

Swedish Business Associations and Self-Regulation of Advertising 1950-1971

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This paper relates to the development of regulatory regimes of advertising during the era of the Swedish Model. The focus is on four business associations; The Swedish Marketing Association, The Association of Swedish Advertisers, The Advertising Association of Sweden and The Swedish Publishers' Association, in regard to the self-regulation of advertising. The paper argues that the role these associations played in the development of self-regulation has not been studied, and that their influence was crucial in determining the progress of self-regulation.

This paper makes the case that some of the regulatory reforms created through legislation in the 1970:s were discussed and implemented within self-regulation before legislation took effect. The views and actions of the business associations can be seen as both defending self-regulation and a market economy and adapting to corporatism. Conflicts within the associations regarding which of these two strategies were most useful contributed to the down-fall of self-regulation.

This paper relates to the literature on political economy, the development of self-regulatory regimes in Sweden during the era of the Swedish Model and the question of advertising's role in society. The focus is on the role of four major business associations in relation to changes in the self-regulatory system of advertising during the time period 1950-1971. The associations are *The Swedish Marketing Association*, *The Association of Swedish Advertisers*, *The Advertising Association of Sweden* and *Swedish Newspaper Publishers' Association*.¹

Foremost, the author argues that the institutional dynamic in the self-regulatory system can be understood by analyzing the influence of actors both exogenous and endogenous in relation to the business community. The business associations constitute the endogenous actors while social and political organisations and individuals active in public opinion in matters relating to advertising make up the exogenous ones. The interaction between these two categories of actors create a dynamic that exert a profound influence on the self-regulatory system, contributing to its change. This paper will focus on the endogenous actors, the associations. This is motivated by the fact that the self-regulatory system in large parts was run by these associations, and any change in the system therefore had to be accepted by them. The actions and thoughts of the exogenous actors are however important, as they influenced the actions and thoughts of the associations. In this paper, the exogenous actors will figure in the way

they were seen and interpreted by the associations, and in what way they might have exerted influence on the strategies of the associations in regard to self-regulation.

The research on the development of the self-regulatory system of advertising in Sweden during this time period has so far been scant. Björklund gives a fairly detailed description of the development of the self-regulatory system from its inception in the 1930:s until the early 1960:s, but the text is mostly descriptive. Björklund mentions that the first self-regulatory bodies were formed largely as a response to the business community's need to check plagiarism, and that *The Market Association* became principal for the main self-regulatory body. He then adds, in passing, that consumer issues became a part of the public debate in the 1930:s, which made the business community observant on also making consumer issues part of the tasks of the self-regulatory system. Björklund describes changes within the self-regulatory system during the 1950:s and early 1960:s, when some self-regulatory bodies merged and other ones were created, as a means to make the system more effective. He also mentions that the merger entailed that new principals, in the form of other business associations, entered into the main self-regulatory body. However, no deeper analysis is made of the causes of change, or of the actors controlling the self-regulatory system.²

The only more recent work on self-regulation in Sweden during has been done by Boddewyn. It mainly covers the developments during the 1970:s and early 1980:s, but does include a short background on what caused the radical changes in regulatory structure at the start of the 1970:s. Then, the Social Democratic government introduced an extensive consumer legislation, also regulating advertising and marketing, and in the process largely replacing the self-regulation system.³

Boddewyn explains the actions of the Social Democrats as a result of the party in the mid 1960:s taking a radical turn to the left, and in consumerism seeing "a new vehicle to revive good old-fashioned anti-business agitation which ultimately culminated in the creation of the Consumer Ombudsman as "St. George fighting the dragon advertisers".⁴

The view regarding the role of the business community in these regulatory changes, as voiced by Boddewyn, is that the business sector, though not instigator of change, still accepted legislation and chose to cooperate with the new bureaucratic institutions. These institutions, according to

Boddewyn, also absorbed much of the rules and practices of the old self-regulatory system. Also, business participation in the new institutions, not the least through negotiations, guaranteed that business continued to have influence over regulations. Boddewyn describes the self-regulatory system as more or less static in structure since the late 1950:s, with a major change occurring only when legislation was introduced. Taking a theoretical standpoint in Hirschmans theory of actors choosing between exit, voice and loyalty, Boddewyn concludes that the business sector mainly chose loyalty, except in certain specific cases, where it opposed government policy like the ban on advertising in radio and television.⁵

Boddewyn does not bring up the role of the business associations in the development of the self-regulatory system, and Björklund does not explore this connection either. Also, Boddewyns paper lacks a detailed process tracing that explains the development of these self-regulatory institutions, or what forces in the business community that was crucial for their existence or, for that matter, demise.⁶ Some reforms of the self-regulatory system were also short-lived, or did not receive a final go ahead. These are not covered Boddewyn nor by Björklund.

Neither are we privy to the internal debate inside the business sector regarding these self-regulatory bodies. This paper will try to address some these questions. Employing new evidence from archives of the four business associations, this paper argues that a study of these associations is of key importance in understanding the development of the self-regulatory system during this time period.

The associations were either principals of the self-regulatory bodies, or had members who also were active in them. As representatives of a large part of the Swedish business community, these associations had a given interest in watching over and influencing the self-regulatory regime of advertising and marketing, as these organisations and the rules they tried to uphold were the institutional structure that defined the possibilities and limits of advertising on the market. As advertising and marketing were viewed by the business community as an integral part of a functioning market economy, they were sensitive to any restrictions or changes to this institutional structure made or suggested by other actors who had other priorities than guaranteeing a market economy according to the wishes of the business sector. Among these can be found political and social organisations and individuals critical of advertising active in public debate. Debates on advertising were prominent during the time period, and exerted a great influence on the actions and strategies of the associations in trying to further the business community's position on the role of advertising in society.

Evidence shows that a major regulatory reform created by the Social democratic government, the idea of a Consumer ombudsman, was discussed and almost

implemented *within* the business community's self-regulatory body a decade before the Ombudsman institution was launched. Important players in the business associations motivated reforms by arguing that self-regulation ought to take responsibility not only for the producer, but also for consumers. There were also demands in the late 1950:s to include non-business actors as principals in the self-regulatory bodies, which coincided with the strategy to contain criticism of advertising in the public arena and stop these critics from influencing powerful political actors. This was also realized in the early 1960:s.

However, fears within the business community that some of the proposed reforms would hamper advertising led to a postponement of these reforms until the end of the 1960:s, when, facing massive criticism of advertising in public debate and the threat of legislation, considerable reforms of the self-regulation system were made. Some of these reforms were dropped after legislation took over and remain largely forgotten, others survive to this day. This last point reinforces the fact that the self-regulatory body had been far from static prior to legislation, instead going through dynamic changes caused by pressure from both outside and inside the business community. In all of these processes, these aforementioned business associations played decisive parts, often suggesting and initiating reforms. These actions of the business associations have so far not been highlighted by research.

The views and actions of the business associations in regard to regulation of advertising can be seen as partly defending a tradition of self-regulation and market economy, partly adapting to the demands of other actors, mainly through the accommodation of self-regulation within the political structure of corporatism. This accommodation was done in the hope of diminishing the risk of state intervention in the regulation of marketing.

This strategy was initially successful, but would later fail. The author ventures that one reason for failure was the incapability of the business community to establish itself as a credible representative of the consumers, and an inability to develop more offensive organisations within the self-regulatory body. Internal conflicts within the business associations regarding which strategies to use in defending self-regulation also contributed to the downfall of self-regulation. The view that the associations had to do more to represent the consumer interests, and manage this through the development of a more pro-active and judicial type of self-regulation inside the corporatist structure was pitted against the view that they should foremost uphold producer interests, which meant a liberal and flexible system of self-regulation based more on discrete negotiations than a strict judicial process and with no participation of non-business principals. Many reforms based on the first view were stopped or stalled by those having the second view.

Differences in strategy are evident among the four organisations, and can partly be explained by the fact that

they had somewhat different functions on the market. The Swedish Markering Association had no basic task on the market, but operated mainly as an ideological and educational resource. For many years it was also the sole principal of the main self regulatory body. Thus it took a more market liberal stance on regulation. The others had given functions on the market, negotiating on the behalf of their members. Negotiations and compromises were therefore part of the actions of these associations, which also was a cornerstone of the corporatist system. This could explain why they were more sympathetic to the idea of incorporating the self-regulatory system within the structure of corporatism than *The Marketing Association*.

Also, it is apparent that professionals within the associations without direct ties to business, such as law experts and people with backgrounds in politics and bureaucracy, were more prone to discuss and suggest reforms of the system than those that had those ties.

Putting the development of the self-regulation in a theoretical context, the business associations and the exogenous actors can be seen as societal actors enveloped in a power play trying to influence the institutional structure of advertising according to the actor's specific preferences, with the associations using corporatism as a way to avoid legislation replacing self-regulation. This was done by letting non-business actors as unions, who had close ties to the ruling Social Democratic Party, into the self-regulatory system as principals. This strategy worked for a while, until a more radicalized political debate empowering pro-legislation actors, coupled with a prolonged inability of creating convincing reforms of self-regulation, lead to self-regulation being overtaken by consumer politics legislation. This change had a parallel in the development of regulations on the job market, where at the same time legislation was introduced in an area until then regulated by agreements within the corporatist structure.⁷

Scale and Scope of study

The paper will focus on the business participation in discussing and influencing regulatory regimes in advertising during the years 1950-1971. The ending point of 1971 is chosen because in that year The Market Practices Act, which was approved by the Swedish parliament in 1969, was introduced. Thus an era of self-regulation was over, and a new state run institutional structure was formed in the area of marketing and consumer policies. 1950 is taken as a starting point, as the uncertainty of the first post-war years then gave way to a more stable political and economical landscape. This in turn lead to the creation of a new and affluent consumer society, where consumer politics attained a new prominence in public debate and the political landscape. The rise of consumer politics contributed to highlighting the question of advertising's

role in society in a new way, connecting it closer to consumer issues.⁸

The paper will omit studying one central aspect of regulation of advertising, that which kept commercial actors out of television and radio. This is motivated by fact that this was a state regulated matter, and thus outside self-regulation. The subject is also so rich and complicated, thus deserving a paper of its own.

The method used is qualitative hermeneutical. The theoretical framework is a combination of institutional theory and power resources theory, with some input from interest group theory, presupposing interactive causality between actors and structure. From institutional theory the concept of path dependency is used, creating heterogeneous outcomes of institutional structure depending on idiosyncratic characteristics in different sectors of industry, as well as the idea that the business sectors need of market efficiency and reliability of rules and property rights act as a driving force in shaping the institutional structure. From power resources theory, the concept of power being a decisive aspect of what shapes and changes institutional structure is taken. This means that the actor who wins a power struggle in the political economy has the ability to shape the institutional structure according to its own preferences and ideological beliefs, regardless of what other lesser powerful actors want or think. From interest group theory is taken the notion that individuals or minor actors band together in groups to gain in power and influence, thus more easily achieving common goals within the political economy.⁹

The paper also aims to describe how the business community's thoughts and strategies regarding regulatory changes related to corporatism – the dominant ideological trend in Sweden during the time period. Corporatism in the Swedish context is generally confined to a particular historical period often said to coincide with Social Democracy's long period of political dominance during much of the second half of the 20th century. Corporatism is here referred to as a system of the political economy where several interest groups are extensively represented on many levels in the political and social structure, such as the labour market and the state. The ideological basis of corporatism is that agreements and compromises between antagonistic interest groups foster predictability, stability and loyalty, thus creating a win-win situation for all involved and leading to sustained economic growth and a more democratic and socially cohesive society.¹⁰

NOTES

¹ The four associations represented different aspects of the business community. *The Swedish Marketing Association* represented both individuals and companies in the business community, *The Association of Swedish Advertisers* represented advertisers, *The Advertising Association of Sweden* represented advertising agencies and *The Swedish*

Newspaper Publishers' Association represented news paper publishers. There are of course other business organisations that had a interest in the regulation of advertising, such as *The Association of Swedish Wholesalers* and *The Association of Swedish Merchants*, but my studies has so far indicated that the four chosen for this study took a more active part in creating, shaping, propagating and debating the regulatory regimes of advertising than other business association. *The Swedish Chamber of Commerce* also played a part in the shaping of regulations, but mainly on an international level. I have at the moment not decided if and how I will include it in the study, but will probably include some material from this organization.

² Björklund (1967) p. p. 886-947.

³ Jean Boddewyn, "The Swedish Consumer Ombudsman system and Advertising Self-Regulation" in *The Journal of Consumer Affairs* vol .19/1985.

⁴ Boddewyn (1985) p. 150.

⁵ Jean Boddewyn, "The Swedish Consumer Ombudsman system and Advertising Self-Regulation" in *The Journal of Consumer Affairs* vol .19/1985; Jean Boddewyn *Advertising Self-Regulation and Outside Participation a Multinational Comparison* (1988) p. 247-261; Jean Boddewyn, *Global Perspectives on advertising Self-Regulation Principles and Practices in Thirty-eight Countries* (1992) p. 115-117. Boddewyns research comprises the only comprehensive historical study that has been made on regulation of advertising in Sweden.

⁶ It should be clarified that Boddewyn at the time of writing the article did not master the Swedish language, thus being limited in sources to interviews and some shorter texts in English; Boddewyn (1985) p.1.

⁷ Misgeld, Molin, Åmark (1992) p. 83-96, 455-478; de Geer, (1992); Blyth (2001); Funke (2004).

⁸ Björklund (1967); Aléx (2003); Magnusson (2000) p. 221-231.

⁹ The combination of the first two theories as a way to infer the development of institutions over time has been suggested by Korpi in Walter Korpi" Contentious Institutions. An Augmented Rational-Choice Analysis of the Origins and Path Dependency of Welfare Institutions in Western Countries" in *Rationality and Society* 2001/2 (2001); Douglass C. North, *Institutions, Institutional Change and Economic Performance*, Cambridge (1990); Mancur Olson, *The Logic of Collective Action* (1971), For the importance of path dependency in the Sweden see Lars Magnusson & Jan Ottosson *Transactional Costs and institutional Change* (1997) and Lars Magnusson & Jan Ottosson, "State Intervention and the Role of History – State and Private Actors in Swedish Network Industries", *Review of Political Economy*, volume 12, number 2 (2000).

¹⁰ The literature on corporatism in Sweden is largely in Swedish; a good overview in English of central references and a summary of the main inferences regarding the research field can be found in Johannes Lindvall and Joakim Sebring "Policy Reform and the Decline of

Corporatism in Sweden" in *West European Politics* vol.28, No.5 (2005) p. 1057-1074. In the paper, research on Corporatism is presented as focusing on three areas; group organisations and bargaining, policy making and norms of consensus. In my paper all three aspect of corporatism will be seen as important for the behaviour of actors, but with certain emphasis on the two latter. See also Bo Rothstein "State and capital in Sweden. The Importance of Corporatist Arrangements", *Scandinavian Political Studies* vol. 11 (1989); Peter J. Katzenstein *Small states in World Markets – Industrial policy in Europe* (1985).

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