argue that price reductions during a recession may have ill effects on both consumer confidence and spending. They say that when prices start downward, people get the impression that business conditions are grave, and that they save their money for the "bad" days they feel are sure to come. Those holding this view also argue that if people believe prices are moving steadily downward, they will delay purchases, anticipating even lower prices. These arguments, however, don't seem to have much validity in today's economy, and especially not during the 1957-58 recession when price cuts were rare.

Price reductions, if both timely and properly advertised, seem to be one of the most desirable of all anti-recession moves by business organizations. With prices constantly on the ascent, people seem to have become more conscious of price as a factor in making their buying decisions. Price cuts, it seems, should be timed so that they are apt to receive the most favorable publicity. For example, if auto producers had cut prices when criticism of the automobile industry for "causing" the recession had reached its peak, the benefits both in sales and public relations may have been considerable.

In January, 1958, when the business picture was very bleak, one sheet manufacturing company slashed its prices. The Wall Street Journal carried the story, which included an explanation for the price cut by company vice president.

...price cuts were made to restore confidence in the sheet price structure. The sheet market has been undermined in recent months by a growing lack of confidence in prices and the current cuts will make our customers realize instantly that these new prices are at a rock-bottom low and that they can buy their full requirements with complete confidence.²¹

Although we have no statistics on the subsequent sales of this corporation, the example which it set seems to be a good one. People, it seems, would be more inclined to feel that this company's confidence-building attempts were sincere, since it was risking capital in the process. Words backed by strong deeds usually get more attention than empty slogans or "promises" of good things to come.

Bargains or special sales are a form of price cuts that may also elicit favorable consumer responses. We saw in the case of the "You Auto Buy Now" campaign that when dealers combined bargains with special promotional efforts, the results were highly satisfactory. Temporary price cuts can provide a solid base for some excellent recession promotion campaigns.

Product innovation. New and better products are continually needed to stimulate consumer buying, and can be of

²¹Wall Street Journal, January 21, 1958, p. 24.

particular value during a business decline. Because of the ever-increasing supply of goods--particularly goods of a durable nature--and rising incomes, millions of Americans now possess products of recent vintage, which are still in good condition. We are speaking primarily of such products as household appliances, automobiles and other durable goods which require substantial consumer outlays.

During a recession, we have said, people are more hesitant to risk income or accumulate long-term credit obligations. They make the old model car do for awhile, postpone major appliance purchases.

Surveys have shown that one of the most effective ways to stimulate buying among those having late-model products is to offer new features.

Among owners of relatively new articles, which are said to be in good condition, interest in new features is an important factor contributing to replacement purchases.²²

In December, 1957, prior to the automobile slump, the proportion of people thinking that the new automobiles differed greatly from the previous models was only twenty percent. European economy cars, perhaps, influenced public opinion at that time and prompted comments like this one from a Harvard economist.

The new automobiles are inconveniently long, inconveniently wide, inconveniently low, wasteful of gas, expensive to maintain, clumsy and ugly.²³

²²George Katona, op. cit., p. 28.

²³"Dexter Keezer: Advertising and Selling Can Boost Us to the Coming Boom," Printer's Ink, (May 16, 1958), pp. 25-26.

The failure of the 1958 models to stimulate consumer imagination, coupled with high prices, had serious effects on sales and the economy as a whole.

Price lessens as a factor when a product is really desired, but when a manufacturer can combine lower price with striking new features, his chances of selling to a recession market are greatly enhanced. In an earlier chapter, we cited the Bell & Howell example, which seemed to be an excellent effort to overcome buyer apathy with a new camera at a lower price.

New products cannot only enhance a company's sales during a recession, but can also contribute to building a better psychological climate if they are promoted extensively. If the new product is dramatized as a company response to the recession challenge, some people may get the impression that industry in general is trying to do something about the business decline. More important, it may force greater efforts and investments by competitors, who may fear losing their share of the market.

Sales promotion. Price cuts and new products, while highly desirable anti-recession actions, are not often possible. For most companies, the problem is how to sell an existing product or service at existing prices in a recession sales climate.

Public relations men can assist the sales and advertising force to combat recession psychology by offering fresh ideas and intensifying their own efforts that are closely related to sales and promotion.

The basic problem is providing justification for "buying now". A basic theme used during the 1957-58 recession was "buy now to help the economy." This appeal seems to have little value. Perhaps if a manufacturer shows how his sales can influence jobs in other industries, it could have some impact on consumer decisions. (Auto dealers in the Pittsburgh area, the steel producing center of the nation, ran car ads reading: "We sell steel.") But people usually buy because they need or want a product or service, not to help the economy or make jobs more secure.

Appeals must be in terms of personal interests if they are to be effective. Westinghouse advertised its dishwasher "for the mother who deserves more time with her family," and some recession travel ads read: "get away from the strain and tension."²⁴

People should be continually reminded of the irreplaceability of time in recession promotions. Money can be regained; time cannot.

²⁴Philip Lesley, "How to Get More Sales Power from PR When Business is Off," Sales Management, (June 6, 1958), pp. 33-35.

In addition to sharpening promotion and gearing it to the recession situation, efforts to incite actions by internal publics could be made.

Shareholders can be appealed to in terms of their own interest in continuing profits. Literature with special reference to the recession could be prepared to go out with quarterly statements. Stockholders are important both as buyers and salesmen.

Employees, too, could be encouraged to help promote company products by reminding them through an effective program of employee communications that larger company sales mean more job security.

Dealer relations programs should also be given special attention. Some "extra" efforts to help dealers at the point of purchase could be valuable. For example, experts and consultants might be sent out to conduct seminars on how to sell in recession psychology.

V. CONCLUSION

In this paper, we have endeavored to show that a business recession presents an array of special problems, many of which seem to have heavy public relations overtones. Our central argument is that public relations can be particularly useful during a contemporary business decline because 1) individual attitudes may, to a large extent, determine the intensity

of the decline, and 2) the ways of influencing attitudes have become more extensive and complex. We believe that the special knowledge and skills of the public relations expert can be useful in affecting attitude changes, and that the public relations man can render valuable assistance to various organizations during a period of economic recession.

For a variety of reasons, the prestige and influence of public relations men have expanded many fold in the last decade. Many public relations men enjoy top-level advisory posts in industry, government and unions. These men are in a position to make their opinions count, i. e., they can influence major policy decisions.

As a specialist in communications and interpreter of social and economic trends, the public relations expert is expected to advise and direct organizational leaders on ~~mat~~ters of public significance. These leaders want to know how their words and actions may affect public opinion, and it is often the responsibility of the public relations man to supply the answers.

But what special guidance can a public relations man offer during a recession?

One of the basic public relations jobs is to make sure that policy makers understand the role of attitudes in our present economy. If organizational leaders fail to see how

our economic fortunes are influenced by the attitudes of millions of people, they are less likely to attach any significance to proposed efforts to influence attitudes during a recession.

Economic theorists have been speaking about the role of psychological factors in economic recessions for many years, and most men in responsible positions are at least aware that recessions are both a psychological and economic situation. The problem seems to be that a minority of these men believe that they have a psychological "remedy" for a recession. Usually, their so-called recession cures call for duping the public with boastful talk or repressed information. They argue, as this executive in a letter to a noted financial columnist, that bad news intensifies a recession.

"The best way to treat the downturn is not to write about it," pontificates one of the nation's leading industrialists in a "confidential letter" to me, and then he adds, "You're taking the risk of scaring people who have money to buy out of spending."²⁵

We do not suggest that businessmen and government leaders should be encouraged to pump out every piece of bad news about the economy or their business that can be supplied. But we do strongly believe that public relations men should encourage these opinion leaders to be forthright and facile

²⁵Sylvia Porter, "We're Aware of Economy But We're Being Insulted," Pittsburgh Post Gazette, (February 24, 1960), p. 11.

when speaking about a recession. Katona's surveys have shown repeatedly that American consumers, particularly those in the broad, middle-income sector, are fairly sophisticated. Though their economic knowledge is limited, they seem to grasp most of the problems, and are especially alert during a business downturn. It is difficult to deceive an audience and attempts to do so should be discouraged by public relations advisors.

In the chapter on recession publicity, we discussed the President's personal attempt to build public confidence. Mr. Eisenhower, it seemed, attempted to draw on his immense personal popularity to sway the economic tide. He may have firmly believed that the early business upturn he predicted was assured, but most business experts freely interpreted his comments as an out-and-out attempt to restore business and consumer confidence, and that he did not offer a realistic appraisal of the economic situation.

The example seems to illustrate this point: even the most popular and influential leader in the land cannot "talk" us out of a business recession. Public relations and publicity experts can supply opinion leaders with an arsenal of good things to say about the economy. But unless they relate directly to the problems the economy is facing, it is doubtful that they will have any impact on individual decisions.

Perhaps the most effective way to insure that industrial and government figures will guard their remarks during a

recession is to remind them of the possible consequences. Events can dramatically prove the recession spokesmen to be in error. If he says, for example, that recovery is just around the corner--and his prediction is subsequently proved false--any later statement he may make on the problem may well be ignored, just as with the little boy who cried "wolf" too often. Also, the error can be compounded by the mass media if reporters note the inconsistency. The spokesmen's prestige can suffer, so, too, can the status of the organization he represents.

So far, we have dwelled on the danger of speaking too boastfully about the prospects of recovery during a business recession. Another set of problems can be created if opinion leaders fail to take the initiative at a time of economic decline. Businessmen, for example, are sometimes accused of being "good time" talkers. Say the critics, businessmen are anxious to speak out when the economy is prospering, remaining conspicuously silent when business conditions are not so good.

The public relations man can help to remedy this problem by encouraging business executives, union and government spokesmen to publicly discuss the recession. You will recall the Katona contention that consumers are constantly looking for new stimulation, and that they genuinely want to understand economic developments. The organizational spokesmen may not be able to offer any optimistic news such as new

investments, worker callbacks or increased government expenditures. But he might be able to dispel certain consumer doubts or misgivings by offering an accurate appraisal of the recession and the impact which it is having on his particular organization, or the economy in general.

Opinion leaders must always endeavor to inform and educate the people, but their responsibility is particularly evident at a time of crisis or uncertainty. None of the post-war business recessions could be labeled as catastrophic when compared to the 1929 crash, but the 1957-58 decline was serious enough to arouse concern in many quarters. If nothing else, it reminded people that periodic recessions are still one of the unsolved riddles of our economy. People want and expect leaders of industry, government and labor to comment on the recession--to offer their views and ideas on the problem.

Judging from our review of periodicals and other literature on the 1957-58 recession, these leaders did a lot of talking on the recession subject. However, many of their comments could hardly be classified as informative or educational. Too often, it seemed, these spokesmen simply engaged in name-calling, unions blaming business for the recession, business blaming unions, democrats blaming republicans, and so forth. A certain amount of criticism is healthy, a stimulant for new ideas. But the layman, caught in a confusing web of claims and counter-claims, has a difficult time

discerning the facts of the problem. He may, in the end, resolve the conflict by interpreting all their statements as propaganda efforts, having little substance in fact.

The public relations man, by virtue of his position, must help propagate certain organizational themes; it is his responsibility to see that his client or employer does not lose a public relations "advantage" during a recession by failing to answer criticism or by not adequately projecting his point of view.

As long as differences of opinion exist between organizations, public relations experts must shape and develop basic organizational themes, insuring that they receive wide public dissemination. This is a public relations function but we do not feel that it should be an end in itself.

Edward L. Bernays said that "public relations is a vital tool of adjustment, interpretation and integration between individuals, groups and society."²⁶

If public relations is to fulfill its responsibilities, it must try to develop enlightened self-interest, discovering and promoting ways for various groups and individuals to act in a mutually beneficial manner.

Rather than encouraging leaders to make constant verbal attacks at other organizations during a recession, public

²⁶Edward L. Bernays, Public Relations, (Norman: University of Oklahoma Press, 1952), p. 7

relations men could suggest ways for leaders to encourage greater cooperation between groups. A recession brings many of the underlying problems and differences between groups out into the open. What better time to hash out some of these differences in a constructive fashion--presenting to the public a united front, seeking to find solutions for the problems that cause recessions.

In addition to rendering counsel and assistance to opinion leaders, the public relations expert can help by instigating actions and programs on his own to favorably influence attitudes during a recession. Programs like "Operation Upturn" and "Operation Capacity" are dramatic examples of public relations involvement in the 1957-58 recession. Similar programs might be useful for some organizations in future business declines. However, the elaborate recession program is not the only contribution that the public relations man might make to his particular organization at a time of economic duress.

A recession may be the occasion for the public relations man to render special assistance to the sales and marketing force of his organization to help overcome buyer apathy. Or perhaps he can contribute to a special promotional effort, working in conjunction with the advertising department or agency.

The public relations man can perform a vital function during a recession by insuring that all channels of

communications are clear. In government departments and business organizations he can make special efforts to see that all salient information is being received and distributed with equal dispatch. Rapid and accurate communications to and from the press, decision makers and the public and managers and workers can help to guarantee sounder decisions at all levels during a critical business period.

It is, of course, impossible to exhaust all the ways that public relations can assist an organization during a business recession. So much depends upon the nature of the organizations and the specific problems that arise for that organization as the result of a recession, that even the most general statements do not always apply.

Public relations is critical to an organization during an economic decline only to the degree that the organization is affected by adverse business conditions. In limited recessions like the three of the post-war era, some organizations were in no way affected while others had serious problems of public relations significance.

While many organizations have in recent years shown a real awareness of the importance of good public relations, there is no doubt that a considerable number still see little value in applying public relations ideas and techniques to problems related to business recessions. The leaders of many

organizations are apathetic, accepting the business recession as an inevitable consequence of the economic system, and doing only what they feel is absolutely essential while they wait for the recession to pass or grow worse.

If the public relations executive is dedicated to the idea that his work is critical when business slows off, he will in many instances have to sell the idea to others in the organization. To accomplish this goal, the public relations man must be armed with keen insight, voluminous information, articulate ability and practical ideas for handling problems related to the recession when he broaches his plan of action.

The degree to which public relations is involved in the problems of business recessions is still somewhat limited, but we believe that there is evidence to justify greater public relations efforts in subsequent business declines. Therefore, we feel that public relations plans and policies should incorporate ways for dealing with the special problems that arise during a recession. With clear-cut lines of action--flexible enough to meet the particular needs of the time--many of the costly errors that occur as the result of hasty, unplanned actions might be avoided.

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