

Chapter Two: Allied Farmers, Small Businesses, and Woodrow Wilson: The Early Days of Economic Localism

In 1924 a booklet appeared with the ominous title *The Menace of the Chain Store*. Little longer than a short story, anonymous, and published not by a major house, but by an Indianapolis ad agency The Millis Advertising Company, *The Menace of the Chains* started with the assertion that chain stores were here to stay. From there the writer assumed that a menace actually existed and moved quickly to a self-serving solution. The answer was aggressive advertising by the brands so that consumers would demand them despite higher prices than the chains' discount private brands.¹

Ninety-two years later, the Bloomberg business news website published an article entitled “Wal-Mart: It Came, It Conquered, Now It's Packing Up and Leaving” when that chain shuttered 254 outlets which had already succeeded in eliminating many of their local competitors.² The very next day, the America Booksellers Association, like Mellis producing research that supported its self-interest, released a report it had commissioned. The research firm Civic Economics described in detail the loss of tax revenue and jobs due to the online sales giant, Amazon.³ More than ninety years apart, these publications prove similar.

The Menace of the Chains: “Chain stores are sound. The idea back of them is sound....

Individually, and collectively, the private consumer has enthusiastically endorsed the chains. *He can buy at the chains for less* [emphasis in original].... The chains have come to stay.”⁴

¹ [Anonymous], *The Menace of the Chains* (Indianapolis: Mellis Advertising Agency, 1924), pp. 11-13, 19.

² Shannon Pettypiece, “Wal-Mart: It Came, It Conquered, Now It's Packing Up and Leaving” *Bloomberg.com* (January 25, 2016)

³ [Anonymous], *Amazon and Empty Storefronts: The Fiscal and Land Use Impacts of Online Retailing* (White Plains [NY]: The American Booksellers Association and Civic Economics, 2016)

⁴ *Menace of the Chains*, pp. 11-12

Amazon and Empty Storefronts: “This study should not be read as tilting at the vast windmill that is Amazon. As with the big box stores that preceded it, individuals and communities are likely prepared to accept tradeoffs for the convenience that Amazon offers.”⁵

“Wal-Mart: It Came, It Conquered:” “[T]he store immediately saw sales fall by 30 percent once Wal-Mart opened in May 2014. Whenever her store cut prices, Wal-Mart would reduce its price even more.”⁶

The Menace of the Chains: “Individually, and collectively, the private consumer has enthusiastically endorsed the chains.... Chain stores enjoy low prices because they buy so much. *And they buy direct.*”⁷

The timing for publication of *The Menace of the Chains* was not random. 1923 had witnessed the first legislative effort to thwart the chain stores. During 1924 American retailing began to experience fundamental, perhaps even revolutionary change, that would consume the next three years. Chain store historian Godfrey Montague Lebharr posited that 1920 to 1925 shaped the development of chains more than their entire preceding history. Eric Levinson, author of a detailed history of A&P, identified 1925 as the starting date for “the modern consumer society,” citing Sears entry into chain store business and John Hartford’s shake up of A&P’s methodology.⁸ Those shifts take up most of the next chapter; this section deals with how the anti-chain store movement evolved to that point. The need to gain traction with a public embracing low prices, in fact, inspired the publication of *The Menace of the Chains*. In 1924 the Chain Store Movement consisted mostly of those whose businesses faced threats from the chains. They

⁵ *Amazon and Empty Storefronts* p. 23

⁶ Pettypiece

⁷ *Menace of the chains*, p. 11

⁸ Godfrey Montague Lebharr, *Chain Stores in America, 1859-1950* (London: Forgotten Books, 2013 reprint), p. 20; Eric Levinson, *The Great A&P and the Struggle for Small Business in America* (New York: Hill and Wang, 2011), pp. 96, 113.

needed, therefore, to recruit average people to a movement that was against their own financial interests by creating a menace.⁹

The development of the chain stores can be traced in North America to the Hudson Bay Company in 1670, the pre-revolutionary Scottish tobacco factor stores in colonies, and the 1859 birth of A&P in the United States. Similarly, the Anti-Chain Store Movement did not appear out of thin air.¹⁰

The opposition to the chains ramped up during a period of rapid commercial and industrial transformation. Although different in several ways, the Anti-Chain Store Movement of the 1920s and early 1930s provides the clearest antecedent to 21st Century localism. The roots of the movement can be traced back as far as The Farmers' Alliance in the 1880s, subsequent campaigns against catalog retailers and department stores, and the issues of the three-way 1912 presidential election. Its aftereffects stretched all the way to the Small Business Administration being made permanent in 1958.

The Farmers' Alliance and Co-Operative Stores

The boom and bust cycles of the 1880's, particularly the decline in farm values, provided the impetus for The Farmers' Alliance, forerunner of the Populist Party and successor to a number of ephemeral organizations for rural and working people. Unlike later efforts against the chains, the Alliance began as a genuine grassroots movement reaching 1,000,000 members after merging with the more radical Agricultural Wheel in 1888. The Alliance aimed to achieve economic and political power, even promulgating a plank. Besides some goals that addressed federal land

⁹ Rowland Berthoff, "Independence and Enterprise: Small Business in the American Dream," in Stuart W. Bruchey, ed., *Small Business in American Life* (New York: Columbia University Press, 1980) p. 36.

¹⁰ Lebhar, pp. 47-49

management and call for a national conference of labor and farmer organization, the plank contained four specific policies. First, federal recognition of all groups organized to improve the economic state of working persons; Second, establishment of a Bureau of Labor; Third, paying all workers with hard money rather than company script; and fourth, elimination of convict leasing.¹¹

To achieve the economic freedom, the Farmers' Alliance established co-operative stores to free themselves from the cycle of constant debt to bankers and merchants. This direct assault on the existing economic system distinguishes the Alliance from the anti-chain effort and its antecedents which desired to defend the status quo or even roll it back in time. Like the Knights of Labor established co-op stores, Farmers' Alliance stores co-ops experienced a roughly four-year lifespan, 1888 to 1892. The co-ops enjoyed some measure of success during 1888 and 1889. Afterwards, however, the diminution of enthusiasm, the resistance of bankers and country store operators, and discovery that these outlets benefited affluent farm owners more than the ordinary members, caused most to fold even though the populists peaked in political power at the same time. Here the Farmers' Alliance exhibits a similarity to the later unsuccessful movements in failing due to unexpected and often undesired outcomes.¹² Nonetheless, the co-op grocery stores and farmers' markets would become essential features of the slow and local food components of localism a century later.

For all the farmers' efforts, three large scale retail forms developed during the postbellum decades: mail order vendors, department stores, and chain stores. Together the effect of this

¹¹ The latter remained an issue in 2016. Donna A. Barnes, *Farmers in Revolt: The Rise and Fall of the Southern Farmers Alliance and the People's Party in Texas*, (Austin: University of Texas, 1984), p. 73.

¹² At least one Farmers' Alliance Store remains open and operating in Siler City, North Carolina. Edward Cummings, "Co-operative Stores in the United States," *The Quarterly Journal of Economics*, Vol. 11 N. 3 (April 1897), p. 268; Bailey, 11-12; Robert C. McMath, "Another Look at the 'Hard Side' of Populism," *Reviews in American History* Vol. 36 n. 2 (June 2008); Barnes, pp. 57-59.

growth those retailers, created a consumer culture of “money back, if not satisfied.” The combined effect created a sense of entitlement of all to an “American standard of living.” Those who felt threatened by the change fought each new form in turn. At the same time, as citizens consumed more the chances for class warfare decreased¹³

The Campaign Against Mail Order Sales

The two Chicago based mail order catalog companies, Sear and Roebuck and Montgomery Wars dominated sales of items not available locally to rural areas and small towns. Over five decades they damaged sales at the country stores, despite the attempts by the latter to expand their offerings and receive new goods more rapidly, by train. The rural merchants also fought back with largely symbolic acts such as burning piles of Wards’ “wish books.”¹⁴

Sears began in 1886, fourteen years after Wards. Neither focused on brick-and-mortar outlets until the massive growth of chain stores after 1915. Sears opened its initial store in Chicago in 1925. Four years later, there were 319. Another two years and the stores accounted for 53.4% of Sears’ sales, passing the iconic catalog or “farmers’ friend, first printed in 1896.¹⁵ Julius Rosenwald, remembered today for his educational philanthropy, joined Sears in 1895. There he established the basic principles which would guide not only the catalog industry, but shape the success of the chains. Although the maxims of the “Rosenwald Creed” seem obvious now, they changed retail at the time. They were: “1) Sell for less by buying for less, but maintain the

¹³ Stanley C. Hollander, “The Effects of Industrial on Small Retailing in the United States in the Twentieth Century,” in Bruchey, ed., p. 213; Lebhar, p. 113; Frederick John Harper, “The Anti-Chain Store Movement in the United States, 1927-1940,” (PhD. dissertation, The University of Warwick, July 1981), p. 22; Meg Jacobs, “State of the Field: The Politics of Consumption,” *Reviews in American History* Vol. 39, No. 3 (September 2011), pp. 563, 569.

¹⁴ Mansel G. Blackford, *A History of Small Business in America* (Chapel Hill: UNC Press, 2003) pp. 65-66; “Direct Marketing Started as Monkey Business,” *AMI Direct Marketing* (<http://ami-results.com>), retrieved on January 31, 2016.

¹⁵ Lebhar, pp. 39-42; Beth Martens, “Sears, Roebuck and Co. and its Effect on Retailing in America,” *Illinois History* (April 2000), pp. 51-53.

quality; 2) Sell for less by cutting the cost of sales, but maintain the quality; 3) Make profit on each individual item and increase your aggregate profit by selling more items, but maintain the quality.¹⁶

Montgomery Ward entered the chain store business a year after Sears. It expanded even faster than its rival, opening 610 stores in just five years. Unfortunately, by then three-quarters of them were losing money, and Wards was operating at a deficit of \$8,700,000. Wards leadership realized the building so quickly without personnel with experience from bottom to top in operating retail stores was the problem. Wards imported experienced management and survived for several decades more.¹⁷

Ultimately, the catalog dealers could not supply everything a household needed, despite their claims to saving rural consumers from the “tyranny” the country stores. Mail order could not completely eliminate their need to exist.” To protect them, Georgia and Minnesota enacted laws that taxed the new outlets of the mail order merchants at a higher rate than even the chain stores.¹⁸ The agitation against them, however, presaged the opposition to the chain stores.

The realities of the mail order industry did not deter Congressman Wright Patman from inveighing against the mail-order houses as late as the mid-1930s.¹⁹

The Fight Against Department Stores

Department stores and central business districts emerged in cities due to technological innovations. Mass transit made downtown accessible, while advances in construction permitted

¹⁶ Lebhar, p. 40.

¹⁷ Lebhar, pp. 325-326.

¹⁸ Harper, p. 393.

¹⁹ Harper, pp. 39, 136; Lebhar, pp. 196, 262.

larger multi-story buildings with central heating and elevators.²⁰ Opposition to innovation runs as a theme through these movements. During the last two decades of the 19th century “store wars” occurred among traditional retailers, mail order houses, department stores, and the manufacturers and wholesalers caught between in the “no man’s land.” Trade groups formed to call for boycotts on selling to the department stores, before turning to seeking redress in municipal and state law making. This involved enacting punitive taxes, such as Maryland’s \$500 per line of items sold, on the department stores. That would become the primary tool of those opposing chain stores.²¹

In fact, the rhetoric and strategy of the 1897 and 1898 campaigns against department stores, primarily in Chicago, Minnesota, and New York, provide several similarities to those against the chains and a lesser degree 21st century buy local first. Just as with the anti-chain store movement, the department store opponents approached their efforts through political means. Unlike the chain store opponents, the resistance to department stores was an international occurrence, erupting in France, New Zealand, and especially Germany.²² The March 1900 *Annual Report on the Statistics of Labor* in Massachusetts noted that, “[T]he growth of the department store and its competitive effect upon dealers who confine themselves to single lines of merchandise, have attracted attention and have led to active opposition or stimulated adverse legislation in several States.”²³

In Chicago, the movement included a odd mixture of small and suburban merchants, labor unions, machine politicians, and real estate agents working outside of downtown. They accused

²⁰ A contemporaneous journal, *The Iron Age*, documented these advances in building technologies.

²¹ Vicki Howard, *From Main Street to the Mall: The Rise and Fall of the American Department Store* (Philadelphia: University of Pennsylvania Press, 2015), pp. 31-34.

²² Paul Lerner, *The Consuming Temple: Jews, Department Stores, and the Consumer Revolution in Germany, 1880-1940* (Ithaca: Cornell University Press, 2015), p. 32.

²³ Massachusetts Department of Labor and Industries, *Annual Report on the Statistics of Labor: Volume 30* (Boston: Wright and Potter Printing, 1900), pp. 3-7.

the big stores of fraudulent advertising, forming a trust, and causing the failure of small businessmen during the depression of the mid-1890s. Progressive reformers partnered with the department stores on the other side. The opponents reached their apogee when the Illinois senate house passed a bill on March 24, 1897 against the department stores. The bill failed in the house due to opposition by the public and rural legislators who feared the proposed legislation would harm general stores in the country. With that the Chicago effort lost momentum after these setbacks and a lack of widespread movement and grassroots support.²⁴

Nonetheless the Chicago independents announced a new strategy that both looked back at the Farmers Alliance and forward to the industry cooperatives formed in face of the chain stores. *The Day* of New London, Connecticut opined in April 1898 that:

Out in Chicago, where the opposition to department stores by small dealers was very bitter and the war for their extermination was waged with great spirit, a new plan of campaign has been formed. After exhausting all their legal ammunition without avail, the smaller retail dealers have concluded to pool their issues and make prices lower than those that rule in the department stores.... The chances for success in such an arrangement are not encouraging; such combinations seldom prosper and rarely hold together, for the lack of unity of interest.... The department store is no more than the railroad combine and the combine in all sorts of business which is a feature of the age. It results generally to the benefit of the consumer, though baring hard on small dealers.²⁵

The attacks on department stores, however, dissipated by 1900. Limited to cities and large towns, they lacked the footprint to concern most Americans, despite efforts to recruit supporters from out in the country.²⁶ The downtown department stores would peak in the 1920s, beginning a long, gradual descent as the middle class relocated to the suburbs. Sadly, the innovative retail

²⁴ Joel A. Tarr, "The Chicago Anti-Department Store Crusade of 1897: A Case Study in Urban Commercial Development," *Journal of the Illinois State Historical Society* 64-2 (summer 1971) pp. 161-172.

²⁵ "Opposition to Department Stores," *The Day* (April 5, 1898), p. 4

²⁶ Vicki Howard, "'The Biggest Small-Town Store in America': Independent Retailers and the Rise of Consumer Culture," *Enterprise and Society: The International Journal of Business History* (September 2008), p. 458.

concepts already working for the chain stores would have provided a model for addressing those circumstances.²⁷

The Election of 1912

Historian Robert A. Kraig described the 1912 presidential campaign as one of the most significant in the history of the republic. He views 1912 as a time where the public wanted real change feeling that during post-Civil War industrial age the country had gone astray. What had gone wrong was blamed on the industrial revolution, modern cities, bankers, and unscrupulous and aggressive big business. Former Republican President Theodore Roosevelt and Democrat Woodrow Wilson, a university administrator who was serving as governor of New Jersey, provided two visions of what the progressive change could be, of what America could be. Despite the arguments during policy debates, the 1912 election determined not whether the country would move from a federal republic to a more centralized state, but how it would so.²⁸ As such the candidates debated the political side of the economic issues central to the concerns of the populists and those fighting innovations in retail.

Wilson correctly read the conservatism of many voters. Additionally, he sought to create a fusion of progressives and the Democratic base of the time, which included an overwhelming number of southerners – as was Wilson. Thus he couched his vision in Jeffersonian principles while making it clear to listeners and newspaper readers that he knew what created anxiety in the man (this is eight years before women got the vote) on the street. He told them that people had lost control over their government and civil society because their vital energy had been suppressed. Wilson promised to “restore” things to how they should be. Wilson carefully implied that the

²⁷ Hollander, pp. 213-214; Harper, p. 39.

²⁸ Robert Alexander Kraig, “The Election of 1912 and the Rhetorical Foundation of the Liberal State,” *Rhetoric and Public Affairs* v. 3 n. 3 (Fall 2000), pp. 365-366.

choice was between rule by monopolies or rule by elected government. In this way, he presented his vision as romantic and nostalgic, a restorative revolution.²⁹

Roosevelt spoke in far more revolutionary terms knowing that America could not return to a Jeffersonian past. While Wilson's speeches appealed to most of those who attacked mail order, department store, and chain retailers, Roosevelt's solution was to accept the modern world and reshape modern industry and governance to serve the common good. He offered a nationalism that championed the concept of good for all. He espoused a civil society based in economic justice that allowed all Americans to contribute. The vehicle for getting there was a balanced government that avoided extremes and took a long term view rather than political expediency. This could only be achieved, Roosevelt argued, through unprecedented government intervention in business.³⁰

Policy towards the trusts came to be a significant point of debate between the two candidates leaving the rotund incumbent William Howard Taft on the sidelines without a chance to win re-election. Wilson espoused a limited government, Roosevelt countered that his opponent expressed an archaic philosophy unfit for the modern industrial age. The "Trust Buster" directly challenged his Democratic opponent on monopolies saying that Wilson's approach would allow the industrialists to enslave the citizenry.

His big government solution, however, did not resonate with enough of those involved in struggles against modernity. Wilson grabbed the initiative by positing that Roosevelt's ideas would serve the interests of U.S. Steel rather than the average citizen and proposed a "regulated competition of a sort that will put the weak upon an equality with the strong."

²⁹ Kraig, pp. 368-378.

³⁰ Kraig, pp. 378-379/

Wilson's less than straightforwardly presented himself as the progressive who would advance toward a nostalgic American past before the monopolies ruined everything. Wilson turned being the only candidate who had never been president and into an advantage. He offered a blank slate that appeared to resonate better with those opposed to mail order houses and department stores, and the chain store movement.³¹

The Early Days of Agitation Against Chain Stores

By 1900, small business people nationwide began to grow wary of the chains. The existing chains expanded, while aggressive newcomers, such as United Cigar Stores in 1901, entered the field. Only ten chains existed in 1890, twenty-five years later, 515 were in business just as the onslaught began.³² Both the new and established chain retailers pursued innovation and developed new business models. Those included cash and carry rather than credit and delivery, attractive displays, and low prices for lesser products to draw in customers for the profitable best. These developments gradually made the chains appear to independent merchants as even more threatening than the mail order houses, department stores, or trusts. The opposition to them had begun in the drugstore business back in 1882. Unlike the catalogs and department stores, the opposing retailers observed that chains were more intense, ubiquitous, and seemingly irresistible. The concerns then, however, focused on price cutting rather than the chain form of organization.³³

³¹ Sean Cashnan, *America in the Age of Titans: The Progressive Era and World War I* (New York: NYU Press, 1988), pp. 118, 126-130; David A. Crockett, *Running Against the Grain: How Opposition Candidates Win the White House* (College Station: Texas A&M Press, 2009), pp. 74-75; Kraig, pp. 380-381, 386-387. Kraig argues that Wilson's rhetoric formed the basis for modern suspicion of government. Once in office, Wilson did little to advance the social issues which had attracted voters to him. instead of Roosevelt. His first term saw the passage of the income tax passed, the seriously weakened Clayton anti-trust Act, and appointing mostly pro-business members to the Federal Trade Commission once created in 1915.

³² Bickford, p. 65.

³³ Lebhar, pp. 99 – 103; Howard, p.31; Harper, p. 39.

The press took notice. As early as 1903, an article, which also blamed the meat trust, in the *Brooklyn Daily Eagle* reported that:

In the last two or three years combinations in the grocery line have caused considerable anxiety among the smaller dealers. Aside from the usual competition in trade, chain stores have made their appearance. Among the wholesalers 'price fixing' is said to prevail.... In certain states wholesale grocers are beginning to show a tendency to forestall competition by organizing under the corporate form, which is allowed by law, in this way getting all the benefits of a trust.³⁴

A couple of years later socialist writer John C. Kennedy contributed an article, "What is Socialism," to the *New York Worker*. Kennedy's essay, reprinted in many newspapers, included a Marxist critique of chain stores that begins to show the odd bedfellows that would comprise the anti-chain movement:

Socialism points out the constant tendency of in modern capitalistic industry toward organization and centralization.... The department stores and the "chain" stores such as those of the United Cigar Stores Company, the Regal, Douglas, and Waldorf shoe companies, on the one hand, and the mail order houses such as Montgomery Ward & Co., Sears Roebuck & Co., on the other, are rapidly driving the small independent dealers to the wall.³⁵

This would not be the last socialist tract against the chains. A number of papers during April 1910 a reprint of an article from *Success Magazine* by one Charles Edward Russell directly asking the question "Will Public Ownership be the Next Evolution of all Business?" Russell had gained note from his 1905 writings against the meat trust and would help found the NAACP four years later. Here Russell argued that:

Trusts have sounded the death knell for small merchant and manufacturers.... [D]own to the butcher shops and restaurants in large and small cities.... Is it not true that the next inevitable stage of business will be business conducted for the communal profit instead of conducted for the profit of Mr. Morgan and the Standard Oil Company?³⁶

³⁴ Frederick Boyd Stevenson, "What Causes High Prices," *Brooklyn Daily Eagle* (November 8, 1903) p. 1

³⁵ John C. Kennedy, "What is Socialism," *Helena Montana News* (November 1, 1905) p. 1

³⁶ Charles Edward Russell, "Will Public Ownership be the Next Evolution of all Business?" *The Wichita Beacon* (April 20, 1910) p.12; John Simkin, "Charles Edward Russell," www.sparticus-educational.com (September 1997); see also Charles Edward Russell, *The Greatest Trust in the World* (New York: The Ridgway-Thayer Company, 1905).

In 1907 a report on the Chicago convention of the National Wholesale Grocers' Association demonstrated the continued evolution of anti-chain activism. It also suggested that wholesalers were starting to feel the effects of the chains ability to control price and develop house brands. The article quoted a New York delegate named Ellis Howland, "As for retail, the association is opposed diametrically to chain stores as a policy."³⁷

Three months later in Salt Lake City, John Green, secretary of the Utah Butchers and Grocers Association, railed flamboyantly against both mail order houses and chain stores:

The secretary, his voice husky with emotion and tears evidently very near the surface, regretted – regretted deeply – that any Salt Laker should so far forget himself and as to send to an eastern city for the catalogue of a mail order house, and the fact that such doings have been given publicity in the prints here, he declared, was absolutely beyond his comprehension.

The operation of chain stores in Utah and other states came in the criticism. Mr. Green declaring that with the chain stores flourishing and the parcel post mail law passed, a few big eastern wholesalers and catalogue house men could absolutely control the retail commerce of this country. The parcel post bill now before congress was bitterly attacked by the secretary.³⁸

Nashville's *The Tennessean* noted in 1909 that St. Louis, "previously immune from chain stores... is threatened with an invasion of the chain variety."³⁹

1910 appears to be the year in which anti-chain store journalism "went viral." Early that year, several newspapers published a short piece with the title "Do Trading at Home." Attributed to the *Cleveland Leader*, it addressed customers who traded in the cities rather than keeping their shopping local. "The local trader is entitled to the support of the neighborhood served." The

³⁷ "What to Eat' Sees a Big Grocer Combine," *Indianapolis News* (June 27, 1907) p. 9

³⁸ "Shifting Blame One to Another," *The Salt Lake City Herald* (September 6, 1907), p. 10

³⁹ "Nashville Merchant Showing St. Louis," *The Tennessean* (October 12, 1909), p. 9

Chicago Tribune feared a dual threat in grocery chains owned by men directly involved with Standard Oil.⁴⁰

Several newspapers ran a piece in 1910 which complained that the chains were:

Able to purchase stock by the carload at big discounts, have compelled the independent grocer to exercise his ingenuity to the upmost to keep his head above water. The department stores, chain stores and mail order stores advertise their “specials” and “bargains” with the main idea of drawing you away from “your” grocer when you have some spare cash... and marvel that the “your” grocer charges so much for the same thing.⁴¹

Another widely printed story that fall blamed cheating on weights and measures by the independents on the price pressures exerted by the chain stores. The year closed with numerous papers reporting on a mail fraud case in Philadelphia concerning stock sales for “The Chain Store Syndicate.” The *Los Angeles Herald* noted an effort in New York to form a syndicate called “American Drug Stores” “devoted to fighting cut rate stores all over the country.” An official stated that their strategy would be buying out chain stores.⁴²

From then on negative articles about chain stores appeared more and more regularly in the press, often overemphasizing their shortcomings. For example, a widely circulated story appeared with the headline “Retail Grocers Charged with Effort to Control Food Price: California Case Also Involves Three Chain Stores.” Those reading the body of the story, however, learned that the thirty-four indictments included fourteen voluntary grocer associations, seventeen individuals,

⁴⁰ “Do Trading at Home,” *Roseburg (OR) Review* (January 5, 1910), p. 4; “Grocers in Fear of Standard Oil,” *Chicago Tribune* (March 22, 1910), p. 5.

⁴¹ “Difficulties of the Small Grocer,” *Gettysburg Compiler* (May 4, 1910), p. 2.

⁴² “Where the Consumer Loses,” *Leavenworth [KS] Times* (September 6, 1910), p. 4; “More Arrests for Fraud,” *Carbondale (IL) Daily Free Press* (December 17, 2010), p. 1; “\$25,000,000 for Big Drug Fight,” *Los Angeles Herald* (March 23, 1910), p. 1.

and but three chains, Safeway, Hagstrom's, and Purity, that operated only 700 stores, less than 12% of the 6,000 involved.⁴³

April 1912 brought an investigation in New York of the high cost of living. The hearing by the State Food Commission provided a venue for independent retailers to vent. A veteran West 46th Street grocer requested strict laws against deceptive advertising. He blamed the chains for shaving his margins so closely that his net income in 1911 was \$16 on a gross of \$25,000. He alleged that "the chain stores cut quality and quantity. About two years ago we were selling a pound packages of raisins for 12 cents, when the chain stores advertised 'package raisins for 10 cents.' Their packages contained 12 ounces."⁴⁴

The same year also brought an editorial called "A Word to Retailers" which used many of the themes that characterized both the Anti-Chain Store and our contemporary Buy Local First movements:

The development of the systems of the chain stores and the tendency of the public to buy at the largest displays, is rapidly destroying the patronage of the small, independent dealers.... They are not now going into towns of less than twenty thousand for they are richer fields than the smaller towns, but when they have these systematized and controlled they will establish department stores in the towns of five thousand, then two thousand...

Isn't it now being done to the independent dealers in the greater cities? Do not the miles of vacant retail rooms in the cities tell the doleful tale of blighted careers?... Anyway [sic]you look at it, the future is not rosy for the fast disappearing middle class. They are surely being driven out as was the smaller factories.... Get wise before it is too late.⁴⁵

About the same time the *Pittsburgh Post-Gazette* printed a substantial piece examining price differences for groceries in different parts of their city. Here, too, the chains drew blame.

⁴³ "Retail Grocers Charged with Effort to Control Food Price: California Case Also Involves Three Chain Stores," *Corpus Christi Caller-Times* (March 7, 1912), p. 11.

⁴⁴ "Public Too Finicky to get Cheap Food," *New York Times* (April 13, 1912) p. 22. The headline refers to butchers' complaints that no one bought cheap cuts of meat anymore.

⁴⁵ "A Word to Retailers," *Girard (KS) Appeal to Reason* (March 2, 1912), p. 4.

The chain store gives trading stamps yet undersells the other two stores. When the other stores sell canned goods at 10 cents straight and declare they cannot sell for less even in quantities, the chain store sells them three for a quarter. So it is with the other staples, especially in package goods. The secret of the underselling by the chain stores seems to lie in their ability to buy and sell in large quantities.⁴⁶

Before too long advertisers warned of chain stores being “portentous to advertisers.” One argued that besides consolidation reducing the number of advertisers, the chains would not need to advertise but use low prices, circulars, and advertising by brands to attract consumers.⁴⁷

Not every newspaper report concerning the emergent chain stores proved negative. The *Los Angeles Herald* used the middle three columns of the front page of a 1906 issue to trumpet plans for a fifty store chain on the west coast. An official stated that their strategy will be to buy out chain stores. What today might be called an “advertorial” in the Pittston (PA) *Gazette* for a six store chain called Frank & Barber asserted that their drug stores “are the logical result of modern business ideas. The trend of these ideas is toward chain stores. The stores that give better and more efficient service.”⁴⁸ Note the apparent effort to counter the better service argument used by those in favor of the independents.

By 1922 the National Association of Retail Grocers realized that their efforts to force wholesalers and jobbers not to do business with the chains had failed due to the sheer size and economic power of the chain stores. This led to discussion about seeking legislative remedies. The first idea was to limit legally the number of chain outlets in any municipality. Soon the concept of punitive taxation became a second approach.⁴⁹ Later chapters will explore efforts to pass such laws at all levels of government.

⁴⁶ “New Light on Cost of Living,” *Pittsburgh Post-Gazette* (April 7, 1912) p. 41.

⁴⁷ Lebhar, pp. 106-107

⁴⁸ “We’re in Pittston Because we Believe in Pittston,” Pittston (PA) *Gazette* (December 14, 1910), p. 3; “Pacific Syndicate Stores Company will open Chain of Fifty Stores, *Los Angeles Herald* (September 23, 1906), p. 1.

⁴⁹ Lebhar, pp. 112-114.

The initial legislative battle over chain stores took place in 1923 when Missouri retail merchants took their fight to the legislature. Following several months of a propaganda campaign, their representative, St. Louis attorney Edward W. Foristel, lobbied for a Chain Store Bill. On February 5, Senator William Irwin entered a bill limiting ownership in the state by any person or corporation to ten stores, while also taxing the first store \$500 and increasing by \$500 increments so that a chain with the maximum would face \$27,500 in taxes. A week later the Senate Ways and Means Committee reported out the bill favorably, over Irwin's objections that the other side had not been heard nor had the committee members read the bill. The *St. Louis Post-Dispatch* reporter in Jefferson City wrote that, the bill was "designed to drive out of business in Missouri all chain stores."⁵⁰

At the same time the paper screamed with front page headlines that a chain capitalized at \$175,000 in 1920 had opened only three stores while its cash had dwindled to \$784.⁵¹ The tide quickly changed, however. On February 17, a *Post-Dispatch* editorial doubted the constitutionality of the bill and concluded with "the State Legislature should not be drafted to fight the battles of private business."⁵² Two days later a Letter to the Editor from "An Average Citizen" claimed that "the chain grocery stores in St. Louis do more to holding down the price of groceries in St. Louis than all other factors put together. Another from "M. B." praised the lower prices for the same quality at the "so-called chain stores" and asked the newspaper to oppose the chain store bill."⁵³

⁵⁰ Lebhar, p. 115; "Bill Proposes Change in Issuing Warrants for Booze Raids," *Joplin Globe* (February 6, 1923), p. 2; "Favorable Report on the 'Chain Store Bill'," *St. Louis Post-Dispatch* (February 13, 1923), p. 17.

⁵¹ "\$175,000 Invested in Chain Stores; Only \$784 Left," *St. Louis Post-Dispatch* (February 13, 1923), p. 1.

⁵² "Driving Out the Chain Stores," *St. Louis Post-Dispatch* (February 17, 1923), p. 4;

⁵³ "What the Chain Store Does," *St. Louis Post-Dispatch* (February 19, 1923), p. 14; "The Chain Store," *St. Louis Post-Dispatch* (February 22, 1923), p. 16.

On cross over to the House opposition became strong and supporters few, despite claims that 40,000 had joined the independent merchants' guild. On February 21, with opponents warning of the far reaching consequences if passed, the acting chair of the House Private Corporations Committee C.J. O'Brian abruptly adjourned its meeting in face of a certain unfavorable report by a vote of four to three. Some one hundred people desiring to testify waited until the committee convened at 10 PM only to be prevented from speaking by the adjournment.⁵⁴ The delay only strengthened the opposition. The next day the committee killed the bill by voting for an unfavorable report by eight to two. Ironically, Missouri would be one of twenty states never to pass a chain store law.⁵⁵

The independent retailers soon made it clear in a letter circulated to Missouri newspapers that they had no intention to give up:

Did you know the chain store movement is still in its infancy?... Did you know that those chains are continually adding new stores and gradually invading every town of any size in the state? Do you realize that unless they are stopped, in a few years, these huge corporations will monopolize practically every line of retail sales? Everybody owning a single establishment sees the menace of chain stores, but how it is to be stopped is another question.⁵⁶

The chain stores seemed somewhat oblivious or unconcerned about the forces gathering against them. J.C. Penney advertising in early 1923 bragged in large type about being "A Nation-Wide Organization" and "The World's Largest Chain Department Store Organization," so that "Buying for our 371 Stores Assures Lowest Prices."⁵⁷ Piggly-Wiggly bought full page ads for sales of stock at \$55 per share that boasted of their many stores in 41 states.⁵⁸

⁵⁴ "Chain Store Bill's Friends Absent; Vote is Prevented," *St. Louis Post-Dispatch* (February 22, 1923), p. 1; Lebhar, p. 115..

⁵⁵ "Chain Store Bill is Killed by House Committee Ballot," *St. Louis Post-Dispatch* (February 23, 1923), p. 1.

⁵⁶ Moberly Evening Democrat (March 6, 1923), p. 4. Immediately below appeared an article urging people to do what is now called buy local.

⁵⁷ *Joplin Globe* (January 5, 1923), p. 4.

⁵⁸ *St. Louis Post-Dispatch* (February 20, 1923), p. 13.

Events made opposition to chain stores a hard sell to working folks. In Chicago, for example, a bread war broke out between A&P and Piggly-Wiggly in early 1923. The price-cutting by the chain grocers drove the price of a one-pound loaf of bread down to three and half cents at the A&P and two loaves for five at the Piggly-Wiggly. On February 7, the 88 area Piggy-Wiggly stores, which had popularized self-service cash-and-carry, took price cutting to its conclusion by offering free loaves with a fifty cent purchase. Their district manager reported giving away 150,000 loaves. Declaring the war won, the Piggly Wiggly stores returned to two for a nickel with a prediction that prices would rise to normal over time.⁵⁹

By 1924 the arguments and methodology were emerging from both sides of the chain store controversy. Over the rest of the decade the opponents grew stronger even as the chains expanded and developed revolutionary innovations. Yet two questions hung over the movement as it reached the mainstream. How to gain public support and does a *Menace of the Chain Stores* actually exist.

⁵⁹ “Free Bread in Chicago,” *St. Louis Post-Dispatch* (February 6, 1923), p. 1; “150,000 Loaves of Bread Free,” *St. Louis Post-Dispatch* (February 8, 1923), p. 1; “News of the Day,” Moberly (MO) *Evening Democrat* (February 9, 1923), p. 5.