STAY FREE!

Advertising History According to the Textbooks

by Vince Norris | Issue #18

Reprinted from the Journal of Advertising, *Vol. 9, No. 3, 1980*

Introduction by Carrie McLaren

A few months back, I was watching footage of chimps frolicking in Africa on the PBS documentary show *Nature*. This particular episode was about the origins of human sexuality. Evolution. So we had the chimps (including several females in estrus, with their ample pink bottoms) showing us what our anchesters looked like. Once the producers felt we had seen enough of that, the camera seemlesssly segued into another grassy scene: one with prehistoric, upright, hairy Homo habilis digging holes and groping for food, circa two million years ago.

Now, re-creations are staples of documentaries. But when the *Nature* chimps magically transformed into beastly, costumed actors, something else was going on. There were no titles or voiceovers to indicate the switch from live footage to a dramatization, nor any suggestion at all that these were not actual proto-humans. For many of us in the audience, that point was obvious: *Television did not exist two million years ago*. So this "obvious" fact went unstated.

This, ultimately, is the question that Vince Norris's article raises: What happens when the obvious stuff continually goes unmentioned? To point out the obvious interferes with the narrative and risks reproprobation. Call it the DUH factor. As in: cave men didn't have television—DUH! Or, in Norris's case, advertising aims to increase profits—DUH! Yet any anthropologist could tell you that this is largely how culture shapes its people: by turning certain ideas into unspoken assumptions. It is also how advertising shapes us. Few people, were they to stop and reflect, would say they believe ad claims; they would know that Nike products don't truly make a person cool, that Hilfiger is not the key to happiness, that Schwab doesn't cure anxiety. Just as most people, when they pause to think, would realize that cave men didn't have VCRs. And yet, the ceaseless barrage of ads and televisized images means that we don't even have to believe in them; through dominating the culture, they take on a reality of their own.

Vince Norris wrote his analysis of advertising textbooks over two decades ago, yet his observations are as relevant today as ever. Introductory advertising textbooks, Norris discovered, provide scant economic history, and what history they do provide is usually wrong. Of course, skipping history allows teachers to get on to the practical business of training future ad execs, but, more revealingly, it allows

advertising to be defined as essentially beneficient. Again and again, textbooks discuss advertising as a tool for creating jobs, lowering prices, and boosting the economy—every effect *but* increasing the wealth of the advertiser (DUH!). Thus, the "obvious truth" of advertising's profit motive becomes eclipsed through repeated euphemistic bullshit. Just like the televised version of prehistoric man, advertising textbooks obscure the very subject they aim to reveal. --CM

Studying a subject without an appreciation of its antecedents is like seeing a picture in two dimensions—there is no depth. The study of history gives us depth as well as an understanding of why things are as they are." Thus Brink and Kelley introduce the history of promotion.

Seventeen introductory advertising texts published in the United States during the past 20 years were studied to discover whether their authors share Brink and Kelley's belief in the value of history. The research had its interesting moments but on the whole it was a depressing experience—especially if the texts are indicative of what advertising teachers know about the history of advertising, of what they think students should know, or even of what they conceive of as history itself. Of the 17 texts, most of which run to more than 600 pages, six present no history at all. Only three present more than 20 pages of history. The longest chapter, written by Brink and Kelley, runs 33 pages in a relatively short book of 490 pages. There is even less history than these numbers suggest, since one-fourth to one-half of the space in a typical text is given over to reproductions of old advertisements.

More depressing than the small quantity of history is its poor quality. With only two exceptions, the so-called history chapters are not history at all. They are collections of interesting tales and sayings of such famous men as Dr. Johnson, Addison and Steele, Benjamin Franklin, and P.T. Barnum; there is almost nothing about the social, economic, and political environments in which those men lived and in which the advertisements appeared.

The lack of historical perspective in the texts results in a naïve and, indeed, incorrect view of the development and function of advertising. The most important weaknesses, which I deal with below, are the failures to recognize the existence of pre-market societies, the rise of capitalism, the Industrial Revolution's impact on society, the fundamental difference between retail and national advertising, and the nature of advertising as an economic institution.

ADVERTISING IN PRE-MARKET SOCIETIES

From most of the texts, students would infer that advertising is as old as mankind. In some cases, they are explicitly told that "advertisements

in some shape or form have existed not only from time immemorial, but almost for all time," that it "flourished" three thousand years ago and "played an important role in the development of countless societies and cultures."

Inserted amid such nonsense is "proof" in the form of examples. One encounters the same examples in one text after another. The repetition suggests a good deal of inbreeding or, perhaps, despite the statements to the contrary, the true paucity of advertisements in the ancient world. Further, many of the examples were not advertisements at all. Some were mere on-premise identifying signs. Others were personal selling. One text even claims that the wall inscriptions on Hammurabi's temple in Uruk were early examples of corporate billboard advertising, and that the Rosetta Stone was an early poster.

Of course, one of the best ways to legitimatize anything is to say that it is as old as mankind—that, as Kleppner says of advertising, it is "human nature." An interesting variation on that theme is the inclusion of an out-of-context discussion of advertising in the Soviet Union—presumably to show that even communists can't get along without it.

Only one text explains that advertising is associated with market activity and even more so with market economies, and that until very recently there was very little of the former and none of the latter. The explanation is far too brief, however, to enable the beginning student, who has never known anything but capitalism, to understand the fundamental differences.

Every society, even a group of castaways, must cope with two basic economic problems: how to allocate scarce resources, and how to distribute output (wealth). By far, most of the "countless societies and cultures" humankind has developed during its time on this planet solved both of those problems according to principles of reciprocity, redistribution, and householding—types of economic organization in which there is no place for advertising.

Reciprocity, simply, is gift-giving, according to traditional, well-defined patterns, so that every member of the society knows his assigned tasks and receives his rightful share of the wealth. Neither giver nor receiver has any reason to advertise.

Redistribution is based on central authority, and functions much like the public sector of modern economies. The people, motivated by loyalty, respect, and ultimately by the threat of force, give some part of their produce to the leader as tribute or taxes. Some in turn is redistributed (hence the name) in the form of feasts, public works, and so forth. There is no need for advertising in this system, either.

Householding is economic self-sufficiency by families or other small

groups who produce for their own consumption, engaging in little or no exchange. The absence of need or opportunity to advertise is obvious.

THE COMING OF ECONOMIC SOCIETY

Since virtually all the texts fail to point out that the economies of the ancient world and medieval Europe were fundamentally different from modern free-enterprise capitalism, it is not surprising that little is said about the arrival of capitalism in the western world a few centuries ago, or about the historical forces associated with its birth, or even about how a capitalist economy is supposed to function.

Although two texts mention the guilds in passing, not one mentions the Commercial Revolution. Nothing is said of the Reformation or of the Protestant Ethic and how it differed from the Catholic Church's view of commercial activity. The word "mercantilism" is not mentioned in a single text. Not one text mentions the Scientific Revolution or the Enlightenment, and only one discusses (too briefly) the classical liberal *Weltanschau-ung* and its important role in developing capitalism.

Neither do the texts explain that, even after the market assumed an important role in Western economies, householding remained the predominant feature of economic life for the majority of the population. Much is made of Benjamin Franklin as though he exemplified the Americans of his day. But in Franklin's time it required many farmers to produce a sufficient surplus beyond their own needs to feed and clothe a single city dweller. Prior to the Industrial Revolution, more than 90 percent of the population lived on farms, householding. They sold their small surplus and bought the few things they could not produce, but money played a tiny part in their lives. They did not *earn* a living, they *made* a living. One New England farmer, far more typical of his contemporaries than was Franklin, wrote in his diary:

> My farm gave me and my whole family a good living on the produce. One year it left me with another $150 dollars, for I never spent more than ten dollars a year, which was for salt, nails and the like. Nothing to eat, drink, or wear was bought as my farm produced it all.

So, while it was possible for authors to reproduce advertisements from early newspapers, their importance in the lives of the general population is exaggerated unless the reader is told how little advertising and commerce there were. Even among merchants, advertising was of little importance. As Max Weber said, "the advertisement as a notice by the merchant, directed toward finding a market, first becomes an established phenomenon at the end of the eighteenth century." He was speaking of England, where the Industrial Revolution was well underway by that time.

THE INDUSTRIAL REVOLUTION AND NATIONAL ADVERTISING

The Industrial Revolution not only made possible the quantity and forms of advertising we have today, it transformed every aspect of the economy and of life in general. From a society in which more than nine out of ten families lived substantially like the New England farmer quoted above, America became in only two lifetimes a society in which only one family in 25 lives on a farm. And that family, like those in towns and cities, earns rather than makes its living, selling virtually all its produce and buying virtually everything it consumes. Householding is now so rare as to be a curiosity, practiced only by those who have "dropped out" of society.

Most of the texts do not note these effects, characterizing the Industrial Revolution merely as a period of increased production. Neither do the texts show how the Revolution led to national advertising, nor even that national advertising is fundamentally different from retail advertising—a matter I will discuss later.

One book does mention the population growth of a few cities but fails to explain the significance of urbanization. Only at the end of the chapter does one find any reference to the most important changes of the Industrial Revolution, but merely in the form of a disconnected list of "Forces Behind the Facts." Thus the growth of the middle class is brushed off in a one-sentence afterthought, while P. T. Barnum receives two paragraphs. Most of the texts provide an even less satisfactory treatment of the Industrial Revolution.

If one finds any mention at all of the growth of national advertising, one finds the naïve and incorrect explanation that as markets expanded, the increasing distance between manufacturer and consumer made it necessary for the former to tell the latter about his products. Here are three examples:

> A need arose to extend markets geographically, and the manufacturer had to find a way of communicating the value of his products to people who knew nothing of his reputation.
>
> As manufacturers were separated from the ultimate consumer by wholesalers or franchisees, they looked to advertising to bridge this gap.
>
> As manufacturers grew, they began to advertise in order to sell what they produced.

This myth has become so firmly entrenched in the folklore of advertising that even an author who knows better slipped into the trap: "In essence, the distance between producers and consumers had grown too wide."

In the same text, however, one finds a reproduction of two pages of *The Pennsylvania Evening Post* of July 6, 1776, in which the Declaration of Independence is followed by several advertisements. In one of them, Isaac Hazelhurst offers the public "coffee of the best quality." Obviously this coffee was grown several thousands of miles from Pennsylvania; yet the farmer who grew it saw no need to advertise in the *Evening Post*. He simply sold it, at the market price, to a buyer. There is no reason to suppose the farmer was unable to sell all the coffee he could harvest. The coffee probably changed hands several times before arriving at Mr. Hazelhurst's store, but it is improbable that it was advertised by any previous seller.

The notion that physical distance is a reason for national advertising is also disproved by the existence of a great number of products, made or grown we know not where, that are unadvertised. All of us, including the authors of these texts, buy them regularly. This notion is also disproved by the fact that manufacturers do not omit their own communities from their national advertising plans on grounds that people there already know them. If that were the case, General Motors would not advertise automobiles in Detroit and Procter and Gamble would not advertise soap in Cincinnati.

The correct explanation of the appearance and growth of national advertising is unmistakably clear in the writings of eyewitnesses to its birth: The manufacturers' motive was to achieve market power in their dealings with distributors.

One of the most successful advertising men of the time was Earnest Elmo Calkins. In 1905, he published in *Printer's Ink* an article tellingly entitled, "Eliminating the Jobber." He began by commenting on the widespread use of that expression in advertising circles, hastily adding that it did not refer to the jobber's extermination, but only to his subjugation.

Prior to national advertising, Calkins explained, the manufacturer was powerless. The jobber said to him, "You manufacture this, that, or the other. Make it so and so. Sell it to me for so much." Naturally the jobber ordered from those manufacturers who could be depended upon to deliver goods of the desired quality, on schedule, at the lowest price. The manufacturer whose goods were defective or who could not meet the market price faded from the scene.

But the manufacturer who began to brand and advertise his goods could avoid the rigors of price competition. He could compel the distributor to buy *his* brand at *his* price:

> To the manufacturer who advertises it makes no difference what jobber or what commission man buys his goods. *All of them will have to buy them in the end*. Just as soon as a retailer finds that

> a certain line of goods is so strongly demanded that he must have it, he will go where he can get it. If a given jobber doesn't handle it, he will go to a new jobber (italics added).

In the trade, this is known a "forcing distribution." The same issue of *Printers' Ink* carried an editorial making much the same point about the motives of manufacturers.

> They now realize that this is a golden age in trademarks—a time when almost any maker of a worthy product can lay down the lines of a demand that will not only grow with years [sic] beyond anything that has ever been known before, but will become in some degree a monopoly.

The editorial goes on to point out the value of advertising in erecting barriers to potential competition:

> In ten years at the farthest, perhaps in five or less, every commodity of large consumption will have its trademarked leader, firmly entrenched through advertising. The first will be that leader, and all that come after will necessarily take the leavings of demand. . . . To build up a demand for a rival of Sapolio today would take millions, if it could be done at all.

This preceded by 60 years David Ogilvy's estimate that a "war chest" of at least 10 million dollars would be needed to break into the detergent market.

Calkins repeated his earlier explanation seven years later in *Modern Advertising*. Before the manufacturer began to advertise, "He had to manufacture to order what was wanted. He had to compete in price and in other conditions with other manufacturers." After he began to advertise however, "the commission man, the jobber and the traveling man became less and less necessary to him, until in some lines of business they have dropped out altogether."

So, despite Calkins' earlier comment that "eliminating the jobber" did not mean exterminating him, many had been driven from the field.

Another eyewitness to the beginnings of national advertising and eminently successful practitioner was Claude Hopkins, who stated that "Most national advertisers are aiming largely to build effective barriers against competition." In *My Life in Advertising* he told how, as advertising manager of Swift and Company, he used advertising to sell Swift's Conosuet shortening to bakers *at a higher price* than a rival's Cottolene, although "They knew Conosuet to be identical with Cottolene."

Another practitioner, George Burton Hotchkiss, offered a similar

explanation in 1933, adding that "National advertising by manufacturers was never looked upon with great favor by either wholesalers or large retailers," who realized its purpose was to enable manufacturers to dominate them.

Celebrating its fiftieth anniversary, *Printers' Ink* published a special supplement to its July 28, 1939 issue. Here, again, one finds the same explanation of the origins of national advertising. "The jobber told the manufacturer what he wanted made, how he wanted it made and what he would pay for it." After the manufacturer began to advertise, however, "he found that in a short time the jobber came to him and *asked him what he would charge for the goods*."

In addition to all this eyewitness testimony, investigations conducted more recently by economists and government agencies provide a huge body of evidence consistent with the writings of the pioneers: the purpose of national advertising today, as it was originally, is to create product differentiation, a degree of monopoly, and barriers to entry. These enable the manufacturer to force distribution and engage in pricing discretion, pricing discrimination, and market domination.

Althought there are better and more recent studies than Neil Borden's *Economic Effects of Advertising*, the authors of these texts seem not to have heard of them –and the few who have, seem not to have read them. For that matter, they seem not to have read Borden either, despite an apparent rule that no one may write an advertising text without paying obeisance to him. For Borden makes it clear again and again that the purpose of national advertising is to enable manufacturers to gain market power so that they can raise prices and increase profits.

Despite all the foregoing evidence, however, or perhaps oblivious to it, most of the authors say that manufacturers merely to make their products known to distant consumers so as to increase sales. That is economically unsound. Just as the South American coffee farmer could sell all the coffee he could harvest without advertising to distant consumers (or to anyone else, for that matter), provided he accepted the market price, American manufacturers could operate their plants at capacity and sell their products in the same manner –and indeed, thousands of them do exactly that to this day. Further, it is not to a manufacturer's advantage to attempt to increase his sales beyond capacity unless he can raise his price, for his production cost (never mind his newly incurred branding and advertising cost) would exceed his price.

A related error is the notion that advertising increased sales not only for individual manufacturers but cumulatively for all manufacturers, thus raising levels of employment and national income. In a magnificent non-

sequitur, Mandell says, "Advertising has as its major objective persuading people to buy. Increased demand results in increased production and more jobs." He not only commits the fallacy of composition but incorrectly uses "demand" to mean quantity sold. Increased demand may simply mean the same quantity sold at a higher price, or even a smaller quantity at a still higher price.

This notion, that advertising increases aggregate consumption, is found in virtually every advertising text and is a common theme of advertising writers. It is an article of faith: in Presbrey's phrase, "beyond discussion." Not one shred of scientifically acceptable evidence is offered to support it. The ususal "proof" is "our rising standard of living." That is pure *post hoc* thinking, and backwards at that, since the evidence indicates that increases in consumption cause increases in advertising, rather than vice-versa.

In a similar error, Wright, *et al,* say that national advertising "helped raise consumption so that the full use of machinery was possible, thus bringing about lower per-unit costs of manufacture." Any economics text, however, will demonstrate that it is the price competitor who makes full use of his machinery and minimizes per-unit costs, while the manufacturer of differentiated products almost invariably operates *below* capacity at *higher* per-unit costs.

What these authors overlook is that prices reflect both costs and *demand* –strictly speaking, marginal cost and marginal revenue. If advertising does increase demand (that is, shift the demand curve upward and to the right), the firm will probably find it more profitable to raise prices than to lower them. The lengthiest and most confused presentation of this and related fallacies is found in Dunn and Barban, in a four-page discussion of a hypothetical candy company. Since the discussion contains more than a dozen errors, I will not even list them.

Another popular way of "proving" that advertising leads to lower prices is to present examples of products whose prices fell, presumably for the reasons stated by Wright, *et al*. This, too, is *post hoc* thinking which overlooks three important considerations. First, manufacturers who introduce new products know they can increase their profits by a technique known as "skimming." The introductory price is deliberately set high to "skim the cream off the market." Later a somewhat lower price skims off the next layer, and so on as the manufacturer "slides down his demand curve" until he reaches the point at which marginal cost equals marginal revenue, where the price is stabilized. The other overlooked factors are the technological improvements that invariably occur after the introduction of a new product, which lower production costs regardless of volume, and the increasing competition as new firms enter the field.

ADVERTISING AS AN ECONOMIC INSTITUTION

Given their propensity to see history as a chronology of old advertisements and famous admen (a variation of the "kings and battles"view of history), it is not surprising that with only four exceptions the authors do not even attempt to discuss advertising as an institution.

Two of these are only gestures. Kleppner merely labels the part of his book which deals with the regulation and the social and economic effects of advertising, "Advertising as an Institution." The word is not seen again. Aside from a brief review of David Potter's well-known discussion, Weilbacher mentions the word only once.

Wright, *et al*, do little more. They say they intend to "explore how advertising becomes an institution in our society, then promptly forget their task. Only once again is the word mentioned: "For advertising to become an institution, a need for it had to be recognized." Of course! The same may be said of slavery.

The only serious attempt to discuss advertising as an institution is found in Sandage, *et al.* Unfortunately it is not very incisive. It is not even stated why or how advertising has become an institution, or even what an institution is.

The discussion begins by repeating the hackneyed notion that advertising is a "tool." Advertising is thus beyond criticism since, like any tool, it can be used for good or evil.

But an institution is not a tool! Is private property a tool? A tool is an inanimate object, utterly at the disposal of its user. But we do not *use* institutions, we *participate* in them. They are not at our disposal; on the contrary, we are at theirs. "They may be rigid or flexible in their structures, exacting or lenient in their demands, but alike they constitute standard of conformity from which an individual may depart only at his peril."

Apparently Sandage, *et al*, intend to say that advertising became an institution simply because its use increased until it became a ubiquitous feature of the American scene. That misses the point. It is true that ubiquity is a characteristic of institutions, but that must be properly understood. Wearing a watch on one's wrist instead of in one's pocket is ubiquitous behavior these days but it is by no stretch of the imagination an institution. Trial by a jury of one's peers, on the other hand, is a fundamental and cherished institution in our society, yet most of us live our lives without ever once participating in a trial –and we are happy to avoid the experience. Competition is a fundamental capitalist institution, but despite all the government's attempts for nearly a century to preserve it, it has all but disappeared from the American economy.

Two characteristics of institutions are more important then mere ubiquity. First, institutions order human relationships into roles. For example, trial-by-jury orders the behavior of participants into roles such as defendant, prosecutor, defense counsel, juryman, judge. Slavery orders participants into roles of master and slave. The market orders participants into roles such as buyer, seller, retailer, broker, and in the factor markets, laborer (rather than slave), employer (rather than master), landlord, and so forth. These roles have no meaning or existence in market-free societies.

Second, an institution regulates (by means of human behavior, of course) the distribution of a society's desiderata to the advantage of some and to the disadvantage of others. In general, we say that economic institutions –not just the market, but all of them- regulate the distribution of wealth while political institutions oversee the distribution of power. But in practice the distinction is not so clear, since power can be bought ("Money talks") and every significant political act redistributes wealth.

So it is not enough to say that advertising became an institution when it came into ubiquitous use. In fact, if that were the criterion, it would be difficult to make the case that advertising is an institution. Although most of our media are cluttered with advertisements and advertising is about the sixth largest single expenditure in the United States, it is by no means ubiquitous behavior. There are some 13 million business firms in the United States, but almost one-fourth of the total advertising expenditures are made by a mere 100 firms, mostly oligopolistic manufacturers of homogenous packaged goods. Many other manufacturers do moderate or trivial amounts of advertising, and many do none at all. The same is true of wholesalers, retailers, plumbers, restauranteurs, architects and television repairmen. The *Standard Dictionary of Advertisers* lists only some 17,000 advertisers, not all of them business firms or even located in the United States. No doubt that is an incomplete list but nevertheless it is a far cry from 13 million.

It is clear that advertising orders human relationships in the American economy. I refer not so much to the creation of new roles such as advertising agent, copywriter, space salesman and so forth as to the *reordering* of the roles of participants in the market.

As Calkins pointed out, prior to national advertising, the manufacturer was powerless to set prices. But he failed to add that the wholesaler was equally powerless to set prices, either those paid to manufacturers or charged retailers. And he also failed to mention that every participant in the market *should* be powerless, for only then does the market function properly, with prices set by the "impersonal forces of supply and demand."

National advertising gives power to the manufacturer; his roles changes from price *taker* to price *maker*. The wholesaler's role changes too; as manufacturers acquired power to force distribution of their brands, wholesalers lost some freedom of enterprise, and so did retailers. In some lines, as Calkins said, the role of wholesaler disappeared entirely. To the extent that advertising creates barriers to entry, it limits the number of persons who may play the role of manufacturer.

Advertising has also reordered relationships in mass communications. Sandage, *et al*, mention this but do not pursue it. The role of publisher (except those who refuse to accept advertising) has changed from seller of a product to consumers to gatherer of consumers for advertisiers. The roles of his employees have changed, too. A television "personality" is primarily a salesman, not a performer, and reporters learn that some stories are better left unreported. The role of the reader changes from sovereign consumer to advertiser bait.

Advertising also significantly affects both the allocation of resources and the distribution of wealth. Indeed, it could be argued that in the homogenous packaged goods sector of the economy, advertising has largely supplanted the market as the institution performing those tasks.

A clear understanding of this matter and of the historical significance of the rise of national advertising requires some knowledge of the theory of capitalism. It is not found in any of the texts. A capitalist, free enterprise economy is based on certain premises about the nature of man and the world, and is expected to perform in a manner that, given those premises, is just and good. Specifically:

- Since all men are rational and endowed with the inalienable right of property, since the world is a harmonious machine in which a self-righting process or "Invisible Hand" will function if given free reign, there should be freedom of enterprise.

- Since all men are created equal, with the same right of property, every man deserves to enjoy the property he creates, less the smallest possible deduction to support a minimal government. In other words, every man's income should precisely equal the contribution to GNP of the productive factors he sells in the market. One should reap what he sows; no more, no less. His reward should equal his contribution.

- Since all men are egoists (some would say hedonists) and a good society is one which provides the greatest happiness for the greatest number, output (wealth) should be maximized.

- Since waste diminishes attainable output, given the scarcity of resources, production should take place as efficiently as possible. All resources should be attracted to their most productive use. All

firms should operate at capacity, the point at which the various factors are combined in ideal proportions, minimizing per-unit cost. In the long run, all firms should operate at optimum scale as well as at capacity.

- Since men are rational and egoistic, endowed with the right of property, the composition of output should be determined by consumer sovereignty. Using the dollars he receives from the sale of his productive factors, each man votes for the products he wants; these are the products which should be produced, in precisely the desired quantities.

How can all those goals be achieved? That is the marvelous thing: in a price-competitive economy, where men are free to do as they please and seek only their own selfish ends, the Invisible Hand will see to it that these goals are achieved.

The price a competitive manufacturer can obtain is set by supply and demand; it is the best available measure of how consumers are voting to have scarce resources allocated to satisfy their wants. This market price covers all costs including a normal profit, the necessary reward to the entrepreneur for his contribution, without which the good would not be produced.

The wholesaler, too, receives a price that just covers costs including his normal profit and the same is true of the retailer. Under these circumstances, every seller is compelled to be as efficient as possible if he wishes to receive his just reward, but no one can reap more than he sows.

It is incorrect, therefore, to discuss this situation in terms which imply that the manufacturer was the innocent victim of the "caprices and pressures" of the wholesaler who was in a "fortunate position" because he told the manufacturer what he wanted and what he was willing to pay for it. The wholesaler was behaving selfishly, of course, but he was nevertheless behaving precisely as the social good required. A capitalist economy will not function properly unless ass the participants act as economic men, making rational, selfish decisions. As an institution, the market rewards appropriate behavior and punishes inappropriate behavior.

As the wholesaler behaved toward the manufacturer, so did the retailer toward the wholesaler, who had to respond to retailer's "caprices and pressures." And the retailer in his turn had to respond to the "caprices and pressures" exerted by sovereign consumers –for do we not attempt to buy precisely what we want at the lowest price we can find? (Except when, in our ignorance, we assume that a higher price is an index of greater quality.)

In a price-competitive market, the seller's demand curve will be highly elastic, and prices will tend to just cover costs, including a normal profit. From society's viewpoint that is the ideal situation. From the seller's viewpoint it is not: who among us does not wish to reap more than he sows? Some of the means to that end (e.g. price fixing) have been declared illegal. Among the means that have not are branding and advertising one's product. This creates a degree of monopoly, making the demand curve much less elastic, and thus provides the opportunity to raise the price.

So the primary purpose of national advertising is not to enable the manufacturer to increase his sales. It is to enable him to *tell* the wholesaler, rather than to *ask* him, the price of his goods. His new price will be higher than the old, competitive price –not only to cover his costs of branding and advertising, but beyond that to provide him with the greater profit he is seeking.

If he is rational, he will choose a price that maximizes his profit, the price that equates marginal cost with marginal revenue. That price will almost invariably result in a level of sales that is *less* than he would prefer to sell were he in a competitive market. Only under the most improbable set of circumstances will the national advertiser find that MC=MR at his plant's capacity.

The consequence of this is that the Invisible Hand is crippled. What is good for the manufacturer is no longer good for society. The firm, now operating at less than capacity, has higher average costs (even before branding and advertising costs are considered); it is wasting resources. But since price is even higher than average cost, the manufacturer is receiving a monopoly profit, a reward in excess of his contribution. As the practice spreads from firm to firm and from industry to industry, total output is diminished. To the extent that entry barriers are raised, freedom of enterprise is diminished. Thus four of the five goals of a capitalist economy, mentioned above, are lost. Some critics say that consumer sovereignty is also lost, since consumers are persuaded to like what they get rather than being able to get what they like. That question, however, goes beyond the scope of economic analysis.

And so it is that national advertising significantly affects both the allocation of resources and the distribution of wealth in a market economy. To the extent that consumers buy smaller quantities of products because their prices are higher, smaller quantities of resources are allocated to their production. This affects the incomes of the sellers of those resources. (Based on the elasticity of demand for automobiles, it has been estimated that several hundred thousand fewer automobiles are sold in the United States each year because of the manufacturers' emphasis on costly advertising and "fictitious style obsolescence" instead of competition through lower prices. Obviously this results in

many fewer jobs for automobile workers and suppliers of other factors.) In other cases, resources may be allocated to the production of products which might not be purchased at all if they were not advertised.

To the extent consumers are persuaded to spend their incomes for higher-priced advertised brands, wealth is redistributed from those consumers to the manufacturers. These "monopoly transfers" (as they are called because they can occur only when monopoly is present) are in the first instance a dramatic shift of wealth from consumers, who in the aggregate possess average amounts of wealth, to those few who possess great quantities. This is a kind of "private taxation" (which it is also called for obvious reasons) which, in violation of democratic principles, is highly regressive.

In the second instance, since a consumer's income is finite, his larger expenditure on the higher-priced brand leaves him with less to spend on other things; this reduces not only his own real income but that of the sellers of the other goods and services he can no longer afford to buy. They, in turn, must expend less on productive factors and on consumer goods. The ripples go on and on…

CONCLUSIONS

The first conclusion, in view of the fact that the authors of these 17 texts devote less than three percent of their pages to history, is that as a group they do not share Brink and Kelley's belief in the value of history. They seem rather to follow Daniel Starch, whose *Principles of Advertising* (1923) asserts that "It may not be of great value to devote a large amount of space to analyzing and discussing the history of a subject when we are primarily interested in the practical problems of the present day." If that is the educational philosophy that guides advertising education, it is indeed deplorable.

The second conclusion is that, because of the number of egregious errors in these texts, most students receive a seriously distorted view of the history of advertising and its role in the economy. Since, as a rule, it is only in the introductory course that advertising students are exposed to any history at all, it is unlikely that this distorted view is ever corrected.

A possibility exists, of course, that individual teachers are better informed than the writers of these texts, and that they supplement the texts with lectures or additional reading from more scholarly sources. That is expressed more as a hope than as a probability. The "history" found in the texts is, after all, the conventional wisdom of the field. It is as much the received knowledge of the present generation of teacher as of the present generation of students. What was obvious to Calkins, Hopkins, and their contemporaries has somehow been filtered out.

Why is that so? One possiblilty is that the authors have not been very painstaking in their research, and that does seem to have been the case. The footnotes, for example, suggest that the research was neither intensive or extensive. As I mentioned before, the main source in economic matters, Borden, is not only inferior to recent work but beyond that appears not to have been read. Most of the authors seem to be unaware of any of the more recent economic analyses of advertising. Those few who do seem to have heard of them and who even recommend them "for further reading" give no evidence of having read them.

Another possible explanation, not incompatible with the preceding one, is that present day neo-liberal *Weltanschauung* heavily emphasizes social responsibility and functionality. That it influences the writings of advertising practitioners is obvious. Their defenses of advertising are rarely if ever classical liberal in character. Instead they focus on claims of social responsibility and functionality: advertising is said to lead to lower prices, higher quality, a higher standard of living, and so forth. Today’s climate of opinion virtually dictates such an ideology. For advertising teachers to admit that advertising’s purpose is not altruistic but solely to increase the wealth of the advertiser, even though it is an obvious truth, may strike them as indecent –almost like pointing out that the emperor has no clothes.

[E N D]