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The Swedish advertising cartel 1915–1965

HARM SCHRÖTER*

Universitetet i Bergen

Elin Åström Rudberg, *Sound and loyal business: The history of the Swedish advertising cartel 1915–1965* (Stockholm: Stockholm School of Economics 2019). 284 s.

Purpose and relevance

"The purpose of this dissertation is thus to contribute to our knowledge of the organisation and the restrictive trade practices of the service markets in the twentieth century." (s. 9) That is true on the one hand but much too modest on the other. Right, in contrast to producing industry, we know very little on collusion in service markets, and consequently this study helps us understanding how markets and enterprises functioned during the period of investigation. At the same time Elin Åström Rudberg asks much wider questions: What sort of behaviour was acceptable, or even desirable, at both levels of economic action, in business and at the macroeconomic layer? And furthermore, how that behaviour changed profoundly, or more precisely, how it was reversed from upside-down, over a period of 50 years.

Change of a cartel over 50 years, it seems that a study on that is relevant to economic historians focussing on cartel-research. That is a small group of specialists, counting probably less than 100 heads worldwide. However the relevance of Åström Rudberg's lies only to a certain extent in her choice of that particular cartel, but on her basic question: "What caused that change?" Indeed, an economic paradigm was reversed. Without doubt, today we all believe in as much competition as possible in order to promote the economy. But in the first period of Åström Rudberg's research, economists, businessmen and politicians thought otherwise. For instance at that time one of the most distinguished Swedish economists, Eli F. Heckscher, was very much in favour of cartelisation. Comprehensive organisation was the idea of the time; cartelisation was one of the means to it. By using this tool enterprises would only produce as much as was sellable, but no waste. It was maintained,

* Professor i ekonomisk historia; fakultetsopponent

that for instance during the World Economic Crisis of the 1930s, American railway engines were fed with unsellable wheat, while at the same time American people went hungry. People thought that to be unbearable. Today we neither believe in comprehensive economic planning nor in cartels; the paradigm has been reversed. How and when that happened in the advertising sector is the core of Åström Rudberg's thesis. Sure, today by broader and more comprehensive research our own economic paradigms are better founded, but still we have no guarantee for ongoing consent over the next 50 years. Instant digital information and political ambition may again change what we think is beneficial beyond times. In that sense Åström Rudberg's presentation of discourses is of relevance not only to cartel-historians, but also to economists, trade unionists, philosophers – in short, to all interested in our own future.

Previous research

Research on cartels is nearly as old as modern cartelisation, which started about 1870. From the beginning two aspects were focused at: its quantitative magnitude and how it affects capitalism in a qualitative way. Investigations into what a cartel meant for participating enterprises were raised much later. Up to the Second World War the majority of economists supported cartelisation, also as means against crises (e.g. Heckscher 1913, Tschierschky 1930), and even socialists did so, imagining cartels as an economic preparation for the planned economy in future socialism. Studies on magnitude culminated in the 1940s (Watkins 1946, Hexner 1945). After 1945 a broad discourse emerged to what extent cartelisation is beneficial or not; a question which was settled in Europe not before the 1970s. The question, what caused European cartelisation's up and down, was asked in 1996 (Schröter). Internal power-struggle between members was analysed by Roelevink (2015), research on cartels in the service sector started in 1987 (shipping). In "regulating competition" (2016) Fellman and Shanahan inquired about the state-forced introduction of cartel registers and the reasons that caused that trend towards monitoring. They focused on macro-economic development. In contrast, Elin Åström Rudberg inquires mainly at the micro-economic level while asking the same question: what caused the change from cartelisation to de-cartelisation in the Swedish advertising industry? With other words, her book represents the forefront of Swedish and international research.

One needs to point out to the fact, that the type of cartel researched here is not representative. 1) it is one of the few in the service industry, 2) it extended itself exclusively on conditions, and 3) it included the offer as well as the buyer of a service. Especially this last issue made it extremely exclusive within cartelisation.

Theoretical approach

Research theory defines what is important and what can be left aside; it provides reason for what questions should be followed and what material should be looked at. In order to follow the direction of discourse within the cartel and within society, Elin Åström Rudberg employed the theories of the sociologist Neil Fligstein and the economist cum sociologist Mark Granovetter. The latter provided the tool of a "moral community". Émile Durkheim created the term first in order to describe traditional rural communities. Any moral community is characterized by a certain amount of social integration as well as moral integration. These ways of integration represent a set of shared beliefs about morality and behavior. In modern terms, any small group with these qualities, such as a congregation, a football-team, or military unit, represent a moral community. As long as members of a cartel believe in the same values and share the same behavior, they represent a moral community. Additionally Fligstein suggested the "conception of control". This theory focuses on the worldview of actors, how markets should operate and how they should perform. While Granovetter provides a research-tool applied in the volume mainly for the evaluation at the micro-economic layer, Fligstein is used above all for analysing the macro-economic one.

Sources and methods

Elin Åström Rudberg has worked in twelve different archives. In many cases these were deposited in the Swedish National Archive, others at the Centre for Business History in Stockholm, while a third group still rests with the respective enterprise or organisation. She even got access to the archive of J. Walter Thompson – one of the world's leading advertising agencies then and today – at Duke University, U.S.A. With that she has covered all possible sources of information, which might be useful for her work. It seems that all archives provided access to the demanded material. In short the investigation includes all important sources of possible value for the thesis. The same can be said to Åström Rudberg's use of methods. She applied all useful historical methods; for instance she pointed out to triangulation, finding the same topic dealt with in one or more sources of different origin, and contextualisation. Also with methods she met the most advanced standards.

Disposition and results

Rudberg presents her thesis in seven chapters. The introduction (ch. 1, pp. 1–50) offers exactly what its headline promises: the research question and its purpose, previous research on cartels in general, a short overview over the history of the advertising industry, theoretical and methodological considerations, including a very brief introduction into what will be used in

her volume of Fligstein's and Granovetter's theories. Except introduction and conclusion each chapter ends with a summary which makes it easy for a time-pressed reader getting a first overview. The four historical chapters are convincingly organized according to the four phases of development of the cartel.

Chapter 2 "The market structure and the advertising industry 1915–1965" (pp. 51–76) provides the necessary background-information on the Swedish advertising industry and its growth, also in relation to GDP. The main actors which formed the cartel, *Annonbyråernas Förening – AF* and *Svenska Tidningsutgivareföreningen – TU*, are more closely characterized. At that time, up to the 1960s, advertisements in newspapers represented the largest market for advertisements in Sweden. The reader learns that the work offered by advertising agencies was much more than simply a broker or a run-in-between would do. It comprehended everything, from conception to execution of an advertising campaign, or parts of that offer, according to the customer's wishes. We receive all necessary information in order to trace the argumentation in the following chapters, for instance that the cartel cannot be labelled as "collusion", because it was open and known, at least in all interested circles.

The historical investigation starts with chapter 3 "Shaping the market 1915–1925" (pp. 76–115). Interestingly this part starts not with the foundation of the cartel between AF and TU, but with "views on competition" and with the "role of advertising". It becomes clear that not so much the cartel in itself is the centre of investigation, but the discourse on the two issues mentioned. After that a couple of actors, persons as well as organisations, are looked into more closely. The first preliminary agreement is sketched, which then led to the more reliable cartel of 1925, the Rättvik agreement. Of course, the cartel between the agencies and the newspapers alienated the advertisers. Consequently the author presents the discourse between these two sides. At the same time the agency-side of the cartel had to be organized. Only a few agencies were authorized to deal with TU and to be included into the cartel. Strange enough, it was not the group of agencies which invited or excluded new cartel-members on their side, but the decisive say came from TU, which evaluated the applicant to be reliable or not. This indicates that from the beginning TU was the stronger partner of the two sides of the cartel. At the same time there was a certain discourse on what competition between agencies was intended – inside the moral community – and what was defensible in society as sound and loyal business – the concept of control.

"Maturing cooperation 1926–1938" is the headline of chapter 4 (pp. 117–161). During that period the cartel established a firm control over the market of advertisement. Åström Rudberg even maintains it "had created the

governing institutional framework” (p. 159) concerning advertisements in newspapers. With other words the cartel had a firm grip on its market. An improved agreement was signed in 1930 which was more clear, strict and exclusive. The attempts of AF to increase its role by changing some rules were stopped by TU. The (un-)balance of power stayed firmly as before to the advantage of TU. Of course there were complaints and conflicts, but the cartel was strong enough to decide what represented sound and loyal business and what did not. Two issues helped in this trend for a more comprehensive organisation, 1) a growing conviction that cartels in general are beneficial not only for the respective cartel-members, but at the same time for the national economy, and 2) the Swedish law of 1931 against disloyal competitive practices. Still in spite of its strength, some principles of the cartel were questioned. A couple of large agencies wanted to change the rules at the expense of the smaller ones. They would prefer a special agreement with TU. Of course this desire was challenged by other agencies causing a discourse on what proper business conduct would be. The contest even led to the split of AF, which entailed the questioning of the cartel as one whole entity.

The cartel survived on reasons of the following years of tension and war; a topic which is addressed in chapter 5 “Cooperation in times of crisis 1939–1949” (pp. 163–204). Concerning the cartel the decade fell into two parts, strength during war-time and strength challenged from after the war onwards. With the beginning of war both AF and TU feared a strong decline of advertisements. But the government stepped in with two moves, in general with many wartime regulations and in our case with so called “crisis-advertisements”. It used advertising to inform, influence or even direct the people. For that it needed a strong partner, and AF managed to receive the monopoly on government advertising. The advantage for government was that AF was reliable, flexible, and potent to start a campaign parallel in different major newspapers on short notice. State-authority was so satisfied by AF’s service that it preferred to keep it up also during the years after 1945. TU was also pleased, and a renewed agreement between AF and TU was signed in 1948. But at that time the cartel came under a strong attack from the Advertisers Association. That organisation demanded not the dissolution of the cartel, but profound changes to it, such as allowing rebates, inclusion of more advertising agencies into AF, and payment not as lump-sum but according to amount and kind of work really executed by the respective advertising agency. If applied, all these issues were bound to undermine the cartel’s structure. However, in spite of official negotiation, these demands came to nothing.

“The downfall of the advertising cartel 1950–1965” represents the last of the historical chapters (pp. 205–254). The question is of course how and

why could a well-functioning organisation, which even enjoyed the support of the government, especially during the 1940s, falter and fall within only 15 years? As with most issues there was not one single reason for changes but several. One was the trend in society: people were less and less convinced of cartelisation to be beneficial. That was reflected in new state regulation, above all in the Swedish law on restrictive competitive practises of 1953. The Advertisers' Association did not cease in its attacks at the cartel, now also supported by the Association of Advertising Consultants, representing agencies not admitted to AF and thus in competition. In a first move the Advertisers Association approached the Government's Ombudsman on Competition, who in 1956 ruled the cartel to liberalize the market. First the cartel flatly refused, but this caused not only additional pressure, but also pressure from a new side: other cartelized industries which feared an even more restrictive law, in case one part of industry would not comply with the law of 1953. Consequently the cartel liberalized a bit, which in the end was accepted by the government's Market Court. But also inside the cartel things started to change. From the beginning the number of approved agencies stood at about 10–15, but within a decade starting in 1952 it rose to 50. The increase watered down the advantages of the old members and caused friction. Radio and TV emerged as new possibilities for advertisement; that was appreciated by the agencies but not by TU. All this led to a change of both, the conception of control as well as within the moral community of AF. From the 1960s large AF-members declared not only discontent with the cartel's policy, but explained openly their objection. And finally in 1965 the Ombudsman ruled to allowing rebating and declared invalid other basic rules of the cartel – which consequently simply became obsolete.

How is all this summed up and concluded in the final chapter 7 (pp. 254–269)? First we receive a comprehensive overview on the cartel, however even more interesting are the pages which evaluate the official propaganda of the cartel as "loyal", "sound" and "fair", all key-terms of the cartel, and how these terms were used and manipulated. The moral community (Granovetter) first held firmly together, but became attacked from outside. Probably even more important than outside questioning was the internal undermining of the standards of that moral community from 1950 onwards. Behaviour not in harmony with these standards automatically undermined also the concept of control (Fligstein) as a core issue of the cartel.

Discussion about results and contributions

The main title – Sound and loyal business – is right, but the under-title a bit misleading – The history of the Swedish advertising cartel 1915–1965 – because the book deals not so much with the cartel as such. The centre of

investigation is more the discourse on competition and on the role of advertising. The advertising cartel is rather the example with which that discussion is shown in a defined group, the moral community, as well as in society. It would have been possible to show similar developments in other moral communities in and outside the economy. In this way Elin Åström Rudberg distinguishes her thesis from the traditional cartel-literature.

The introduction is short, but everything what should be included is touched upon. Still the reader would like to have it a bit more extended. For instance, why the concepts of Fligstein and Granovetter are used and whether or not alternative theories have been looked into. One could have raised the question of the impact of persons in history: During the cartel's 50 years of existence, what was the role of the change of generations of managers, including the role of management education, or, more precisely, the role of education of business students in Sweden? As well as the contrary: were there a certain stability or un-flexibility executed by old managers like Helge Hirsch, who in his 80s in 1964 still was the chairman of Svenska Telegrambyrå? The text stimulates also a counter-factual question: AF split in 1938. Would that in normal times have entailed the termination of the cartel? Because of international high tension and war that split was mended, but a short speculation on a possible collapse of the cartel already in 1938 could have led to an even better understanding; a better understanding especially of the impact of cartel-critics after World War II. Maybe this would have led to a stronger evaluation to what extent the Advertisers Association opposition, especially its attempts to undermine the cartel's existence as economically and socially undesired, had an important impact or not.

Of course, based on the dwindling consent in respect of the concept of control as well as the moral community, one may have speculated that the cartel would have gone bust even without external pressure only a little later than it did in reality. But that again is counterfactual and cannot be asked of a historian. However two issues could have been deepened, the concepts of Granovetter and Fligstein could have been used in every chapter as well as a brief evaluation to what extent the development mirrored what happened in the world outside Sweden. Did the general trend towards cartelisation and organisation during the interwar period play a role in the Swedish discourse? Was there any impact of the World Economic Crisis to be sensed or not? And the revision of the positive perception of cartelisation after World War II, was there an impact to be sensed? After all it was the high-time of Americanization not only during that particular period, but also within the very sector of advertising. This would have meant an assessment on how representative the thesis is in time and space. Such an assessment would have been the key for other scholars to use the book as a major reference for

own work. It seems that Åström Rudberg is aware of this, as she writes in her very last paragraph: "For future research, it would be interesting to explore to what extent these kinds of mechanisms existed also in other cartels, or on other markets." (p. 269) Exactly! But an own evaluation or even speculation would have been more helpful for an international context of research than suggesting that others should take up that task.

On the one hand Elin Åström Rudberg's thesis is a thoroughly source-based investigation into a less cartel-friendly environment (services) and a cartel of special structure, including buyer and seller, and thus a welcome contribution to our knowledge on cartelisation and de-cartelisation. On the other hand, it is even more, representing a contribution to a discourse on the change of morals and values, which went on for 50 years inside a defined group, cartel-members, and in society. The thesis reveals how, when and why the economic paradigm was changed. In consequence, the volume is not only suggested reading for historians, but likewise for economists and all who are interested in politics.