

Elin Åström Rudberg

SOUND AND LOYAL BUSINESS

THE HISTORY OF THE SWEDISH ADVERTISING CARTEL 1915–1965



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This dissertation examines the cooperation between advertising agencies and newspapers to control and regulate the market for advertisements in Sweden 1915–1965. The advertising industry was thus organized in a cartel. Advertising is normally not associated with restrictive trade practices and a cartelized advertising industry comes across as peculiar. However, despite being continuously criticized, the Swedish agencies and newspapers managed to sustain control over the market.

The dissertation studies the development of the cartel, the cooperation between the agencies and the newspapers and their struggle to legitimize the organization of the market. Particularly, it tracks the role of ideas concerning competition and business practice in the cartel and how they were used by the actors. All actors in the market agreed that competition should be loyal, free, fair and sound, but the meaning of those ideas was always ambiguous.

The study shows that the advertising agencies and newspapers were successful in using these widely accepted ideas to motivate their restrictive trade practices. Until the 1950s, the expressed ideas and principles of the agencies and newspapers were in line with their actions and the societal view on competition. However, an increasing disconnectedness between principles, actions and societal acceptance was a major reason to the fall of the cartel. It is also shown that the cartel reinforced the importance of newspaper advertising, which helps explain its dominant position in Sweden until the 1980s.

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To
my family

Foreword

This volume is the result of a research project carried out at the Institute for Economic and Business History Research at the Stockholm School of Economics.

This volume is submitted as a doctoral thesis in business administration (with specialization in economic and business history) at SSE. In keeping with the policies of SSE, the author has been entirely free to conduct and present her research in the manner of her choosing as an expression of her own ideas.

SSE and the author are grateful for the financial support provided by the foundation Torsten Söderbergs Stiftelse, which has made it possible to carry out the project.

Göran Lindqvist

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Professor and Head of the
Department of Marketing and Strategy

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As part of my PhD studies, I had the opportunity to spend time at the European Institute at Columbia University in New York City as a visiting scholar. I want to thank my sponsor, Victoria de Grazia, for the invitation and for good advice. I also want to thank Richard John for interesting discussions and for inviting me to his graduate seminar group in advertising history, which made my stay even more memorable.

I also had the opportunity to present part of my work at the seminar for graduate students in economic history at Uppsala University and to members of the network of advertising historical research in Sweden. I'm very grateful to everyone who contributed with comments and suggestions.

Without access to the archives I could not have carried out my research project. Jessica Bjurström and Nicole Lage-Vianna at the Swedish Association of Communication Agencies (Komm) gave me access to the archive of the Association of Swedish Advertising Agencies and let me use their premises for several weeks to go through the archive, always showing an interest in my work and offering me coffee. Jeanette Gustafsson at TU gave me access to the newspaper publishers' archive and Helene Karlsson at the Swedish Advertisers' Association gave me access to minutes and annual reports at their premises. Thank you all.

As I came closer to finishing the dissertation, I got help from my good friend, Daniela Auerbach, with the cover photo and from Helena Lundin at the Stockholm School of Economics with many practical issues—thank you both.

Most of all I want to thank my husband, Pontus: without your support I would never have been able to finish the dissertation. Thank you for putting up with me working too much, for reading my manuscript, for discussing it with me, for saying 'You can do it'.

Stockholm, 16 September 2019

Elin Åström Rudberg

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Chapter 1

Introduction

The profession of the newspaperman is older than that of the advertising man. You have reached a higher level of development than we have. Yet none of us has reached the goal. We are both on our way, and our common ambition is to make our work an increasingly useful force in society. We, the advertising agencies, know that we have a large responsibility, but we also know that we can count on cooperation from our experienced, responsible friends, the Swedish newspaper men.¹

*Folke Stenbeck, advertising agency manager and chairman
of the Swedish Advertising Association*

Folke Stenbeck's words were part of a speech that he gave in 1941 at a large conference organized by the Swedish advertising agencies for their most important counterpart in the market; the Swedish newspaper publishers. Some 300 newspaper and advertising agency representatives met in Stockholm to discuss the future of newspaper advertising and enjoy a dinner

¹ *A.F. - dagen 1941*, p. 21.

with entertainment by celebrated Swedish artists. The time was well chosen. The Association of Swedish Advertising Agencies (Annonsbyråernas Förening, AF), wanted to strengthen its ties to the Association of Swedish Newspaper Publishers (Svenska Tidningsutgivareföreningen, TU). Together, the two organizations controlled and influenced all parts of the market for advertising, and particularly the market for newspaper advertisements in Sweden, through cartel agreements that had been developed since 1915. The basic aim of the agreements was to protect the prices for newspaper advertisements and the agencies' income. To this end, extensive regulations were developed that included an authorization procedure for advertising agencies and very strict rules concerning payments, discounts, and price levels.

In 1941, the cooperation between AF and TU was at its peak. After the outbreak of the Second World War, in which Sweden remained neutral, the agencies and newspapers successfully served the government with the means and infrastructure to communicate with the public. After the war, though, both the agencies and the newspapers faced mounting criticism from legislators, advertisers and non-authorized advertising agencies. In 1965, after a long period of struggle, their 50-year old control of the market was lost after the competition authorities forced them to abandon many of the key regulations in their agreements. Within a few years, a transformation of the market started that changed the structure of the Swedish advertising industry in all fundamentals.²

This dissertation studies the advertising cartel and the market for advertisements in Sweden between 1915 and 1965, focusing on how the market was organized and on the key ideas that underpinned the collaboration between the advertising agencies and the newspapers. The period saw Sweden's transformation into a mass consumer society to which marketing and advertising was integral. The advertising agencies were central to this development along with the printed mass media. Since Sweden did not get commercial radio or television until the early 1990s, the variety of

² For a description of this transformation see Gustafsson (1974); see also Björklund (1967), pp. 736–47.

advertising channels was limited compared to many other countries.³ This implied that AF and TU, thanks to their agreements, controlled the largest and most important part of the advertising market.

The period also saw the modernization of Swedish business in general. Great efforts were made to rationalize business operations of all kinds, not only in industry, but subsequently in distribution, the retail trade and service industries. In the 1920s, the principles of scientific management gained ground as a means to achieve efficiency through standardization and specialization. This continued during the subsequent decades.⁴ The debate about competition and cartels after the Second World War was also prompted by ideas about the foundations of a modern market economy. The aim of politicians and legislators was to pave the way for rational and efficient production and distribution, and free competition was increasingly seen as the means to that end.⁵

Existing research on historical cartels has seldom focused on service industries. It is telling that in the chapter on cartels in the 2008 *Oxford Handbook of Business History* by the business historian Jeffrey Fear, there is almost no mention of studies on service industry cartels.⁶ The same is the case with an overview article by the historian Harm Schröter from 2013.⁷ Most research on historical cartels focuses on large scale production, commodities, or transport industries—for example, cement, timber or,

³ For the general development of Swedish economy including the role of, for example, new consumer goods and mass media, see Schön (2012); see Hadenius (1998) for the history of television and radio in Sweden; and Aléx & Söderberg (2001) for the development of consumer culture and advertising in Sweden during the early and mid-twentieth century. However, already from 1987, the Swedish television monopoly was challenged by TV3, a commercial channel that transmitted from London.

⁴ See Schön (2012), pp. 304–20 for rationalizations in the Swedish economy in the 1920s; *ibid.* pp. 375–427 for modernization in the post-war period; see also Kjellberg (2001) for rationalizations in Swedish post-war distribution.

⁵ See for example the discussion in Lundqvist (2003) ch. 2 & 3.

⁶ Fear (2008). One example mentioned by Fear is a study on the American fire insurance industry, see Baranoff (2003).

⁷ Schröter (2013).

aluminium.⁸ The lack of research on cartels in service industries is somewhat surprising given Fear's remark, in quoting a study from 1932, that 'it appears that hairdressers, fishmongers and innkeepers are the most prone to cartelization'.⁹ Cooperation in these small-scale service industries is according to Fear severely understudied, possibly because they were often exempt from cartel legislation. Examples of restrictive trade practices from the interwar period in Sweden, besides hairdressers, included funeral services and bookshops.¹⁰ The capital-intensive industries of banking and insurance are two service industries that have been treated by cartel researchers, but still only to a limited degree.¹¹

Advertising thus comes across as a somewhat peculiar example of a cartelized industry and not one which would normally be associated with cartels. It also depended not only on cooperation between competing firms (advertising agencies), but on agreements with another industry (newspapers).¹² Many of the features found in the Swedish advertising industry, such as attempts to limit the number of agencies through 'authorization' procedures and the regulation of payments and prices, were common in many other countries as well.¹³ And yet the historical development of the advertising industry has not been studied from the

⁸ For an overview of several studies of these kind of industries see, for example, Levenstein & Suslow (2006); Grossman (2004). For a few recent case studies see Kuorelahti (2018) on European timber trade; Dahlström (2015) on the Swedish cement industry and Storli (2014) on international aluminium cartels. Tworek (2019), p. 240 also notes the lack of research on service industry cartels.

⁹ Fear (2008), p. 274.

¹⁰ SOU 1951: 27–28, pp. 286–91 and appendix 11 & 15.

¹¹ See, for example, Larsson & Lönnborg (2016) for the Swedish insurance industry and Baranoff (2003) for the American fire insurance industry. See Kuorelahti (2018) on the active role of banks in the Finnish timber cartel. Nevertheless, Schröter (2013) p. 1001, concludes that there is too little critical investigation on the role of banks and cartelization.

¹² This implies that if taking the agreement with TU into consideration, the advertising cartel does not really fit into the traditional definition of a cartel, which is usually restricted to firms in the same industry, see Schröter (2013), p. 990. However, the implication was the same as with a 'traditional' cartel: reduced price competition. In addition, there were also cartel agreements reached between agencies, hence I have made the choice to denote the collaboration between the agencies a cartel, albeit it depended on TU for its functioning.

¹³ See, for example, Pope (1983), pp. 154–62 (the US); Schwarzkopf (2008), p. 65 (UK); Johnston (2000), pp. 120–27 (Canada); Bendix Andersen (2011) p. 62, 88–93 (Denmark).

perspective of cartel, or competition, history; rather these aspects have been treated in an indirect or sweeping way. As I will argue, to study advertising as a restrictive trade practice is likely to reveal new aspects related to competition and cooperation in twentieth-century markets.

What becomes apparent when considering the advertising cartel relative to those discussed in the cartel literature are the differences in terms of industry conditions. Advertising is evidently a far less tangible and more elusive product than cement or aluminium. The business of advertising is persuasion, influencing consumer behaviour and attitudes and its effect is often difficult to measure.¹⁴ Some might question the value or purpose of advertising, in a way that other products and services are not questioned.¹⁵ Furthermore, most discussions about cartels in the first half of the twentieth century, in terms of how they were organized and their possible benefits or disadvantages, were usually based on conditions in large scale production industries.¹⁶ A common view in the Swedish parliament in the 1910s and the interwar period was that in production industries the efficiencies that came from coordination—for example, from better adapting production to demand—were an argument in favour of cartels from a societal perspective.¹⁷ In 1912, the well-known Swedish economic historian Eli F. Heckscher drew a link between cartels and a higher, more efficient level of economic organization that could help a country to prosper, and he singled out Sweden's export industries as important in this regard.¹⁸

Given this, it seems reasonable to assume that the advertising cartel had, to a certain extent, different sorts of problems and possibilities compared to cartels in production industries. The advertising industry did not produce crucial commodities, that could, possibly, have justified a cartel. In fact, I

¹⁴ See for example Cochoy (1998), p. 217, for a discussion on the elusive aspects of marketing; see also Leiss et al. (2018).

¹⁵ A famous example is Henry Ford who was well known for his disbelief in advertising, at one point in 1926 exclaiming: 'cut it all out, it's an economic waste and I never did believe in it'. However, Ford later conducted extensive advertising campaigns, see Marchand (1985), p. 7.

¹⁶ See, for example, Ljunggren (1912) and the two Swedish government's inquiries, SOU 1940: 35 & SOU 1951: 27-28.

¹⁷ Karlsson (2013), pp. 1069–72.

¹⁸ Ljunggren (1912), p. II. However, Heckscher would change his view later, see Carlsson (1988).

would argue that the legitimacy of the Swedish advertising cartel, and its organization and control of the market, was contested from an early stage, perhaps more so than other cartels, and that this posed a problem to the agencies and newspapers. Both advertisers and non-cartel advertising agencies and professionals, which had no formal influence on how the market was organized, were already deeply critical by the mid-1920s. The advertisers, and in particular the Swedish Advertisers' Association (Svenska Annonsörers Förening), tried repeatedly to delegitimize and disrupt the organization of the market. In the 1950s, the authorities increasingly questioned the existence of the cartel, but it still managed to stay in control of the market for another fifteen years.¹⁹

On the other hand, there were also overlapping interests between the different actors in the market, particularly concerning the development and status of advertising in general. All key agents—media, authorized advertising agencies, non-authorized advertising agencies, and advertisers—were interested in creating legitimacy for, and showing the benefits of, advertising in itself. From time to time, and in Sweden especially in the 1950s onwards, there was public debate about the negative effects of advertising.²⁰ Thus, two interrelated sets of challenges faced the advertising cartel. The newspapers and advertising agencies needed to convince others of the benefits of how they had organized the market, and parallel to this they were also dependent on advertising being thought valuable and legitimate in itself.

Competition is an abstract concept, as has been pointed out by the legal historian David Gerber. It represents neither 'a thing out there' nor 'a natural category', but a cultural construct. This, he asserts, is an important part of understanding the evolution of competition law in Europe in the twentieth

¹⁹ Gustafsson (1974) has a brief discussion about the early criticism towards the cartel on pp. 9–10; see also *ibid.* pp. 24–61 for a discussion of the authorities in relation to the cartel. Funke (2015), pp. 224–26, briefly treats the last period of the advertising cartel in face of tougher legislation.

²⁰ For critical contemporary discussions see, for example, Lindqvist (1957); Packard (1957) and Galbraith (1958). Stole (2006) discusses criticism of advertising in the late 1920s and 1930s in the US. In France, there was widespread scepticism or disbelief in advertising from the 1910s up until the 1930s, see Martin (2012), pp. 23–25.

century.²¹ Those who have studied actual cartels, or indeed other forms of restrictive trade practice, emphasize the importance of understanding the societal perception and different ideas of competition in order to understand the conditions and trajectories of business cooperation.²² However, a distinct analytical focus on perceptions of competition has been relatively rare in earlier case studies of cartels, instead being confined to research that treats the development of economic policy on a societal level.²³

A telling example is a study on Sweden's iron and steel cartels by the economic historian Birgit Karlsson. She concludes that the industry's representatives never wanted free competition but their ideal was 'fair, sound and loyal competition'.²⁴ Karlsson asserts that what this entailed was not developed by the actors, and thus the meaning of these ideals remains unclear. In fact, earlier research indicates that the meaning of competition was connected to ideals similar to the ones exemplified by Karlsson, but there seems to be few studies intent on understanding more about what such ideals actually entailed.²⁵

In this dissertation, I thus pay close attention not only to the economic conditions and actions of the organizations involved in the cartel, but to the arguments and principles that underpinned the agencies' and newspapers' control of the market. Using theoretical concepts that highlight the role and importance of expressed ideas and principles for economic collective actors, such as the ones exemplified by Karlsson, I aim to show the difference they

²¹ Gerber (2001), pp. 10–11.

²² See for example Schröter (1996), p. 131; Fear (1997), p. 551. In a recent article, economic historians Susanna Fellman and Martin Shanahan (2019) point to the crucial role of a country's 'competition culture' as important in understanding how authorities and business interests shape competition regulation and policy.

²³ Phillips Sawyer (2018); Gerber (2001) specifically treat the view of cartels and competition historically on a regulatory and policy level. For the Swedish context see Lundqvist (2003); Karlsson (2013); Lapidus (2014). For a comparison of fair trade laws in Sweden and Germany and their historical evolution, see Bakardjieva Engelbrekt (2003).

²⁴ Karlsson (2014b), p. 130. The importance of 'sound competition' was also expressed by Swedish politicians later in the twentieth century, see the example in Helgesson et al. (2004), p. 31.

²⁵ See for example Karlsson (2013). An exception is Phillips Sawyer (2018) who treats exactly the opposing and changing ideals connected to competition, but in an American context; see also the discussion in Fear (1997), pp. 551–55.

made for the cartel's evolution and the organization of the market studied here. In addition, in analysing the expressed ideas and principles by the representatives of the advertising cartel over time, a more general picture emerges of how an 'old' set of views on competition and business practices slowly had to give way to another.

The contested status of the advertising cartel makes it an ideal case study of perceptions of competition and business practice. Due to constant criticism, the actors involved in the advertising cartel, both AF and TU, were forced to formulate the grounds on which to defend their collaboration. In addition, the arguments brought forward by TU and AF were most probably integral to the existence and survival of the cartel itself, since they were the basis on which they organized the market.

The research problem

We evidently know very little about the nature of service industry cartels, even though they seem to have been prevalent in Sweden and in other countries. Moreover, I would argue that the Swedish advertising cartel was contested from the first, which makes it a rewarding case to study in order to learn how actors justified this type of collaboration.

The nature the advertising cartel has inevitably channelled my inquiry into the realm of ideas and the advertising agencies' and newspapers' professed principles—the very aspects by which the agencies and newspapers justified their organization of the market. With such an approach, the dissertation encompasses more than just the cartel in the narrowest sense. Instead, I ask how the organization of the market could be accepted in this way, and in so doing investigate what was acceptable, or legitimate, business practice in the cartel and on the market, and how and why this changed over time. It is likely that these issues become particularly pronounced in service markets and industries where actors need to base their influence and position at least partly on different grounds than other sectors of the economy.

My research problem can thus be formulated assuming that earlier research tells us very little about restrictive trade practices in service

industries and markets, even though such practices were common. It is probable that ideas and principles of legitimate business practice were important to such industries and markets, but their role has seldom been treated in detail in the literature. The existing research offers no good answers to the questions how and why cartels worked in these kinds of industries and markets, and if, or why, the business community and society accepted them. The case in hand is as a good point of entry into these issues, because of the controversy surrounding the advertising cartel.

Purpose and research questions

The purpose of the dissertation is thus to contribute to our knowledge of the organization and restrictive trade practices of service markets in the twentieth century. It is particularly important, then, to investigate the role of ideas and principles of competition and business practice. In a market economy, competition is assumed to be the key driving force and mechanism for commercial actors; the basic principle on which all development and change on any market depends. However, as Gerber and others have pointed out, what constitutes ‘good’ competition or ‘proper’ business conduct is not always straightforward or static. The dissertation is therefore designed to provide fresh perspectives on the historiography of competition and cartels and to chart the controversies and complexities that are involved when markets are regulated and evolve over time.

The research problem and purpose of the dissertation calls for three specific research questions to be addressed:

- How and why did the organization of the Swedish market for advertisements change over time?
- What were the key principles and ideas that underpinned the advertising agencies’ and newspapers’ control of the market?
- How did the advertising agencies and newspapers use these principles and ideas in order to legitimize and defend the organization of the market?

By principles I refer to the basic rules that served to guide and control the behaviour of the members of AF and TU as part of their agreements. By

ideas, I refer to more generally available values and thoughts in society on issues that were relevant to the cartel and the collaboration between AF and TU. One hypothesis is that the principles used by TU and AF were in some way rooted in more generally current ideas.

Together, the research questions have both a descriptive and an explanatory purpose. The research questions are related to one another in several ways. The control and organization of the market were dependent on the ideas and principles that constituted the foundation of the cartel, but these ideas and principles were probably in turn affected by the organization of the market. The principles and ideas that underpinned the cartel could in themselves be taken to constitute part of the organization of the market. However, it is still useful to separate the first two questions. The first question concerns a very broad set of actions and developments that constituted the organization of the market. The organization of the market is held to be the broad development of the market and the effects this had on various collective actors. I will return to the notion of the organization of the market in the section on theoretical and methodological considerations.

The second question is more narrowly focused on an argumentative and normative level where I try to identify and analyse the principles and ideas as expressed by the advertising agencies and newspapers. The expressed arguments and actions of the agents are however often entangled with one another. The third question is based on the first two and aims to shed light upon the broader research problem and purpose of the dissertation; to gain more knowledge concerning restrictive trade practices in these kinds of industries and markets and the role played by ideas and principles behind legitimate business practice.

Previous research

Cartels and competition

The empirical scholarship on cartels and other forms of restrictive trade practices is extensive.²⁶ For the purpose of this dissertation, three strands of this research will be discussed. Firstly, I will consider the difference between the European and American experience of cartels and restrictive trade practices in the first half of the twentieth century, which provides an important general context for the dissertation. Secondly, I will address the research on the ideological and political aspects of restrictive trade practices. Thirdly, and finally, I will turn to the research that has been carried out on cartels in the news industry, which is one of the few service industries to have been the subject of earlier research interest.

The different paths of Europe and the US

Today, cartels are illegal, but in the first half of the twentieth century they were an integral part of European economic life. The historiography of European cartels has tended to draw a distinction between a ‘pro-cartel’ period from the late nineteenth century until the end of the Second World War, and then a post-war period when cartels became increasingly unacceptable.²⁷ In Sweden, cooperation between companies was common and oligopolies and monopolies were a feature of many industries, especially where there were large economies of scale.²⁸ Even though cartels were

²⁶ For overviews see, for example, Fellman & Shanahan (2016) on registrations of cartel agreements in different countries; Schröter (2013) on new types of questions, methods and results relating to cartels; Fear (2008) for a general overview of the research field; Harding & Joshua (2003) on a legal perspective on cartels; Levenstein & Suslow (2006) on what determines if and why cartels succeed or not and Schröter (1996) for a categorization of cartels in Europe during 1870–1995.

²⁷ Schröter (1996). See also Fear (2008), pp. 268–69 for a discussion on this issue.

²⁸ Karlsson (2014a), p. 8; Fear (2008), p. 275. For recent research on a few Swedish industries see Strandqvist (2017) on the tube and pipe industry; Dahlström (2015) on the cement industry and Sandberg (2006) on the brewery industry.

accepted and even thought to be socially desirable in some cases, European politicians recognized that they could have a deleterious effect if they misused their power and for example raised prices for consumers.²⁹

For Europe, a key event in the interwar period was the League of Nations conference on economic issues in Geneva in 1927, where, since international trade issues were central to the discussion, cartels and competition were important topics. It was acknowledged that a cartel could have harmful effects, but as an organizational form *per se* it was assessed as positive. Economic cooperation could even contribute to world peace.³⁰ Against this, Norway had taken a somewhat different path, and, unlike most other European countries, had already introduced relatively strict competition legislation in 1926—it has even been called Europe’s first ‘real’ competition law.³¹ Further, recent research has highlighted the complexity and diversity of the evolution of twentieth-century business practices that were designed to restrict competition, as well as the legislative responses.³² Thus, there were exceptions and many variations, which nuance the dominant narrative about a pro-cartel Europe.

In the US, the introduction of the Sherman Anti-Trust Act in 1890, prohibited many forms of restrictive trade practices between firms, which led to a different development compared to Europe. The more restrictive view on cartels that developed in Europe after the Second World War, has often been discussed as a case of Americanization. The US had won the war, and American business practices, championing free competition, also seemed victorious.³³ However, research is divided on how to assess the post-war American influence.³⁴

²⁹ For the Swedish parliamentary debate 1911–1953 see Karlsson (2013). For an account of the general European debate in the interwar period see Gerber (2001), pp. 115–64.

³⁰ Gerber (2001), p. 159.

³¹ Bernitz (1969), p. 394.

³² See, for example, Fellman & Shanahan (2019).

³³ Schröter (1996), pp. 142–43.

³⁴ For examples of this debate see for example Karlsson (2013); Gerber (2001), p. 3 who both question the extent of American influence. See Wells (2002) for the opposite opinion. For a general account of the post-war American influence on European economies see for example Schröter (2005); de Grazia (2005); Kipping & Tiratsoo (2002).

The background to the Sherman Act was that in the late nineteenth century, the free market, where firms were left to regulate themselves often gave rise to oligopolies, monopolies, trusts, or cartels. In an era of rapidly developing technology, there were economies of scale and rationalizations to be gained from cooperation or integration. The move towards the large-scale, multidivisional corporate companies, has been famously described by the business historian Alfred Chandler.³⁵ Too much freedom in the market thus actually gave rise to a less free market.³⁶ These general developments were the same in the US and Europe, but American legislators did not accept it to the same extent as in Europe, instead calling for greater government interference. However, a paradoxical effect of the American law was an increase in company mergers and acquisitions, which created large and economically powerful corporations.³⁷ The law did thus not prevent increased concentration of economic power and many large American companies suffered from an image problem since their ‘bigness’ and financial clout was viewed with scepticism.³⁸

Several of these issues are discussed in a recent book by the historian Laura Phillips Sawyer that focuses on the concept of ‘fair trade’ in early twentieth century America. Against the background of the classical historical narrative that focuses on the rise of American corporate capitalism and the strict anti-trust laws, she shows how in the US—the foremost symbol of free competition in a ‘pure’ market economy—there were influential movements that brought together independent proprietors in an attempt to influence competition policy to their benefit.³⁹ While the anti-trust laws did not prevent the development of large managerial corporations with extensive power, smaller independent proprietors struggled to handle competition. For

³⁵ Chandler (1990).

³⁶ This is for example in line with what Granovetter & McGuire (1998) show in their study of the American electricity industry, ‘... the very nature of competition is to rarefy competition’, see Callon (1998), p. 44.

³⁷ Lamoreaux (1985).

³⁸ Marchand (1998).

³⁹ Phillips Sawyer (2018). In *The Visible Hand* by Alfred Chandler (1977) he described the rise of large-scale managerial capitalism in America, but paid less attention to the proprietary capitalists that still remained important in the twentieth century.

example, in the 1910s there were groups in the US lobbying for the permission of fixed resale prices, a kind of restrictive trade practice. The argument was that if several companies agreed on fixed prices it did not automatically violate the public interest, but only if turned into general trade monopolies. On the contrary, fixed prices could contribute to increased competition in a market, since stable and reliable profit margins could attract new producers to the field.⁴⁰ What Phillips Sawyer shows is that there were forces in the US that opposed the dominant paradigm of ‘free competition’, but which have tended to be excluded from the narrative of twentieth-century American capitalism. Her analysis is a good example of the point made by Gerber that what is fair or not fair modes of competition has been a complex issue not simply confined to ‘bad’ cartels and restrictive trade practices, or ‘good’ free competition.

Restrictive trade practices and the societal perception of competition

The societal perception of competition—that is, society’s view of what constitutes legitimate competitive or cooperative behaviour—is important for this dissertation. Harm Schröter writes that ‘the *manière de voir*, the way of conducting business, the social consensus about how to proceed in economic matters, the paradigm of how the question of cartelization should be dealt with, has not only to be taken into account but represents the central issue of our investigation’.⁴¹ Jeffrey Fear also concludes that nowhere does a society’s business climate become clearer than in its consideration of legitimate market behaviour.⁴² Thus, the preference for competition or cooperation in society can reveal much about the general conditions and attitudes to the economy. A good example of this is of course Chandler’s distinction between German ‘cooperative’ capitalism and American ‘competitive’ capitalism.⁴³ With this in mind it is somewhat surprising that cartel research has not investigated this *manière de voir* to a greater extent.

⁴⁰ Phillips Sawyer (2018), p. 117.

⁴¹ Schröter (1996), p. 131.

⁴² Fear (1997), p. 551.

⁴³ Chandler (1990). A third form discussed by Chandler is the British ‘personal capitalism’.

According to Fear, two cultural assumptions clashed in the cartel question. First, cartel agreements were essentially private contracts and in Europe governments were inclined to emphasize the legal right of freedom of association. This argument carried more weight than free competition.⁴⁴ It also represented freedom from state involvement. Second, the perception of market power also illuminates cultural presuppositions that underpin basic attitudes to markets. This includes, for example, how a country conceives of legitimate competition, what sort of market behaviour is sanctioned or permitted, when market concentration is perceived as excessive, and how it should be measured.⁴⁵

Karlsson's research on the Swedish parliamentary debates on cartels provides several important insights into the perception of competition in Sweden. In the 1910s and 1920s, Swedish political parties were generally in agreement on the benefits of cartels, but, while it was recognized that powerful monopolies could misuse their power it was believed that abuse could be avoided by the use of sound practices.⁴⁶ By the 1930s the discussion on cartels turned more to the sales and distribution area. It was pointed out that the main problem when it came to competition on markets was not always in production but in distribution. Discussions focused on 'free' competition, albeit with the addition of alternative adjectives to signify what competition should be, such as 'sound' or 'loyal'. When discussing cartels and trusts, loyal was mentioned as a positive word—it was important to protect loyal companies.⁴⁷ These ideals connected to competition and cartels expressed by politicians can be recognized from the research referred to above about the representatives of the Swedish iron and steel cartels who expressed the view that competition should be free and sound.⁴⁸ There thus seems to have existed a common view on the part of at least some of the Swedish business world, and in political circles, that competition and

⁴⁴ Fear (1997), pp. 553. The same view was dominant in Sweden, see Schön (2012), p. 264.

⁴⁵ Fear (1997), p. 553.

⁴⁶ Karlsson (2013), p. 1073.

⁴⁷ Ibid, p. 1075.

⁴⁸ Karlsson (2014b), p. 130. It is telling that the title of the research referred to here is 'Fri, sund och effektiv konkurrens' (Free, sound and efficient competition).

business practices that could be labelled as such were something positive. However, exactly what was meant by this remains unclear.

Interestingly, the Swedish parliamentary discussion about competition in the 1930s and 1940s was increasingly connected to advertising. Various advertising, or marketing techniques, were believed to distort competition, for example if a company offered a free product to a consumer who bought something else. Such methods were often termed disloyal. However, it was difficult to see how rules could avoid damaging loyal methods too and exactly what was disloyal was open to discussion.⁴⁹ Trademarks, or brands, also became the object of criticism. It was believed that brands, through advertising or packaging, attracted the consumers' attention 'without having any proper value'.⁵⁰ Other politicians pointed out that what was perceived as sound business was a conception that had constantly been redefined as bad business manners were often accepted when found profitable.⁵¹

In the Swedish debate there was a perception of competition that was expressed in the national public sphere, which centred on several different issues such as on what grounds and with what means companies could compete and what sorts of practices and methods that were sound and loyal and thus also which were unsound and disloyal. These views provide an important context in which the Swedish authorized advertising agencies and newspapers found themselves. Competition and advertising were also connected, where advertising and branding could in itself be seen as a restrictive trade practice. This, as has already been pointed out above, points to what was probably a dual challenge for the advertising cartel; to legitimize their restrictive trade practices, and to convince society of the legitimacy of advertising as a competitive tool.

Looking at some of the developments in Europe related to perceptions of competition, Germany is a particularly interesting example, because of its

⁴⁹ Karlsson (2013), p. 1075.

⁵⁰ Karlsson (2013), p. 1079. Stole (2006), p. xiii, discusses similar criticism towards advertising in the US in the 1930s. This criticism built on, among others, Thorstein Veblen's critique, see Veblen (1921); see also the discussion about brands in relation to economic theory in Larsson et al. (2013), pp. 17–19

⁵¹ Karlsson (2013), p. 1075; see also Lundqvist (2003), pp. 12–18.

close historical ties with Sweden. In the interwar period, Germany's cartels came to represent cooperation and organization, as opposed to individualism and conflict. They were politically useful during a very turbulent period, representing a kind of compromise between socialist state ownership and private ownership. Gradually, however, cartels became increasingly associated with the economic power of big business, rather than service to the nation—views which were reinforced by the association of cartels with extreme inflation in the 1920s. The consumer cooperative movement was among the groups that lobbied for tougher legislation on cartels, but they had to be careful due to the organizational similarities between cooperatives and cartels. Both eliminated or reduced competition among members, albeit for different reasons and by different means.⁵²

Two main conclusions can be drawn from the previous research above. First, the perceptions of 'good' competition and 'good' business practice were not static, but have been viewed differently in different countries and across time. Second, in the 1930s and 1940s, there was a connection between the views on competition and on advertising in the political sphere in Sweden. Some perceived advertising in itself as distorting competition. These shifts most probably affected the advertising cartel in different ways.

Cooperation and cartels in the news industry

Despite the lack of research on service industry cartels, one sector that has been studied is the media industry. This particular industry is of course especially relevant for the dissertation due to the close interrelation and mutual dependence between media and advertising. Historically, there were also close connections between the Swedish advertising industry and media.⁵³

Researchers have shown that newspapers in Finland cooperated extensively in the twentieth century and the same was the case with

⁵² Gerber (2001), pp. 120–23. For similar problems for the Swedish cooperative movement, see Giertz & Strömberg (1999), pp. 95–100.

⁵³ For example, when higher education for journalists was discussed in the 1950s and 1960s in Sweden, this was often intertwined with the discussion on higher education in advertising, see Gardeström (2011).

Norwegian and Swedish newspapers. Cartel agreements were usually signed on the level of business interest associations of the newspaper publishers. The newspapers' coordinated attempts to buy newsprint paper have been noted, as has the tendency to reach agreements also when it came to advertisements.⁵⁴ The newspaper publishers tended to view cartels as a means to strengthen the freedom of the press.⁵⁵ The logic was that if the economic conditions of the newspaper businesses were secured, the papers could continue to bring news to the public. Such arguments were of course handy to use if the agreements were met with criticism. In relation to the topic of this dissertation it is relevant to note that the newspaper publishers in Sweden, as well as in Finland and Norway, were used to trying to solve problems through cooperation and that they had experience of negotiating various forms of cartel agreements.

Looking beyond the Nordic region, the international cartels in the news agency business have been a subject of research. News agencies were different from advertising agencies since they had higher fixed costs due to the large networks of correspondents and the expense of sending, for example, telegrams, that were necessary for business. The cooperation between news agencies started already in the mid nineteenth century and continued into the interwar period. The principal news agencies in Europe collaborated on an exclusive exchange of news, an arrangement that constituted a cartel although particularly suited to the unusual needs of the news gathering business.⁵⁶ This cartel was unusual since it was founded during a time with strong ideals of economic liberalism and encountered difficulties in the interwar period, which is otherwise perceived of as the golden age of cartels. According to the historian Jonathan Silberstein-Loeb, the cartel, although advantageous to members and disadvantageous to non-members, also facilitated the distribution of news. This indicates that the way

⁵⁴ Jensen-Eriksen & Kuorelahti (2014); Kuorelahti & Jensen-Eriksen (2014); see also Rydland (2013) on cooperation among Swedish regional newspapers. In 1895, a joint-stock company was formed with the ambition to take over several large newspapers in Sweden to create a 'newspaper trust', the attempt was however unsuccessful, see Petersson (1989).

⁵⁵ See Kuorelahti & Jensen-Eriksen (2014); Silberstein-Loeb (2014).

⁵⁶ Silberstein-Loeb (2014), p. 197; see also Tworek (2019) for cartels in the German news industry from 1900 until the end of the Second World War.

that the news agencies had organized the market was at least partly beneficial from a societal perspective.⁵⁷

In the news agency setting, views on the roles of news and that of competition and cooperation were complicated. There existed an idealistic hope that news, if freely and competitively traded, would lead to increased knowledge and also contribute to peace. On the other hand, cooperation and cartels were the international norm. The ideal of the educational and democratic benefits of news ironically often contributed to the establishment of institutions that curtailed competition, but at the same time protected the supply of news.⁵⁸

Tensions similar to those found in the news industry could probably have existed also in the Swedish advertising cartel. Advertising cannot claim to have the societal and democratic importance as news, even though the representatives of the advertising industry might have tried to position advertising in that way, but there are similarities. Advertising was depending on being perceived as useful and trustworthy, and this was a problem that advertising professionals worked hard to solve.⁵⁹ In addition, as many newspapers became more dependent on advertising for revenue, advertising could *indirectly* be perceived as important for democracy; without advertising, newspapers could not afford to produce news.⁶⁰ There is an interesting complexity connected to these issues, such as the value of advertising and the role it played in business and society in connection to how the agencies and newspapers governed and organized the market. As a consequence, *who* could take part in the market, and under *what* conditions became important issues. This in turn points to how the quality of the services or products offered was believed to depend on the organization of the market.

⁵⁷ Silberstein-Loeb (2014), p. 197; see also John & Silberstein-Loeb (2015), p. 6.

⁵⁸ Silberstein-Loeb (2014), pp. 230–31.

⁵⁹ See, for example, Gardeström (2018), pp. 61–63; Funke (2015), pp. 91–104.

⁶⁰ For a discussion of this relationship in a Swedish context see Gustafsson (2005).

The history of advertising and the advertising industry

As with cartels, the historical development of advertising and the advertising industry has been studied from many different perspectives and by scholars from different disciplines.⁶¹ For the purpose of this dissertation I will look at the literature on how the advertisement market was organized in other countries and what Swedish research has concluded about the advertising cartel.

The organization of the market for advertisements

How, then, was the market for advertisements organized in other countries? As already mentioned, the market structure for newspaper advertising and also advertising in general in the period treated in this dissertation was similar in many countries, especially when it came to the basic relationship between media, advertising agencies and advertisers. However, there were large differences in conditions in different countries and over time. This section will consider what previous research has concluded about how the market was organized in comparable countries, in Europe and North America.

In the US, the American Newspaper Publishers' Association began to compile lists of so called 'recognized advertising agents' that they recommended to newspapers already in the late nineteenth century, but these recommendations were generally not complied with. Early in the twentieth century, there was some kind of 'recognition procedure' for advertising agencies and newspapers and the large advertising agencies collaborated in order to protect newspapers from financially irresponsible or unethical agents. In 1920, the newspaper publishers collaborated with the American Association of Advertising Agencies (the so called 4As), the Advertisers' Association and 'other interested groups' to work out a standard contract form to regularize agency practices. In 1924, there was a complaint taken to

⁶¹ Some of the most well-known works that treat the US development are Laird (1998); Fox (1997); Marchand (1985); Pope (1983); Ewen (1977). For the UK see Schwarzkopf (2008); McFall (2004); Nevett (1982). For the development of advertising in Germany see, for example, Swett et al. (2007); for France see, for example, Martin (2012); see also Schwarzkopf (2011) for a critical review of advertising historical research.

the Federal Trade Commission, that the 4As, the American Newspaper Publishers' Association and several other organizations had a 'monopoly of advertising', but the case was dismissed in 1930 without any action taken.⁶²

American advertising agencies were remarkably successful in the 1910s in consolidating a system where commission was standardized at 15 per cent, and industry organizations tried to forbid splitting the commission with clients. To split the commission with a client was seen as a threat to the income of the agencies and newspapers; skilful advertisers could play different agencies and newspapers off against one another to get better deals. The 15 per cent commission and prohibition against commission-splitting was an ideal, but the agencies' de facto dependence upon large advertisers—which meant a client could cancel orders or switch agency relatively easy—often forced agencies to meet advertisers' demands even if this meant breaking the rules.⁶³

Representatives from the American Newspaper Publishers' Association created what was called the Bureau of Advertising in 1913. This organization was born against the background of tough competition especially from magazines, but also other forms of advertising, and its purpose was mainly to promote newspaper advertising to advertising agencies and national advertisers, and also to newspaper representatives.⁶⁴ In the US, magazines had gained a strong position as an advertising channel much earlier than in Sweden, where magazines saw a broader breakthrough after the First World War.⁶⁵ Many American newspapers were local or regional, while popular magazines had a national reach. The largest brands were so-called national advertisers and wanted that national reach, which thus could be to the disadvantage of the newspapers.⁶⁶

The sociologist Liz McFall has described the relationship between the UK's advertising agencies, newspapers and clients in the late nineteenth and

⁶² Emery (1950), pp. 37-38, 119-30; see also Pope (1983), pp. 161-62.

⁶³ Pope (1983), p. 158, 162-64.

⁶⁴ Emery (1950), pp. 122-23; see also Thomson (1952).

⁶⁵ Emery (1950), pp. 121-22. For developments in Sweden see Gustafsson & Rydén (2001), pp. 204-13.

⁶⁶ Laird (1998), pp. 74-76.

early twentieth century to show the diversity in agency practice and the sometimes haphazard moves towards the 'modern' advertising agency form. In the early twentieth century, commission-splitting or 'rebating' as it was also known, was common, but it became associated with dubious business methods by the full-service agencies in the 1920s and 1930s.⁶⁷ British newspapers and agencies reached an agreement that regulated competition in 1921. The agreement stated that the rate of commission paid to the advertising agencies would be standardized at 10 per cent and the number of agencies entitled to commission was limited to a number of so called 'recognized' agencies. Agencies that were not recognized could only mediate regional and local advertisements.⁶⁸

Canadian developments in the first decades of the twentieth century were similar to the UK and the US. Detrimental price-cutting methods were to be avoided by the setting of strict tariffs, and access to the national market for advertisements was restricted to agencies that were recognized by the newspapers. The Canadian agreements—there were several negotiated around the time of 1907—continued to work into the 1930s. By then the prevalence in Canada of American advertising agencies, which did not have to adhere to the stipulated rules, was one of the most important reasons to why the Canadian agencies and newspapers in the end failed to negotiate new agreements.⁶⁹

Compared to these Anglophone cases, the organization of the market looked different in two of the largest Western European countries, France and Germany, at least until the Second World War. In France, in the 1920s and 1930s, there was no uniformity in the price setting of newspaper advertisements, and prices were generally higher than in Britain and the US. The market was completely dominated by one large advertising agency, Agance Havas. There were a few mid-sized agencies but also a myriad of small one-person advertising agents across the country that remained 'fiercely independent' and resisted all attempts at consolidation.⁷⁰

⁶⁷ McFall (2004), pp. 100–108.

⁶⁸ Schwarzkopf (2008), pp. 62–68.

⁶⁹ Johnston (2000), p. 138.

⁷⁰ Hultquist (2003), pp. 473–74.

The German conditions in the interwar period were marked by the hyper-inflation in the 1920s and a generally precarious economic environment. There were no stringent standards or generally accepted terms of business and, as in France, the conditions and prices of newspaper advertisements varied widely. The business interest associations were divided. As a solution to these disorderly conditions, research has suggested that many advertising professionals welcomed the 'state's strong ordering hand' when the Nazis rose to power in 1933.⁷¹ Other research has provided a more nuanced picture of the development before the Nazi's rise to power and that not all advertising professionals were positive at once to the new regime.⁷² In the post-war period, the organization of the advertising market in the Federal Republic of Germany was heavily influenced by American advertising agencies, both in terms of methods and since US firms entered the German market.⁷³

From the 1910s until the Second World War, conditions in the other Nordic countries too were different to Sweden, even though the literature is inconclusive on these issues. In 1911, Norway was probably the first Nordic country to implement an agreement between a newspaper publishers' association and a group of advertising agencies designed to regulate the market. It set authorization criteria for advertising agencies and rules for commissions. A new agreement was signed in the mid-1920s.⁷⁴ The Danish market was fragmented with many agencies competing on low prices, but even so the country's newspaper publishers and advertising agencies still managed to reach an agreement, similar to the Norwegian one in 1921.⁷⁵ However, little is known concerning the development of the organization of

⁷¹ Berghoff (2003), p. 130; see also de Grazia (2005), p. 275.

⁷² Swett (2013), 40–46, *et passim*.

⁷³ See the discussion in Stephens (2007), pp. 235–38 on the general developments of the advertising industry in post-war West Germany.

⁷⁴ Trygve Dalseg (1984), ch. 3 & 7; see Myrvang (2009) for a general discussion on advertising, marketing and consumer culture in twentieth century Norway, however, she only briefly discusses advertising agencies in relation to how the market was organized, see particularly ch. 5.

⁷⁵ Bendix Andersen (2011), p. 42, 62–63.

the market, whether in Norway or in Denmark, while the literature on conditions in Finland is very limited.⁷⁶

What is evident is that different conditions prevailed in different countries, although the basic market relationships between agencies, the media and advertisers were roughly the same. The Anglophone markets seem to have been more regulated and shared many characteristics until the Second World War, while the large European countries of France and Germany, exhibited a greater degree of idiosyncrasy. Given the strict anti-trust laws in the US, it was impossible for newspapers and agencies there to regulate the market in the same way as in Sweden. The German experience is interesting because of contemporary descriptions of Nazi regulation of the market as a solution to its disorderly conditions. This was of course a unique situation, but there are parallels to the problem of a perceived disorder due to free competition, and the various solutions that the advertising industry saw as viable alternatives in different countries.

Swedish history of advertising and the advertising industry

There has been an increased interest in research in Swedish advertising history in the last decade.⁷⁷ The collaboration between the advertising agencies and newspapers has been noticed, but not subject to scholarly research. As pointed out above, AF and TU controlled the most important part of the advertising market, and as late as the 1980s, Swedish advertising was described as almost synonymous with newspaper advertisements.⁷⁸ This is indicative of the legacy of the cartel, which lingered two decades after TU and AF lost control. Another issue concerns the effects of the cartel on the

⁷⁶ Two exceptions are Heinonen (2000); Heinonen & Pantzar (2002), but they do not treat how the market was organized. To my knowledge there is no research on the conditions in Iceland.

⁷⁷ Some of the most recent research include Tistedt (2019) on advertising and democracy in the interwar period; Lakomaa (2019) on the relationship between the advertising industry and the government as an advertising client; Gardeström (2018) on advertising and propaganda during the 1930s; Broberg et al. (2016) on the general development 1975–2012; Arnberg (2018; 2019) and Arnberg & Svanlund (2017) on issues of gender and advertising and Funke (2015) on the self-regulation of advertising.

⁷⁸ Broberg et al. (2016), pp. 36–37.

standard or quality of advertising in Sweden. Such a discussion can be related to the assumption that cartels, or monopolies, stifle innovation, even though the empirical evidence for this is mixed.⁷⁹

There is a report written in 1974, by the media scholar Karl Erik Gustafsson, that treats the transformation of the advertising agency system in Sweden, which is the most comprehensive account of the collaboration between AF and TU. It is highly informative, but does not specifically look into the questions posed in this dissertation. Since it was commissioned by the British advertising agency organization, it does not contain exact references to sources. The report describes the early development of the cartel and the market very briefly, and focuses on the period from the mid-1950s and onwards.⁸⁰ For this dissertation it has foremost been used in two ways: as a starting point to gain an initial understanding of general developments in the various phases, and particularly in the 1950s onwards; and to contrast both the general picture and specific events that emerge from the archival research done for this dissertation, with those provided by Gustafsson.

Another work that should be mentioned here is Tom Björklund's extensive two-volume history of Swedish advertising, in which the advertising agencies and AF are treated in one chapter.⁸¹ Tom Björklund was himself a prominent advertising man for almost the whole period treated in this dissertation. He was the advertising manager, and later deputy general manager, of the leading Swedish department store, Nordiska Kompaniet, in Stockholm, an influential person in the Swedish Advertising Association and the author of advertising trade books.⁸² He was not engaged in the Advertisers' Association, nor personally involved in the conflicts on the advertisement market. In his 1967 history he treats AF's and TU's restrictive trade practices rather subtly, and recognizes in an appreciative way, the work

⁷⁹ See, for example, the discussions in Schröter (2013), pp. 995–96 and in Fear (2008).

⁸⁰ Gustafsson (1974); see also Björklund (1967), pp. 710–37.

⁸¹ Björklund (1967).

⁸² For a discussion on Björklund's role and some of his work, see Hermansson (2002), pp. 31–56; see also Gardeström (2018), pp. 57–85; for Björklund's work in Nordiska Kompaniet, see Husz (2004), part II *et passim*. For an example of one of Björklund's books published in the 1930s, see Björklund & Hedvall (1931).

carried out by the agencies in AF. The authorized advertising agencies had achieved good results by the early 1950s: advertising was better adapted (although it is unclear here whether Björklund was referring to society or to international developments) and the agencies had enriched the field for which he commended them.⁸³

Björklund's account relates to how the quality of the advertising agencies' work should be assessed. Apparently, Björklund believes that they had done a good job. More recent judgements have not been as favourable. These mostly, but not always, come from authors who were themselves active in the advertising agency business from around the mid twentieth century. According to them, the organization of the market and the commission-based remuneration system was indiscriminate and outdated long before its demise. It rewarded managers and sales executives, while the creative staff were undervalued and did not receive enough credit for their work.⁸⁴ These different assessments are not surprising since Björklund was part of the old establishment, while later accounts were written by persons who were involved in actively challenging the old order of Swedish advertising.

The collaboration between TU and AF has been connected to several other phenomena, for example, the self-regulation of advertising, the role of gender in advertising and advertising's importance for the revenue of the press.⁸⁵ These all to varying degrees deal with the effects of the restrictive trade practices related to the mechanisms and incentives built into the system. For example, it has been suggested that the authorized agencies, in order to strengthen their own legitimacy in the mid-1960s, took a more active stance in favour of tougher self-regulation of advertising at this time.⁸⁶ Furthermore, the cartelized structure of the industry restrained the emergence of new, smaller firms, which in turn seems to be connected to the roles and possibilities of women in the industry. After 1965 there was an increase in the number of women in management positions and self-

⁸³ Björklund (1967), pp. 741–42.

⁸⁴ See, for example, Boisen (2003), pp. 23–24; Wigstrand (1999), pp. 14–15, 28–32; see also Andersson (2013), p. 124.

⁸⁵ Jonsson (1982), pp. 115–45 *et passim*.

⁸⁶ Funke (2015), pp. 224–34, 239–43.

employment, which indicates that the control of the market by AF and TU had indeed been an inhibiting factor earlier.⁸⁷ This dissertation will not look specifically at the gender aspects of the organization of the market specifically, but it remains a fact that AF, like all other organizations studied in this dissertation, was completely dominated by men in leading positions.⁸⁸

Theoretical and methodological considerations

Two broad theoretical approaches will be employed in the dissertation, one rooted in economic theory and the other from both historically oriented sociology and history. Economic theories are valuable to a certain extent in accounting for some basic features and the general development of the organization of the market; however, the main focus of the dissertation concerns questions that other theoretical concepts provide better tools for understanding. These include explaining the role of TU's and AF's principles and ideas in their governance of the market and their use of them to legitimize the cartel.

In economic theory, as in some sociological research that aims to understand how markets develop over time, there is a lack of concepts that encompass the role of arguments and ideas for economic or social actions. In economic theory, actors act, processes are started and different outcomes are expected, but there is surprisingly little focus on the *content* of what actors are expressing or doing. Actors need to express ideas and principles that convincingly constitute the foundation of their actions. Thus, I will discuss

⁸⁷ Arnberg & Svanlund (2017). Arnberg (2018; 2019) has also written about the view of female consumers in the advertising industry and the segmentation of newspaper readers along gender and class lines.

⁸⁸ Björklund (1967), p. 850 lists the number of women in leading management positions in AF agencies for a few years. In 1949 there were zero, in 1961 there was one and in 1964 there was also one. Interestingly, Gumaelius, one of the largest advertising agencies in the period studied here, was founded by a woman, Sofia Gumaelius, in 1877, and she employed many women in the company. However, after she died in 1915, her nephew, Ernst Grafström, took over as general manager and from that point there were no longer any women in leading positions in the agency, see Winblad (2011); von Sydow (1927) pp. 17–84, *et passim*.

the subject in analytical terms than can be used to explain and understand these aspects. To clarify, I am not only interested in understanding the role that ideas and principles played, but also what exactly constituted the ideas and principles employed by AF and TU. This is because I believe that they can say something more general about the perceptions and practices of competition and legitimate business practice in the twentieth century.

One objection could be that the two different theoretical approaches are incompatible with each other, for economic theory does not take into account historical contexts, complex social relationships and ideology, three aspects that are crucial to this dissertation. However, I believe that it is possible, and even valuable, to keep both of these in mind. Simply because the development of the advertising cartel fits with the theoretical predictions of cartel theory it does not mean that context or ideas did not play a role. It is to be hoped that pitting them against each other will contribute to a better understanding of the results.

The theoretical concepts discussed here are primarily used as analytical tools for the purpose of explaining and understanding the case. The purpose of the dissertation is not to contribute to theory building in a formal sense.⁸⁹ Rather, the overarching purpose, as has been pointed out, is to contribute to the historiography of competition, restrictive trade practices and cartels in twentieth century Europe by showing the diversity and complexity that existed in a service industry and market, and the role and usage of ideas and arguments in that setting.

The merits and limits of economic theory

It has been common to use theory grounded in economics to try to explain companies' behaviour and different outcomes in a cartel setting.⁹⁰ Some of these basic ideas from cartel theory are valuable for the present study. One

⁸⁹ See, for example, Flyvbjerg (2006) on the value of case studies in the social sciences for purposes other than theory-building.

⁹⁰ See, for example, Grossman (2004); Levenstein & Suslow (2006); Storli (2014). Also more review-oriented research such as Schröter (2013); Fear (2008) rely much, but not only, on theoretical assumptions from cartel theory.

starting point is to recognize that restrictive trade practices are a means of controlling or regulating competition. In an imagined market, it is possible to draw a line between perfect competition at one end and a single firm, or monopoly, at the other.⁹¹ Cartels and other forms of cooperation between companies are one way for companies to regulate competition that falls somewhere in between these two extremes.⁹² In a highly competitive market situation, competition will force firms to operate at marginal cost. There are no large profits to be made. By agreeing prices, production output or other factors, the firms inside the cartel can avoid this downward trend and try to maximize their profits. However, as empirical research on cartels has shown, the motives could be very different and diverse, such as reducing uncertainty or increasing the stability of the market.⁹³ In fact, it is perhaps more reasonable to assume that firms strive for stability and the survival of the firm, rather than for maximal profits.⁹⁴ Research has also pointed out that in Sweden and Germany, for example, the high level of organization in society in general is connected to why there were so many cartels in these countries.⁹⁵

The present case exhibits similarities to other, producer cartels, but also some striking differences. At first glance, the advertising industry had no high entry barriers, it was a relatively low-capital intensive industry and its ‘products’ were differentiated. This along with two other factors—nonsubstitutability and a small fringe (that is, a small number of non-cartel producers)—have all been associated with certain circumstances under which cartels appear. The Swedish advertising cartel only seems to tick one of the boxes—nonsubstitutability. It was very likely that newspaper advertising in Sweden in the period studied here had no significant

⁹¹ The classical works here are Williamson (1975) and Coase (1937) both who set out to explain when and why we see different organizational forms on markets, such as during what conditions firms are created.

⁹² See Fear (2008), p. 272 where he presents a spectrum of cooperation between firms along these lines.

⁹³ Schröter (2013), p. 990; Fear (2008), p. 274. Kuorelahti (2018), finds that for the international timber cartel in the interwar period, banks and governments essentially coerced firms to participate, which makes it questionable to what extent the cartel was even voluntary.

⁹⁴ Fligstein (2001), p. 70.

⁹⁵ Lundqvist (2009), p. 6.

substitute.⁹⁶ It is also easy to see that a procedure such as ‘authorization’, could ensure that higher entry barriers could be constructed artificially.

The markets’ authorization procedure had a parallel in other forms of professional services that could be thought to be designed to restrict or otherwise control competition, whether by introducing occupational licenses and by other forms of guild-like systems.⁹⁷ This shows the difficulty for an observer to draw a sharp line between legitimate and illegitimate restrictions on competition. Fear discusses various forms of cooperation along a spectrum, which includes, for example, both cartels, which are illegal today, and the legitimate cooperation engineered by trade and industry organizations.⁹⁸ In fact, the advertising cartel and the agreements between the advertising agencies and the newspapers could be categorized as several different forms: it seems to have been chiefly a price cartel, in which the agencies and newspapers agreed on prices that could not be undercut. However, both TU and AF were business interest associations as well, representing their industries and setting standards and rules which would probably not be categorized as restrictive trade practices. In the case of AF, this function grew out of the cartel agreements, in the case of TU, the organization was founded in 1898 and thus predated the cartel agreements.⁹⁹

Furthermore, the prediction in the classic work on cartels, or oligopolies, by economist George Stigler, does not either fit the advertising case. According to the model developed by Stigler, cartels tend to be inherently unstable and prone to break down. This is due to imperfect information and uncertainty, which encourages cartel members to cheat.¹⁰⁰ However, there

⁹⁶ The structural factors that appear to be most important for the appearance of producer cartels are: high concentration of production, high barriers to entry, a small fringe, non-substitutability and nondifferentiation, see Spar (1994), pp. 4–5.

⁹⁷ Larson Sarfatti (1977), introduced the idea that professionalism could be a way to monopolize certain tasks and knowledge. For more recent research on professionalism and professional groups, see Evetts (2011); Brante (2014).

⁹⁸ Fear (2008), pp. 269–74.

⁹⁹ Gustafsson & Rydén (2001), pp. 43–45 have a brief discussion about the founding of TU; see also Johansson (1998). TU was involved in other restrictive trade practices, for example concerning the purchase of newsprint, see Kuorelahti & Jensen-Eriksen (2014).

¹⁰⁰ Stigler (1964), pp. 46–48.

are numerous examples of cartels that did not break down due to cheating. In fact, cheating seems to be only one of many reasons as to why cartels break down.¹⁰¹ On the other hand, recent cartel theory also acknowledges that when there is time to build up trust, agents can overcome the problem of cheating.¹⁰² It is something of an irony that the historical evidence of cartels shows such diversity that does not fit with the theoretical predictions. Some cartels lasted for fifty years or more, while most had a much shorter life span.¹⁰³ Evidently, the unique historical contexts of different cartels played a very important role, which is difficult for economic theory to account for.¹⁰⁴

The cartel, the market and the organization of the market

Since this dissertation concerns not only the cartel in itself, but also how AF and TU organized the market, a discussion of the concept of *the organization of the market* is needed. It is useful to begin with defining ‘market’. In this dissertation, the market is primarily seen as socially constructed. A useful definition is ‘a socially constructed arena where repeated exchanges occur between buyers and sellers under a set of formal rules and informal understandings’.¹⁰⁵ These rules and understandings govern the relationship between the actors in the market. This kind of definition allows for an actor-oriented perspective, which is the one employed in the dissertation, rather than holding the market to be a more abstract structure or process. However, it also allows for ‘structures’ to play a role if we think of formal rules and informal understandings as structures, however created by actors at some

¹⁰¹ Levenstein & Suslow (2006), p. 76; see also the discussion in Storli (2014), pp. 457–58.

¹⁰² Levenstein & Suslow (2006), p. 44; see also North (1993), ch. 7 on the role of monitoring to ensure adherence to contracts and avoid cheating.

¹⁰³ See the different examples in Fear (2008); Schröter (2013); Levenstein & Suslow (2006).

¹⁰⁴ See Storli (2014) for a discussion on the relationship between empirical cartel research and economic theory. The difficulty in generalizing about how cartels functioned and causes behind success and failure of cartels is also an important conclusion in Grossman (2004).

¹⁰⁵ Fligstein & Calder (2015), p. 1; see also Fligstein (2001), pp. 67–68.

point in time. They could probably both constrain and enable the action of the actors.¹⁰⁶

Competition, it has been suggested, is an integral component whenever something is denoted a market.¹⁰⁷ Interestingly, in the definition above, competition is not included. Perhaps it is taken for granted. In this view, if the advertising cartel had completely abolished competition in the market for advertisements, it could thus no longer be considered to have been a proper market. However, as research on cartels has shown, cartels did not abolish competition; they regulated it.¹⁰⁸ The basic aim of the advertising cartel was to avoid or reduce price competition—ideally, cartel members would not face competition on price. In such a situation it becomes interesting to understand more about what forms of competition that arise instead. A general reflection is that the literature on markets and competition tend not to distinguish between different forms of competition. In this dissertation, competition is perceived as a more complex phenomenon, highly important, but also subject to many different perceptions by the actors in the market.

The literature tends to make a sharp distinction between organizations and markets. Organizations, such as firms, are often perceived to be the opposite of markets.¹⁰⁹ Either markets were completely free, and thus unorganized, or actors internalized functions in a formal organization to lower the costs.¹¹⁰ The phrase ‘the organization of the market’ imply that someone is organizing the market; the market is not just ‘there’. As was clearly the case with the Swedish advertising cartel, the market was subject to decisions by the formal organizations, AF and TU. These decisions affected

¹⁰⁶ The problem of the relationship between agency and structure in the humanities and social sciences has been frequently debated. This dissertation, as many others, take a middle position, acknowledging both agency and structures. See, for example, the discussion by Rothstein (1988).

¹⁰⁷ Brunsson & Jutterström (2018), p. 4; see also Callon (1998), pp. 42–46. Also Max Weber, in his discussion of markets paid attention to the role of competition, particularly price competition, on markets, see Weber (1983), pp. 54–56.

¹⁰⁸ Fear (2008); see also Fligstein (2001), pp. 70–73.

¹⁰⁹ Brunsson & Jutterström (2018), pp. 3–4.

¹¹⁰ Williamson (1975).

their own position and actions, but also the actions of others and thus how the market as a whole developed.¹¹¹

The different collective agents and their interests

The market for advertisements in Sweden consisted of four main collective actors: the authorized advertising agencies (AF), the newspapers (TU), the non-authorized advertising agencies and the advertisers. The assumption, then, is that TU and AF faced difficulties in legitimizing and defending the organization of the market, and that the general attitude to advertising was also important in this respect. Given this, it is possible to construct a simple overview of the attitudes of the different collective agents in the market and their interests, based on what these would most logically be (summarized in Table 1.1). It is thus not based on any empirical evidence but only on what could be expected theoretically.

We would reasonably expect the authorized advertising agencies to have been positive to the organization of the market under the premises of the cartel, as indeed to advertising in general. The same was true of TU with the important exception that it was, most probably, only in favour of newspaper advertising since other forms competed with newspaper revenues. In general, the newspapers also wanted a positive attitude to advertising to prevail in society, but on a more concrete level they were naturally highly biased towards newspaper advertising. On the other hand, we can assume that advertisers were in general critical of the organization of the market, but positively inclined towards advertising—and the same was the case with the non-authorized advertising agencies. The table gives a static view of the various positions even though reality was certainly more complex, with different views held *within* the collective actors and changes over time. It can nevertheless be useful to clarify the positions in this manner in order to better understand the developments and the actions of the collective agents in

¹¹¹ See Brunsson & Jutterström (2018), p. 7, for a proposition of this perspective; see also Callon (1998), p. 3 on the idea of organized markets.

relation to one another. The table also shows how much the various agents' interests overlapped and clashed.

Table 1.1 Overview of the collective agents' attitudes and market interests based on what these would most logically be

<i>Agent</i>	<i>Attitude to advertising</i>	<i>Attitude to the organization of the market</i>	<i>Interest</i>
AF	Positive	Positive	Preserve the status quo
TU	Positive (but only newspaper advertising)	Positive	Preserve the status quo
The Advertisers' Association	Positive	Negative	Delegitimize current order and liberalize conditions
Non-authorized advertising agencies	Positive	Negative	Delegitimize current order and liberalize conditions

The role of ideas and arguments

An important part of the dissertation concerns our understanding the principles and ideas that underpinned the organization of the market and how they were used by TU and AF. In this analysis it is crucial to understand where the principles and ideas came from, and if and how they were perceived as legitimate by the market—and by society at large. I thus need to place TU's and AF's stated ideas in their broader societal context. Research on markets, in both a contemporary and a historical perspective, has recently concentrated on the role of ideas, or norms.¹¹² There is also an extensive literature on the role of ideas in economic and business history more generally.¹¹³ For the purpose of this dissertation, I focus on two concepts that have been used in this research. The first is a concept from the

¹¹² Some of the best-known works include Callon (1998); MacKenzie (2006); Callon et al. (2007); see also Helgesson et al. (2004) for this kind of research on Swedish markets.

¹¹³ See, for example, McCloskey (2015); Blyth (2002); Zelizer (2011); Zelizer (1979).

sociological research on markets, *conception of control*, introduced by the sociologist Neil Fligstein.¹¹⁴ The second is the idea of a *moral community*.¹¹⁵

Conception of control includes ideas, or norms, concerning how competition works in a certain market and provide agents with cognitive frames to interpret actions of others. Thus, conception of control encompasses both the more abstract “worldview” of the agents as well as concrete manifestations of such a worldview. The goal of a conception of control is to erect social understandings in order for firms to avoid direct price competition and to allow them to solve internal political problems—Fligstein in particular sees it as a political process.¹¹⁶

The notion of conception of control brings into focus both the issue of control, which was at the core of the challenge of AF and TU, as well as the source, or basis, for such control by an actor. It is also useful by virtue of being a broad term, which can encompass both more abstract arguments or ideas, and concrete manifestations such as an agreement. The issue of ‘social understanding’ is important in this discussion; however, Fligstein does not pay as much attention as might be expected to instances when there are struggles over the conception of control—that is, when there is no unanimous social understanding between the actors in a market over a long period of time.¹¹⁷ In the case studied here, it is probable that the conception of control, which was dictated by AF and TU, was not always based on shared understandings about how the market should work, but rather the opposite. We could imagine periods when the conception of control was in flux. That gives rise to questions such as: how did AF and TU create a conception of control for the advertisement market? And what was the nature of this conception of control? This will be elaborated on in the dissertation.

One basis for a conception of control is thus an idea of how competition works in a certain market. In the economic sphere, ideas have been explained

¹¹⁴ Fligstein (2001); see also Brunsson & Jutterström (2018), p. 7.

¹¹⁵ Granovetter (1995); see also Granovetter (2017); Thompson (1971) for the similar concept ‘moral economy’.

¹¹⁶ Fligstein (2001).

¹¹⁷ Fligstein (2001), pp. 69–74; see also Brunsson & Jutterström (2018), p. 7.

as providing actors with an interpretive framework that describes and accounts for the workings of the economy by defining its constitutive elements and ‘proper’ interrelations. They provide actors with scientific and normative accounts of the existing economy and a vision that specifies how these elements should be constructed.¹¹⁸

Furthermore, the role of ideas, particularly in times of struggle, has been recognized. The political scientist Mark Blyth asserts that when there is a struggle over existing institutions ‘ideas are weapons’. To replace an institution in place, actors can delegitimize it by contesting its underpinning ideas.¹¹⁹ This is presumably exactly the kind of dynamic seen in the rise—and fall—of the advertising cartel. The cartel’s ideas were important to its position in the market, and we should also expect to find growing conflict over its ideas as it crumbled.

The concept of a moral community relates to the role of ideas in several ways. The term is used by the sociologist Mark Granovetter, he in turn having been inspired by the work of the British historian E.P. Thompson whose classic work *The Moral Economy of the English Working-Class* addresses the conceptions of appropriate economic behaviour. Thompson showed that there was popular consensus about what constituted legitimate and illegitimate practices in the market among the eighteenth-century British working-class, whereby they forced sellers to reduce prices.¹²⁰ A moral economy is thus a shared social agreement on what moral standards that must be met by economic actions. However, it has also been pointed out that it cannot be taken for granted that a community is always marked by solidarity; communities need to be constructed and reconstructed.¹²¹

Granovetter uses the term moral community in relation to cartels and business groups. He recognizes (in line with economic theory), that cartels are often vulnerable to cheating, but also that monitoring is usually very expensive. Thus, it is likely that the members of a cartel partake in, what

¹¹⁸ Blyth (2002), p. 37.

¹¹⁹ Blyth (2002), pp. 38–40.

¹²⁰ Thompson (1971), pp. 78–79.

¹²¹ See the discussion of historical community, including moral community, by the historian Peter Burke (1992), pp. 56–58.

Granovetter calls, some kind of *moral community*, which is contrary to the usual analysis based on only economic or legal incentives.¹²² He suggests that a key to understanding during what conditions and in what circumstances cartels, or other forms of economic cooperation, will survive is to understand how social structures facilitated a moral community in one situation but not the other. Granovetter exemplifies this with American cartels before the introduction of the Sherman Act in 1890, which had failed because outsiders, unbound by the cartel members socio-moral community, felt free to break the rules as they wished.¹²³

Granovetter's account implies that ideas are important not only to promoting an institutional arrangement or legitimizing it towards outsiders, but also to the internal workings of economic cooperation.¹²⁴ Ideas of moral standard that members adhere to can thus function as the glue that enables a cartel to stick together. If there is strong pressure not to cheat in a cartel brought to bear by shared moral standards, by shared ideas, this might help the cartel to survive. Was there a moral community in the advertising cartel? If it can be plausible established that there existed a kind of shared moral standard in AF, and probably also in TU, that could help explain why and how they could defend and motivate the cartel for such a long period of time. Perhaps we should conceive of a moral community as guarding the dominant conception of control by ensuring adherence to its basic premises.

Genuine ideas and contested courses of action

Two problems arise in analysing the role of ideas in existence of the advertising cartel. The first concerns how, or to what extent, we can be certain that the ideas expressed by historical actors were genuine. That is, when an advertising agency manager or newspaper representative argued that

¹²² Granovetter (1995), pp. 117–20. In Granovetter (2017), pp. 45–55, he further develops the analysis of the role of morals, norms and ideas in relation to economic action.

¹²³ Granovetter (1995), p. 118; see also Chandler (1977), pp. 137–44 for a description of one such instance.

¹²⁴ The role of professed beliefs, not only to comment on it to others, but also for a group's internal benefit, such as self-image, is also recognized by Skinner (2002), pp. 147–48.

their grounds for the organization of the market was legitimate and beneficial, how is it possible to know whether these statements reflected the ‘true’ opinion of this actor, or if they were simply tropes used to disguise the genuine motives? The second problem is whether an understanding of what took place actually matters.

One opinion, often expressed by economists or rational choice theorists, is that where economic action attributed to shared normative beliefs is also consistent with the economic self-interest of actors, it is most parsimonious to omit actors’ ideas on the grounds that the behaviour would have occurred anyway.¹²⁵ Such a statement implies that the researcher is only interested in causal variables that can be used to explain behaviour and outcomes, and not the ideas themselves. This is different to the purpose of this dissertation which partly concerns understanding the ideas and principles of the cartel and what they say about legitimate business practice, both the cartel’s but also more generally in Swedish economic life in the period. Furthermore, Granovetter maintains that there are circumstances in which the existence of a moral economy should make a difference—where actors behave in ways that could not be predicted by knowledge of their economic and material incentives alone, as if they in fact share beliefs about the proper conduct of economic affairs.¹²⁶

An example of such circumstances is suggested by the historian Quentin Skinner. He sees at least one type of situation in which agents’ professed ideals make a difference to their behaviour; the point when an agent is involved in a course of action that is ‘in some way questionable, and at the same time possesses a strong motive for attempting... to legitimize it’.¹²⁷ Skinner finds that people generally have strong motives for seeking to legitimize any possibly questionable conduct. And, even if they were not genuinely motivated by any principles, they will find themselves committed to behaving in such a way that their actions remain compatible with the claim that their professed principles genuinely motivated them. Thus, the range of principles that are open for an actor will also affect the course of action open

¹²⁵ Granovetter (1995), p. 120; see also Granovetter (2017), p. 45.

¹²⁶ Ibid.

¹²⁷ Skinner (2002), p. 146.

to that actor. A common strategy for actors who find themselves in a situation where their course of action is questioned, is to employ accepted concepts and terms from other spheres¹²⁸

Following Skinner, it is reasonable to believe that even if the stated ideas and arguments of the representatives of the advertising cartel were not genuine, they are still important when accounting for their actions, and ultimately for the development of the cartel and the organization of the market. If the cartel members maintained that they adhered to principles of legitimate business practice, their course of action had to be within the bounds of what could plausibly be called legitimate business practice. Skinner also points to another important aspect, and that is the relationship between the cartel's professed principles and the generally available principles in society. It is unlikely that the principles adhered to could have been invented from scratch by the cartel itself; they had to be rooted in another legitimate context. One possibility was that the cartel manipulated the criteria for an existing set of commendatory terms. The aim would thus be to apply a number of favourable terms to describe their own seemingly questionable behaviour with as much plausibility as possible and in spite of all appearances to the contrary.¹²⁹

The idea of competition

Competition is a key concept throughout the dissertation and it has already been briefly discussed above. However, I will not attempt to define it here since changing views, and the actors' arguments in relation to competition, are actually part of the investigation. It is a fair assumption though, that societal views of competition are not static and can change in time. This assumption is in line with the general starting point of the dissertation, which is that the market is largely socially constructed.

¹²⁸ Skinner (2002), pp. 155–57. There is a similarity here I would say to the suggestion by Fligstein (2001), pp. 78–79 that a successful conception of control in one industry or market, is often picked up and employed by others.

¹²⁹ Skinner (2002), p. 153.

Gerber argues that competition is an abstract concept and a cultural construct that is shaped by language and experience that give the concept meaning. Revealing questions related to the concept of competition are the perceived importance of economic competition and the extent to which economic power is perceived as problematic.¹³⁰ How competition is evaluated is also important, as it requires an awareness of the values being used in its assessment. It is therefore important to gauge the contexts and reasons for competition and to uncover the values that are being applied. Gerber also discusses what, if anything, needs protection and the means and ends when it comes to protecting competition.¹³¹

What Gerber proposes is important to the present investigation, implemented in the advertisement market and the advertising cartel. The dissertation, after all, concerns exactly this: the revealing of competition as a cultural construct; showing how competition was evaluated by the collective agents; and the values being used in assessing the effects of competition.

Method

Triangulation and contextualization

This dissertation analyses a complex development over time and relies on archival records to do so. At the broadest level, I use a qualitative historical method, similar to the one traditionally employed by business historians who mainly work with archival sources.¹³² The primary sources used in this dissertation consist almost exclusively of written text, such as correspondence, reports, minutes and memorandums, which were produced by the historical actors. Occasional visual records are used too, such as advertisements. I have compiled descriptive statistics of the advertising cartel and the market (these are mostly found in Chapter 2). In addition, a large

¹³⁰ Gerber (2001), p. 1.

¹³¹ Ibid, pp. 10–15.

¹³² Kipping et al. (2014); see also Decker et al. (2015) for an overview of ‘traditional’ and ‘new’ methods in business history.

number of published sources are used, such as articles in the trade press. The various archives and the specific problems and limitations of the sources are discussed more in greater detail below; here, I consider the method in general terms, focusing on triangulation and contextualization.

The temporal and contextual perspectives are crucial, as are the various actors' perspectives. As I am seeking to understand the actions and arguments of the collective actors and how together they enable an understanding of the development of the market and the shifting views of what was acceptable business behaviour, a method is thus needed that can handle these different perspectives in combination with the theoretical concepts discussed above.

In social sciences, triangulation is usually seen as a way to double-check, corroborate, and validate results, which can be achieved by different methods. Triangulation is an important methodological element here, particularly in handling a wide variety of sources.¹³³ This dissertation uses a rich collection of sources, produced by a number of collective actors, housed in several archives. The arguments and actions of the authorized advertising agencies, cannot be fully understood without a knowledge of the arguments and actions of, for example, the newspapers or the advertisers. Due to the close collaboration between TU and AF it is often possible to trace events and processes between the two organizations through the archives. Since TU authorized agencies and also regularly audited their financial records, it is possible to identify the grounds given for the admission of new agencies to the market. The financial records of the advertising agencies are held in TU's archive—a unique collection given the general lack of organized archives from advertising agencies in the twentieth century.¹³⁴

The historical actors produced sources that contain the arguments and ideas that they believed were the most correct and legitimate. As the historian

¹³³ Kipping et al. (2014), pp. 316–17.

¹³⁴ At least this has been suggested by previous research. See Bendix Andersen (2011), pp 18–19 for the situation in Denmark; Johnston (2000), p. 15 for Canada; Swett (2013), p. 8, comments on the lack of records from advertising agencies in Germany during the 1930s. To my knowledge, none of the large associations that organized newspapers, advertising agencies or advertisers in the US have a coherent and intact archive, which would make a study such as the one undertaken in this dissertation much more difficult.

John Tosh writes, ‘the majority of sources are in some way inaccurate, incomplete, or tainted by prejudice and self-interest’.¹³⁵ Thus, it is only in the light of what other actors in the market were doing, in combination with the societal context, that we can understand and make a reasonable evaluation of the agents’ actions. To use overlapping sources means that they can both complement and corroborate one another.¹³⁶ This is not without its problems, since the sources are not always coherent or consistent over time. There are no archival records from the non-authorized advertising agencies, for example, so their actions and arguments are only visible in the sources produced by the other actors.

Contextualization is another key methodological element, which concerns the relationship between the objects of study, the cartel and the other actors in the market, and Swedish society.¹³⁷ The historical agents were arguing and acting in a certain social, cultural and political environment at a certain point in time. Two contexts are particularly important spanning over the whole period; the societal view on competition and cartels, and the societal view of advertising. The context could both restrict and enable action and to a certain extent the actors could also influence them.¹³⁸ For example, concerning the societal view of advertising, the authorized advertising agencies and the newspapers both regularly sought to influence public opinion, and indeed politicians’ views on advertising. I rely mostly on previous research for these contexts, in combination with published primary sources. I would argue that it is impossible to understand the actions of the agents without these contexts in mind, and in my research and analysis I range across the archival records produced by the various actors (triangulation) and the relevant contexts surrounding them (contextualization).

¹³⁵ Tosh (2015), ch. 5, pt. IV.

¹³⁶ Kipping et al. (2014), p. 317.

¹³⁷ Kipping et al. (2014), pp. 320–24 denotes this hermeneutic interpretation, which is a standard element in most historical research.

¹³⁸ This is somewhat similar to what Zeitlin (2008), pp. 123–24 denotes the mutual constitution of actors and contexts, in which he challenges the rigid distinction between maximizing agents and constraining contexts in economic life.

Arguments and ideas of historical actors often seem foreign to us today, and especially the side that drew the shortest straw and was not party to the ideas or practices that evolved into the ones that prevail today. With the present-day negative attitude to cartels in mind, it is easy to judge the ideas and actions of the advertising agencies and newspapers as only opportunistic. However, after learning about the actors and their context, be it cultural, economic, or political, these actors' choices and ideas should be more understandable, even though we do not necessarily sympathize with them. It behoves us to take historical actors seriously and assume that they made rational choices based on the available information and the courses of actions that were possible.¹³⁹

Possibilities and limitations with the sources

This study is based on records from several different archives as well as many published sources (see Table 1.2). The sources mainly originate from business interest associations, but archives from individual companies, private individuals as well as government archives are also used. All of the business interest associations, except for the association of the non-authorized advertising agencies, have extensive archives. The archival records from TU and AF are the largest in scope. For example, the scope of material consulted in AF's archive amounts to about 15 000 individual pages and in TU's archive about 11 500. AF's archive has not been deposited with a formal institution, and it has not been indexed according to archival practice, so this is task that I had to do myself.¹⁴⁰

A general strength of these types of internal sources originating from the advertising industry is that they were not produced with a specific promotional purpose in mind. When studying documents aimed for a larger

¹³⁹ In this standpoint I have been inspired by what Skinner says about 'seeing things their way', Skinner (2002), pp. 1–7 and by the Swedish historian Göran B. Nilsson (1989), p. 3, on the importance of 'writing history forward'; see also Tosh (2015), ch. 1 about 'historical awareness'.

¹⁴⁰ The archive of AF was (re)discovered in a storage room when the present-day association, the Swedish Association of Communication Agencies, was moving to new premises. This happened shortly before I started working with this project in 2014.

public, or advertisements in themselves, there is a risk that the researcher reproduces the image that the experts in the field of promotion wanted to convey. The kind of unpublished primary sources used here lowers that risk since they represent what was actually said or written in a more closed setting, where the discussions were not aimed to be published or made public. Still, the actors generally push their own agenda and ideas heavily, for example in the minutes of the negotiations between AF and TU, it is thus necessary with a critical reading in order to not simply convey the opinions of the different parties without questioning their purpose and motives and placing them in a larger context, in line with my chosen analytical strategies of triangulation and contextualization.¹⁴¹

The archives of TU, AF, and also the Swedish Advertiser's Association are surprisingly structured and relatively coherent over time, and the organizations seem to have taken great care in recording and storing their records. One explanation could be the nature of these organizations, whose purpose was to negotiate and engage in conversations with other organizations, which made it important to record and store what had been said and done.¹⁴² Many documents are surprisingly informative. Thus, for example, many of the minutes of meetings with the board or the members of AF and TU have not only the decisions taken, but also what seems to be verbatim (or close to verbatim) transcriptions of the discussion, so giving an insight into their opinions and lines of reasoning.

¹⁴¹ See Tosh (2015), ch. 5, pt. III on internal source criticism, see also Kipping et al. (2014), pp. 314–316.

¹⁴² Jordanova (2006), pp. 37–38 discuss the issue of serendipity and sometimes accidental quality of the documents that are found in archives.

Table 1.2 Overview of archives used in the study

Archive	Type of organization	Location	Types of records consulted	Time period covered
Association of Swedish Advertising Agencies (Annonssbyråernas Förening, AF)	Business interest association	Swedish Association for Communication Agencies (Komm), Stockholm	Minutes, correspondence, agreements, memos, reports	1915-1965
Association of Swedish Newspaper Publishers (Svenska Tidningsutgivareföreningen, TU)	Business interest association	Swedish National Archives	Minutes, correspondence, memos, reports, personal papers, financial statements	1917-1965
Swedish Advertisers Association (Svenska Annonssörers Förening)	Business interest association	Swedish National Archives Board minutes are located at the present-day Associations' premises	Minutes, annual reports, correspondence, reports, memos	1924-1965
Svenska Telegrambyrå	Private company, advertising agency	Swedish National Archives	Minutes, agreements, memos	1911-1930, 1946-1947
Gumaelius Annonssbyrå	Private company, advertising agency	Centre for Business History, Stockholm	Board minutes	1910-1932
J. Walter Thompson	Private company, advertising agency	David M. Rubenstein Rare Book & Manuscript Library, Duke University, USA	Staff meeting minutes, company newsletters, correspondence, reports	1924-1965
Erik Elinder	Personal archive	Centre for Business History, Stockholm	Personal correspondence, reports, memos, minutes from Wilh. Anderssons Annonssbyrå	1949-1965
State Information Board (Statens Informationsstyrelse)	Government crisis body	Swedish National Archives	Minutes, memos, reports	1939-1945
Commission of food provision (Statens Livsmedelskommission)	Government crisis body	Swedish National Archives	Reports, memos	1940-1950
Archives of the Swedish National Debt Office (Riksgäldsarkiven, Riksgäldskontoret)	Government body	Swedish National Archives	Reports, proposals from advertising agencies	1940-1951
The Advertisement Investigation 1945 (Annonssutredningen 1945)	Government inquiry	Swedish National Archives	Report	1945
Competition Ombudsman (Näringsfrihetsombudsmannen)	Government body	Swedish National Archives	Correspondence, memos, decisions	1954-1964

Even though the archives are rich in relevant documents, there is reason to reflect upon what is not there. The documents reflect the opinions, decisions, and actions that were suitable to bring forward and record in settings such as formal meetings, negotiations, proposal memos, reports covering different topics, etc. The advertising industry in Sweden in the period was a relatively small world, where most key individuals knew one another. Many informal meetings and contacts surely took place, but the traces of these are generally not found in the archives. Here the personal archive of Erik Elinder has been valuable. Elinder was a leading figure in the Swedish advertising industry from around 1950 onwards. He bought an authorized advertising agency at the end of the 1940s and built up a whole group of advertising and marketing companies. The archive contains his frank correspondence with one of his closest co-workers, especially for 1963–1965, which gives an additional dimension to the analysis of the struggle of the cartel in the last years, though one personal to Elinder of course.¹⁴³

I have done research in a few company archives of advertising agencies. Parts of the archive of one of the largest agencies in Sweden during the period, Svenska Telegrambyrå, was discovered in 1988 in the basement of the advertising agency Ogilvy & Mather that had bought the Swedish agency in the 1970s (it is now deposited at the Swedish National Archives). This is in itself indicative of the rough treatment often meted out to the archives of advertising agencies. The American advertising agency J. Walter Thompson (JWT) is a rare exception, since its extensive archive in the US is available for research. JWT opened offices around the world in the late 1920s in order to handle its global account for General Motors, including in Copenhagen and Stockholm to cover Scandinavia. The correspondence and reports that concern Scandinavia offer the researcher an outsider's perspective on the Swedish market and the cartel.

In addition to these archival, and mostly unpublished, sources, a number of printed sources have been used. The trade press of the newspapers,

¹⁴³ Elinder's archive is surprisingly extensive, which seems rather unique for a personal archive, but it has not been ordered or indexed so the exact scope is unknown. It contains all sorts of documents: diaries, meeting protocols, financial statements, Elinder's personal weekly schedules, correspondence, printed advertising and more.

advertisers and advertising agencies provides additional information on issues and the course of events. In the trade press, the market is also put in its contemporary context. Biographies, newspaper articles and printed reports and investigations have been studied.

Research design

The research design is intended to capture the cartel's development and the organization of the market, guided by the theoretical concepts. As a first step, a broad reading and survey of large parts of the archival records was conducted in order to get an initial understanding of the sources and the general development of the organization of the market. Based on this initial work, four processes, or general patterns were identified, which correspond to the research questions and theoretical concepts of the dissertation.

On an overarching level the dissertation thus studies a process of repeated *negotiation* and *decision* (mainly formal, but also of informal or semi-formal character), followed by *interpretation* and *implementation* by the collective actors, after which the process was repeated. Both the organization of the market and the actors' principles and ideas become visible in these different stages. They contain the actors' actions and their debates, which were often entangled with one another. One could say that the process, with its essentially generic components, formed the basis of the organization of the market. Furthermore, the elements of the process could, and did, exist in parallel. For example, with negotiations ongoing between AF and TU, issues concerning the implementation of an earlier phase could be discussed among the actors. They should thus not be taken to have invariably happened in sequence, one after another in the same order.

Negotiations took place regularly between AF and TU, but also with the other collective actors, and boiled down to how the market should be organized and why. In the relevant sources, it is thus possible to identify how the market developed and the ideas a certain direction was based on. In the sources that concern *decisions*, these can further be studied. The commonest example here is the agreements between AF and TU that covered the actual outcomes of the negotiations. These seldom contained the arguments for a

chosen path, but their formulation is nevertheless indicative of how AF and TU viewed the market, and especially what they thought it should be like.

Implementation and *interpretation* are closely related. Implementation concerns what happened to the market as a consequence of the negotiations and decisions—the actions of the various agents in response to what had been decided. At the same time, implementation also concerned how the agents interpreted the agreements. As with all agreements, those negotiated by AF and TU were open to interpretation on what exactly a certain clause permitted (or not), or how entirely new events or situations should be handled. The element of interpretation also includes how actors other than TU and AF interpreted the organization of the market. This is where contemporary debate enters the analysis.

For all these elements I have set out to identify the expressions that concern AF's and TU's principles and ideas of how and why the market should be organized in a certain way. Duly scrutinized and set in relation to those of other market actors, and to the societal context, in this analysis the conception of control and moral community have been applied as the means by which developments might be understood. Again, the choice of theoretical concepts, as well as the research design, has been made in accordance with the assumptions of the dissertation, its purpose, and its research questions.

One important delimitation in the study is the focus on business interest organizations, rather than individual companies. The reason is that this was the level of organization on which the market rules were decided. Given the purpose of this dissertation, it thus makes most sense to study these organizations; however, the result is that some market actors are not as well represented in the study, including the non-authorized agencies for which there is no coherent archive. There are also differences between the organizations. Both TU and AF had a very high degree of representation—a majority of the newspapers and almost all authorized advertising agencies were represented in these organizations.¹⁴⁴ The Advertisers' Association did

¹⁴⁴ There were occasions when agencies left AF temporarily for different reasons. From the mid 1950s and onwards, when the number of agencies grew rapidly, there was also an increasing share

not represent a majority of all Swedish advertisers, but gradually gained a high number of member companies.¹⁴⁵ However, many of the members were very large advertisers and thus their economic significance was larger than their number would indicate.

Two other delimitations need explanation: the scope of ‘the market’; and what exactly is referred to with the term ‘cartel’ or ‘advertising cartel’. The market studied here is the Swedish market in advertisements, mainly in the daily press but also, to quite a large degree, printed magazines—not, then, the market for advertising as a whole. However, as already noted, the market for advertisements was the most important part of the advertising market, and the agreements between AF and TU affected conditions in the market as a whole. When referring to the cartel or the advertising cartel, this means AF, or the authorized advertising agencies that were almost always members of AF. However, the cartel was dependent on its agreements with TU. Thus, when TU is included I refer to the cartel agreements between TU and AF, or simply to their collaboration or cooperation. I have consciously avoided the term collusion, since this implies secrecy, which was not the case here.

The periodization of the study was decided by the important shifts identified in the existence of the cartel and the organization of the market, however the first empirical chapter (Chapter 2), looks at the industry structure and general developments in the whole period of 1915–1965, including descriptive statistics for the cartel and the market. This background in place, Chapter 3 treats the period from 1915 to 1925, when the cartel and collaboration with TU was established. Chapter 4 studies the period, 1926–1938, which was characterized by increased control of AF and TU, but also by increased challenges to the cartel and Chapter 5 the period 1939–1949, a period of wartime crisis, but also of opportunity for the cartel. Finally, the last period 1950–1965, is treated in Chapter 6 and concerns the slow breakdown of the cartel and AF’s and TU’s loss of control of the market.

of agencies that were not members of AF, see, for example, the compilation in Björklund (1967), p. 742.

¹⁴⁵ The Association of Swedish Advertisers had 62 member-companies in 1936, 273 in 1951 and 356 in 1960, see Carlberg (1999).

A note on translation

In Sweden, advertising agencies were initially called *annonsbyråer* (lit. *advertisement agencies*). It was not until mid century that the term *reklambyrå* (lit. *advertising agency*) came into widespread use. *Annonshyråer* tended to focus on the type of advertising that was published in the mass circulation media (thus not posters, brochures, etc.). I have chosen to translate *annonsbyråer* as ‘advertising agencies’, rather than reserve that for *reklambyråer*, which was a term used very seldom in the period in question, especially because in other countries the equivalents of the Swedish advertising agencies (that is, firms that dealt mainly with advertisements) are consistently referred to ‘advertising agencies’ in the literature. Thus, it makes most sense to denote *annonsbyråer* using the English term advertising agencies. Sums of money are given in Swedish kronor (SEK).

Chapter 2

The market structure and the advertising industry 1915–1965

In many ways, the Swedish advertising industry in 1915 and 1965 were two different worlds. In 1915, agencies were small, the agency business was focused on space brokering and the media landscape was dominated by newspapers. In 1965, some agencies had hundreds of employees, many different kinds of services were offered and the media landscape had undergone large changes with magazines, radio and television competing for people's time.¹⁴⁶ Swedish society was transformed, from a largely agricultural nation to an industrial, mass consumer economy with a highly developed welfare sector. In the mid 1960s Sweden was one of the richest countries in the world.¹⁴⁷ This transformation was a precondition for the growth and development of advertising and marketing as characteristic elements of modern society. However, the overall structure of the market for advertisements and the advertising industry remained roughly the same during the whole period, which was largely due to the cartel agreements between AF and TU. From the perspective of the advertising industry, the

¹⁴⁶ As has already been pointed out above, television and radio remained non-commercial until the early 1990s in Sweden. See Hadenius (1998), pp. 290–313 for the introduction of commercial television and radio.

¹⁴⁷ Schön (2012), pp. 13–15.

whole period was thus one of significant changes, but also of a degree of stasis.

The general features of the market and the advertising industry between 1915 and 1965 will be discussed in this chapter. It starts with a brief overview of the market and the key principles of the cartel, followed by a description of the development of the advertising industry. This includes descriptive statistics for key factors such as the number of advertising agencies and the economic development of the cartel. Lastly, the general development of the media, mainly newspaper advertising and the advertising industry, is discussed. While this is largely a descriptive chapter that serves as a background to the other chapters, it builds on the full range of primary sources as well as previous research.

The general market structure

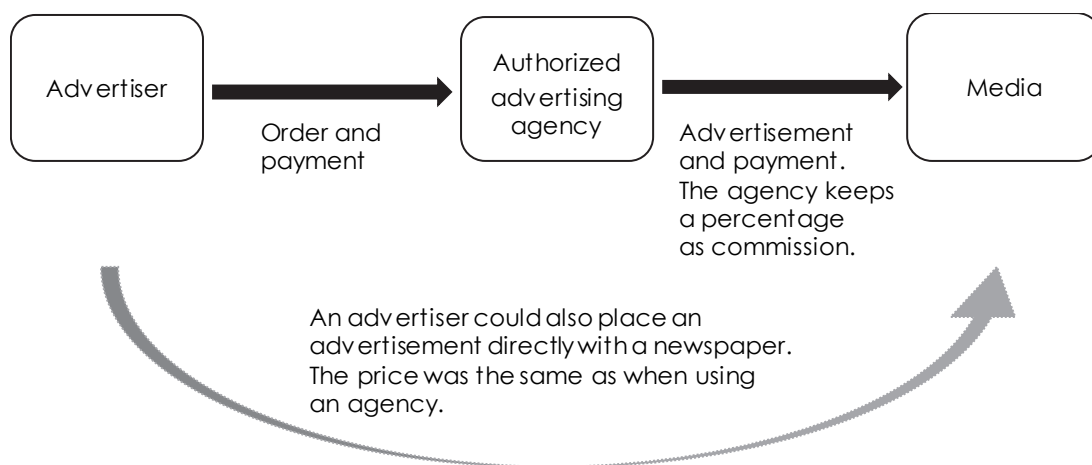
The cartel agreements between the advertising agencies and the newspapers reinforced a specific kind of market structure, which was based on the relationship between advertisers, advertising agencies, and the media that had developed during the late nineteenth and early twentieth century. As already noted, this relationship—with variations—existed in many other countries as well.¹⁴⁸ What the Swedish case shows is a far-reaching attempt to organize and control the market by AF and TU, to an extent not seen in the literature on other markets.

It is useful to describe what the basic relationships looked like using an example (visualized in Figure 2.1). If an advertiser wanted to advertise in the daily press, it could either go straight to the newspapers or employ an advertising agency. An agency handled all the contacts with the newspapers, it made sure that advertisements reached the right newspapers in time, and

¹⁴⁸ For accounts of the general market structure and the development of advertising, media and advertising agencies during the late nineteenth and twentieth century, see for example Laird (1998); Pope (1983) on the US; Nevett (1982) on Britain; Johnston (2000) on Canada; Bendix Andersen (2011) on Denmark; Heinonen (2000) on Finland; Myrvang (2009), pp. 75–130 *et passim*; Trygve Dalseg (1984) on Norway; Swett et al. (2007) on Germany and Martin (2012) on France.

that the ads were published in the right place. The agency worked on commission from the newspaper where the agency sold the advertisement space, ranging from roughly 15 to 20 per cent depending on the type of newspaper—if an advertiser placed an advertisement for SEK 100 through an agency, the agency earned between SEK 15 and SEK 20. This implied that after the work with creating an advertisement or campaign had been carried out, the agency still earned between 15 and 20 per cent on all advertisements that they brought to the newspapers. There was thus an incentive for the agencies to publish the same advertisements as many times as possible in many different newspapers. The basic idea with the cartel was that the price that an advertiser paid should be the same, no matter if the advertiser used an agency or placed the advertising itself. If the advertiser did not use an agency, it still had to pay SEK 100 for its advertisements.

Figure 2.1 Visualization of the relationship between advertisers, authorized advertising agencies and media.



Key principles of the cartel agreements

It is useful to start by considering the basic conditions for cooperation that existed in the advertising industry and the market for advertisements. Both the advertising and newspaper industries were characterized by a large

number of companies. One condition was that these companies as a first step formed organizations through which they could collaborate. For each newspaper publisher and advertising agency individually, this would have been impossible.

According to the literature, Sweden's unregulated market in the period before 1915 was characterized by chaotic conditions and price wars. Advertisers used their financial clout to play off agencies and newspapers against one another in order to push the prices down. The background to the formation of the Swedish cartel and the collaboration between AF and TU should be sought in this development. Agencies and newspapers had much to gain by reaching some kind of agreement to control competition.¹⁴⁹

In around 1915 several initiatives contributed to the development of the cartel and AF's and TU's increasing control of the market. The most important regulation set down that all parties to the market had to respect the prices of the newspapers. Newspapers usually published their prices and their various levels of discounts every year, and under the cartel it was prohibited to deviate from the official prices. This was a key regulation in the early agreements between TU and AF, and it was stipulated that an agency or a newspaper that broke the regulations would be fined. An organizational body, which would shift character somewhat over the years, was set up to police the agreement and deal with violations.¹⁵⁰

It was also stipulated that agencies could not share their commission with an advertiser. This was called rebating and would become one of the most contested market principles. The reason for the prohibition from the agencies and newspapers' perspective was that rebating made it possible for

¹⁴⁹ See, for example, "Betänkande rörande annonsavtalet mellan Svenska Tidningsutgivareföreningen och svenska auktoriserade annonsbyråer utarbetat av AF med anledning av TUs förslag till Annonsavtal 1937", del I, oktober, 1936. Folder 8, Box 1, AF; 'Pressens Annonsfråga 1913', Vol 5, Svenska Telegrambyrån, RA. See also Björklund (1967), pp. 710–11 and Wärneryd (1952), pp. 22–25.

¹⁵⁰ Gustafsson (1974), p. 2; see also 'TUs och AFs överenskommelse gällande från 1 januari 1924' and 'Annonsavtalet 1925', Folder Annonsvtal, AF. In the early agreements between 1915 and 1923 there was also a clause about a penalty fee and a council that could be created to take decisions in cases of violations, see, for example, 'Kontrakt', bilaga till sammanträde med Pressens Förtroenderåd, 10 april, 1919, ÖÖ Bihang I:1, TU, RA.

an advertiser to push the prices down. In the competition for clients, advertising agencies could be tempted to offer rebating as a means to win the account, and it could end in some advertisers paying less for an advertisement than the newspaper's price list stipulated. In other markets, such as the US and the UK, the practice of rebating was also contested.¹⁵¹ The principle that evolved in Sweden, which the newspapers and agencies pushed for, was that an advertiser should pay the same amount for an advertisement, no matter if an advertising agency was used or not.¹⁵²

Another key aspect of market regulation was the introduction of an authorization procedure. It was only agencies that had been authorized by TU that were allowed to receive commissions from the newspapers. If a non-authorized agency placed advertisements in a newspaper, according to the rules the newspaper was prohibited from paying the agency any commission. The authorization procedure was both a personal and a company authorization. Under the agreement reached in 1930 between TU and AF, personal requirements were specifically stipulated for a person to gain authorization whereas earlier it was an informal norm that an advertising agency should have a skilful owner and leader. There are a few examples of non-authorized persons buying advertising agencies and thereby taking over the authorization that had been granted to another person at the outset.¹⁵³ From 1958, the power to grant authorization was placed in the hands of another, more neutral, organization—one of several concessions that the cartel had to make at this time.¹⁵⁴

The situation for non-authorized agencies was tricky, because the rules on commissions made it difficult for them to be sufficiently reimbursed for some of their work. If using an authorized advertising agency, an advertiser had the service 'for free', since it was the newspapers that paid the agency commission and not the advertiser. A non-authorized agency, on the other

¹⁵¹ See, for example Pope, (1983), pp. 158–160; McFall (2004), p. 70.

¹⁵² For an early account of this point of view see "Tariffcentralen och dess betydelse för den svenska annonsmarknaden", signaturen W, *Pressens Tidning*, No. 3, 1920.

¹⁵³ For example, the agency Allmänna Annonsbyrån was bought by two new owners, Knut Laurin and Gunnar Rune in the mid 1930s and the agency Wilh. Anderssons Annonsbyrå was bought by Erik Elinder in the late 1940s.

¹⁵⁴ Gustafsson (1974), p. 51.

hand, was not allowed commission, and thus had to charge the advertiser for the amount of work done, which put these companies in an unfavourable position. Another consequence of the regulation was that the scope or nature of the service provided by the authorized agencies that was supposed to be covered by the commission easily became contested: it was not always clear what this so-called 'free service' actually included, or what could be included.¹⁵⁵

That advertising agencies should be completely freestanding and independent companies, without ownership ties to either advertisers or media, was another important principle. This was already being used as an argument against new authorizations in the late 1910s, but it was not stipulated explicitly until the 1931 Advertisement Agreement.¹⁵⁶ One reason was that advertising agencies should be free to give their clients advice that were based purely on what was best from an 'advertising point of view'. Another was that the newspapers wanted to favour advertising agencies that worked to enlarge the potential stock of advertisers, and not only on behalf of a few advertisers.

Payments were usually made after an advertisement had been published, and thus newspapers were reliant on advertising agencies being financially solid. Both before and after the start of regulation in 1915, it was not unknown for advertising agencies to default, unable to pay the newspapers for the advertisements that they had already published. Financially weak advertising agencies were thus a threat to the newspapers' finances. Faced with this situation, the response was to introduce strict capital requirements for advertising agencies in order to be authorized.¹⁵⁷

¹⁵⁵ For AF's view concerning what services that should be included in the commission see for example: 'Betänkande rörande Annonsavtalet mellan Svenska Tidningsutgivareföreningen och svenska auktoriserade annonsbyråer, utarbetat av AF med anledning av TUs förslag till Annonsavtal 1937', del III, oktober 1936, Folder 8, Box 1, AF. For the non-authorized agencies' point of view of see, for example, Sven O. Blomquist & A.W. Hauffman to TU, 25 augusti, 1939, F8e:F, TU, RA.

¹⁵⁶ 'Annonsavtalet 1925' and 'Annonsavtalet 1931', Folder Annonsvtal, AF.

¹⁵⁷ See for example Wärneryd (1952), p. 25. See also the advertisement agreements from, for example, the years 1924, 1925, 1931 and 1937 found in Folder Annonsavtal, AF.

Table 2.1 Overview of the advertisement agreements between TU and AF 1915–1965

<i>Year agreement came into force</i>	<i>Contracting parties</i>	<i>Changes introduced by the agreement</i>
1915-1923	Predecessor to AF (Tariffcentralen) and individual newspapers.	The start of the cartel, agreements were reached between AF's predecessor & individual newspapers
1924	TU and AF	The first central agreement, rebating was forbidden, formal capital demands on agencies
1925	TU and AF	Minor changes
1931	TU and AF	The agreement became more elaborate and took on a more 'official' character. Introduction of stricter authorization requirements
1932	TU and AF and TU/AF and the Andersén Group's Advertising Office	Minor changes in the agreement between AF and TU. Concession to a group of large advertisers that received a special status on the market termed the 'Andersén Group's Advertising Office' (Andersén-gruppens Annonsexpedition) in the 'Andersén Agreement'
1935	TU and AF and TU/AF and the Andersén Group's Advertising Office	Minors changes
1937	TU and AF and TU/AF and the Andersén Group's Advertising Office	Minor changes
1939	TU and AF and TU/AF and the Andersén Group's Advertising Office	Minor changes
1948	TU and AF	Minor changes to the agreement between TU and AF, the 'Andersén agreement' was cancelled by TU & AF
1951	TU and AF	Minor changes
1955	Contracts were reached between individual newspapers, with TU as intermediary & individual agencies.	Radical change to the agreement. The advertising agencies were redefined as agents of the newspapers.
1958	Contracts were reached between individual newspapers, with TU as intermediary & individual agencies.	Several changes due to the verdict against TU and AF in the Market Court

Source: Advertisement Agreements (*Annonsavtalen*) for respective years in Folder *Annonsavtal*, AF; Gustafsson (1974).

The cartel agreement between TU and AF was renegotiated several times in the period (Table 2.1). There was never a state of non-agreement during the 50-year period studied here. It is important to note that there continued to be agreements that regulated the market for newspaper advertising after 1965, but the power of the cartel had been broken when the key principles of the agreement that restricted competition were abolished in the mid-1960s.¹⁵⁸ The agreements and negotiations are discussed more in detail in subsequent chapters.

Overview of the advertising industry

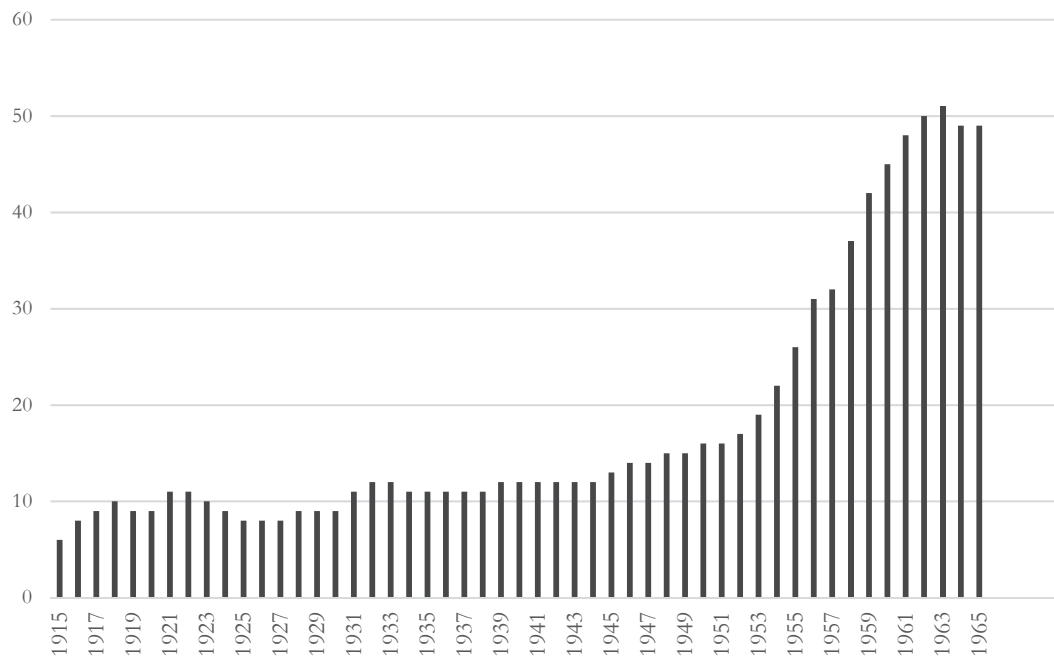
There are of course many ways to estimate the size of Sweden's advertising industry and the importance of newspaper advertising in the period. Considering that TU and AF restricted access to the advertising industry as part of their regulation of the market, one interesting measure is the number of authorized agencies. From the number of authorized agencies between 1915 and 1965 (Figure 2.2), it is plain that their number was relatively stable until around 1952, after which it increased dramatically. This was due to a more liberal authorization procedure (see Chapter 6).

It is useful to compare the number of authorized agencies with some other countries where there was also some kind of authorization procedure or recognition for advertising agencies. An investigation carried out in 1947 found that in Denmark there were 53 authorized agencies, in Norway 9, and in Finland 13. The number in Sweden at that time was 14.¹⁵⁹ The population in Sweden in 1947 was around 6,8 million, compared to 4,1 million in Denmark, 3,1 million in Norway and 3,9 million in Finland. The Swedish market was thus much larger than its neighbours'. Of course, these figures say nothing about industry regulation or how easy it was for non-authorized agencies to navigate the market.

¹⁵⁸ Gustafsson (1974), pp. 64–82.

¹⁵⁹ Report: '1947 års annonsutrednings betänkande', del III, p. 2, Box 2, AF.

Figure 2.2 Number of authorized advertising agencies 1915-1965.

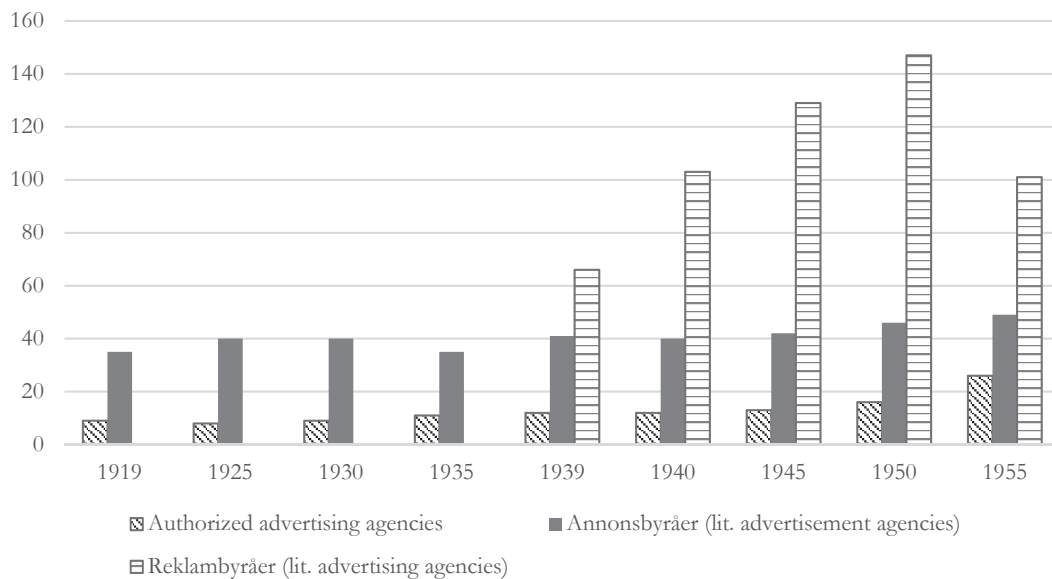


Source: For the years 1915-1954 the compilation is based on figures from advertisement agreements in Folder Annonstval, AF; TU's bi-annual meetings A3:2-A3:5; Protokoll från Pressens Förtroenderåd ÖÖ Bihang I:1-3, TU, RA. For years 1955-1965 the figures come from Björklund (1967), p. 742. Note: between 1915 and 1916, TU did not control authorizations. Between 1917 and 1923, the authorization process was not centralized under TU, but handled by a separate TU body, albeit with the support from TU's board.

An alternative method is to look at how many companies were involved in similar businesses. Sweden in this period had two words for advertising agency (see Introduction): *annonsbyråer* (lit. advertisement agencies) were agencies that specialized in advertising in the print media, while *reklambyråer* (lit. advertising agencies) were companies that offered all sorts of advertising-related products and services. The Swedish trade calendar, *Sveriges Handelskalender*, listed companies accordingly, and though the only requirement for being listed was probably that the company paid for it, making it a crude measure of the number of companies in the industry, it gives a sense of the numbers of authorized advertising agencies, *annonsbyråer*, and *reklambyråer* (Figure 2.3). In *Sveriges Handelskalender*, the category of *annonsbyråer* included the authorized advertising agencies, while *reklambyråer*

(which was first included as a category in 1939) had a few authorized advertising agencies, but mostly none. In 1957, *Sveriges Handelskalender* dropped all of the categories.

Figure 2.3 Number of authorized advertising agencies, *annonsbyråer*, and *reklambyråer* for chosen years between 1919 and 1955



Source: Figure 2.2. and *Sveriges Handelskalender* for the chosen years.

The number of authorized advertising agencies represented less than half the total number of *annonsbyråer* in 1919–1955. The development was relatively stable. The category *reklambyråer* was more diverse, with companies that based on their names worked with posters, film, general print advertising, window displays, and etc. Some were small, single trader companies; others were financially powerful players, such as Esselte Reklam, daughter company of the Esselte concern that included a publishing house and large printing and typesetting facilities. The fact that the category *Reklambyråer* was included for the first time in 1939 points to the growth in the number of companies, and could perhaps be interpreted as a sign of the increased importance of

advertising in general in society and business in the late 1930s.¹⁶⁰ The spike in the number of *reklambyråer* in 1950 and the subsequent decline was perhaps associated with more liberal authorization procedures, which made it easier for *reklambyråer* to be relabelled as authorized advertising agencies (*annonsbyråer*).

The economic development of the advertising industry

It is possible to gauge the economic development of the authorized advertising agencies since from 1925 all agencies were obliged to hand in financial statements to TU every year. This was a prerequisite for authorization and a control mechanism on TU's part. There are financial records in TU's archive for the years up to 1959. The problem with these sources is that the method by which the financial statements were constructed was not uniform, whether by company or over time. There are also financial statements missing from different companies and for different years, which however appears to be random, and is less of a problem compared to the lack of uniformity. Two agencies, Gumaelius and Svenska Telegrambyrå, represented almost 50 per cent of the market of the authorized agencies, at least in the 1920s and 1930s. Thus, when one of their statements is missing, which is the case on three occasions (Gumaelius in 1929 and Svenska Telegrambyrå in 1936 and 1942), that of course skews the result.

As a measure of turnover, I have used what is often denoted 'income' (*inkomst*) or 'earnings' (*intäkter*) in the financial reports in order to get an idea of the total income of an agency in a given year. This figure is often, but not always, around 15 per cent of the total value of all the advertisements—often termed 'sales turnover' (*försäljningsomsättning*)—created by an agency, since this was the approximate level of commission that an agency got. Sometimes the figure denoted 'income' or 'earnings' in the financial reports is evidently too low; that is, deductions have been made so that it does not reflect the

¹⁶⁰ Gardeström (2018), pp. 66–67, for example, points at the 1930s as a decade of increased optimism among advertising professionals.

agency's total, or gross, income. In such cases, I have used two methods to adjust the figure, either estimating the average level of commission of that specific agency by using numbers from previous years, if such are available, or, if previous figures are not available, estimating the income to be 15 per cent of 'sales turnover', if that number is available. As a measurement of financial results, I have used net profit or loss—that is, the profit left after taxes and other deductions. This measure is far from perfect, since agencies could make adjustments in order to reach the final profit figure they deemed desirable. It is, however, one figure that exists for all agencies. Since there are some missing data and some extreme values, the median value has been used to obtain a more accurate picture of developments.

The annual change in turnover for all authorized agencies and the financial result as a percentage of turnover for all agencies is shown in Figure 2.4. During the Great Depression in the early 1930s turnover fell dramatically, and the same happened at the outbreak of the Second World War. It is important to remember that Sweden was neutral and never directly involved in the war. During the war the agencies recovered quickly, which was largely due to the government's increasing importance as an advertiser (I will return to the relationship between the cartel and the government in Chapter 5). After the war, turnover improved, although with large fluctuations, while results trended downwards. As already noted, however, results could be adjusted by the agencies. For example, a report by TU in 1948 noted that it seemed that agencies preferred to pay large salaries and give other benefits, particularly to managers, rather than show large profits.¹⁶¹ Later descriptions, largely based on interviews with persons who used to work in the industry also comment on the lavish lifestyle of advertising agency managers in the 1950s and 1960s.¹⁶² In conclusion, the figures must be read critically and cannot be taken to reflect completely accurately the

¹⁶¹ Report: 'Utredning rörande de auktoriserade annonsbyråernas ekonomiska utveckling under åren 1947-1949', F8c:15, TU, RA. See also an accusation of the 'reckless spending politics' of the agencies in Protokoll från sammanträde med TUs styrelses arbetsutskott, 18 september, 1947, A1:9, TU, RA.

¹⁶² See for example Wigstrand (1999), pp. 30–31; Boisen (2003), pp. 23–25.

actual economic development of the authorized agencies. Still, they give an indication of the economic conditions of the industry.

Figure 2.4 Result as percentage of turnover and the annual change of turnover for all authorized advertising agencies.

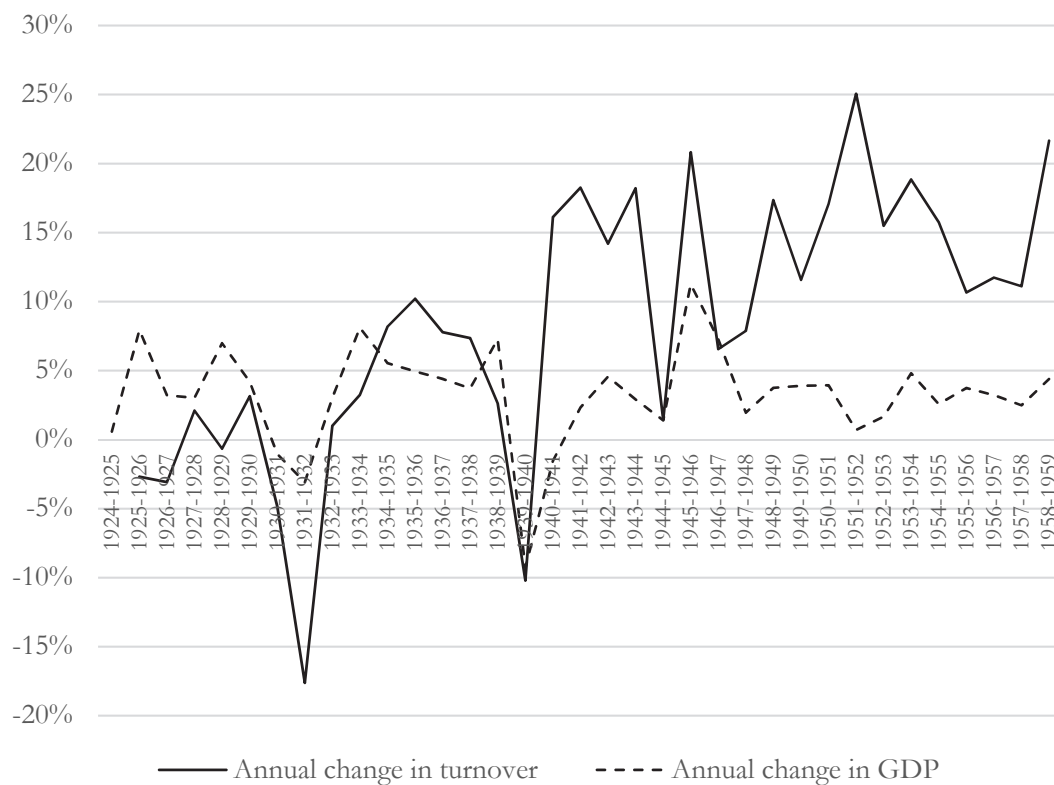


Source: calculations based on financial statements for all authorized advertising agencies in F8d:1-10 for years 1925-1959, TU, RA.

The annual change in the authorized agencies' turnover is compared to the annual growth of Swedish GDP in Figure 2.5. One conclusion to be drawn from this figure is that it seems that changes in the economy tended to be amplified in the advertising industry. Thus, during the Great Depression in the early 1930s, the agencies' turnover dropped far more than the drop in

GDP, while during the Second World War the advertising agencies grew more than GDP, a trend that continued in the post-war period. The figures thus confirm the increasing importance of advertising in Swedish society after the Second World War.¹⁶³ In comparison, in the 1920s growth in the advertising industry was lower than the growth of the national economy. Over the whole period, the turnover of the cartel grew on average 8.42 per cent year on year, while the average for annual GDP growth was 3.28 per cent.

Figure 2.5 Graph showing annual change of turnover for all authorized advertising agencies and annual GDP growth.



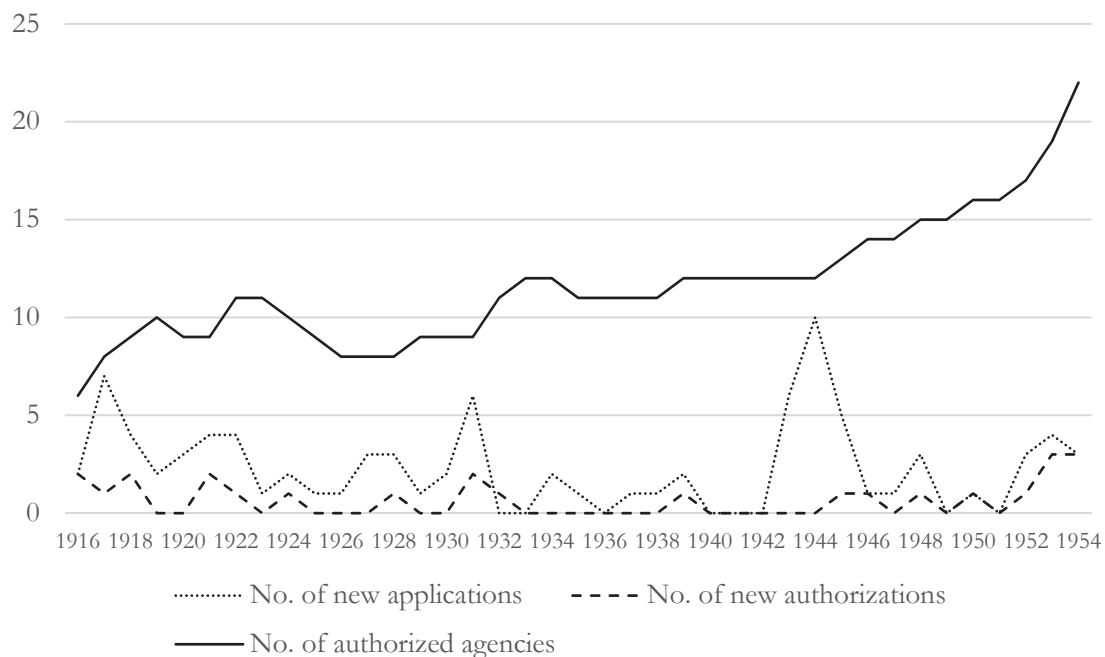
Source: see figure 2.4 and selected years in 'Yearly GDP growth in Sweden 1800-2000' (Årlig BNP-tillväxt i Sverige 1800-2000) at www.historia.se, accessed 30 May 2019.

¹⁶³ Funke (2015), pp. 59–62; see also Björklund (1967), pp. 742–47.

Applications and authorizations of advertising agencies

From 1915 the number of advertising agencies that could work with advertisements in the daily press was thus limited to the agencies that had TU's approval. Until 1923 the authorization process was handled by a special body in TU called the 'Press Trust Council' (Pressens Förtroenderåd), often in close collaboration with AF. After 1923, it was the TU board that took decisions.

Figure 2.6 Overview of number of new applications, new authorizations and authorized advertising agencies 1916-1954.



Source: For the number of authorized agencies see figure 2.2. The other figures are based on records in Pressens Förtroenderåd, ÖÖ Bihang I:1-3 and F8e:1, TU, RA, and the minutes of Tariffcentralen 1915-1916, Box 1, AF. Every application has been counted, even if it was the same person applying more than once, which happened on several occasions for example in the late 1920s and around 1944 and 1945. I believe that this gives the fairest picture of the application- and authorization process.

It is reasonable to assume that more would have liked to apply for authorization, but since the criteria became increasingly strict in the 1920s, many were probably discouraged. The application and authorization process reveal several aspects of the collaboration between AF and TU—for example, the grounds on which new authorizations were granted, and how AF and TU justified their restrictive policy on prospective entrants. I will return to the application and authorization process in later chapters.

The number of authorized agencies, number of applications, and number of new authorizations is given in Figure 2.6. The low number of new authorizations is evident. The peak in applications in 1944 may reflect growing optimism towards the end of the war, perhaps because advertising professionals envisaged a promising advertising market once peace came. After 1955 the increase in applications means the sources are too scattered for it to be possible to compile applications and new authorizations in the manner shown here.

The value and work of advertising agencies

What was the value of the advertising agencies? From the newspapers' perspective, the agencies' main function was sales. They brought advertisements to the daily press, which was an increasingly important source of income for the newspapers.¹⁶⁴ Acquisition of advertisements for the newspapers remained a key function into the 1920s, but there was also a development towards increasing service for advertisers.¹⁶⁵

From the advertisers' perspective the advertising agencies simplified a process that was often very complicated.¹⁶⁶ Clichés (in the printing sense)

¹⁶⁴ See Jonsson (1982), particularly pp. 19–54 for the development between 1935–1978; see also Wärneryd (1952), pp. 17–18.

¹⁶⁵ Björklund (1967), pp. 710–11; see also the description in Wärneryd (1952), pp. 13–32.

¹⁶⁶ However, historian Daniel Pope discusses the rationale behind the existence of early twentieth century advertising agencies and that it is, from a transaction cost perspective, difficult to explain the development and growth of the advertising industry business in the US. See Pope (1983), pp. 150–54.

needed to be produced so that an original advertisement could be reprinted in many copies. Typesetting was also required. The level of complexity varied according to the kind of advertisement. For unique advertising campaigns, special clichés needed to be used so that the advertisements' appearance was in line with the original intention once they were printed in the newspapers. Advertisements had to be supplied to the newspapers across the country at specific times to suit the printing process. The layout, typesetting, and printing of the newspaper with all its content, including advertisements, in the right place, demanded great care. An advertiser was of course also interested in making sure that the advertisements that had been paid for appeared in the right place, in the right way, in the right newspapers. The advertising agencies thus also had a controlling function on behalf of the advertiser.¹⁶⁷

This description serves to illustrate the many parts of the process that was needed in order for a large advertising campaign to be realized. From this perspective, the advertising agencies served an important function in terms of technological production and distribution. Besides the creation of the content and idea of the advertising in itself, it was a major technological and distributional challenge to run a large campaign.

The technical and distributional work was labour intensive. The largest advertising agencies often had their own typesetting and cliché workshops from the 1920s onwards. In 1927, the largest Swedish advertising agency, Gumaelius, had 132 employees in their main office in Stockholm, and 26 in the print and typesetting workshops. Include the cliché staff (mainly errand boys) and the so-called 'technical office', and the number of employees involved in the technical part of the business was 46. The creative work also took time and effort, but in comparison the number of employees in the editorial and art departments at the time was only 11.¹⁶⁸

¹⁶⁷ For a description of the work of a large Swedish agency in the 1920s, see von Sydow (1927), pp. 87–124. For a description of the work of Swedish advertising agencies in the late 1940s and early 1950s, see Wärneryd (1952).

¹⁶⁸ von Sydow (1927), pp. 169–76. In the early 1920s some of the largest American advertising agencies, for example, J. Walter Thompson, had already begun to implement more systematic and sophisticated methods to build brands and create advertising campaigns, using consumer and market research, see Schwarzkopf (2010).

The advertising agencies mostly worked on behalf of national advertisers—large companies that sought to advertise across Sweden in numerous newspapers and magazines—while so-called local advertising was more often placed directly with a newspaper. However, compared to how we perceive advertising agencies today, the large agencies in this period handled very small orders by private persons too: for example, advertisements for jobs placed in a handful of regional or national newspapers. TU was generally positive to that side of the advertising agencies' business, since the many small advertisements were important for the newspapers.¹⁶⁹



Figure 2.7 Interior from Gumaelius' office in Stockholm in 1926, showing the desk where customers ordered the placements of advertisements. Source: von Sydow (1927).

¹⁶⁹ See for example the reasoning in a 1943 TU report: 'TUs annonskommittés utredning 1943', pp. 9–12, F8f:3, TU, RA.



Figure 2.8 The "Ervaco-kitchen" (Ervaco köket) from 1949 where advertisers could try products, edit recipes and use for photographs and films. Source: "Er annonsbyrå inför 1950", Ervaco, F8d:5, TU, RA.

From the 1930s and onwards the services offered by the advertising agencies developed even more. This was partly due to the cartel agreements, which prohibited agencies from competing on price and instead promoted competition on 'service' or 'quality'.¹⁷⁰ Many of the largest agencies developed into what were called 'full-service' agencies offering a wide range of services such as market research, testing of products, publicity activities, exhibitions, outdoor advertising, mail advertising, and more.¹⁷¹ One example is the services offered by one of the larger agencies, Ervaco, as described in an information leaflet in 1949. The leaflet made much of the agency having its own 'test kitchen' (*provkök*), market research department, sales planning department, and department for internal company information, and its own

¹⁷⁰ For a discussion on the service competition see Wärneryd (1952), pp. 119–22

¹⁷¹ Ibid, pp. 113–19.

‘pen club’ (*pennklubb*) to develop the written language in advertisements.¹⁷² However, newspaper advertisements remained the largest advertising media, at least until the 1980s.¹⁷³

The advertising industry and newspaper advertising

As an advertising channel, newspapers were dominant in Sweden for the whole period in question, 1915–1965. The newspaper publishers’ association, TU, had been founded in 1898 and was an influential business interest association.¹⁷⁴ The evolution of the daily press, and with it newspaper advertising, was closely related to the changes brought about by industrialization. New technology had in the late nineteenth century revolutionized the newspaper business: innovations in print technology and paper production made the printing of newspapers cheaper and faster, and the development of Sweden’s railways enabled better distribution. At the same time, there were new demographic and consumer patterns, as people moved from the countryside to towns and cities. Bourgeois ideals, where newspaper reading was an important part, became more widespread, and the working-class movement held to its ideas of the importance of education. In the newspaper industry there also developed an idea about keeping the price low for readers by increasing the income from advertisements. The papers should be focused on news material and other content that would be entertaining for mass readership.¹⁷⁵

The new media, radio, was initially discussed as a threat to the newspapers in the early 1920s.¹⁷⁶ When broadcasting started in Sweden there

¹⁷² ‘Er annonsbyrå inför 1950’, Folder: Aktiebolaget Ervaco, F8d:5, TU’s archive, RA.

¹⁷³ Broberg et al. (2016), p. 36.

¹⁷⁴ Gustafsson & Rydén (2001), p. 150.

¹⁷⁵ Jonsson (1982), pp. 19–21. See also Schön (2012), pp. 246–50.

¹⁷⁶ See for example: ‘Rundration och tidningarna’, *Pressens Tidning*, June 1, 1923; ‘Annonsering pr rundradio’, *Pressens Tidning*, August 15, 1923. Hadenius (1998), pp. 19–21 notes that some

was confusion concerning how to finance the programs and during 1923 and 1924, some programs were paid for by advertisers.¹⁷⁷ In 1923 the second largest advertising agency, Svenska Telegrambyrån, was involved in creating advertising messages to be broadcast in connection to music programs twice a week.¹⁷⁸ Around this time, radio was organized into a new monopoly company, Radiotjänst, with the newspapers as the majority owners. Advertising soon vanished from the radio. Swedish broadcast radio would remain non-commercial until the liberalizations of the market in the early 1990s.

Magazines were the fastest-growing print media in the 1920s and 1930s. They could more easily benefit from people's increased interest in print images and their increased purchasing power. However, the daily newspapers maintained their strong position. The period 1919 to 1936 has been denoted the 'golden years' for newspapers in Sweden. The number of newspapers published once a week or more reached a peak in 1919, when 258 papers were published, but the number of papers that were published six days a week remained almost constant until the so-called 'newspaper death' in the 1950s, when many papers were shut down or publishers merged with other businesses.¹⁷⁹

In terms of changes in the media landscape and potential advertising channels, the introduction of television broadcasting was of course another important change. In 1954, an official inquiry into television and potential financing for regular broadcasting published its report. The views of TU and AF diverged considerably. AF, like the advertisers' association, was generally positive towards commercially financed television; TU, however, strongly discouraged commercial television, referring to the probable negative effects such a development would have on the newspapers' finances.¹⁸⁰ In end, the

newspaper representatives were more optimistic and hoped that the newspapers could play a role when radio was to be financed and content created.

¹⁷⁷ Hadenius (1998), p. 34.

¹⁷⁸ Svenska Telegrambyrån (1942), pp. 53–55.

¹⁷⁹ Gustafsson & Rydén (2001), pp. 142–150.

¹⁸⁰ SOU 1954:32, 'Televisionsutredningen', pp. 106–14. See also minutes from AF, for example: protokoll från sammanträde med AF's styrelse 19 december, 1958 & 15 januari, 1959, Styrelseprotokoll från AF 1943–1958, Box 2, AF.

public service television monopoly that started regular broadcasts in 1956 remained non-commercial until the early 1990s. I return to the question of television, the cartel, and the differing interests of the collective agents in the market in Chapter 7. According to the Swedish economic historian Sverker Jonsson, the largest change in the advertising landscape between 1935 and the 1970s was the decreasing share of newspaper advertising, from around 75–80 per cent of the total advertising volume to 65 per cent in 1978, while other forms of print advertising known as *trycksaksreklam* (brochures, leaflets, flyers, business cards, etc.) increased from around 10–15 per cent to 25–30 per cent in 1978.¹⁸¹

Advertising spending and newspaper advertising

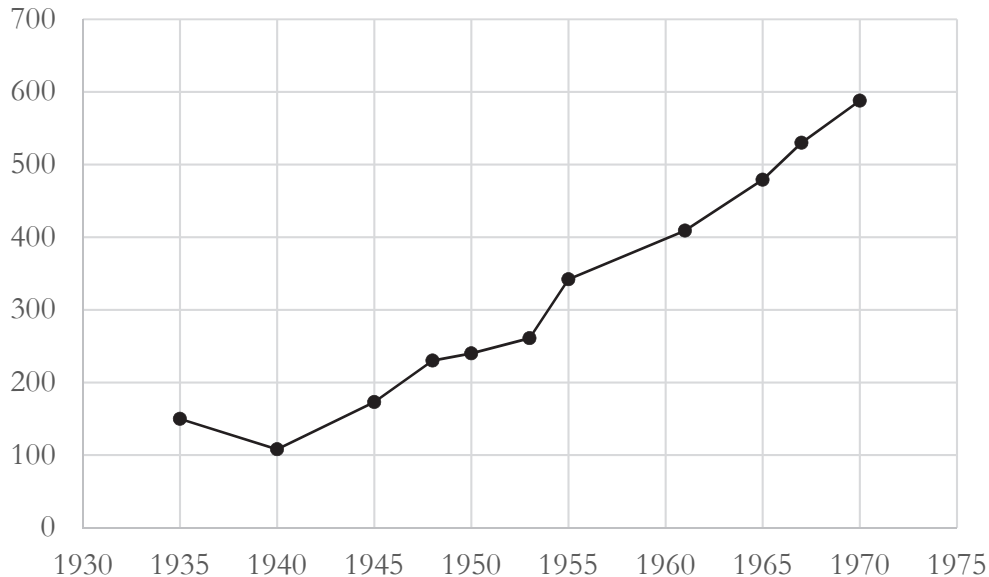
Information on the development of the total cost for advertising and newspaper advertising in Sweden can be found in the literature. Jonsson proposes several measures of the development of advertising in Sweden and its role for newspapers, one of which can be used to the development of total advertising costs in Sweden, adjusted for inflation, from 1935 until 1970 (see Figure 2.7). The lack of sources for the costs for various sorts of advertising media means that the series is necessarily based on newspaper advertising, which given the purpose of this dissertation is not a bad thing. Jonsson points out several weaknesses in the sources, but the estimate is the closest we can get to actual developments. In 1935–1970, advertising spending increased about four times. As a percentage of GDP, advertising costs in nominal prices stayed roughly the same at around 1.5 per cent of GDP in the same period, except in 1940 when it fell to 1 per cent.¹⁸²

The authorized advertising agencies could of course take advantage of the increase in advertising costs, which is reflected in the growth of the agencies' turnover. However, the growth in turnover from year to year shows more volatility compared to the general development of advertising costs.

¹⁸¹ Jonsson (1982), pp. 338.

¹⁸² Jonsson (1982), p. 361.

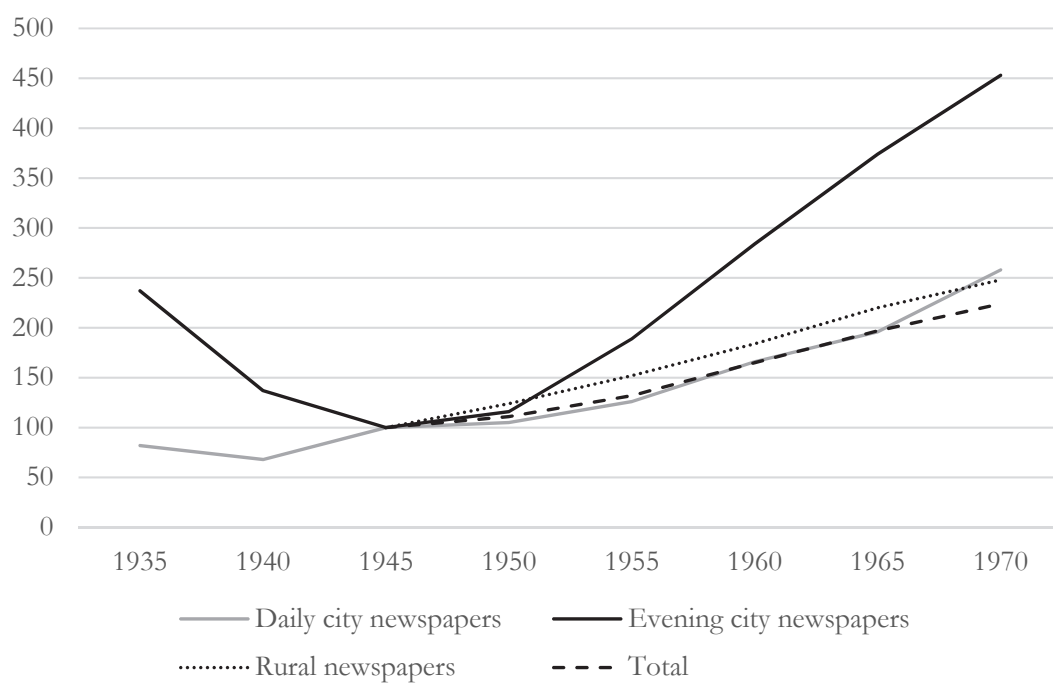
Figure 2.9 Overview of total advertising cost in Sweden 1935-1970. Real prices in million SEK with base year 1935.



Source: Jonsson (1982), p. 361.

Jonsson also estimates the scope and thus importance of advertising for the daily press and popular magazines. For the purposes of this dissertation it is useful to have some kind of measure that shows the trend in newspaper advertising volume. An index series of advertising volume measured in so-called *spaltkilometer*, or ‘column kilometres’, in different categories of newspapers—a measure of the attractiveness of the various kinds of printed mass media—is given in Figure 2.8. The evening newspapers saw the largest increase in advertising volume after the Second World War, but the other newspapers also more than doubled their advertising volumes between 1945 and 1970. Clearly, despite the ‘newspaper death’ of the 1950s, the total volume of advertisements brought to different parts of mass media continued to increase. The development depended more on how the advertisements were placed in different types of newspapers, with some types, such as the evening newspapers, growing far more than others.

Figure 2.10 Index series of advertising volume in different categories of newspapers 1935-1970, based on "column kilometres" (spaltkilometer), 1945 = 100.



Source: Jonsson (1982), p. 362.

Chapter summary

This chapter sets out the salient features of the advertising industry and the market for advertisements for the whole period in question, 1915–1965. It provides a broad picture, with key statistics that shed light on general developments. The market relationships are described, along with the key principles of the cartel agreements between AF and TU. These included:

- No deviations from the newspapers' official prices
- A ban on rebating (sharing commission with an advertiser)
- TU granted authorization to advertising agencies (until 1958)
- Only authorized agencies could receive commission
- Authorized agencies should be completely free-standing, independent companies
- Strict capital requirements on advertising agencies

These regulations evolved in the early years of the cartel and were fully established by the 1931 Advertisement Agreement. In the last decade of the cartel's existence they were increasingly questioned.

The number of authorized advertising agencies remained small until the mid-1950s, when TU started to grant authorizations more generously. The number of applications for authorization was also relatively low. The limited number of potential advertising agencies may have played a part in this, but also the realization that there was only the slimmest of chances of being granted authorization.

Several measures of the economic development of the advertising industry in the period have been considered. They generally confirm the picture of advertising in Sweden given in the literature, particularly for the increase in the post-war period. However, this is the first time the cartel's economic development has been mapped. The cartel's turnover showed considerable growth, averaging over 8 per cent per year, which can be compared to the average GDP growth in the period, which averaged just over 3 per cent per year. The level of profit on the other hand, showed a downward trend, but this result should be interpreted with caution, due to

the problems that have been noted with the sources. Advertising spending as a whole in Sweden increased from 1935 onwards, and newspapers maintained their strong position as advertising media, even though other forms of print advertising took a greater share of the total amount spent on advertising.

It is interesting to note that the growth in turnover of the authorized agencies varied considerably from year to year, even though it was mostly positive. This could reflect a vulnerability of the agencies if, for example, a few large clients from one year to the next decided to substantially decrease their advertising budgets. This, together with the declining profit levels was probably a problem from the agencies' perspective. It also points at a not altogether comfortable existence for the advertising cartel, despite its privileged position. On the other hand, as has also been discussed, it is probable that the leadership of the agencies preferred to pay large salaries rather than letting their agencies show high profits.

Chapter 3

Shaping the market 1915–1925

It appears to me as if whole our business is being gradually pulled into a direction of mechanical craftsmanship where the monetary side has been made the decisive one and where merits seen from an advertising point of view has to step aside.

The statement above was made by the advertising agency owner Gunnar Stenbeck at one of the first meetings with the predecessor to AF, Tariffcentralen, in 1916.¹⁸³ At the meeting, the participating agencies, six at the time, agreed to regulate the competition between them in a number of ways. The agreement that was reached implied that the agencies could not intentionally approach one another's clients, and if an advertiser, which was knowingly already an agency's client, approached another agency, the second agency had to coordinate with the first, and was forbidden to make an offer that undercut the first agency's.¹⁸⁴ Stenbeck was the only person at the meeting to object to parts of the agreement, since he believed it would channel the agencies' energy away from the 'advertising point of view' into

¹⁸³ Statement by Gunnar Stenbeck in: protokoll från sammanträde med Tariffcentralen, 12 oktober, 1916, Tariffcentralens protokoll för åren 1915–1916, Box 2, AF.

¹⁸⁴ Protokoll från sammanträde med Tariffcentralen, 3 januari, 1916, Tariffcentralens protokoll för åren 1915–1916, Box 2, AF.

only economic aspects. Stenbeck furthermore believed that there was something ‘humiliating for all of us in the ... categorical ban on approaching clients’. It heavily restricted the agencies’ freedom of action. In addition, he stressed the danger of awakening the mistrust of advertisers if they learned about the tenor of the agreement. The risk was that the freedom of advertisers to engage in business with whatever agency they wanted would be curtailed.¹⁸⁵

Stenbeck’s objections were significant, because they illustrate some of the key aspects of the early history of the cartel. More than that, the issues he raised were in essence the ideas and principles that would remain contested until 1965. By what means could competition take place in the cartel? What consequences would it have, above all for their relationship with advertisers? Moreover, Stenbeck’s juxtaposition of the ‘monetary’ and the ‘advertising’ side of the advertising agencies’ business is the central conflict in a nutshell. Gradually, the agencies in the cartel would come to hold the completely opposite view to Stenbeck: it was only thanks to a strictly regulated market and relationships—the monetary aspects in Stenbeck’s words—that advertising could prosper.

This chapter maps the first decade of the collaboration between the advertising agencies and the newspaper publishers. How did they try to organize the market during this period? What were the key principles that evolved in their cooperation, and how did they relate to general views on competition and cartels? I begin by looking at views on competition and cartels, and the role of advertising during this period, and then the organization of the market and how it evolved. The principles of competition in the cartel are discussed, as is how competition played out between the various agents. This process reveals how the agreements between TU and AF shaped the development of the advertising industry. Lastly, I address the advertising cartel’s position on inclusion and exclusion, using the sources on the individuals and companies that applied to become authorized advertising agencies.

¹⁸⁵ Protokoll från sammanträde med Tariffcentralen, 2 november, 1916, Tariffcentralens protokoll för åren 1915–1916, Box 2, AF.

Views on competition and the role of advertising

As this dissertation seeks to connect views on cartel competition and legitimate business practices with the wider contemporary discourse, it is useful to look at what other sources and literature have to say on the matter. In the most widely circulated Swedish encyclopaedia, *Nordisk Familjebok*, from 1911, competition was defined as a ‘contest between several with the purpose of achieving the same goal’. In economics this meant competition between several sellers of goods and services with the purpose to dispose of them, or between several buyers to ensure access to goods or services. Free competition was defined as the freedom of the individual to compete in all parts of economic activity—mainly focusing on freedom in terms of acquisitions and agreements—described in mostly positive terms, since it helped to bring about normal prices and served as an incentive for competing parties to do their utmost, where especially producers were driven to produce the best possible products in the best way and at the lowest cost. However, the encyclopaedia also stated that free competition did not automatically mean that competitors could be forced to compete, for it was possible to refrain from competition.¹⁸⁶

The encyclopaedia recognized that competition could be devastating. Weak companies could be ruined, which was acceptable, but many solid companies risked difficulties too. Unemployment could be one negative consequence; another, so-called ‘disloyal competition’. This meant that companies, in their efforts to stay competitive, were tempted to engage in deceptive methods such as spreading false information to portray goods and services as better than they were (for example misleading information about the production, quality, or origin of a product), bogus price discounts, humbug sales, or belittling competitors. Various measures could be taken to suppress such moves, of course—it was noted, for example, that Germany had adopted a law against ‘disloyal competition’ back in 1896.¹⁸⁷

¹⁸⁶ *Nordisk Familjebok* (1911), pp. 775–77.

¹⁸⁷ *Ibid.*

Cartels were described by the encyclopaedia as a ‘natural product of modern economic development’. Overproduction and crises could be avoided by better coordination, so that the supply of products was better adapted to demand. However, cartels could also misuse their power, and there was a risk of poorer technological advances due to the limited competition. Cartels could evolve into what were called *trusts*—economic units that became coordinated in one large organization. Cartels on the other hand, were more loosely coordinated since the different companies remained independent.¹⁸⁸ In the academic world in Sweden, the view of cartels and restrictive trade practices recognized both positive aspects and downsides, at least during the 1910s.¹⁸⁹ It is important to note however, that it was only companies in the producing or distributing sectors that were considered in contemporary research.

The definition of competition and cartels in the encyclopaedia can be related to the discussion of cartels in the Swedish Parliament in the 1910s and early 1920s. Most political parties had a relatively positive view of cartels, since they could organize markets in a more rational and efficient way with better knowledge and control of demand, whereby production could be adapted to smooth out downturns in the economic cycle. Cartels could better use economies of scale and production could be made cheaper. However, there was a risk that cartels could misuse their power and be inefficient due to the reduced level of competition, but it was believed that this could be handled by negotiations and regulations by business organizations.¹⁹⁰ Other research indicates that social-democratic and liberal politicians were more sceptical.¹⁹¹ A law of limited scope was enacted in 1925 that authorized government to investigate cartels and monopolistic firms to determine their impact on prices and competition. Until the Second World War, four industries were investigated, but no interventions were made. The limited scope was partly justified by the theory that in a homogenous country such

¹⁸⁸ Ibid, pp. 1168–70.

¹⁸⁹ See Ljunggren (1912); Carlsson (1988), pp. 186–90.

¹⁹⁰ Karlsson (2013), pp. 1069–75.

¹⁹¹ Millbourn (1991), p. 104; see also Lewin (1967), pp. 22–45 about the Social Democratic Party’s views on economic policy in general during the 1910’s and 1920s.

as Sweden, the risk of negative publicity would deter actors from misusing their power.¹⁹²

The discussion in Sweden in the 1920s was shaped and influenced by the German discourse. In the Weimar Republic, the idea that the economy was something that needed to be ‘organized’ and ‘managed’ was common. Such a view implied that notions related to economic freedom and free competition became less important. In the turbulent 1920s, ideas that could be associated with conflict and unrest were less attractive than those that encouraged stability and cooperation.¹⁹³

In 1915, the Swedish advertising industry was small and not organized to any great extent. In fact, most business interests and trade organizations, such as the peak organization the Swedish Advertising Association (Svenska Reklamförbundet) and the Swedish Advertisers’ Association (Svenska Annonsörers Förening) had not been founded yet.¹⁹⁴ In this respect, the advertising cartel was an early attempt at organization. During the First World War, Sweden declared itself neutral and managed to stay out of the fighting (a feat repeated in the Second World War), but it was affected by blockades and disrupted trade routes. Still, Swedish industry experienced a dynamic development, particularly the export industry. Profits and investments rose—but so did inflation. In the early 1920s, the Swedish economy entered a deep but relatively short-lived crisis, which put advertising agencies under pressure, since the market for advertisements decreased markedly. In 1921, Swedish GDP dropped by 5 per cent.¹⁹⁵ The growth in the advertising cartel’s turnover remained modest in the last five years of the 1920s (see Figure 2.5).

Marketing and advertising did not have a high status in society at the time, but the situation was slowly changing. Several students from the Stockholm School of Economics went to study advertising in America in, or

¹⁹² Gerber (2001), p. 155; Lundqvist (2003), p. 14.

¹⁹³ Gerber (2001), pp. 138–41.

¹⁹⁴ The Swedish Advertisers’ Association was founded in 1924, see Carlberg (1999). For a description about the foundation of the Swedish Advertising Association, founded in 1919, see for example, Björklund, Tom, ‘Vad vill svenska reklamförbundet?’, *Pressens Tidning*, 15 juni, 1925; Björklund (1967), pp. 754–66.

¹⁹⁵ Schön (2012), pp. 274–87.

just after, the First World War, and many of them would become prominent in Swedish business life, often in marketing.¹⁹⁶ America was an inspiration for the advertising industry, and in the 1920s new methods and techniques, such as reason-why advertisements and the move towards ‘scientific advertising’, gained ground.¹⁹⁷

The organization of the advertisement market

The advertising industry around 1915–1925

According to Ernst Grafström, who was the general manager of Gumaelius from the mid-1910s until 1932, the advertising industry in Sweden in 1900 had consisted of three advertising agencies: Gumaelius Annonssbyrå (in Stockholm); the advertisement department (*annonsavdelning*) of Svenska Telegrambyrå (again, in Stockholm); and Nordiska Annonssbyrå (in Gothenburg). The agencies were at the time focused on receiving advertisements in their offices, there were few sales staff, and there was thus not a lot of active sales work.¹⁹⁸ Almost all competition was based on price, and what followed was, from the point of view of the advertising agencies and the newspapers, a detrimental development. Only a few newspapers had rates so it was a matter of continuous negotiation where the advertisers knew that they could push prices down. Advertising agencies had to spend a great deal of time gathering information from several different newspapers before

¹⁹⁶ Their number included Tom Björklund, who was a prominent advertising man for several decades; Gerhard Törnqvist, who pioneered the academic discipline of marketing in Sweden (for a description of Törnqvist’s work see Östlund 1995); and Ruben Rausing, founder of the world-renowned packaging company Tetra Pak.

¹⁹⁷ For scientific advertising see for example Hopkins (1966); Kreshel (1990). For the new advertising based on modern psychology in a Swedish 1920s context see Nilsson (2010), particularly pp. 148–99.

¹⁹⁸ Grafström, Ernst, ‘Annonsväsendets Utveckling’, *Pressens Tidning*, 5, no. 11, 1 juni 1924.

they could quote to a client for the work, and they were tempted to underbid one another.¹⁹⁹

There were close connections between the two largest advertising agencies, Gumaelius and Svenska Telegrambyrån, and the daily press. Gumaelius had been founded in 1877 by Sofia Gumaelius. Her brother Arvid Gumaelius, a well-known publisher and Member of Parliament, and Sofia Gumaelius had a large network in the newspaper industry.²⁰⁰ After she died in early 1915, her nephew, Ernst Grafström, succeeded her as general manager. He was an important figure in the Swedish advertising industry for many years, and was among the founders of the Swedish Advertising Association and its chairman from the late 1920s until his death in 1932. He was also the initiator of Tariffcentralen, the chairman of AF, and one of the initiators of the Nordic Advertising Association, founded in 1931.²⁰¹

Svenska Telegrambyrån was a news agency when it started business in 1867. Gradually, it also developed advertising services, and over time this part of the business grew in importance. In the early 1920s, the Swedish newspapers, through TU, sought to better coordinate all news agency services to the daily press. This process resulted in a new company, Tidningarnas Telegrambyrå, or TT, which took over the news agency service for Swedish newspapers, while Svenska Telegrambyrån focused on its advertising agency business.²⁰² The general manager of Svenska Telegrambyrån, Helge Hirsch, was active in the agency from the start of the cartel and when he turned 80 in 1964 he was still the company's chairman.²⁰³

Among the authorized advertising agencies and the newspapers, newspaper advertisements were thought the highest form of advertising, both aesthetically and from a business perspective. One advertising agency manager said in an article in 1925 that advertisers should be made to

¹⁹⁹ 'Tariffcentralen och dess betydelse för den svenska annonsmarknaden', signaturen W, *Pressens Tidning*, 1, no. 3, 1920.

²⁰⁰ For a description of Sofia Gumaelius' work and life see Winblad (2011).

²⁰¹ 'Tariffcentralen och dess betydelse för den svenska annonsmarknaden', signaturen W, *Pressens Tidning*, 1, no. 3 (1920); 'Den första nordiska reklamkongressen', *Pressens Tidning*, 10, no. 12, 15 juni, 1931; 'Kapten Ernst Grafström. In memoriam', *Svensk Reklam* (1932), pp. 7–8.

²⁰² Svenska Telegrambyrån (1942), p. 51.

²⁰³ *Byrålådan* (1967), Stockholm: Svenska Telegrambyrån, p. 38.

understand that ‘advertising in the press is the best advertising, at least in the long term’.²⁰⁴ The American advertising industry shared a similar view on the value of advertising for mass circulation media.²⁰⁵ Advertisements in the mass media were of course only one sort of advertising or marketing channel. That the advertising agencies at this time saw large newspaper advertisements as the most modern and efficient form of advertising was only natural—they earned most of their income that way. This fact was central to the development of both the advertising industry and the Swedish media in the twentieth century. Resources and energy were channelled into newspaper advertising.

In a speech in 1924, Grafström described the work of the advertising agencies and its recent developments. The economic crisis after the First World War and increased demands for efficiency from advertisers were important factors that had pushed the agencies to enhance their services and invest in new technologies. According to Grafström, most agencies had ‘an editorial office consisting of journalists with an advertising technical education, a drawing studio with a large number of advertising artists, some with the competence to undertake artistically more demanding work and some simpler routine tasks’.²⁰⁶ Larger agencies also had departments for typesetting and clichés. In 1924, unlike just after the First World War, advertisers wanted to see fully finished proposals. The ideas for the advertisements should be clearly displayed, the clichés completed, and the advertisements typeset in just the way the advertisement would look in the newspaper. Advertisers also demanded advanced technical and commercial know-how from their advertising agencies.²⁰⁷

The growing organizations meant higher costs for the agencies. The agreement with the newspapers dictated that the agencies received most of their income from commissions, thus many of their costs could not be passed on to the client (see Chapter 2). Many such costs were associated with

²⁰⁴ Törnblom, V.A., ‘Reklamväsendet och pressen’, *Pressens Tidning*, 6, no. 23, 1 december, 1925.

²⁰⁵ See the discussion by de Grazia (2005), pp. 262–75, on the value of advertisements in mass media as propagated by the American advertising agencies.

²⁰⁶ Grafström, Ernst, ‘Annonsväsendets Utveckling’, *Pressens Tidning*, 5, no. 11, 1 juni, 1924..

²⁰⁷ Ibid.

creative tasks, such as formulating ideas, writing copy, and doing the layout. They were thought part of the service that the agencies provided ‘for free’ for clients.²⁰⁸ The true extent was evident from how Gumaelius described and marketed itself in the early 1920s. The company letterhead in 1923 announced that working with Gumaelius was like having ‘an advertising manager free of charge’.²⁰⁹ Grafström himself described the purpose of the modern advertising agency as being the ‘thousand-headed advertising manager’ for the advertisers.²¹⁰ The notion that agencies should charge the client, instead of having the commission cover the costs of most services was considered by AF to be ‘at odds with principles that were in effect all over the world’.²¹¹

When the first agreements between the advertising agencies and newspapers were signed in 1915 and 1916, all participating newspapers were urged to send in the names of the advertising agencies they collaborated with. From this correspondence, it is plain that the advertising industry was a diverse group of companies, with some called advertising agencies and others advertisement offices or newspaper offices. A list of some thirty companies was compiled by TU, but most of them were described as small or insignificant.²¹² It was a heterogeneous group of firms that were engaged in the advertisement and/or advertising business according to the newspapers. As will be shown in the last part of this chapter, the cartel agreements between the advertising agencies and newspapers gradually closed the market to many of these other companies.

²⁰⁸ Ibid.

²⁰⁹ See for example: Gumaelius Annonsbyrå till TU, 14 december, 1923, bilaga till protokoll från sammanträde med TUs Annonsnämnd, 15 december, 1923, F5:9, TU, RA.

²¹⁰ Grafström, Ernst, ‘Annonsväsendets Utveckling’, *Pressens Tidning*, 5, no. 11, 1 juni, 1924.

²¹¹ ‘Södra kretsen och annonsbyråerna’, *Pressens Tidning*, no. 7, 1920.

²¹² Bilaga A till protokoll från sammanträde med Pressens Förtroenderåd, 15 oktober, 1917, ÖÖ. Bihang I:1, TU, RA.

Tariffcentralen and AF

Previous research has highlighted that cartels that managed to sustain cooperation often had a history of failed attempts behind them.²¹³ This was true also for the Swedish advertising agencies and newspapers. In 1911, Gumaelius and Svenska Telegrambyrån signed an agreement designed to restrict competition between them and to prevent ‘unsound and for both parties damaging competition’.²¹⁴ The year after, the three firms—Gumaelius, Svenska Telegrambyrån and Nordiska Annonsbyrån—decided to agree to not acquire clients from one another. That way, according to Grafström, competition shifted from price to quality—a far better measure.²¹⁵ The idea of the benefits of competing on quality or service would be a regularly used argument on the advertising agencies’ part. Since prices were more or less fixed, to offer the clients various services or improve the quality of the work, whatever that entailed, was the agencies’ avenue to distinguish themselves from one another, and the basis on which clients could choose which agency to use.²¹⁶

The newspapers also worked on the problem, but from their perspective. In 1913, TU appointed a committee to investigate the situation for newspaper advertisements and to propose measures for engineering greater market stability. In its findings, the committee’s main concern was that many newspapers did not stick to their stated prices and discount rates, due to pressure from both the advertising agencies and the advertisers. From the newspapers’ perspective this meant a loss of income, while the advertising agencies also saw their income reduced since they had to give large discounts and other benefits to their clients. The committee recognized that the state of the market forced advertising agencies to redirect their efforts into other media channels in competition with newspapers. Advertising agencies had

²¹³ Levenstein & Suslow (2004); Lundqvist (1995).

²¹⁴ ‘Kontrakt mellan Aktiebolaget Svenska Telegrambyrån och Aktiebolaget S. Gumaelii Annonsbyrå’, Stockholm, 11 april, 1911. Sv. Telegrambyråns Bolagshandlingar, Vol. 6, Sv. Telegrambyrå, RA.

²¹⁵ Grafström, Ernst, ‘Annonsväsendets Utveckling’, *Pressens Tidning*, 5, no. 11, 1 juni, 1924.

²¹⁶ For a description about competition with quality as an effect of cartelization in Sweden, see the governmental inquiry SOU 1940:35, pp. 174–76.

also exploited competition between the newspapers to negotiate beneficial contracts, and thus the relationship was unfavourable for the press. Furthermore, the committee stated that past experience showed the necessity of a penalty clause in order to uphold any agreement.²¹⁷

The committee drafted a proposal for agreements where both advertising agencies and newspapers would commit themselves to respect prices and discounts rates. The advertising agencies that were part of the investigation at the time—Gumaelius, Svenska Telegrambyrån, and Gustav von Sydows Annonsbyrå—were all in principle in favour of the proposed agreements. Still, the attempt was not successful. According to a later description, this was due to the difficulty to agree on the requirement of a reciprocal relationship, meaning that newspapers would only be allowed to receive advertisements from agencies that had signed the agreement, and that agencies would only be allowed to mediate advertisements to newspapers that were part of the newspaper organization.²¹⁸

In 1915, the main change on previous attempts was that the advertising agencies organized themselves in a common organization, Tariffcentralen, which was to negotiate with the newspapers. In 1919, the name of the advertising agencies' organization was changed to the Association of Advertising Agencies (Annonsbyråernas Förening, AF), which signalled that it was being transformed into a business interest association. The purpose of Tariffcentralen was to guarantee the upholding of the newspapers' tariffs and discount rates for advertisements, regardless of whether the advertisement was ordered directly from the newspaper or from an advertising agency.²¹⁹ The agencies especially sought to limit that newspapers gave discounts to different clients, thereby forcing the agencies to compete with low prices. Gradually, and formally at least since the agreement signed in 1923, the practice of rebating, where part of the agency's commission was paid back to

²¹⁷ 'Pressens Annonsfråga' Stockholm, 1913, Svenska Telegrambyråns Bolagshandlingar, Vol. 5, Sv. Telegrambyrån, RA.

²¹⁸ Grafström, Ernst, 'Annonsväsendets Utveckling', *Pressens Tidning*, 5, no. 11, 1 juni, 1924.

²¹⁹ 'Tariffcentralen och dess betydelse för den svenska annonsmarknaden', signaturen W, *Pressens Tidning*, no. 3, 1920.

the advertiser, was also prohibited.²²⁰ In addition, the advertising agencies were supposed to be free from connections to advertisers since this would guarantee that they could undertake their work in the best possible way.

Instead of only compromising the two largest agencies (Gumaelius and Svenska Telegrambyrån), the new organization consisted of six of the most important agencies.²²¹ For the first eight years, the agencies' organization negotiated with individual newspaper publishers or groups of newspaper. The TU board was informed about the initiative and was generally positive, and several board members were involved in negotiations with the agencies.²²²

The advertising industry did not present any high entry barriers. It is therefore not surprising that the agencies sought to create such barriers. In 1917, the participating agencies started to demand that all members could show a deposit of SEK 25,000.²²³ To put the sum in perspective, the average yearly wage for adult male workers in Swedish industry (not agriculture) was about SEK 3,100 in 1919.²²⁴ The official reason for the demand was to assure financial stability for the newspapers, but of course it also acted as an efficient entry barrier to those who lacked the necessary funds. The very high financial demands on advertising agencies would remain one of the most long-lived aspects of the cartel, and it was not liberalized until the 1950s.

Hence, to be authorized capital was needed. The regulations made this complicated, since advertising agencies were not allowed to have formal ties

²²⁰ See "TUs och AFs överenskommelse gällande från 1 januari 1924", Folder Annonsvtal, Box 1, AF.

²²¹ Protokoll från konstituerande sammanträde med Tariffcentralen, 22 mars, 1915, Tariffcentralens Protokoll 1915–1916, Box 2, AF.

²²² 'Styrelsen för TU till TUs medlemmar', 5 februari, 1916, bilaga A till protokoll från sammanträde med Tariffcentralens medlemmar, 10 februari, 1916, Tariffcentralens Protokoll 1915–1916, Box 2, AF. For an example of such a contract see: 'Kontrakt', bilaga till protokoll från sammanträde med Pressens Förtroenderåd, 10 april, 1919, ÖÖ Bihang I:1, TU, RA.

²²³ Tariffcentralen till *Sydvenska Dagbladet Snällposten*, 10 februari, 1917, Korrespondens med tidningarna 1916–1917, Folder 2, Box 1, AF.

²²⁴ Historiska Lönedatabasen, Industrierbetare, 1913–1920, https://es.handels.gu.se/digitalAssets/1520/1520106_iw_branches_1913-1920.pdf, accessed 28 April, 2019. Previous research has indicated that the deposit demand was introduced in 1923 in connection with the first central agreement between AF and TU, see Björklund (1967), p. 717.

to advertisers or the media. Basically, any large company could be perceived as a potential advertiser, which disqualified them as a source of funding. It thus required personal funds, a bank loan, or someone investing in the agency while ensuring that there were no forbidden ties that risked distorting the agency's neutral position.

Another measure was to restrict the number of agencies that could be authorized. In 1917 the power of authorization was placed in the hands of TU and a specific organizational body called the Press Trust Council (Pressens Förtroenderåd) was set up to handle authorizations and other issues that concerned the agreement with the advertising agencies. The council had representatives from both the large city papers (mainly Stockholm) and rural papers. In contrast, TU's proposal from 1913 did not have an authorization procedure. In 1917, the limit to how many advertising agencies that could be authorized was set as 10; in 1920, 12. The number of agencies was to be adapted in order to assure 'sound competition' in the market.²²⁵ The explicit limit on the number of authorized agencies was abandoned in the agreement from 1925 onwards, but the number of agencies remained low (see Figure 2.2).

In February 1917, around 50 newspapers had signed the agreement with Tariffcentralen, among them the major ones in Stockholm and Gothenburg, but the aim was to eventually have around 150.²²⁶ By 1920, the number was 116.²²⁷ However, there were also newspapers that declined, often referring to that they had not managed to agree with the other newspapers in their region about joining, and due to competition they could not be the only ones to join. Others were wary of the initiative for other reasons, such as a loss of

²²⁵ 'Tariffcentralen och dess betydelse för den svenska annonsmarknaden', signaturen W, *Pressens Tidning*, no. 3, 1920.

²²⁶ 'Tariffcentralen till *Nerikes Allehanda*, 14 februari, 1917, Folder 2, Box 1, AF; Bilaga A till protokoll från sammanträde med Pressens Förtroenderåd, 18 februari, 1918, ÖÖ. Bihang I:1, TU, RA.

²²⁷ 'Tariffcentralen och dess betydelse för den svenska annonsmarknaden', signaturen W, *Pressens Tidning*, no. 3, 1920.

freedom regarding who should handle their advertisements or wanting various exceptions from the agreement.²²⁸

The first central agreement in 1923

By the end of 1922, TU had reached the conclusion that a new agreement with the advertising industry was needed, since the agencies' power had been too great. TU discussed the cancellation of the existing contracts at their biannual meeting for all members in the autumn of 1922. Several participants acknowledged that Tariffcentralen had had a positive effect on the market, but believed that the interests of the newspapers needed to be better balanced.²²⁹ Whether or not a new deal with the newspapers would be reached, Ernst Grafström pointed out that for the agencies it was crucial to keep the price levels as they were.²³⁰ From the perspective of the advertising agencies, the future was uncertain.

An example can illustrate the fact that the control of the market by TU and AF in the early 1920s was fragile. In 1922, Svenska Telegrambyrån had had several meetings and created 15 sketches for a client called Larssons Skofabrik (lit. Larsson's shoe factory). Later, in a letter, the client informed that it had decided to carry out the campaign itself since this saved them several thousand. The letter stated that 'Only one newspaper had not wanted to lower its price and we have replaced that paper for another one at the same place. We are sorry that we cannot place our advertisement orders with you but as you understand we have good reasons to do so'.²³¹ The case upset AF. First of all, it showed the lack of respect for, or lack of knowledge of, the agreement between AF and the newspapers from the advertiser's side. Second, it also showed the lack of respect from the newspapers' side for the

²²⁸ See for example: *Karlstadstidningen* to Tariffcentralen, February 17, 1916 and *Aftonbladet* to Ernst Grafström, December 30, 1916, Folder 2, Box 1, AF.

²²⁹ 'Ekonomisk Sektion av TU bildad. De individuella kontrakten med annonsbyråerna bör uppsägas', *Pressens Tidning*, 3, no. 21, November 1, 1922.

²³⁰ Protocol from meeting with the members of AF, October 17, 1922, Folder 3, Box 1, AF.

²³¹ L.E. Larsson to Svenska Telegrambyrån, avskrift, 21 oktober 1922, bilaga till protokoll från sammanträde med AF, 8 december, 1922, Folder 3, Box 1, AF.

agreement since the advertisements had apparently been accepted for a lower price by all newspapers but one.

However, a majority of TU members believed that recent years, despite many problems with the agreements and a difficult relationship with the advertising agencies, had generally proved to be positive.²³² The new agreement that was reached in October 1923 marked a new turn in the relationship between the authorized agencies and the newspapers. The aim from the newspapers' side was to gain increasing control over the market and ensure orderly conditions. It was particularly TU that had wanted the change to one central agreement between TU and AF and a template for individual contracts between an authorized advertising agency and newspaper publisher.²³³

The new agreement was a compromise, but both AF and TU seemed content with the outcome. The advertising agencies wanted the number of authorized advertising agencies to be a maximum of 10, but TU suggested 12, and the final number agreed upon was 11. The advertising agencies committed themselves to only mediate advertisements to the newspapers that were members of TU, but on condition that 'practically all newspapers of importance' would become members of TU, and that they could not comply if groups of newspapers were to exit TU. The newspapers committed themselves to only using authorized advertising agencies to mediate advertisements. Foreign ads and 'petty advertisements' were accepted, and newspapers were also allowed to mediate advertisements to other papers and receive advertisements from their own agents. They were to hold to tariffs and discounts at all times. The advertising agencies also committed to not approaching clients that had been the newspapers' direct clients in the preceding year.²³⁴

There were difficulties in the interpretation and implementation of the new agreement from the start. Apparently, advertising agencies had

²³² 'Annonsbyråfrågan', *Pressens Tidning*, 4, no. 21, 1 november, 1923.

²³³ Ibid.

²³⁴ Protokoll från möte med delegerade från dels TU och dels AF för fortsatta underhandlingar för ny tarifföverenskommelse, 20 oktober, 1923, Folder 3, Box 1, AF; see also 'TUs och AFs överenskommelse gällande från 1 januari 1924', Folder Annonsavtal, AF.

continued to mediate advertisements to a newspaper that was not a member of TU. When TU pointed this out, AF replied that it could not decline to mediate advertisements to such an important newspaper, and they had signed the agreement on the basis that all newspapers 'of importance' were (or would become) members of TU. The solution was an amendment to the agreement that allowed advertising agencies to mediate advertisements to newspapers that were not part of TU as long as they had signed a standard contract that stipulated that the newspaper was obliged to keep its stated tariffs and discount rates.²³⁵

The Rättvik agreement in 1925

In April 1925, a majority of the AF advertising agencies signed an agreement that became known as the Rättvik Agreement (Rättviksavtalet). It was an attempt to further regulate the market and make sure that there would be no price competition between agencies. The agreement stated that the contract with TU from 1923 had not managed in the 'breaking of new ground for the advertising industry'.²³⁶ Instead, there had been too much competition for already existing clients. In order to counteract this, the Rättvik Agreement was created. The main content stipulated that lists should be created of current clients and that advertising agencies could not approach one another's clients or newspapers' direct clients. The market was to be divided between the agencies according to their size based on their average turnover for 1923 and 1924. If any agency during a year should transcend its share it should, of the transcending sum, pay 10 per cent to a common fund, and each agency that showed a deficit would receive 10 per cent calculated in the same way.²³⁷

²³⁵ Protokoll från sammanträde med verkställande utskottet i Annonsnämnden, 16 januari, 1924, F5:9, TU, RA.

²³⁶ 'Rättviksavtalet', avskrift, 7 april, 1925, bilaga till protokoll från sammanträde med AF 24 april, 1925, Folder 3, Box 1, AF.

²³⁷ Ibid.

There were detailed instructions on how agencies were to handle and share information regarding their current and potential clients. A committee was created that would compile a list of potential clients and also a suitable allocation of these among the advertising agencies. It would each month propose six new potential clients to each agency, starting in June 1925, which would be allocated by drawing lots. Each agency could register these clients as their own for a period of six months, and after this period a report containing the actions taken towards these potential clients should be handed in. The committee also wanted to highlight that the agencies should not put in too much work when trying to sell to these potential clients, for example not fully worked-out proposals.²³⁸

In a meeting with AF, it was suggested that the new regulations should be made public in TU's trade magazine, *Pressens Tidning*, and that violations of the agreement should also be published. The discussion revolved around how this would be interpreted by advertisers; it could look as if the agencies had united in order to prevent a lowering of prices. On the other hand, many advertising agency representatives believed that large advertisers realized the importance of orderly conditions. Grafström pointed out, as he had done before, that what was most important for advertisers was not the price in itself, but to be assured that a competitor was getting the same price and not a lower one.²³⁹

The Rättvik Agreement also stipulated that all advertising agencies should do their utmost to expand the advertisement market. In the summer and autumn, a propaganda campaign for 'branded goods' was carried out. The campaign had the support of the TU board and consisted of a series of sixteen large advertisements published in newspapers across the country. The main message of the campaign was to inform about the benefits of branded goods—products that were pre-packaged and sold under a brand name. The idea was to stimulate more brands to be created and since brands could be

²³⁸ Protokoll från sammanträde med AF, 6 juni, 1925, Folder 3, Box 1, AF.

²³⁹ Protokoll från sammanträde med AF, 28 mars, 1925, Folder 3, Box 1, AF.

advertised to a much greater extent than unbranded products this would stimulate an enlargement of the market.²⁴⁰

Two agencies voted against the agreement.²⁴¹ One was Wilh. Anderssons Annonssbyrå that had only recently been granted authorization. The agency saw the Rättvik Agreement as the large agencies oppressing the small ones, and depriving them of initiative and the ability to act.²⁴² However, the eponymous owner of the agency seems to have been the only person who, with such energy, opposed the agreement. Gunnar Stenbeck, who had been so critical of similar regulations ten years earlier, was no longer active in the advertising industry. Key figures in TU who dealt with advertisements were generally positive. Kurt Roeck Hansen, who held several important positions in TU and would later become TU's general manager, believed that the newspapers would be interested in supporting the advertising agencies, since it was in their interest for advertising agencies to earn a reasonable profit and be financially solid.²⁴³ However, the opinions among TU's member newspapers were divided.

The relationship with the advertising agencies was discussed at a meeting with all members of TU in November 1925. TU wanted to renegotiate the agreement with AF, and it was especially the so-called 'customer protection' clause that caused controversy—the ban on agencies trying to acquire one another's clients, and the compensation system if an agency lost or acquired a client. A proposal had been made that agencies could only be authorized by TU if they adhered to the clause. Roeck Hansen said that, while the advertiser should be free to hire any advertising agency, the point was to prevent the agencies from poaching one another's clients. He believed that it was of utmost importance that a new agreement was in place by January

²⁴⁰ See Åström Rudberg (2018), for a discussion of the campaign and how the advertising agencies tried to promote brands in Swedish society in the 1920s.

²⁴¹ Protokoll från sammanträde med AF, 23 oktober & 20 november, 1925, Folder 3, Box 1, AF. The two agencies that voted against were Annonssbyrå Svea and Wilh. Anderssons Annonssbyrå.

²⁴² Wilh. Anderssons Annonssbyrå till AF, 8 juni, 1926, bilaga 1 till protokoll från sammanträde med AF, 9 juni, 1926, Folder 3, Box 1, AF.

²⁴³ Protokoll från sammanträde med AF, 23 april, 1925, Folder 3, Box 1, AF.

1926, otherwise the good will and energy on the advertising agencies' part risked being lost, which would be to the newspapers' disadvantage.²⁴⁴

Other TU members saw a danger in the new agreement as being one step closer to the monopolization of the advertising industry. It prevented hard-working individuals from starting advertising agencies, and thus the clause concerning the 'customer protection' was inappropriate. Others warned that if the competition was made completely free, newspapers would not have more advertisements and the advertising agencies would become financially weak. The risk of the advertisers' animosity was also discussed, as was the probability that the newspapers would be given some of the blame. TU should not be involved in settling the advertising agencies' differences. A few persons insinuated that the negotiators were in the advertising agencies' pocket.²⁴⁵ In the final proposal for a new agreement between AF and TU, there was no explicit mention of customer protection, but it was still a principle that regulated the relationship between the agencies.²⁴⁶ The new agreement between TU and AF was signed in December 1925 and stayed in effect until 1930.

Troubled relations with the advertisers

The discussion about the customer protection clause did indeed upset the advertisers. In 1924, the Swedish Advertisers' Association had been founded with members that were, generally, large advertisers. One of the key men in the association was Bertil Andersén, the advertising manager of the Stomatol company, a toothpaste producer. Andersén was a proponent of innovative marketing and advertising methods such as illuminated advertising signs and 'illustrated stories' to teach children to take care of their teeth.²⁴⁷ He and the Advertisers' Association, were also among the fiercest critics of the agreement between the advertising agencies and newspapers and would remain so for several decades.

²⁴⁴ Meddelande från TUs styrelse, november, 1925, pp. 11–15, A3:2, TU, RA.

²⁴⁵ Ibid.

²⁴⁶ Protokoll från sammanträde med TUs Annonsnämnd, 12 december, 1925, F5:9, TU, RA.

²⁴⁷ Carlberg (1999), pp. 25–27.

Against the backdrop of the Rättvik Agreement and its customer protection measures, Andersén and Grafström were involved in a heated debate in which Andersén took the opportunity to criticize Grafström's professionalism.²⁴⁸ On learning of customer protection, the Advertisers' Association had sent out a letter to all newspapers that were part of TU questioning the 'monopolization' of the advertising industry and why advertisers had been made into objects to be bartered. Due to the penalty fee that an agency had to pay if it took over another agency's clients, an advertiser would be stuck with its agency. No other agency would be interested in taking on its business since it would mean a financial loss. The Advertisers' Association protested against this order and asserted that each advertiser should have the freedom to choose its own agency. It also hoped that TU, which in other fields strongly opposed monopolization, would realize that the development was not in the newspapers' interest. Since there would be no competition between the agencies they would not do their best in handling their clients' advertising, and advertisers would increasingly turn to other media.²⁴⁹

Grafström defended the agreement, arguing that it was designed to bring order to the industry. It meant that an advertiser could be certain that a competitor could not try to push prices down. There had been examples of unsound practices such as secret discounts and free technical services, and it had been necessary to remedy such negative developments. The purpose of customer protection was to 'reduce the inclination and possibilities for getting hold of someone else's client by dishonest methods'. The agreement implied a focus on the quality of the agencies' work, and if an advertiser was unhappy with the service it got, it was free to change to another. The system of fees payable to the agency that lost a client would, on the whole, equal out

²⁴⁸ Andersén, Bertil, 'Humbug, hederlighet och reklam', *Annonssören*, no. 6, juli, 1926.

²⁴⁹ 'Annonssbyråernas kundskydd', *Annonssören*, no. 1, februari 1926; see also 'Kundskyddet', *Annonssören*, mars, 1926; 'Ordet fritt', *Annonssören*, april, 1926; and 'Landsortspressen och annonsbyråernas monopol' *Annonssören*, no. 5, maj, 1927). See also the discussion in the board of the Advertisers' Association: Protokoll från sammanträde med styrelsen för Svenska Annonserers Förening, 17 december, 1925 and the annual report 'Styrelseberättelse för 1925', Protokoll 1924-1930, SvAF.

between the agencies, so there would still be incentives to do business with advertisers that had left another agency.²⁵⁰

When the customer protection was discussed in 1925, the Advertisers' association threatened to withdraw large parts of their advertisements from the newspapers.²⁵¹ This came at a time when the relationship between TU and the Advertisers Association was already strained. Shortly after the Advertisers' Association had been founded, it had contacted TU, but TU interpreted the advertisers' request for 'loyal cooperation' as a questioning of their respectability and honesty.²⁵² The issue was that the advertisers doubted the reliability of the circulation figures of many newspapers, and asserted that it was no secret that an 'unsound and disloyal competition existed also between many large daily newspapers'.²⁵³ TU, on the other hand, insisted that the advertisers had confused the 'Swedish press of high standing' with dubious, low-grade publications such as advertising leaflets and temporary, low-circulation publications. In early 1925, many newspapers received a request from the Advertisers' Association that they state their circulation figures. According to the TU board, the tactic was apparently to 'disunite the press and then push down advertisement prices'.²⁵⁴

Andersén was critical of the idea that newspapers should only accept advertisements from authorized agencies. This was hypocrisy on the newspapers' part, since in so many other regards they said they were acting in defence of free enterprise. The system meant that a person, although highly skilled, could not mediate advertisements to the papers unless he was authorized, and the prospect of this was very slim. Not only were the papers forbidden to receive advertisements from unauthorized agencies, they could also not sell their available space at a lower price than they had declared.

²⁵⁰ 'Ordet fritt. Annonssbyråernas 'kundskydd', *Annonssören*, april, 1926.

²⁵¹ Protokoll från sammanträde med verkställande utskottet i TUs annonsnämnd, 5 december, 1925, F5:9, TU, RA. See also the annual report of the board of the Swedish Advertisers' Association 'Styrelseberättelse för 1925', Protokoll 1924-1930, SvAF.

²⁵² Protokoll från sammanträde med styrelsen för TU, 13 december, 1924, A1:3, TU, RA.

²⁵³ TU to Svenska Annonssörers Förening, 20 december 20, 1924; Svenska Annonssörers Förenings styrelse till TU, 14 januari, 1925, E4:1, SvAF, RA.

²⁵⁴ Svenska Annonssörers Förening to C.A. Pettersson, 21 januari, 1925, E4:1, SvAF, RA; Protokoll från sammanträde med styrelsen för TU, 21 januari, 1925, A1:3, TU, RA.

According to Andersén, there were many papers that had found it both reasonable and appropriate to lower their prices, but many were frightened to do so due to the risk of retaliation.²⁵⁵

The issue was complicated by the fact that monopolistic tendencies among certain retail and industry firms, of which some were important advertisers, had been reported to the National Board of Trade (Kommerskollegium) egged on by the newspapers in Stockholm. The first Swedish law that made it possible for the authorities to investigate cartels and other monopolistic cooperation had been introduced in 1925. The newspapers' criticism was directed towards the so-called 'Institute for the Control of Branded Goods' (Institutet för Märkesvarukontroll).²⁵⁶ It was an initiative, according to the Advertisers' Association, 'the sole purpose of which was to stop disloyal competition in branded goods'. The *raison d'être* of the institute was to stop the sale of branded goods at lower prices than the producer and brand owner had decided, hence a sort of price-fixing. To counter the criticism, the Advertisers' Association wrote to the Board of Trade and informed that the newspapers and advertising agencies were involved in the same type of practices that they criticized parts of Swedish industry for. The newspapers, on the other hand, denied that the advertising industry was a monopoly. 'That some papers had in between themselves agreed to only use certain agencies, did absolutely not constitute a monopoly. The newspapers still had their freedom' was the response of one Stockholm newspaper.²⁵⁷

The customer protection was abandoned as a principle in conjunction with the new agreement between AF and TU signed in late 1930. As will be seen in the next chapter, the Advertisers' Association was still critical of the new agreement. It would have been reasonable, according to the advertisers, to assume that the agencies should be on their clients' side and that they should have tried to work for at least a slight lowering of the newspapers' prices, but this had not happened. The agencies were egoistic, had only

²⁵⁵ Andersén, Bertil, 'TU och Annonbyråerna leka murare', *Annonstiden*, november, 1926.

²⁵⁶ Björklund (1967), pp. 928–29; see also: 'Institutet för märkesvarukontroll', *Köpmannen*, no. 49, 1926.

²⁵⁷ Andersén, Bertil, 'Annonstjänstförmedlingsmonopolet', *Annonstiden*, no. 2, februari, 1927.

thought of themselves, and had failed to consider the possibility of giving some of the commission back to advertisers, even in cases when it was reasonable—for example, when an advertiser had done all the work on an advertisement and the agency did not provide any creative services.²⁵⁸

Ideas of competition and their interpretation

During the period 1915 to 1925 AF and TU tried to organize the market collectively in their favour. This organizing was far from straightforward and there was uncertainty concerning the implementation and interpretation of the new order. On what grounds and in what way competition could be played out was always at the core of the organization of the market.

According to a writer in *Pressens Tidning* in 1920, the five years since Tariffcentralen was founded could be labelled a success. There were some difficulties in making sure the advertisers understood the new market situation, as it was almost impossible to try to bargain for lower prices. The advertisers had started to realize, however, that it was better to set aside the price and discount issue in order to focus on achieving efficient and artistic advertising.²⁵⁹ This was very much in line with the agencies' reasoning on competition with quality.

Still, many advertising agencies found it difficult to stand up to clients that sought to push prices down. The advertising agency Hugo Krantz had, based on a request from a client that was 'difficult to decline', sent a letter to a newspaper asking what discount the paper could give to the client. Grafström remarked that such a letter was unacceptable, while Krantz replied evasively that it was the newspapers' business to stick to their tariffs. Grafström pointed out that, especially in present circumstances, it was of the utmost importance for all authorized agencies to stick to their agreements about competition: 'should price competition be set free, the position would

²⁵⁸ Andersén, Bertil, 'Ett nytt annonsavtal', *Annonssören*, no. 1, januari, 1931.

²⁵⁹ 'Tariffcentralen och dess betydelse för den svenska annonsmarknaden', signaturen W, *Pressens Tidning*, no. 3, 1920.

be hopeless'.²⁶⁰ Grafström wanted all agencies to make clear to their clients that they did not compete on price, and that they should state clearly to advertisers that there was no difference in price between the agencies. Instead, competition should turn on the 'other qualities' that the agencies possessed.

In general, there were frequent accusations of a lack of respect for the agreement from all sides. There was talk of overly large discounts, of agencies not providing certain newspapers with enough advertisement orders, and of advertising agencies trying to poach clients that had previously advertised directly with the newspapers.²⁶¹ In 1920 AF threatened to stop mediating advertisements to some southern Swedish newspapers if the newspapers did not respect the agreement. The newspapers called the threat 'an act of war' by the advertising agencies, and that it was unacceptable that TU let the advertising agencies treat them this way.²⁶² At one point, AF discussed the introduction of a 'black list' where newspapers that did not respect the agreement would be listed. An equivalent list of advertisers that did not fulfil their payments was also proposed to TU but was never realized.²⁶³

In the earliest contracts between Tariffcentralen and the newspapers (see Chapter 2) there had been penalty clauses and the opportunity to go before a council that would decide on accusations of violations, but the sources do not reveal exactly how frequently or with what level of insistence it was invoked. Some conflicts were sorted out, yet at other times, the circumstances made it inappropriate to invoke the penalty clause, for

²⁶⁰ Protokoll från sammanträde med AF, 14 februari, 1922, Folder 3, Box 1, AF.

²⁶¹ See for example: the conflict between Halcks Annonsbyrå and Törnbloms Annonsbyrå with several newspapers that the agencies were trying to take over a client in Protokoll från sammanträde med AF, 2 mars & 29 april, 1922; accusations from AF that newspapers were paying commission to a non-authorized agency in Protokoll från sammanträde med AF, 18 maj, 1923; a conflict between Svenska Telegrambyrån and several newspapers in Protokoll från sammanträde med AF, 2 december, 1922, all in Folder 3, Box 1, AF.

²⁶² 'Annonsbyråerna och södra kretsen', *Pressens Tidning*, no. 6, 1920; 'Södra kretsen och annonsbyråerna', *Pressens Tidning*, no. 7, 1920.

²⁶³ AF to Pressens Förtroenderåd, 30 oktober, 1919, bilaga till protokoll från sammanträde med Pressens Förtroenderåd, 29 oktober, 1919. ÖÖ, Bihang I:1. TU, RA.

example during ongoing negotiations.²⁶⁴ It seems probable that other possibilities were tried first, before a special council was summoned, which would probably itself have cost money.

The level of commissions was a recurring source of disagreement between AF and TU. In 1918, the advertising agencies stated that when about 150 newspapers had joined, their commission could probably be lowered to 17.5 per cent for the rural press and 12.5 per cent for the urban press. The newspapers believed that a uniform commission for all newspapers that was even lower would be reasonable.²⁶⁵ Compared to the levels of commission discussed at this point in time, later commission levels from the 1930s until at least the early 1950s appear high, with rates ranging between 21.5 per cent and 14 per cent.²⁶⁶ As a comparison, in the late 1910s in the US, the American Association of Advertising Agencies (the Four As) had managed to standardize the rate of commission at 15 percent, which was considered to be a success.²⁶⁷

The newspaper publishers discussed the commissions and the general relationship with the advertising agencies regularly. In 1918, the Press Trust Council was already certain it was time to bring up the question of lowering the commission to the advertising agencies. Another demand was that the advertising agencies should only mediate advertisements to the newspapers that had signed the agreement, since the newspapers were obliged to only receive advertisements from authorized advertising agencies. From the newspapers' perspective, a lowering of commissions and a solution to the

²⁶⁴ One example concerned a violation just before the negotiations for a new agreement in 1923 that AF deemed it most appropriate not to report, see: protocol from meeting with the members of AF, May 18, 1923, Folder 3, Box 1, AF.

²⁶⁵ Bilaga A till protokoll från sammanträde med Pressens Förtroenderåd, 18 februari, 1918, ÖÖ Bihang I:1, TU, RA.

²⁶⁶ See for example the advertisement agreements (annonsavtal) from 1937 and 1948 in Folder Annonssavtal, AF.

²⁶⁷ Pope (1983), pp. 157–58.

issue of reciprocity were necessary for the continued collaboration of newspapers and agencies.²⁶⁸

At the annual meeting in 1920 of all newspapers that had signed agreements with the advertising agencies, Grafström was also invited. There were many disagreements. Several participants argued for the dissolution of the whole system, especially since it seemed impossible to meet the demands for reciprocity. Grafström argued that it had always been impossible, since if one newspaper in one region had refused the agreement it was impossible to reach agreements with the other newspapers too. The chairman of the Press Trust Council, Gustaf Grönfors, who was the business manager of the large daily newspaper *Svenska Dagbladet* in Stockholm, pointed out that the system was only a few years old, and since more and more papers were joining it was only a matter of time before reciprocity would be fully functioning. According to him, the rural press in particular believed that the agreement was beneficial for them in helping them keep up their advertisement prices. However, the same types of disagreements were seen again the next year.²⁶⁹

What kind of competition between the agencies?

The type of work that the authorized agencies could engage in was affected by the market regulation. The newspapers had originally wanted the agencies to agree to only mediate advertisements to newspapers, and thus not to 'theatre programmes, catalogues, billboards, trams, and steamboats, and so forth'.²⁷⁰ The advertising agencies consistently argued that they needed to be open and involved in other sorts of advertising too, since it was necessary in order to give the clients the best possible service. Many agencies also pointed out that they had separate side businesses that handled other sorts

²⁶⁸ Protokoll från sammanträde med Pressens Förtroenderåd, 29 april, 1918; Pressens Förtroenderåds Förvaltningsberättelse till årsstämman, 16 september, 1918, ÖÖ Bihang I:1, TU, RA.

²⁶⁹ Protokoll från fortsatt årsstämma med Tariffcentralens Tidningskontrahenter, 4 oktober, 1920; Protokoll från sammanträde med Tariffcentralens tidningskontrahenter, 30 september, 1921, ÖÖ Bihang, I:1, TU, RA.

²⁷⁰ Bilaga A, till protokoll fört med Pressens Förtroenderåd, 18 februari, 1918, ÖÖ, Bihang I:1, TU, RA.

of advertising, which were kept apart from the advertising agency business. Still, the issue concerning what type of work that the authorized advertising agencies could engage in remained controversial. One prerequisite for the agencies' privileged market position, according to the newspapers, was that they focus on advertisements in the daily press.

A critical article in *Pressens Tidning* accused the agencies of becoming *reklambyråer* (lit. advertising agencies) (see the note on translation in Chapter 1). In the article, the term *reklambyrå* implied that the agencies sent in editorial pieces about products or companies that they wanted newspapers to publish.²⁷¹ Such methods were despised by the newspapers and sneered at as 'text advertising' (*textreklam*). In an internal debate in AF, there were also accusations that some agencies were turning into *reklambyråer*.²⁷² There were two categories of advertising agencies during this period, one denoted *reklambyråer* and the other *annonsbyråer* (lit. advertisement agencies) (see Chapter 2). In reality, many *annonsbyråer* took on work that was not newspaper advertising, but this regularly drew criticism from newspapers or other agencies.

In one example, Palms Annonssbyrå had created a separate department that sold 'illuminated signs' which required a lot of capital. After a complaint from the newspapers in 1925 concerning the effect of this sideline on the financial stability of the agency, the owner, Sven Palm, said he had sold the business so that he could put all his efforts into newspaper advertising.²⁷³ In the mid-1920s several similar events drew criticism from the newspapers. One involved an authorized agency named Svea that had a type of 'illuminated advertising' for a company in their windows, which faced a major thoroughfare in Stockholm. The newspapers believed this to be a violation of the Advertisement Agreement. Svea defended itself by pointing to that it

²⁷¹ Bratt, Valter, 'Annonssbyråerna som reklambyråer', *Pressens Tidning*, 1 februari 1923.

²⁷² Protokoll hållet vid sammanträde med AF, 9 maj, 1922, Folder 3, Box 1, AF.

²⁷³ Cirkulär no. 8, 1925, 'Annonssbyråernas Likvider', bilaga till AN:s verkställande utskotts protokoll 9 oktober, 1925, F5:9, TU, RA.

shared premises with the other company, and was absolutely not involved in the illuminated sign.²⁷⁴

The agencies also watched one another to be certain that competitors were not engaged in unsuitable side businesses. The large agency Svenska Telegrambyrån had connections to another company, which, among other services, offered outdoor advertising. Helge Hirsch, Svenska Telegrambyrån's general manager, argued that the other company was a completely independent business and shared no interests with the advertising agency—the only link was that he was board member and general manager of the other company. He believed that it was natural for agencies to use their connections to attract clients, and that this was unproblematic as long as all members of the organization respected the tariffs.²⁷⁵ A representative of another agency found this attitude remarkable, and asked Hirsch if he thought it was acceptable to use a separate business to offer the client advantages that the advertising agency, due to its agreement with the newspapers, was not allowed to offer. Hirsch replied that Svenska Telegrambyrån strictly adhered to the tariffs and pointed out that other agencies were also involved in business activities through which advertisers could receive benefits, including Gumaelius, which ran a shop that sold typewriters and stationary.

A telling example of the peculiar competition, or lack thereof, between the agencies concerns a client representing the Swedish state. In 1917, Svenska Telegrambyrån and Gumaelius reached an agreement with Swedish State Railways to take care of all their advertisements. Interestingly, the agencies took turns in handling all the advertising in the print media, alternating yearly. This arrangement lasted until at least 1944—fully 27 years.²⁷⁶

²⁷⁴ Stockholmspressens Ekonomiska Förening to TUs Annonsnämnd, avskrift, 23 september 1926, bilaga 14 till protokoll från sammanträde med AF, 18 februari 1927, Folder 3, Box 1, AF.

²⁷⁵ Protokoll från sammanträde med AF, 9 maj, 1922, Folder 3, Box 1, AF; see also Fleming, Claes (1947). *Den röda tråden. En kåserande cavalcad belysande 25 års utveckling av det moderna annonsbyråväsendet i Sverige*, p. 17, unpublished manuscript, Vol. 5. Svenska Telegrambyråns archive, RA.

²⁷⁶ Sammanställningar rörande vissa myndigheters annonskostnader 1943–1944, Annonsutredningen 1945, RA.

Similarly, a few agency representatives ventured to question whether the relationship between Stens Annonsbyrå and the Federation of Swedish Industries (Sveriges Industriförbund), the main business interest organization for Swedish industry, was entirely appropriate.²⁷⁷ In fact, the Federation of Swedish Industries was a majority owner of Stens Annonsbyrå, which could very well be thought a violation of the requirement for all advertising agencies to be ‘free’ and not bound by specific advertisers’ interests. Annonsbyrå Svea was another example. By the end of 1925, the agency was financially weak and tried to raise capital. A new owner, Gösta Karlsson, came in, and the agency was henceforth to have the exclusive right to mediate advertisements on behalf of all the companies and organizations affiliated with the Cooperative Union (Kooperativa Förbundet), where he had formerly been employed. In fact, Karlsson had financed the purchase of the agency with a loan from the Cooperative Union. From the very first the suspicion was that it was actually the Cooperative Union that had started its own advertising agency, with Karlsson as frontman. In an interview, Karlsson flatly denied that the Cooperative Union was the owner, even though this seems to have been obvious to most observers.²⁷⁸ The agency retained its authorization from TU.

The Federation of Swedish Industries later sold Annonsbyrå Sten, but Svea continued to be owned by and part of the Cooperative Union for the whole period studied in this dissertation, a clear deviation from the stipulations of the TU and AF agreement. This lack of consistency was also later used as an argument against the cartel and the Advertisement Agreement, beginning in the 1940s.²⁷⁹ The TU and AF sources do not reveal any discussions or other information concerning Svea, however, and the agency and its leadership maintained a very low profile in the advertising agency collective. By the mid-1920s the Cooperative Union was rapidly becoming a powerful economic player, and Svea’s campaigns and

²⁷⁷ Protokoll hållet vid sammanträde med AF, 9 maj, 1922, Folder 3, Box 1, AF; see also Edman (1958), pp. 14–16 for an account of when the Federation of Swedish Industries bought the agency.

²⁷⁸ ‘Svea har sålts’, *Pressens Tidning*, no. 23, 1925; see also Gardeström (2018), p. 133.

²⁷⁹ See, for example, Gillberg, K-E, ‘Annonsmonopolet och konsumentkooperationen’, *Annonsören*, no. 9, 1947.

advertisements would become some of the best known in Sweden.²⁸⁰ It is probable that TU and AF did not deem it possible to stop Svea from being owned by the Cooperative Union at this point. The issue was also sensitive for the Cooperative Union, since it was very critical of monopolies and cartels in general and liked to portray itself as being on the consumers' side against powerful big business.²⁸¹ David Gerber has pointed out the similarity between cooperatives and cartels: both organizational forms aim to restrict competition among their members, but for different reasons and in different ways. This complicated the Cooperative's criticism of cartels in the 1920s in Germany, for example.²⁸²

In the mid-1920s there were thus many discussions both between the advertising agencies and between TU and AF about what sort of competition was acceptable. It was a matter of satisfying TU by ensuring that agencies stayed focused on newspaper advertisements, but also of ensuring 'fair' competition between the agencies: if one agency was allowed to develop capacities that were forbidden to others under the agreement with TU, that would be unfair. The conditions for competition also extended to the ownership structure, as no agency was supposed to have ties to advertisers or the media. Yet Svea and Annonstryck Sten broke with this principle, and were tolerated.

Inclusion and exclusion in the cartel

The applications of advertising professionals who wanted to be authorized by TU are a highly interesting source on the grounds on which authorization was granted, giving an insight into how the industry was shaped. In the early years, it is evident that the agreement between AF and TU was relatively

²⁸⁰ See, for example, Gardeström (2018), ch. 5, for a discussion on the advertising of the Cooperative Union. See also Kylebäck (1974), pp. 295–300.

²⁸¹ Giertz & Strömberg (1999), pp. 95–100; 127–29. See also the critical book *Det Moderna Trust och Kartellväsendet* by Thorsten Odhe (1932) who was the editor for the Cooperative Union's magazine *Kooperatören*.

²⁸² Gerber (2001), pp. 122–23.

unknown, and that the level of professionalization in the advertising industry was low. Applications came in from all sorts of companies, from both experienced and from more inexperienced persons, while from the 1930s onwards, it is evident that more experienced advertising professionals applied, as will be discussed in the next chapter.

One application in 1917 came from an advertising man called Yngve Berg. He had an established business and marketed his company as follows: 'Arranges all sorts of advertisements and advertising along modern lines: artistic, purposive, and original'. In addition, he also ran a 'graphic design agency'.²⁸³ He applied to become an authorized advertising agency several times but was judged by the newspapers to be unreliable. When Berg's application was discussed in the early 1920s, AF wrote to TU and pointed out 'the dire situation' for the advertising agencies due to the economic crisis. There was a development of commercial life that risked putting the tariff-agreement under pressure and AF believed that a collapse of the system would be of catastrophic nature due to the increased costs, for example for paper for the newspapers and due to the "very meagre profit margin" of the advertising agencies.²⁸⁴

In a letter of application in 1918 by a woman named Svea Brunius, which in itself was rare since all other applications at least until the mid-1950s were made by men, the letterhead spells out the types of businesses she was engaged in: 'property department, rental department, placement department, advertisement department, agency shop'.²⁸⁵ However, she later withdrew her application after learning about the financial requirements in order to become authorized. An application from a company called Skottes Annonskontor in 1920 was not approved for the reason that the market had no need of more advertising agencies at the time.²⁸⁶ This application also

²⁸³ Yngve Berg to Tariffcentralen 4 oktober, 1917, bilaga D till protokoll fört vid sammanträde med Pressens Förtroenderåd 15 oktober, 1917. ÖÖ Bihang I:1, TU, RA.

²⁸⁴ AF to Pressens Förtroenderåd, September 13, 1920, bilaga till protokoll fört vid möte med Pressens Förtroenderåd, September 29, 1920. ÖÖ Bihang I:1, TU, RA.

²⁸⁵ Svea Brunius to E. Erikson, 13 mars 1918, bilaga till protokoll 29 april, 1918, ÖÖ Bihang I:1, TU, RA.

²⁸⁶ Protokoll från sammanträde med Pressens Förtroendenämnd 13 september, 1920, ÖÖ Bihang I:1, TU, RA.

shows the diverse types of businesses that the advertising agencies could be involved in. The company was a 'newspaper and advertising office in combination with a stationery shop' and the owner also ran a small printing firm on the side.²⁸⁷

Another company, Modern Reklam, also applied for authorization in 1920. It was already involved in the advertising business, but mainly with 'advertising work outside the daily press'.²⁸⁸ The application stated that some of the company's clients had asked Modern Reklam to take on all their advertising, including newspaper advertising, and they therefore wanted to open a full-scale advertising agency. The application was declined (together with two others) with the argument that current market conditions did not call for increased competition between advertising agencies. A similar example was the application by Skandinaviska Reklamaktiebolaget, which said that since January 1922 it had the contract for advertisements on all trams in Stockholm, and there had been many occasions when it could have placed its clients advertisements with the daily press. However, that application too was declined.

Some applications were more ambitious than others. In 1921, a Dr G. H. d'Ailly of Gothenburg was the general manager of a new joint-stock company, an advertising and advertising-related business for which he sought authorization. D'Ailly had worked as advertising manager for a factory producing 'precision instruments', and at a company called Teknisk Reklam (Technical Advertising). Radio was his speciality and he wrote for several radio magazines.²⁸⁹ The new company, besides mediating advertisements, would also involve the creation and printing of catalogues, brochures, and other associated advertising business, and the company believed its various types of advertising would reinforce one another. The

²⁸⁷ Uttalande från Soliditet, Advokatfirman Tjerneld & Morssing om Skottes Annonsskontor 1 augusti 1920, bilaga A till protokoll från sammanträde med Pressens Förtroendenämnd 13 september, 1920, ÖÖ Bihang I:1, TU, RA.

²⁸⁸ Modern Reklam to Tariff-Centralen 14 juni, bilaga till protokoll från sammanträde Pressens Förtroenderåd, 13 september, 1920, Bihang ÖÖ I:1, TU, RA.

²⁸⁹ Notiskrönika, 'G.H. D'ailly', *Industritidningen Norden*, 1929, p. 160.

plan was to work internationally, to support Swedish clients with advertising abroad, but also to help foreign clients that wanted to advertise in Sweden.²⁹⁰

AF also received the application and wrote to TU that d'Ailly was known to have worked for several companies, among them the owner or partner in several large manufacturing plants in Sweden. Given these relationships, AF said it was clear that the agency would act as the advertising manager for those firms, and they would thus be able to receive not only any discounts but also the commission. Since such an advertising agency 'would not work to acquire more advertisements or increase existing advertisements', and since there already were three large advertising agencies in the Gothenburg region, AF recommended the application be declined.²⁹¹ TU did decline the application, mainly since the company's core business was not in the interest of the press.²⁹²

In 1925, an application from an advertising agency founded by several rural newspapers was also declined since there was no need for more agencies, and the agency in question would not be to benefit the newspapers collectively.²⁹³ According to the manager of the agency, Gustav Sandberg, there were at least 30 newspapers that supported him, but he was aware of the small chances of becoming authorized. An earlier article in *Pressens Tidning* had, according to Sandberg, insinuated that he was running the business in a 'disloyal' manner in relation to the agreement between TU and AF. Sandberg protested against such a view and maintained that the business was legitimate.²⁹⁴

Between 1915 and 1925, between two and six companies were declined authorization each year (see Figure 2.6). There may have been many more individuals or small companies that would have liked to work in advertising,

²⁹⁰ PM rörande programmet för det under bildning varande annons- och reklamföretaget i Göteborg och omfattningen av dess verksamhet, bilaga till brev från G.H d'Ailly till Svenska Pressens Förtroenderåd, 12 mars 1921, ÖÖ Bihang I:1, TU, RA.

²⁹¹ AF to Ordföranden i Pressens Förtroenderåd, bilaga till protokoll från sammanträde med Pressens Förtroenderåd, 25 februari, 1921, ÖÖ Bihang I:1, TU, RA.

²⁹² Protokoll hållet hos Pressens Förtroenderåd, 25 februari 1921, ÖÖ Bihang I:1, TU, RA.

²⁹³ Protokoll hållet hos verkställande utskottet hos TUs annonsnämnd, 8 maj, 1925, F5:9, TU, RA.

²⁹⁴ Sandberg, C. Gustav, 'Ordet fritt: Sammanslutna Landsortspressens Annonskontor', *Pressens Tidning*, no. 13 (1925); 'Till endast auktoriserade byråer...', *Pressens Tidning*, no. 10, 1925.

but were discouraged by the known or anticipated difficulties of being authorized. The relatively high number of applications in the early years of the cartel is indicative of the fact that the agreement between AF and TU was less well known then. Three main reasons stand out as to why agencies were not granted authorization: current market conditions; applications that did not focus enough on advertisements to the daily press; and lack of freedom vis-à-vis advertisers or the media.

When it comes to the types of advertising agencies that were approved, it is difficult to generalize on the underlying reasons for their authorization. Often, the advertising agencies and TU's representatives disagreed about the decisions, but it was the newspapers that had the final decision. In the case of Törnbloms Annonsbyrå in 1921, AF believed that due to the straitened times another advertising agency would not increase the number of advertisements placed in the press, but rather would only spread the existing stock of advertisements between more hands. The client relationships that Törnblom mentioned in his application were already clients of existing advertising agencies or of the newspapers directly. Another authorized agency could jeopardize the business of existing agencies, which was not in the interest of the newspapers.²⁹⁵ TU, on the other hand, decided to accept Törnblom's application since the maximum number of agencies was set as 12, but there were only 10 at that point. Törnblom, who had the military rank of captain, was thought a man of 'excellent connections and respected social standing', and thus had every chance of increasing the number of advertisements placed in the newspapers.²⁹⁶

The founder of Palms Annonsbyrå, Sven Palm, applied for authorization at least twice. The advertising agencies recommended turning him down mainly because of market conditions. His application was accepted in 1921 since Palm was then supported by several newspapers in the Gothenburg region.²⁹⁷ Another agency, Wilh. Andersson Annonsbyrå, was also viewed

²⁹⁵ AF to Pressens Förtroenderåd, 29 september, 1921. Bilaga till protokoll fört vid sammanträde med Pressens Förtroenderåd, 30 september, 1921, ÖÖ Bihang I:1, TU, RA.

²⁹⁶ Pressens Förtroenderåd to AF, oktober 18, 1921, ÖÖ Bihang I:2, TU, RA.

²⁹⁷ Protokoll från sammanträde med Pressens Förtroenderåd 7 november, 1921, ÖÖ Bihang I:1, TU, RA.

with scepticism by the authorized advertising agencies. Several newspapers had received orders from Andersson and had also paid him commission, to the disdain of the authorized agencies. In 1924 he was granted authorization.²⁹⁸

An unusual application came from a German advertising agency, ALA (Allgemeine Anzeigen-Gesellschaft) in 1918, the only foreign agency to apply for authorization between 1915 and 1925. The application was approved, apparently having been recommended for approval by the advertising agencies.²⁹⁹ According to the application, ALA was an advertising agency started by some of the hundred 'most renowned' large German industries in collaboration with several important publishing companies in Germany, and it already mediated large parts of the German advertising placed in the Nordic countries. The letter stated that if their application was approved, ALA would open a local office in Stockholm with a minimum equity of SEK 100,000.³⁰⁰ However, the plans were never realized and no business was started. There are unfortunately no reasons given in the sources for why the application was approved, since it was obviously in violation with the principle about the independent position of advertising agencies.

Chapter summary

This chapter describes the prehistory and the first decade of the advertising cartel and the development of the market for advertisements in Sweden. It was a period when society tended to accept cartels and other forms of restrictive trade practices, and they were even described as a 'natural development' that grew out of increased competition. Competition that was

²⁹⁸ Protokoll hållet vid sammanträde med AF, 18 maj, 1923, Folder 3, Box 1, AF; Protokoll hållet hos Verkställande utskottet i TUs Annonsnämnd, 16 januari, 1924, F5:9, TU, RA.

²⁹⁹ Protokoll hållet vid sammanträde med Pressens Förtroenderåd 18 februari 1918, ÖÖ Bihang I:1, TU, RA.

³⁰⁰ Allgemeine Anzeigen-Gesellschaft m.b.H to Pressens Förtroenderåd 'angående ansökan om inträde i Tariffcentralen', December 10, 1917, bilaga till protokoll nr 10, 18/2 1918, ÖÖ Bihang I:1, TU, RA.

too fierce could result in 'disloyal competition', which was perceived as negative, perhaps even immoral or illegal. The foundation of AF and the collaboration between the authorized agencies and the newspapers, which started in 1915, took place against this background. The collective agents started to organize and manage the unruly advertisement market in order to restrict competition.

The advertising agencies were closely tied to the newspapers even before 1915, and the collaboration strengthened this relationship. It was the case in Sweden as in most comparable countries that the advertising agencies of the twentieth century grew out of newspaper space-brokering. The strong position and growth of printed mass media can explain this development. In Sweden, TU gained a strong position in society, which the authorized advertising agencies could benefit from. Gradually, the agencies developed their organizations so that they could offer more sophisticated services. Still, the focus of the agencies was on newspaper advertising, and the start of the cartel agreements with TU strengthened this development—or seen from another perspective, held back a potential diversification of services.

Since the advertising industry did not have any natural entry barriers, the cartel effectively created a barrier with its rigid capital demands of new agencies. TU found itself in charge of granting authorizations to agencies, and until 1925 there was an upper limit on how many companies could be authorized. Authorization was needed for the payment of newspaper commissions, which was the main source of income for the agencies, and so the procedure gradually shut many companies out from the advertisement market. The norm that agencies had to be independent of all advertisers and the media developed in the period, but was not explicit until the agreement was reached in 1930. Accusations of cheating and other deviations from the agreement were common, but did not threaten the overall development towards the increased control by the cartel and TU over the market.

With the Rättvik Agreement in 1925, which was a quota agreement, the agencies' restrictive trade practices came to a head. It was a stab at a planned economy in the advertising industry. Looking back at the agreement now, it seems as if such an agreement could only have been created at the latest in the mid-1920s. The new law that gave the authorities the right to investigate monopolistic tendencies came into effect later, in 1925, and the Advertisers'

Association reported the Rättvik Agreement to the Board of Trade. Even in the context of the relative tolerance of restrictive trade practices, the Rättvik Agreement was too much. In hindsight, it was also very difficult for the agencies to adhere to its stipulations, since they were so detailed and demanded central control, which made the whole system extremely inflexible. While the advertisers reported the Rättvik Agreement, many large advertisers were engaged in restrictive trade practices in their own spheres of business. Among producers of consumer goods, resale price maintenance was a particularly common practice, and widely accepted, and to break the norm was often denounced as disloyal. What the above discussion shows is the prevalence of restrictive trade practices at this time, which complicated the prospects for credible criticism between the different actors.

The collaboration between AF and TU affected what kind of competition could take place among the agencies. Price competition was prohibited, and the agencies were expected to compete on 'quality' instead. However, since the agencies were supposed to focus on newspaper advertising, it was often perceived as disloyal to offer services that diverged too much from what was supposed to be the agencies' core business. The close relationship between TU and AF, together with the authorization process, shaped the advertising industry, and its institutional arrangements promoted a particular form of agency. It was an agency built on high capital requirements, wholeheartedly focused on newspaper advertisements but at the same time ready to assist advertisers with many different kinds of services. Agencies that for various reasons did not fit this template were gradually shut out of the market. At the same time, the criteria used to grant authorization at this stage followed no clear rules.

It seems understandable that the advertising agencies did not want to compete on price with one another, but why the newspapers were so reluctant to authorize new advertising agencies is not that easily explained. One possible answer is to be found in the perceived value of 'order' and 'stability'. With the experience of chaotic market conditions with 'free competition' fresh in mind, the predictability of a more orderly market was most probably important. TU's board members frequently referred to their desire to establish orderly conditions. TU knew that too many agencies in relation to the size of the market would probably lead to disloyal methods

and agencies going out of business, which would hurt the newspapers in the end. From the newspapers' side, there would be nothing positive about such a development; no benefits from the mechanisms of competition.

It is useful to return to the statement by Gunnar Stenbeck, which seems revelatory in several different ways. Stenbeck used the word humiliating—it was humiliating to disclaim one's freedom as the agencies did when they decided that they could not approach one another's clients. The restricted competition furthermore risked channelling the agencies' energy into the monetary side of their business. They would lose interest in developing the craft of advertising. This observation echoed the premise that competition drives development and innovation. It is of course competition on price that is referred to here, and not the competition on quality that the agencies saw as desirable. This issue goes back to the question of what it was that drove collective agents' actions in a market. Generally, it is believed to be the maximization of profit, the prospect of making money. To compete on price is a means to try to increase market share. AF and TU wanted to take this mechanism out of play, largely for opportunistic reasons. But there was also a more profound change concerning how TU and AF perceived the market.

What can be observed in the period is an emergence of a specific conception of control among the agencies, in TU and between TU and AF, which provided a template and principles for what the market *should* be like, most clearly manifested in the Advertisement Agreement. The conception of control that developed could serve to try to convince outsiders that the market was organized in the best way, but most probably to convince the actors in the cartel themselves of the righteousness of their actions. The idea of an orderly market was important, where agents behaved in line with the stipulated rules on competition. Loyalty was expected, meaning adherence to the Advertisement Agreement. However, there were many aspects of the agreement that were open for interpretation, which opened the door for conflicts and accusations. Despite those difficulties, the collaboration continued. A problem was that the advertisers did not fully accept the conception of control created by AF and TU, since it did not allow them influence on the market, and could be to their disadvantage, particularly for large advertisers. On the other hand, many advertisers' own restrictive trade practices made it difficult for them to credibly criticize AF and TU.

The agencies claimed that if there were only peace and quiet in the market, they would be able to focus entirely on their work. Competition was a distracting factor, which actually risked lowering the quality of advertising, and despite difficulties, by the mid-1920s, it seemed as if the advertising agencies had found a promising way to control it. The foundations had been laid for the next phase in the life of the advertising cartel.

Chapter 4

Maturing cooperation 1926–1938

Competition between advertising agencies working for the Swedish newspapers shall be fully loyal but free.³⁰¹

The late 1920s and 1930s were characterized both by increased control by AF and TU over the market, but also by increased conflicts, particularly with actors outside the cartel such as large advertisers and non-authorized agencies. AF and TU came to rely on more elaborate agreements that regulated new aspects of the market. They made more explicit the key principles that stipulated which business methods were legitimate, and consequently which were not, and thus also how competition was allowed to manifest itself in the market. These principles were based on different notions of competition, which were sometimes confused and contradictory, but also connected to the discourse in society at the time. Both TU and AF used the principles and the ideas that underpinned them, to defend and motivate the cartel. The conflicts that were played out in the period were all connected to these principles and different notions of competition in various ways. For example, an internal conflict in AF in 1938 originated in different viewpoints on what was legitimate or proper business conduct in the market.

³⁰¹ Annonsavtalet 1935, p. 17, Folder Annonsavtal, AF.

Three external events or processes challenged the cartel at this time: American advertising agencies in the late 1920s; more professional ‘admen’ who wanted to become authorized and take part in the market; and increased criticism from a group of influential advertisers that did not respect the market regulations and sought to circumvent them.

This chapter seeks to explain the turn of events in the market and the cartel in the period. Of particular interest is how the cartel managed to secure and strengthen its position in the market, and how the external challenges were handled. What was it that enabled TU and AF to successfully defend their organization of the market in this period? What role was played by the key principles in the collaboration between TU and AF, and how did they relate to more general ideas about competition? TU and AF’s collaboration seems to have deepened in the period studied in this chapter. Their conception of control, which had emerged during the earlier period, developed, and in some respects, became less ambiguous. Up until 1938, when the above-mentioned conflict in AF occurred, there were fewer conflicts and discussions about how competition should be played out *inside* the cartel than there had been earlier. Instead, the cartel was increasingly questioned from the outside.

The chapter starts with a brief description of the general changes that took place in the advertising industry in the period, and the increased societal focus on practices of *disloyal competition* in the 1930s. Next, I discuss the negotiations that took place in 1930 for a new Advertisement Agreement, which marked a new turn for the cartel and the market. Thereafter, the three external challenges to the cartel are discussed: American advertising agencies; increased pressure from non-authorized agencies; and the often-time strained relationship with large advertisers and the Advertisers’ Association. Finally, I look at two events that expose the issue of disloyal competition in the cartel and the market: the 1938 conflict in AF; and trouble with ‘free service’, which from the advertising agencies’ perspective risked distorting market competition. The chapter ends just before the outbreak of the Second World War.

Loyal competition and advertising utopians

The late 1920s and the 1930s were a dynamic period for the Swedish advertising industry for several reasons. The economic depression hit Sweden less hard than many other countries, such as the US, and there was increasing prosperity in society and thus a growing market for advertising. This was reflected in the growth of the turnover of the advertising cartel, which recovered relatively quickly after the crisis of the early 1930s (see Figure 2.4). There was optimism among advertising professionals as they sought to position advertising not only as a powerful tool for businesses, but of vital importance for economic growth and compatible with the social-democratic political agenda. The Swedish historian Elin Gardeström even terms the Swedish advertising professionals that decade as ‘utopians’.³⁰² The advertising industry was increasingly a distinct field of business with a new sense of self-esteem.

As was mentioned in the previous chapter, many business interests and professional organizations had been founded in the 1920s or earlier, and they now matured as advertising agencies developed and their services became increasingly sophisticated.³⁰³ The zenith of the 1930s came with the Nordic advertising congress organized in Stockholm in 1937, where the Swedish Social Democrat prime minister Per Albin Hansson held the opening speech.³⁰⁴ For the congress, the authorized advertising agencies created a series of advertisements that highlighted the value of advertising and the slogan of the congress, ‘Advertising serves society’, which were published in many of the large Swedish newspapers.³⁰⁵

In the 1930s there was increased societal focus on what was called disloyal competition and disloyal advertising. In 1931 a new law against disloyal competition was introduced, of which an important part were

³⁰² Gardeström (2018), pp. 57–91.

³⁰³ See, for example, Gardeström (2018); Nilsson (2010); Funke (2015); Hermansson (2002); Åström Rudberg (2018); Arnberg (2018).

³⁰⁴ *Fjärde Nordiska reklamkongressens handlingar* (1937) pp. 10–11.

³⁰⁵ See examples of these advertisements in *Dagens Nyheter*, 25 maj 1937, p. 4; 29 maj 1937, p. 17 & 15 juni, 1937, p. 2.

regulations against misleading advertising.³⁰⁶ Disloyal competition, and disloyal advertising, could be practices that were “evidently in violation with proper business conduct”.³⁰⁷ One of the judges of the Supreme Court connected the law with intensified competition in the economic sphere, and an increase in business methods that were perceived as unsound or disloyal.³⁰⁸ Such a statement about the relationship between increased competition and disloyal methods is reminiscent of the description in the encyclopaedia from 1911 that was referred to in the previous chapter. The idea about disloyal or loyal competition could be used in many different ways. For example, an article discussed the entry of women on the labour market in terms of disloyal competition towards men.³⁰⁹ In this sense, many behaviours and actions that were different simply because they were new and unknown could be labelled disloyal, because they disrupted established customs.

As discussed in the Introduction, the Swedish parliamentary debates on cartels in the 1930s made frequent reference to disloyal competition. Different marketing techniques were believed to distort competition—for example, giving away free products if a consumer bought something else. The law of 1931 regulated discounts and giving away free products to ensure that the public’s credulity was not abused.³¹⁰ Some members of parliament viewed mail order companies with suspicion, and trademarks or brands also became the object of criticism.³¹¹ This did not stop advertising professionals from getting access to the political sphere, and there was an increasing sense of pride among advertising professionals that they had reached a level of

³⁰⁶ Funke (2015), pp. 94–95.

³⁰⁷ SFS 1931:152; ’i uppenbar strid mot god affärssed’.

³⁰⁸ See the lecture by the judge E. Sandström transcribed in *Annonssören*, ’Lagen om illojal reklam och de konsekvenser den kommer att medföra’, maj-juni, 1931.

³⁰⁹ ’Kvinnorna och arbetsmarknaden. Utsättes mannen för illojal konkurrens? En protest mot gifta kvinnors avstängande från förvärvsarbete’, signaturen E-n, *Tidevarvet*, 11, no. 6, 11 februari, 1933.

³¹⁰ ’Lagen om illojal reklam och de konsekvenser den kommer att medföra’, *Annonssören*, maj-juni, 1931, p. 14.

³¹¹ Karlsson (2013), pp. 1075–79.

development where their knowledge and skills were seen as useful for society.³¹²

A specific example of how accusations of disloyal competition could be played out was the case of the Swedish low-price retail chain EPA. It opened its first shops in 1930, and offered a large range of low-priced products. In the 1930s they were regularly accused of disloyal competition. Swedish suppliers refused to sell products to the company, and there was even an official inquiry launched to look at whether low-price retail chains such as EPA should be forbidden since their business methods were disloyal.³¹³

It seems as if the 1930s was a decade when new business methods and sales and marketing techniques developed quickly, which led to conflicts concerning how they should be interpreted. Examples of this were the cases from the mid-1930s until the early 1950s that were reported to the Swedish business self-regulatory body, which assessed whether or not competitive practices were in violation of proper business conduct or not. This body dealt with cases that were not illegal under the law, but still perceived as disloyal. The cases were very diverse and contained all sorts of alleged disloyal behaviour.³¹⁴ This can be seen against the background of the failure of the law of 1931 to offer a good definition of exactly what constituted disloyal practices. A judge of the Supreme Court stated that ‘only the truly disloyal competition should be subject to the law, that is, to use methods that are in violation of proper business customs’.³¹⁵ Exactly what this entailed was thus open for interpretation.

³¹² See, for example, ‘Kongressupptakt i representativ statsmakt- föredrags och standarinviqning’, *Reklamnyheterna* 4 juni, 1937; Kolare, Harry, ‘Konferensen folkhälsa och reklam’ (1939). *Svensk Reklam*.

³¹³ Fredriksson (1998), pp. 52–61. There were also aspects of antisemitism in the criticism, since both owners of EPA were Swedish Jews. De Grazia (2005), pp. 164–83, discuss the resistance to low-price chain stores in France and Germany during the same period, in Germany driven by antisemitism and the Nazi’s persecution of Jews.

³¹⁴ *God affärssed och illojal konkurrens : uttalanden av Stockholms handelskammars opinionsnämnd 1935-1938 samt Näringslivets opinionsnämnd i Stockholm 1939-1951* (1953).

³¹⁵ ‘Lagen om illojal reklam och de konsekvenser den kommer att medföra’, *Annonssören*, maj-juni, 1931.

The negotiations of a new agreement in 1930

The agreement between TU and AF were renegotiated several times in the 1930s.³¹⁶ It was the agreement that was negotiated in late 1930 (called the 1931 Advertisement Agreement) that was a clear break with the earlier ones; the other agreements in the 1930s kept the same structure and fundamental principles. The earlier agreements from the 1920s had been relatively short in length and covered a limited number of aspects or eventualities. The 1931 agreement had a much more formal character: it was more elaborate and contained new and detailed regulations. It was a means by AF and TU to increase their control of the market. The agreements in the 1930s were usually designed to last for a few years, with the intention that a new agreement would be negotiated once it expired or was cancelled. Indeed, from 1932 the cancelling party was obliged to propose a new agreement to replace the old one.³¹⁷

In the negotiations for a new agreement in the autumn of 1930 the advertising agencies were more careful about how the new agreement would be interpreted by outsiders, for example advertisers. A new style for the agreement was proposed, which made it look more like formal and ‘neutral’ regulations for the whole market rather than a private contract between two parties. It was divided into two parts—‘General principles for the advertisement market’ and ‘Agreement’—which together constituted the ‘Advertisement Agreement’.³¹⁸ Grafström said that the information in the ‘General principles’ should be of completely public character, and that the new agreement had been designed so that outsiders would not ‘get the incorrect idea that there was some kind of trust formation going on’.³¹⁹ This statement is interesting, since this was exactly what representatives of the

³¹⁶ New agreements were reached in 1931, 1932, 1935 and 1937. See the Folder *Annonsvtal*, AF.

³¹⁷ See § 63 in *Annonssavtalet* 1932; see also *Annonssavtalet* 1935 & *Annonsvtalet* 1937, all in Folder *Annonssavtal*, AF’s archive.

³¹⁸ In Swedish: ‘Allmänna bestämmelser för Annonsväsendet i Sverige’. *Annonssavtalet* 1931, Folder *Annonssavtal*, AF.

³¹⁹ Protokoll vid sammanträde med TUs och AFs delegerade, 28 november 1930, Folder 4, Box 1, AF.

Advertisers' Association accused AF and TU of doing. It was difficult to reconcile the fact that the authorized advertising agencies evidently curtailed competition with the declaration that they did not. It should be pointed out that the advertisement agreements between TU and AF were never secret, as the discussions outlined in the previous chapter show. However, based on the negotiations in 1930 it seems the advertising agency representatives perceived the new agreement as somehow being more public than before. A possible interpretation of this is that an agreement that had a more formal and public manifestation was a means to increase the legitimacy of the collaboration between AF and TU.

A subcommittee of representatives from both TU and AF proposed the introduction of an 'advisory committee', *förtroendenämnd*, in which the advertisers would also be represented. Grafström had originally wanted the advertisers to be represented in an 'arbitration committee', *skiljenämnd*, that was proposed to handle disputes arising from the agreement, but he had quickly understood that such a proposal would not be supported by the newspapers. He believed that it would be very valuable that all parties could get together and discuss their conditions.³²⁰ Grönfors, who was one of TU's representatives, believed that the advisory committee was unnecessary, due to the introduction of the arbitration committee. Sven Rygaard from AF replied that since this agreement would be made public, it was very valuable to let the advertisers in. The advisory committee as an organization could perhaps grow in future and be given other tasks.³²¹

From TU's perspective, it was a good idea in principle to have a closer cooperation with the advertisers; however, it was doubtful that it could happen because of the way the Advertisers' Association had often treated the newspapers.³²² After a decision by the board of TU, the whole idea about an advisory committee with advertiser representatives was abandoned.³²³

³²⁰ Protokoll vid sammanträde med TUs och AFs delegerade, 28 november 1930, Folder 4, Box 1, AF.

³²¹ Ibid.

³²² Protokoll vid sammanträde med TUs och AFs delegerade, 12 november 1930, Folder 4, Box 1, AF.

³²³ Protokoll vid TUs och AFs delegerades sammanträde December 3, 1930, Folder 4, Box 1, AF.

Exactly at the time of the negotiations between TU and AF in late 1930, the Advertisers' Association was involved in a conflict with TU, since the advertisers wanted to negotiate lower prices with the newspapers. The demand for lower prices, which advertisers held to be 'general and justified', was repeatedly rebuffed by the newspapers in a way that was thought rude by the advertisers.³²⁴ This is one explanation to TU's reluctance to give advertisers greater influence.

The issue concerning how to regulate how much work the agencies could engage in aside from newspaper advertising was discussed in the negotiations. The newspaper representatives wanted stricter regulations, preventing the agencies from engaging in any advertising work that competed with newspaper advertising. Grafström and Rygaard, on the other hand, asserted that a softer formulation had been chosen for the advertisers' sake. In the proposal for agreement that was discussed, the clause stated that an agency could not conduct advertising business that could 'distort their position as impartial advisor to the advertiser', but that the agency could support the client with other sorts of advertising. As remuneration for such other work, the agency should calculate a fee roughly equal to the revenue the agency would have received if the same amount had been spent on newspaper advertising. The formulation 'equal revenue' was chosen in order to ensure the impartiality of the advertising agency.³²⁵ Both Grönfors and another TU representative opposed such a formulation; they did not want to risk agencies drifting into other spheres of business that competed with newspaper advertising. Despite the newspaper representatives' reluctance, the clause finally agreed on was largely based on the proposal that the agencies wanted.

³²⁴ Protokoll fört vid styrelsesammanträde för TU, 20 januari, 1931, A1:4, TU, RA; see also 'Lägre annonspris. Ett allmänt och berättigat önskemål', *Annonsören*, september, 1930 & 'Ett cirkulär', *Annonsören*, febr-mars, 1931.

³²⁵ Förslag till annonsavtal, bilaga 1 till protokoll vid sammanträde med TUs och AFs delegerade, 28 november 1930; see also protokoll fört vid sammanträde med TUs och AFs delegerade, 28 oktober 1930, both in Folder 4, Box 1, AF.

From customer protection to 'loyal but free' competition

In the 1931 Advertisement Agreement a new clause stipulated how competition should work between the authorized advertising agencies. Such a clause had not been part of the agreement earlier, which shows that it was deemed important to spell out the rules for competition. The 'customer protection' under the Rättvik Agreement (see Chapter 3) drew fierce criticism from the advertisers, and the Advertisers' Association reported it to the National Board of Trade as a case of monopolistic practice. It was not discussed in conjunction with the new agreement that was negotiated with the newspapers in late 1930, however. It seems likely that the customer protection and the adjacent quota system never functioned in the way intended, so the exact effect it had is unclear. Since it was a sensitive issue, and a very extreme version of regulated competition, AF later wanted to distance itself from this aspect of their activities.³²⁶ Thus, from what has been suggested in the literature, it was a topic that was quietly buried.

However, AF's general ambition to restrict and regulate competition between advertising agencies had not disappeared. In the new agreement that was reached between TU and AF in 1930, in the 'General principles' section, a clause explicitly stated how competition should be regulated between the agencies. The chosen formulation stated that competition between the authorized advertising agencies should be 'loyal, but free', and that the agencies 'could not strike agreements that restricted the free competition between them'. From 1932, the formulation was changed to 'fully loyal, but free', a small change but indicative of the importance of loyal behaviour among AF agencies. This wording was part of the agreement until at least the early 1950s.³²⁷ The irony here was of course that the "free competition" concerned only the agencies that were already part of the cartel.

The clause made explicit quota regulations and similar extreme restrictions on competition impossible. On the other hand, it did enable restrictive trade practices similar to those AF had practised in the 1920s. This

³²⁶ Björklund (1967), pp. 720–21; see also Gustafsson (1974), p. 4.

³²⁷ See the section entitled 'Allmänna bestämmelser för Annonsväsendet i Sverige' in *Annonssavtalet 1931, 1932, 1937, 1939 & 1948*, Folder *Annonssavtal*, AF.

was partly due to the vagueness of the expression 'fully loyal, but free'. Even to contemporaries it was not always clear exactly what sort of behaviour could be classified as either loyal or disloyal, but it enabled AF to use the argument of disloyalty if an authorized agency tried to act in ways that broke with the implicit expectations of loyal behaviour. This ambiguity was perhaps not surprising against the background of the new law of 1931, and its failure to come up with a working definition of disloyalty. It could even be interpreted as a strategy on AF's part to use the expression, since the vagueness was in fact in their interest.

Since the new agreement stated that competition should be loyal, the agencies agreed that it was inappropriate for them to compete with one another on price.³²⁸ To this end, the authorized agencies reached a new agreement between themselves. The content was discussed with TU where the agencies' representatives, again, highlighted that advertisers should learn that there was no price competition between the agencies, and that an advertiser was primarily interested in making sure it did not pay more for its advertisements than its competitors did. The proposed regulations between the authorized agencies would therefore contribute to sound market conditions. It also aimed to make sure newspapers held to their prices.³²⁹

Besides the opportunism, the arguments embodied an idea of some kind of fairness: large, powerful advertisers should not be able to use their economic clout to get better conditions than other less powerful advertisers. If the prices among the advertising agencies were the same, no advertiser could say that an agency was more expensive or cheaper than another.

Independent agencies and reliable businessmen

Two other important changes were made in the 1931 Advertisement Agreement: the first spelt out that advertising agencies had to be 'independent companies' and the second placed demands on the personal qualifications of the leader(s) and owner(s) of advertising agencies. These

³²⁸ Protokoll från sammanträde med AF, 29 december 1930, Folder 4, Box 1, AF.

³²⁹ Protokoll hållet vid sammanträdande för dels TU, dels AF, 6 mars 1931, Folder 4, Box 1, AF.

new explicit parts of the agreement, which had only been informal earlier, thus increased the formal requirements for agencies that applied for authorization.

The official purpose of AF as written in their statutes from the 1920s and 1930s, was to ‘keep and promote a sound market for advertisements’.³³⁰ As a consequence, its members were of course obliged to use sound business methods, and the new regulations from the 1931 agreement onwards implied a quality check on those active in the advertising industry. In the 1931 agreement between TU and AF it was stated that leader of an authorized agency must have shown ‘such skill in his profession that the agency under his leadership should be able to contribute substantially to the advertising industry’. The advertising agency leader must also be known to be a ‘reliable and loyal businessman’. In addition, the agency should have the financial resources necessary in order to be able to conduct its business in a sound way.³³¹ It was the TU board that decided whether a person was loyal and reliable; there were no ‘neutral’ measurements or requirements whereby a person could show these qualities. AF could also give judgements about prospective entrants to the TU board.

That advertising agencies should be free and independent in order to best serve their clients was an idea that gradually evolved from 1915 onwards. The argument was already being used in 1921 as a reason not to authorize one advertising agency (see Chapter 3). In the 1931 Advertisement Agreement, this idea was formally turned into a prerequisite for authorization. It was stated that an authorized advertising agency should be ‘a completely free, impartial and lawfully registered company in Sweden exclusively focused on advertisement business, and not directly or indirectly focused on any other type of business’.³³²

In an editorial article in the leading trade magazine, *Affärsekonomi*, the independent position of advertising agencies as stated in the 1931 Advertisement Agreement was welcomed. The article wrote in positive tones that the agreement was a ‘new order’ for the Swedish advertising industry,

³³⁰ See, for example, Stadgar för AF för 1926 & 1934, Folder Stadgar, AF.

³³¹ Annonssavtalet 1931, p. 3, Folder Annonssavtal, AF.

³³² Ibid.

and was a prerequisite for increased productivity in Swedish advertising. Earlier, the advertising agencies had been bound by their agreement with TU, which skewed their relation to the advertisers as well as to forms of advertising other than newspaper advertisements. The new agreement put the agencies in the right position in the economic machinery, being 'now not bound by vendor interests, the newspapers, and due to the introduction of a modified and unified commission rate, the advertising agency can finally be the free trustee of its advertising clients'.³³³

That the agreement was positive for advertisers was the topic of another article in *Affärsekonomi*, written by Sven Rygaard. He wrote about the negotiations between TU and AF:

In one regard... the negotiations have been somewhat odd. Both parties have had the impression that as a third, invisible, party at the negotiating table were representatives of the advertisers. In the discussion of the many difficult and complex issues there was always consideration towards the rights of this third party. When there were disagreements, everyone tried to seek unity in the common goal—more efficient and more economic advertising under conditions that were equal for all parties. That holds promises for the agreement... and for the sound development of Swedish advertising'.³³⁴

Both articles strike an odd note, since there were other parts of the agreement that indicated that the advertising agencies were still very closely tied to the newspapers. For example, what of all the other sorts of advertising being compared to newspaper advertisements, which could only be carried out by the agencies if the revenue equalled what they would have earned if the same amount had been channelled to the daily press? Such a clause was of course a way for newspapers to prevent the agencies from proposing other forms of advertising to their clients, to the newspapers' detriment.

Several of AF's initiatives in the negotiations with TU aimed at giving the advertisers at least a somewhat greater influence over the market. At the time

³³³ 'En stor händelse', *Affärsekonomi*, no. 1, 1931. The commission rates had earlier been negotiated independently by newspapers and agencies, but from 1931 and onwards they were included in the agreement, with different rates for different groups of newspapers.

³³⁴ Rygaard, Sven, 'Annonsavtalet 1931', *Affärsekonomi*, no. 1, 1931.

of the negotiations in 1930, it seems to have been the bad atmosphere and general distrust between newspapers and advertisers that stopped TU from granting more actual influence to the advertisers. In fact, the advertisers never gained any formal influence over the advertisement agreements until the late 1950s. It is not possible to determine whether the negotiations in 1930 definitely closed the door for advertiser influence, but nevertheless it marked an increased distance between AF and TU on the one hand and the advertisers on the other.

The 'discomfort' of foreign competition

In the Swedish market, foreign advertisements and advertising agencies were increasingly discussed from 1925 onwards. American advertising agencies had started to open offices in several European countries, disrupting domestic advertising markets.³³⁵ With foreign players it became more difficult for TU and AF to enforce their rules and new questions arose concerning which regulations that should apply. Already in late 1925, TU decided that the increasing prevalence of foreign advertisements and advertising agencies should be investigated.³³⁶ In 1926, both TU and AF were working on proposals for the regulation of foreign advertising agencies in the Swedish market, which included definitions of Swedish advertisers and Swedish goods in order to make sure that Swedish clients could not circumvent the regulations and use foreign agencies.³³⁷ The definitions were later employed in the 1931 Advertisement Agreement.

³³⁵ Research on the so called 'Americanization' of European advertising and marketing abound. For examples of the impact of American advertising agencies in different countries see Hultquist (2003) on France; Pouillard (2005) on Belgium; Ross (2007) on Germany; Bendix Andersen (2011) on Denmark; see also ch. 5 in De Grazia (2005) for the impact of American advertising methods in Europe more generally.

³³⁶ Protokoll hållet hos Verkställande Utskottet i TUs Annonsnämnd 3 maj 1926, F5:9. TU, RA.

³³⁷ See for example a draft for regulations for the foreign advertisements 'Utländska Annonserna', bilaga till protokoll från sammanträde med AF, 20 november, 1926, Folder 3, Box 1, AF.

In general, TU was sceptical of these new market appearances. For example, in a circular to newspapers in 1927 TU stated that the encroaching foreign advertisements reflected 'harmful business principles', and that the newspapers should respect their obligations to Swedish advertising agencies. A letter to foreign advertising agencies was to be sent out explaining the principles of the Swedish market, and it should be taken as a 'loyal demand' from the Swedish newspapers that foreign advertising agencies did not take the opportunity to offer their clients cheaper advertisements in Swedish newspapers than advertisers in Sweden could supply.³³⁸

A quote from Tor Roxendorff, who was the deputy general manager and technical manager of the large Swedish newspaper, *Dagens Nyheter* and a member of the TU board at the time, is illustrative of the opinions among the leadership of TU concerning foreign competition:

A new kind of foreign advertising agencies have appeared that are causing discomfort. There are certain agencies that pass all their commission to their clients after which they calculate a working-fee. They say that they want to be independent of the attraction of different commissions from different newspapers. This is a new principle... It is unpleasant that a Swedish advertiser would be able to say that a foreign advertiser gets its advertisements cheaper through a foreign rather than a Swedish advertising agency.³³⁹

Roxendorff clearly felt some loyalty towards the Swedish advertising agencies. Other representatives within TU also expressed sympathetic views towards the Swedish advertising agencies, while there were also those that had a more pragmatic view and questioned why they should be bothered to discuss the advertising industry's internal problems.³⁴⁰

For AF, besides from adding to competition, the main problem with the foreign advertising agencies, and above all the American ones, was the method by which they were paid. They often requested a lower commission

³³⁸ 'Utländska Annonserna' & 'Skrivelse till utländska annonsbyråer', bilaga A och B till AN:s Verkställande Utskotts protokoll, 17 januari 1927, F5:9, TU, RA.

³³⁹ Protokoll hållet hos TUs Annonsnämnd, 20 november 1926. F5:9, RA.

³⁴⁰ See for example the discussion in 'Meddelanden från TUs styrelse' no. 130, februari 1927, pp. 3–7, A3:2, TU, RA.

than the Swedish agencies, but instead charged the client on different grounds. This way, they could share commissions with their clients and have more revenue derived from charging a fee for different services. This implied that the advertiser could get away with paying less for their advertisements if they managed to negotiate well with the agency.

One of the earliest foreign advertising agencies to be established in Stockholm was the large American agency Erwin, Wasey & Co., that opened a small office in Stockholm in 1925, and by 1929 had 18 employees.³⁴¹ Among its well-known clients was Ford Motor Company. Interestingly, in 1924, Gumaelius had reached an agreement with Ford about handling their advertising in Sweden and a special “Ford department” was even created.³⁴² However, in November 1925, Gumaelius lost Ford as a client, which thus coincided with the opening of Erwin, Wasey & Co’s office in Sweden. The incident surely made the Swedish agencies aware of foreign competition.

Erwin, Wasey & Co. wrote to TU in 1929 stating that it had noticed the possibility for non-authorized agencies to work without problems, and presumably successfully for Swedish clients and Swedish products, despite the agreement between TU and AF. Due to the situation as perceived by Erwin, Wasey & Co., it had for some time contemplated whether or not it was necessary to try to become authorized. However, the agency ‘did not find it tempting to act as a pirate’ in the Swedish market, and had, after careful consideration, decided to apply for authorization.³⁴³

Danish advertising agencies were also concerned about foreign competition. In 1927, a leading Danish advertising agency manager, Sylvester Hvid, wrote to a colleague in Sweden asking about the principles of the Swedish market.³⁴⁴ According to Sylvester Hvid, foreign competition was a ‘burning topic’ since they had heard that American agencies planned to open

³⁴¹ Styrelsen i Ervaco, Svenska Aktiebolaget Erwin, Wasey & Co to TU, 10 augusti 1929, F8c:14. TU, RA.

³⁴² Styrelseprotokoll från sammanträde med Gumaelius Annonsbyrå, 30 maj 1924 & 13 november 1925, A1:1, Gumaelius, CfN.

³⁴³ Styrelsen i Ervaco, Svenska Aktiebolaget Erwin, Wasey & Co to TU, 10 augusti 1929, F8c:14, TU, RA.

³⁴⁴ Sylvester Hvid to Svenska Telegrambyrå 16 februari, 1927, bilaga 11 till Protokoll från sammanträde med AF, 18 februari 1927, Folder 3, Box 1, AF.

offices in Copenhagen and Stockholm. He asked whether or not a foreign advertising agency in Sweden was allowed to receive commission for advertisements from a Swedish advertiser, and how the term 'Swedish advertiser' was defined, for example if it included foreign businesses that had Swedish production. General Motors, which opened a manufacturing plant in Stockholm in 1928 and was among the most important clients for the large and influential American advertising agency J. Walter Thompson, could be one such advertiser.

One example concerned the advertisements for the Sunlight brand's products, which were produced in Sweden but owned by the British company, Lever Brothers. The advertising agencies believed that the products were to be considered Swedish, since they were produced in Sweden, and thus foreign advertising agencies should not be allowed to receive commission for such advertisements. A newspaper had also written to TU and asked whether Sunlight should be considered a Swedish or foreign product. TU decided that the work of the company—since it highlighted that their goods were Swedish—should be considered Swedish, and therefore commission was not payable to a foreign advertising agency that mediated the advertisements.³⁴⁵ Yet another example concerned advertisements for the 'Simba-slipsen' or tie, which was produced by a Swedish company, but apparently a Danish advertising agency had tried to get commission for it.³⁴⁶

The Danish market was generally regarded as a discouraging example. As early as 1920, AF asserted that it was well known that the market in Denmark was very poorly organized, and that the whole Danish advertising industry was a 'complete proletariat.' Due to the low commissions, many of the Danish agencies were forced to engage in other types of businesses, which made them unable to work with advertisements in a satisfactory way.³⁴⁷ Another example was Germany, where authorized advertising agencies did not exist, which a German advertising man complained about in an interview; there was 'not a lot of order' and too many agencies (between 500 and 600

³⁴⁵ Protokoll hållet hos Verkställande Utskottet i TUs Annonnsnämnd 6 maj 1927, F5:9. TU, RA.

³⁴⁶ Protokoll hållet vid sammanträde med Annonnsavtalsnämnden, 17 oktober 1934, Annonnsavtalsnämnden, Folder 5, Box 1, AF.

³⁴⁷ 'Södra kretsen och annonsbyråerna', *Pressens Tidning*, no. 7, 1920.

in total).³⁴⁸ Taken together, the sources indicate that both TU and AF believed that they had created a well-ordered market in Sweden, which they were very keen to preserve.

J. Walter Thompson in Sweden 1927–1934

In 1927, the large American advertising agency J. Walter Thompson (JWT) opened offices in both Copenhagen and Stockholm, because it had agreed with General Motors to be represented in all countries where the car manufacturer had plants. Often, it was American or British employees that were sent out with the mission to establish JWT offices and to start local businesses. They were full of energy and expectations, and brimming with the self-confidence that came from working for one of the most modern and advanced advertising agencies of the day. A speech that a JWT employee gave to the Swedish Advertising Association in 1925, for example, was entitled ‘The work and organization of a great American advertising agency’.³⁴⁹

In October 1927, it opened a proper Stockholm office to handle business for Sweden and Finland.³⁵⁰ On the top floor of a prestigious building, the newly built ‘King Towers’ (Kungstornen) in central Stockholm, the office itself was taken as proof of the closer ties between Sweden and America, since ‘Stockholm had always boasted them as the only true examples of the American skyscraper architecture in Europe’.³⁵¹ Later, all of JWT’s Scandinavian business was concentrated in Stockholm, because it was deemed to be a more important economic unit and closer to all of the

³⁴⁸ ‘Annonsväsendet i Tyskland’, *Pressens Tidning*, no. 9, 1 maj, 1927. This changed when the Nazis took power in Germany. The order that the new regime managed to impose on the German advertising market was described positively by Swedish observers, see for example the speech held by the new president for ‘Werberat der deutschen Wirtschaft’ for the Swedish Advertisers’ Association in Stockholm in 1934, Protokoll hållet vid ordinarie vårsammanträde med Svenska Annonssörers Förening, 8 juni, 1934, Protokoll 1931-1935, SvAF.

³⁴⁹ *JWT international newsletter*, November 1925, p.6; Bendix Andersen (2011), p. 36.

³⁵⁰ ‘Five new offices opened in Europe’, *JWT international newsletter*, March 1927, p. 10; ‘Foreign Notes’, *JWT international newsletter*, October 1927.

³⁵¹ ‘Latest word from Stockholm’, *JWT newsletter*, October 15, 1928.

Scandinavian markets, and there was a ‘gradual but obvious shift in American business from Copenhagen to Stockholm’.³⁵²

The JWT newsletters from 1928 and 1929 are full of enthusiastic reports from both Copenhagen and Stockholm. Much of it was written in a patronizing if humorous tone, making it clear how undeveloped JWT thought the Scandinavian market to be. The Stockholm office was laughingly said to be equipped with roulette wheels where the media department could gamble on circulation rates ‘in the acceptable European manner’, but there were also sniffy remarks that the ‘complex mix of art and craft that we know as advertising is simply beyond the range of Scandinavian thought’.³⁵³

And yet one of JWT’s representatives in Europe, George Richardson, who from around 1931 was in charge of the Stockholm office, was very positive about Sweden as a prospective market for American products, and thus for JWT. He made the following comments back at headquarters in New York having just visited Sweden in 1931:

Practically any American product will sell in Sweden, and a real volume can be obtained through intelligent advertising as the Swedes are very receptive to advertising which is not offensive to them. I think the samples of their national newspapers over here (displaying) are very indicative of their feelings on the subject of advertising, for the newspapers both in literary style, in make up and appearance, as well as advertising contents, I feel, set, outside of England and possibly Germany, the highest newspaper standards in Europe’.³⁵⁴

Some of JWT’s business methods were questioned. *Pressens Tidning* wrote that it and other agencies in the US were engaged in so-called ‘text advertising’—advertising disguised as editorial content, placed by advertisers that tried to

³⁵² ‘Newsletter called to swift account’, *JWT newsletter*, October 15, 1928.

³⁵³ *JWT newsletter*, 15 January 1928; Bendix Andersen (2011), p. 36.

³⁵⁴ Staff meeting, July 28, 1931, Box 4, Company staff meeting minutes 1927-1952, J. Walter Thompson Company archive, David M. Rubenstein Rare Book & Manuscript Library, Duke University.

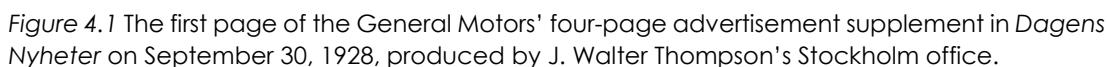
make newspapers write about their products as part of their journalism.³⁵⁵ It was a phenomenon which was fiercely rejected by TU, as it reduced the revenue that could otherwise have been earned from paid advertisements and risked undermining the credibility of the free press. *Pressens Tidning* wrote regularly about the issue, and in 1933 it was discussed by the TU board, particularly in relation to an advertising agency that was denied authorized in part because of its text advertising methods.³⁵⁶

However, it was difficult for the newspapers to practice what they preached and keep the strict line between advertising and journalism. A telling example was the four-page supplement in the large daily paper *Dagens Nyheter* in 1928 that perched on the verge between editorial content and advertising. The supplement was an advertisement for General Motors' various car brands created by JWT in Sweden using a modern rotogravure printing technique, which produced very sharp photos—something rare and exclusive at the time. The inside spread had photos of the newly elected members of the second chamber of the Swedish Parliament, and the front and back had General Motors' advertising, 'cleverly tied up with the news inside' according to a proud report about the supplement in the JWT newsletter.³⁵⁷ Only in the lower right corner on the back page was the word 'advertisement' printed in small letters in parentheses. The front page was a potpourri of photos of General Motors' cars, celebrities and Cadillacs, a photo of General Motors' modern office building in New York, and the 'news' that a Chevrolet fitted with speakers had been used by a Swedish politician in his election campaign (see Figure 4.1).

³⁵⁵ 'Byrå för textreklam – senaste smartness från USA', *Pressens Tidning*, 15 september 1930. The discussion about text advertising (textreklam) was prevalent among Swedish newspapers already in the late 1800s, see Harvard (2016).

³⁵⁶ See, for example, 'Text och annonser', *Pressens Tidning*, 15 november 1928; 'Bilreklamen i texten', *Pressens Tidning*, 1 maj 1929; 'Textreklamen bort!', *Pressens Tidning*, 1 april 1933; 'Reklamtingeriet', *Pressens Tidning*, 15 februari 1939. For discussions about text advertising in the board of TU, see, for example, Protokoll från styrelsesammanträde med TU, 11 november, 1933 & 3 december, 1933, A1:5, TU, RA.

³⁵⁷ 'J.W.T. pioneers in Sweden', *JWT Newsletter*, November 15, 1928.



Apparently, JWT could work in the Swedish market for its General Motors account without being authorized by the Swedish newspaper publishers. In comparison to the correspondence and protocols from TU and AF from this time, there are no discussions about the organization of the market in Sweden or the advertisement agreement in the sources from JWT's archive. Due to General Motors' assembly plant in Stockholm, TU and AF would

probably have taken the cars to be 'Swedish', and thus a foreign agency would not have been allowed to receive the commission for any advertisements placed in the press. However, it seems that JWT, like Erwin, Wasey & Co., were able to circumvent the regulations. It is probable that no newspaper could afford to decline publishing General Motors', or Ford's, advertisements, even if there was a lack of clarity concerning the right for advertising agencies to receive the commission or how much it should be. For example, in September 1929 the TU board noted that Erwin, Wasey & Co. already had a position as if the agency were authorized.³⁵⁸ Formally, Erwin, Wasey & Co. (or Ervaco as the agency was called then) was not granted authorization until 1931.³⁵⁹

JWT repeatedly applied for authorization, the first time in October 1929, which shows that the agency at least found it important to try. The nationality of the employees and managers may have played a role in the authorization procedure. When Erwin Wasey & Co. applied for authorization in 1929 it stated it had 18 employees, of whom 'all were Swedish', and that the leadership of the agency was 'as Swedish as it can be', which indicates that this was important to highlight.³⁶⁰ Gaining authorized status was probably less important for JWT's foreign managers, who only worked abroad for a few years before returning to Britain or America. In 1932, JWT was finally given proper authorized status as a Swedish agency, but by this point all the agency's international businesses were struggling.³⁶¹ In 1934 the JWT's Stockholm office was liquidated and taken over by Swedish owners.³⁶²

In fact, in the wake of the depression in the 1930s all three American agencies in Sweden withdrew from the market, with two taken over by Swedish owners: Erwin, Wasey & Co. became Ervaco and J. Walter

³⁵⁸ Protokoll hållet hos styrelsen för TU, 24 september 1929, A1:4, TU, RA.

³⁵⁹ Protokoll hållet hos styrelsen för TU, 29 januari 1931, A1:4, RA.

³⁶⁰ Styrelsen i Ervaco, Svenska Aktiebolaget Erwin, Wasey & Co to TU, 10 augusti 1929. F8c:14, TU, RA.

³⁶¹ See Merron (1999) for an account of how the JWT offices in Europe, among them Stockholm and Copenhagen, were struggling in the 1930s.

³⁶² Sammanställning ej beviljade auktorisationsansökningar 1928–1958, F8e:f, TU, RA.

Thompson became Thörnblad, Scholander Annonsbyrå.³⁶³ It thus seems as the economic crisis put a stop to the continued presence of the American agencies in Stockholm, even though the economy was hit less hard in Sweden. It is unclear how many local clients, for example, JWT had managed to acquire. It has been suggested that its high price policy prevented the agency from acquiring local accounts in European markets.³⁶⁴ If this was true for Sweden and Scandinavia, JWT's local offices must have been wholly reliant on General Motors.

The offshoots of the two American agencies continued to live on, however, and particularly Ervaco, which was a leading agency in Sweden for several decades. It was well known for holding to some of the principles practised by American agencies, which were not common among the older Swedish agencies in the 1930s. One such principle was to not have competing advertisers among the agency's clients. Such a principle did not violate any regulations in the Advertisement Agreement, and in all respects both agencies accepted the Swedish regulations, which prohibited rebating and the charging of service fees instead.

Large advertisers challenge the cartel

Around 1930, the relationship between TU and the Advertisers' Association was still strained. Some advertisers boycotted certain newspapers for refusing to lower their prices, which the advertisers argued were unjustifiably high.³⁶⁵ Many newspaper representatives saw the demand and actions from the advertisers as an intrusion—it was not them to decide the prices of the newspapers. Tor Roxedorff, who was the technical manager of the large daily newspaper *Dagens Nyheter* and a leading person in TU, made the comparison

³⁶³ The third American agency was Lord & Thomas & Logan, but there is almost no information about this agency's activities in Sweden in the archival records, see, for example, Sammanställning ej beviljade auktorisationsansökningar 1928–1958, F8e:f, TU, RA.

³⁶⁴ De Grazia (2005), p. 240.

³⁶⁵ Styrelseberättelse för år 1930, Protokoll 1924–1930 & Styrelseberättelse för år 1931, Protokoll 1931–1935, SvAF.

between the newspapers' prices and the prices of the advertisers' products and he pointed out that the costs for the raw materials for some brands were very low.³⁶⁶ He thus indicated that the advertisers' demand for lower prices was unjustified, since they themselves kept prices high for their own products. TU even commissioned an independent analysis of a few well-known branded chemical products in order to estimate the costs for each specific component.³⁶⁷ An article in *Pressens Tidning* had a similar comparison of the newspapers' 'product'—advertisements—with the products sold by advertisers. A large advertiser had written to several newspapers stating that it was taking the liberty of setting the price of its advertisements. Many newspapers were offended, and one replied to the advertiser that it hoped that the company would in turn let its customers decide the price of their goods.³⁶⁸

Just as at the foundation of the Advertisers' Association in 1924, the issue of newspaper circulation figures caused much debate. Many newspapers continued to be irritated by the requests from the Advertisers' Association and Bertil Andersén, especially as the manner and expressions used were, again, perceived as an insult to the daily press.³⁶⁹ Both advertisers and agencies wrote to newspapers with forms of all kinds that they wanted the newspapers to fill in—there was thus no uniformity in the collection of figures. TU managed to reach a compromise with most newspapers by late 1932, which was greeted with satisfaction by the Advertisers' Association.³⁷⁰ The advertising agencies continued to collect circulation figures, and in 1942 this initiative was formalized in an independent company, which was run by

³⁶⁶ Protokoll fört vid styrelsesammanträde för TU, 20 januari, 1931, A1:4, TU, RA.

³⁶⁷ Two of the products that were analyzed were Samarin, a fruit salt and Stomatol, the toothpaste advertised by Bertil Andersén. See Attest from Kemiska Kontrollbyrån AB, 20 januari, 1931, F8f:1, TU, RA.

³⁶⁸ 'En ogenerad prispressningskampanj', *Pressens Tidning*, 1 november 1930.

³⁶⁹ See, for example, 'Nu är det nog!', *Pressens Tidning*, no. 18, 1931; *Lunds Dagblad* till *Pressens Tidning*, 16 september, 1931; *Borås Nyheter* till Gunnar Bjurman, 19 september, 1931, F8f:1, TU, RA.

³⁷⁰ 'En ny epok', *Annonseren*, no. 11–12, 1932.

AF and later in collaboration first with TU and then also the Advertisers' Association.³⁷¹

At the end of 1931, adjustments were made to the Advertisement Agreement, and an updated agreement, the '1932 Advertisement Agreement', was agreed between TU and AF. In conjunction with the negotiations, an additional agreement denoted the 'Andersén Agreement' was reached between TU and AF on the one hand, and Andersén as the representative of eleven advertisers in a company called 'Andersén Advertising Office' on the other.³⁷² The year before, Andersén had applied for authorization for an advertising agency, but was denied because it was known that he in fact represented several large advertisers. The board of the Andersén group consisted of influential advertisers such as Assar Gabrielsson, the founder of the car manufacturer Volvo, and Christian Cederroth, Sten Sture Cederroth, and Carl-Eduard Grumme, large manufacturers in the chemical industry.³⁷³ They were all dissatisfied with how the market was organized, being convinced that advertisers that only used a limited service from the advertising agencies should be able to get a cheaper price in addition to regular volume discounts, for example by getting part of the commission normally granted to authorized agencies. With the creation of Andersén Advertising Office, that would now be possible for its owners. Even before the agreement had been reached in 1932, Andersén had tried, with some success, to circumvent market regulation and reach separate agreements with newspapers in order to drive down prices.³⁷⁴

The signing of the Andersén Agreement was a concession made with deep hesitation from TU and AF. The agreement implied a disregard of two key principles: the strict prohibition on rebating and advertising agency independence, with no ties to either advertisers or newspapers. Furthermore, it implied that the principle of fairness could no longer be upheld, that is,

³⁷¹ The company was called Tidningsstatistik AB (Newspaper Statistics). See Protokoll fört vid ordinarie sammanträde med Auktoriserade Annonsbyråers Förening 30 januari 1942, Protokoll 1939–1942, Box 2, AF; see also Gustafsson (1974), p. 10.

³⁷² Protokoll fört vid styrelsesammanträde för TU, 28 september 1932, A1:4, TU, RA.

³⁷³ Avskrift fr. Kungl. Patent och registreringsverket, aktiebolagsavdelningen, Stockholm, 26 oktober, 1932, Protokoll angående Andersénavtalet, Folder 6, Box 1, AF.

³⁷⁴ Gustafsson (1974), p. 7.

that the same rules and prices should apply to all advertisers. A key difference to the other authorized agencies was that the Andersén group would always get a commission that was 5 per cent lower than the one paid to standard authorized agencies.³⁷⁵ AF's and TU's reason was that Andersén did not do any sales work that brought in more advertisements to the newspapers, but only worked with the advertisers that were already part of the group. Andersén's company was also to be audited by TU every year so that no irregularities took place. Despite the agreement, it was frequently reported that Andersén continued to circumvent the market rules by trying to negotiate better deals and cheaper prices.³⁷⁶

The Andersén Advertising Office would continue to be a market anomaly and a constant source of irritation for AF and TU. Previous research has suggested that during the economic depression, TU believed that the signing of a separate agreement with Andersén was a way to strengthen newspaper advertising compared to other media and it was also hoped that the agreement would ensure that Andersén's advertisers discontinued to pressure the newspapers for cheaper prices. It was TU that agreed to meet the demands of Andersén and AF was more or less faced with a fait accompli.³⁷⁷ However, the sources indicate that there was at least one meeting between representatives of AF and TU before the agreement was signed.³⁷⁸ In a later source from 1945, one of TU's board members said that it was in fact Tor Roxendorff and Ernst Grafström that together had taken the initiative to come up with the agreement.³⁷⁹ Due to the importance of the advertisers represented by Andersén, the newspapers had to handle his demands in some way. The agreement was at least a means by which TU had some sort of control over Andersén's activities.

³⁷⁵ Avtal mellan TU och AF å ena sidan samt Andersén gruppen, 29 juni 1932, Folder 4, Box 1, AF.

³⁷⁶ See the examples in Protokoll från sammanträde med TUs styrelses arbetsutskott, 5 september, 1945, A1:8, TU, RA.

³⁷⁷ Gustafsson (1974), pp. 7–9.

³⁷⁸ Anteckningar från möte 2 november 1931, F8f:1, TU, RA. In this meeting, most of the managers of AF agencies were present, including Ernst Grafström.

³⁷⁹ Protokoll fört vid sammanträde med TUs styrelses arbetsutskott, 5 september, 1945, A1:8, TU, RA.

At the same time as Bertil Andersén and his companies were challenging the advertising cartel on the basis that the regulations were unfair to large advertisers, many of them strongly defended practices that restricted competition in their own spheres of business. Around 1933, KeLiFa was established, an organization founded by companies in the chemical and food industries, which had close ties with the Advertiser's Association. One important ambition for KeLiFa was so-called resale price maintenance—that retailers had to charge the price that the producer of a branded product had decided.³⁸⁰ Retailers were not allowed to sell a brand at a lower price. A committee of the influential business interest association, the Federation of Swedish Industries' (Sveriges Industriförbund), the so-called 'Same Price Committee' (Likaprisnämnden), was set up to pursue the same principle. Its mission was to establish 'sound business conditions' in the retail trade, especially by putting a stop to the sale of branded goods at sub-prices and discounts, and to work for the principle of 'the same price for all'.³⁸¹ Both of these initiatives could be seen as a continuation of the Institute for the Control of Branded Goods discussed in the previous chapter.

There were striking similarities between the arguments used by TU and AF and those used by the interest groups representing the advertisers. Again, the notion of fairness was important, and this often implied that all parties should pay the same price. The advertisers too, just like AF and TU, argued that the undercutting of prices implied disloyal competition, while it was loyal behaviour to respect fixed prices. It could thus be thought inconsistent of Andersén and his group of advertisers to criticize the agreement between TU and AF for being unfair. On the other hand, these examples show just how widespread the practices that restricted competition were, and that most industries wanted solutions that brought order and sound conditions.

³⁸⁰ See Gillberg (1957) about the foundation of KeLiFa and its work for resale price maintenance. Several of the advertisers represented by Andersén's advertising office were also active in KeLiFa.

³⁸¹ 'PM angående KeLiFa, dess verksamhet, nyttan av medlemskap etc'. April 7, 1937; 'Stadgar för den vid sammanträde å Sveriges Industriförbund 14 maj, 1937, tillsatta s.k. Lika-pris-nämnden', B2:1, SvAF, RA. The idea that brands could only be sold for a certain price that was decided by the brand owner was a prevalent argument from manufacturers in the 1920s and 1930s in Sweden, see Åström Rudberg (2018), pp. 506–507.

In *Annonssören*, the trade magazine of the Advertiser's Association, there were articles that continued to criticize aspects of the agreement between AF and TU. An article in 1931 asserted that it was a strange relationship that the advertising agency was paid by the newspapers, since it made it impossible for them to have an impartial and objective position. Instead, Germany was highlighted as a role model, where there were independent advertising consultants who were objective, and who charged clients for the time they spent working on a campaign, being forbidden to receive commission.³⁸² The article pointed to a sensitive issue for AF and TU: how to handle the increasing number of 'advertising men' who were not granted authorization, but who still wanted to work with newspaper advertisements.

Increased professionalization of non-authorized agencies

In the late 1920s and the 1930s, the level of professionalism among non-authorized advertising agencies increased. As expected, the authorized agencies were negative towards new authorizations in almost all cases, and Grafström even argued that every new authorization curtailed the business of the present advertising agencies, in fact working as a restriction of the commission.³⁸³ Still, the authorized advertising agencies could not prevent all applicants from being excluded. There had to be at least some possibility for skilled 'admen' to enter the market, since a complete exclusion of new advertising agencies would have risked undermining the legitimacy of AF and revealing the monopolistic tendency of the advertising industry. Even though the newspaper publishers favoured sound and orderly conditions, they were interested in authorizing new agencies, especially if an agency could show it would bring new advertisement orders to the newspapers, instead of starting

³⁸² Groeger, Leo, 'Ett nytt yrke i Tyskland. Reklamkonsumenten', *Annonssören*, nr. 7, 1931, pp. 14-16.

³⁸³ Protokoll hållet vid sammanträde med TU:s och AF:s delegerade för förhandlingar om nytt annonsavtal 28 oktober 1930, p. 13, Folder 3, Box 1, AF.

to compete for clients that were already frequent advertisers. Around 1937 a new group of companies called ‘advertising consultants’ or ‘freelancers’ established themselves in the market. The advertising agencies and newspapers tried to deal with them in various ways, referring to the newcomers as a threat to the established system and to the sound development of the market.

TU's struggle with principles of authorization

In the late 1920s there were two relatively professional applicants who caused a stir in AF and TU: a former colonel named Per Nyström and the businessman Leopold Hersson. Unlike the earlier period, the applications from the late 1920s on numbered no small-scale entrepreneurs engaged in a variety of business activities. Since applicants were now more skilful and had relevant experience, it took more time to judge their suitability. How TU and AF dealt with these applications reveal important aspects of the principles they believed should underpin the organization of the market.

Nyström, according to his application, had ‘studied the methods for modern advertisements’ both in Sweden and abroad, and between 1925 and 1928 had been the manager of the Stockholm office of Erwin, Wasey & Co. In his application for authorization for an advertising agency in 1928 he highlighted that he would seek to bring new foreign advertisers to the newspapers so that he would not encroach on the current advertising agencies’ business.³⁸⁴ Nyström was evidently aware of the fact that it would be impossible for him to be authorized if he admitted to competing for clients that already ‘belonged’ to the authorized agencies. Such a strategy would clearly have been a case of disloyal competition.

The TU board was hesitant. One opinion was that Nyström had publicly advocated the ‘American approach’—that the advertiser should get all the benefits that the advertising agency could extract from the newspapers—which ran against all the principles of TU. If advertisers paid different prices it would subvert the work to bring stability to price calculations and forms

³⁸⁴ P. Nyström to TU, 1 mars 1928. F8e:F. TU, RA.

of payment. On the plus side, Nyström was bringing in foreign advertisements, and the TU board discussed how to ensure that remained the focus of Nyström's business. If Nyström continued to bring in foreign clients, he would not compete with the existing authorized agencies. Yet another opinion was that 'if we get an application that seems desirable to approve, it must wait in line until there is a vacancy'.³⁸⁵

In the end, TU decided that Nyström would receive authorization if he fulfilled the requirements that he had stated in his application in addition to making certain that the limited company would have an equity capital of a minimum SEK 200,000.³⁸⁶ Nyström replied that he could not raise the required sum within the stipulated time, but that he hoped that the TU board would give him an extension, which however was not granted. Nyström gave up his attempts to be authorized, and in 1929 he reached an agreement with Gumaelius to become the head of one of its service sections.³⁸⁷

The case of Leopold Hersson is yet another telling example of how TU and AF alike dealt with prospective entrants. Hersson had been working with newspaper advertisements for over ten years, and since 1925 had been employed by one of the authorized advertising agencies and in charge of several large clients. Several advertisers testified to Hersson's skills and how he had contributed to the practice of loyal advertising.³⁸⁸ In comparing Nyström and Hersson, several of TU board members believed that he was more of a 'creative advertisement man' compared to Nyström; he had, for example, initiated several campaigns.³⁸⁹ TU wrote to Hersson stating that authorization would be granted upon the condition that he fulfilled all formal criteria and did not 'intrude on the direct clients of the current authorized advertising agencies'.³⁹⁰ Still, TU declined his application in 1928, without

³⁸⁵ Protokoll hållet hos styrelsen för TU, 24 maj 1928, A1:3, TU, RA.

³⁸⁶ See the folder: Auktorisationsansökningar, P. Nyström, F8e:f, TU, RA. SEK 200,000 in 1928 equalled about SEK 5.7 million in 2019. As a comparison, the equity requirements to start a limited liability company in Sweden in 2019 was SEK 50,000.

³⁸⁷ Styrelseprotokoll 14 november 1929, A1:1, Gumaelius Annonsbyrå, CfN.

³⁸⁸ Utdrag ur Nya Margarin AB Sveas Jubileumsskrift augusti 1926, Bilaga 4A till Herssons ansökan 7 maj 1928. F8e:f, TU, RA.

³⁸⁹ Protokoll hållet hos styrelsen för TU, 24 maj 1928, A1:3, TU, RA.

³⁹⁰ TU to Leopold Hersson, 29 september, 1928, F8e:f, TU, RA.

stating any explicit reasons, apart from a sweeping assertion that the conditions were not such that authorization could be granted.³⁹¹

At a TU board meeting in 1929, Hersson's application was discussed again together with the application from the American agency, Erwin, Wasey & Co. The discussion exposes the different views on competition, and how the board members tried to formulate rational grounds for their decisions. Opinions varied on how generous or restrictive TU should be. One board member asserted that it was not worthy of TU to continually keep postponing decisions about authorizations. The maintenance of an orderly market was connected to restrictive authorization procedures, but another board member pointed out that it would make it difficult for the newspapers to 'preach liberalism against monopoly'. To authorize new agencies might damage the good will of the already authorized agencies, and it was clear that TU believed it important to keep a good relationship with AF. Another board member stated that the old agencies were wrong if they believed that they would continue to always be authorized; they had to prove their ambition and skills. If TU was too strict, that might bring more unauthorized agencies into the market, perhaps even working in collaboration with authorized agencies. Several members noted their resistance to the creation of an advertising agency monopoly.³⁹²

Yet another opinion within TU was that giving too many authorizations would show advertising men 'an easy way forward', which would not be a sound development. Sweden would become like in Denmark, where there were many agencies that competed and then went bankrupt. It was pointed out that in the preceding period, new authorizations had not given rise to a single new advertiser. Authorizing Hersson would only mean that an already existing agency would be split in two, while it was more likely that Erwin, Wasey & Co. would actually bring in new newspaper advertisers. Another point made at the meeting was that the Swedish agencies were the agents of the newspapers, while the Americans were the paid representatives of the clients. When the agreement between AF and TU expired in the end of 1930,

³⁹¹ TU to Leopold Hersson, 10 november, 1928, F8e:f, TU, RA.

³⁹² Protokoll hållet hos styrelsen för TU vid sammanträde 24 september 1929, A1:4, TU, RA.

it would not be easy to reconcile these two opposing principles.³⁹³ Later, Hersson did receive authorization, but not until December 1930.

'An inappropriate outgrowth'—the appearance of freelancers

So-called 'advertising consultants' or 'freelancers' were a phenomenon that grew in importance in the 1930s. In one way, they can be perceived as the consequence of increasingly skilled and experienced advertising professionals who wanted to run their own business in the advertising market, but found it difficult to do so due to the cartel. Advertisers were used to getting most of the creative and strategic service in connection to an advertisement campaign for free, since that kind of service was to be covered by the commission. This made it difficult for independent advertising consultants to charge their clients for advertisement campaigns, since advertisers were unwilling to pay for something that they would get for free if they used an authorized advertising agency. This was the background to the consultants' increasing demands for a change that would allow them to receive reasonable reimbursement for their work.³⁹⁴ In 1938 the consultants formed their own business interest association.³⁹⁵

In the archival records consulted for this dissertation, the terms 'advertising consultant' and 'freelancers' were used for the first time in a memo written by the advertising agency manager Knut Laurin in early 1937 for the AF board. It reveals many of the key principles that Laurin believed underpinned the market for advertisements. According to Laurin there had appeared certain 'degenerate supplements' in the advertising industry and he had noticed that 'business morale was a bit eroded'. Many of the freelancers had started as subcontractors of the authorized agencies. In such situations, the freelancers found themselves in charge of client relations, and their increasing influence in the market risked undermining the agencies' position.

³⁹³ Protokoll hållet hos styrelsen för TU vid sammanträde 24 september 1929, A1:4, TU, RA.

³⁹⁴ Sven O. Blomquist & A.W. Hauffman to Svenska Tidningsutgivareföreningen, 25 augusti 1939, F8e:F, TU, RA.

³⁹⁵ 'Utdrag ur stiftelseurkund för reklamkonsultföreningen', advertisement in *Futurum*, no. 10, 1937.

Furthermore, since the consultants were not bound by any agreements, including the one between AF and TU, they could not be trusted. Laurin stated that:

An advertising agency is no wholesaler. An advertising agency cannot follow the norms that are allowed within regular business life. An advertising agency cannot give into demands about cash discounts on a delayed payment, which a normal company undoubtedly would do without deviating from the principles that characterize good business customs... It is a large moral responsibility to lead an advertising agency, because there are many temptations that a leader is exposed to. It is all the more difficult to fend them off since they are often specific to the industry and thus not offensive towards business customs in general.³⁹⁶

At the end of the memo Laurin wrote that it would strengthen the advertising industry in the future if they could decide on the principles according to which advertising agency business should be carried out, rather than waiting for the newspapers. By doing that, they could focus on their most essential task, which was to manage the great responsibility that they had towards consumers.³⁹⁷

Laurin's memo points to a few key aspects of the collaboration in the advertising industry. Consultants were a threat because they risked undermining the position of the authorized agencies. The arguments used to support this claim were mainly moral: consultants, unlike the authorized agencies, had no contractual obligations, and could treat advertising as a 'wholesale' business, giving into temptations that were perhaps accepted in other business contexts but not in advertising. The quote above highlights that it was imperative to maintain the stated prices at all times if the market were to function as AF and TU intended. 'Normal' businesses could legitimately offer a variety of discounts to different clients, but in the advertising industry it was unacceptable.

³⁹⁶ PM till styrelsen för AF av Knut Laurin, 19 mars 1937, avskrift, bilaga 9 till protokoll fört vid sammanträde med AF, 3 maj 1937, Folder 7, Box 1, AF.

³⁹⁷ Ibid.

Interestingly, Tor Roxendorff of *Dagens Nyheter* had written what in many ways was a similar memo for the TU board just a few days earlier. Roxendorff criticized the authorized agencies for their short-sightedness on the issue, and believed that the new phenomenon of advertising consultants had to be ‘investigated and stopped to the extent that it can be judged to be unsound and not desirable for orderly advertisement conditions’. Roxendorff asserted that the new sort of advertising business, the advertising consultants, represented in principle ‘a new and inappropriate outgrowth in the advertising industry’.³⁹⁸

Since advertising consultants often received commission from the authorized advertising agencies this meant that nothing could stop them from rebating. Roxendorff also recognized that they were not bound by any agreements and could propose other sorts of advertising channels than print media to their clients. The issue needed resolution, either by a clarification of the Advertisement Agreement—the preferred way, according to Roxendorff—or through the advertising agencies.³⁹⁹

However, the issue was not resolved so easily. The authorized agencies tried to push the consultants, or at least the most persistent ones, into taking jobs with the existing advertising agencies, just as they had tried to do with Sandberg, Nyström, and Hersson ten years before. In his memo, Laurin even stated that he wanted to ‘force these men into existing agencies if they wanted to work in the industry’. Negotiations between TU, AF, and the consultants did not give any quick results either.

The leading advertising consultants at this time were Sven O. Blomqvist, Wilhelm Beckman, and Willy Hauffman, who all had several years of experience of working in advertising, both in advertising agencies and for advertisers. Blomqvist and Hauffman planned on merging their companies, and applied accordingly for authorization in 1939.⁴⁰⁰ The existing authorized agencies were given the chance to give their opinion on new applications,

³⁹⁸ Tor Roxendorff to styrelsen för Svenska Tidningsutgivareföreningen, 15 mars, 1937, avskrift, bilaga 10 till protokoll fört vid sammanträde med AF, 3 maj, 1937, Folder 8, Box 1, AF.

³⁹⁹ Ibid.

⁴⁰⁰ Sven O. Blomqvist & A.W. Hauffman to TU, 20 maj, 1939, Auktorisationsansökningar från Sven O. Blomqvist and A.W. Hauffman, F8e:f, TU, RA.

and their application prompted much discussion. In line with Laurin's memo, there were attempts to offer both Blomqvist and Hauffman employment with good conditions with already authorized agencies; indeed, Laurin believed that there was "hardly any need to apply for authorization in order for them to work on the advertisement market".⁴⁰¹ According to Blomqvist and Hauffman, at the request of TU they had entered into negotiations with the authorized agencies concerning how they could best be remunerated for their work, but to no effect.⁴⁰²

The authorized advertising agencies recommended that TU not approve the application from Blomqvist and Hauffman. They based this recommendation upon several arguments. It was doubtful that the new agency would reach a turnover that was large enough for both Blomqvist and Huffman to earn a living. For this to be the case, they would have to continue with their 'consulting business', so breaking the Advertisement Agreement. Here, again, the issue of the extent to which an *annonsbyrå* (lit. advertisement agency) could also be a *reklambyrå* (lit. advertising agency) was at the forefront of the argument. Blomqvist and Huffman had been engaged in advertising in competition with newspaper advertising, and therefore could not, according to the rules of the market, continue with their old business as before. The authorized agencies said that they were not against new authorizations 'if there was a real need for such'. They believed that the gross turnover of the agencies had to be larger than in 1938 for such conditions to be met. Furthermore, it was pointed out that the clients that Blomqvist and Hauffman mentioned were not new advertisers—their authorization would only mean a reshuffling of clients. It would not be of economic benefit for the newspapers, but would create 'an irritation between newspapers and current authorized agencies and invoke a feeling of uncertainty for the agencies'".⁴⁰³

⁴⁰¹ Knut Laurin to TU, 28 juni 1939, Auktorisationsansökningar från Sven O. Blomqvist and A.W. Hauffman, F8e:f, TU, RA.

⁴⁰² Sven O. Blomqvist and A.W. Hauffman to TU, 20 maj, 1939, Auktorisationsansökningar från Sven O. Blomqvist and A.W. Hauffman, F8e:f, TU, RA.

⁴⁰³ Svenska Auktoriserade Annonssbyråers Förening & Svenska Annonssbyrå Föreningen to TU, 1 juni, 1939, Auktorisationsansökningar från Sven O. Blomqvist and A.W. Hauffman, F8e:f, TU, RA.

Blomqvist and Hauffman protested, declaring that it would not help the authorized agencies to find skilled staff if the only way to work in the market for advertising men was to become employed in the already existing agencies. Their point was that if advertising men who like themselves wished to work at their own instigation and their own risk could not be authorized, it was more likely that they would switch to other sorts of advertising business than take a job at an existing agency. They also protested at the notion that the volume of advertisements had be larger before a new agency could be authorized. It was in the new creation of business in itself that one of the key driving forces to increased volume could be found. Unlike a large agency, a personally led agency with a limited number of clients could also provide a thorough service, and so affect the development of the clients' advertising budgets for the better.⁴⁰⁴

The viewpoints were completely opposed. The authorized agencies could not admit that there would be any positive effects from increased competition, while Blomqvist and Hauffman recognized competition's inherent benefits as a source for development in itself. At this point, the TU board seems to have agreed with the authorized agencies. Blomqvist and Hauffman did not receive authorization, and the question of advertising consultants was postponed by the outbreak of the Second World War. Hauffman was finally granted authorization in 1944; for Blomqvist, it took until 1958. According to a letter from a Swedish advertising agency manager to JWT in New York in 1946, this was at least partly due to personal animosity between Blomqvist and some of the members of the TU board.⁴⁰⁵

The consultants' basic problem thus remained: how to be properly paid for services rendered. In fact, the issue of service and so-called 'free' service—services without a specific payment from the client—was another issue of crucial importance for how the market was organized and the control of the market by the authorized agencies and TU.

⁴⁰⁴ Sven O. Blomqvist & Willy Hauffman to TU, 25 augusti, 1939, Auktorisationsansökningar från Sven O. Blomqvist and A.W. Hauffman, F8e:f, TU, RA.

⁴⁰⁵ Sten Scholander to Sam Meek, January 14, 1946, Box 4, J. Walter Thompson Company archive. Samuel W. Meek Papers, David M. Rubenstein Rare Book & Manuscript Library, Duke University.

Competition in practice

The problem with 'free' service

Since the advertising agencies could not compete on price they competed on service and quality instead, whatever that entailed. According to AF, this was beneficial for society because it meant that the agencies did not have to spend time and resources on price questions and they could focus fully on developing the standard and quality of advertising to the benefit of both consumers and clients. However, the norms of the kinds of service that could be offered and how such service should be paid for were ambiguous. Several interests had to be balanced. To offer services that risked upsetting the newspapers was a risk; the same was true of services that risked being perceived as disloyal competition within AF. As the discussions in the early to mid 1920s showed (see Chapter 3), it happened that agencies accused one another of offering services that amounted to unfair or disloyal competition: for example, side businesses could be used in various ways to lure clients to an agency by tendering services that the others could not offer. In the 1930s, these discussions between the agencies became less frequent in the sources, but in relation to the newspapers it continued to be a sensitive topic.

The scope and level of services was connected to the question of commission. As seen, the agencies generally wanted higher commissions while the newspapers believed they were already too high. In the 1931 Advertisement Agreement, the commission levels were standardized at different levels for different categories of newspapers ranging from 14 to 21 per cent.⁴⁰⁶ Generally, commissions were the main source of income for the agencies, and were supposed to cover parts of what was denoted the service offered to clients. However, there was also service that was not included in the price for advertisements, and thus not part of the basis for the commission paid. These services were usually denoted 'technical work' and

⁴⁰⁶ Annonssavtalet 1931, p. 4. Folder Annonsvtal, AF.

included drawings, photographs, clichés, moulds, and deliveries, which were supposed to be charged separately by the agency. According to AF, the rules concerning how these services were paid for was important for the stability and sound development of the market for advertisements.⁴⁰⁷

From the agencies' perspective, a problem appeared in the mid 1930s when one of the largest magazine publishers in Sweden, Åhlén & Åkerlund, started to offer advertisers free service. Åhlén & Åkerlund represented about half of the magazine circulation in Sweden at this time.⁴⁰⁸ It developed an increasingly sophisticated service department under the leadership of Anna Ehlin, with well-known artists and advertising professionals who could support direct clients of the magazines with drawings, photographs, and clichés, all free of charge. The consequence was that advertisers increasingly started to advertise directly through Åhlén & Åkerlund rather than using authorized advertising agencies.

AF maintained that this free service was unsound and in contradiction of the fundamental principles of the market. It was wrong, AF asserted, that advertisers were made to believe that drawings, photographs, and clichés were so easily and inexpensively produced that they could be offered for free. It was probably the case that Åhlén & Åkerlund tried to hide the costs of this service somewhere else and instead charged the client through, for example, a higher advertisement price. Åhlén & Åkerlund's practices were a case of disloyal competition, according to AF. If this were not stopped, it would force magazines and newspapers to offer their clients more and more free services, which risked ruining not only the advertising agencies, but also the newspapers.⁴⁰⁹ In 1937, both AF and TU tried to convince Åhlén and Åkerlund to discontinue with their practice of free service.⁴¹⁰

⁴⁰⁷ Betänkande rörande Annonsavtalet mellan Svenska Tidningsutgivareföreningen och svenska auktoriserade annonsbyråer, utarbetat av AF med anledning av TUs förslag till Annonsavtal 1937, oktober 1936, del III Betald service och fri service, Folder 8, Box 1, AF.

⁴⁰⁸ Gustafsson (1974), p. 6; see also Sundin (2002), pp. 284–90.

⁴⁰⁹ Betänkande rörande Annonsavtalet mellan Svenska Tidningsutgivareföreningen och svenska auktoriserade annonsbyråer, utarbetat av AF med anledning av TUs förslag till Annonsavtal 1937, oktober 1936, del III Betald service och fri service, Folder 8, Box 1, AF.

⁴¹⁰ TU & AF to Åhlén och Åkerlund Förlags A-B, 5 mars 1937, avskrift, bilaga 4 till protokoll från sammanträde med AF, 3 maj 1937, Folder 8, Box 1, AF. A writer in the trade magazine

The general manager of Åhlén & Åkerlund, Åke Bonnier, was a member of the Bonnier family, one of the most powerful players in Swedish publishing, and he defended his company's practices. It was not the case that the advertisers, as TU and AF suggested, were 'fooled' into taking the free service. The advertisement prices charged by the magazines reflected the circulation figures, the placement of the advertisements, and other clearly motivated facts. Did TU mean, Bonnier asked rhetorically, that if one of two comparable newspapers had a higher advertisement price than the other, something else than the newspaper's desire to be an attractive advertisement media was the motive? Furthermore, Bonnier criticized the authorized advertising agencies for not doing their work well on behalf of magazines. Since Åhlén & Åkerlund received such a limited flow of advertisements from the agencies they had in fact been forced to develop their free service. The free service also fulfilled an important task in educating Swedish businessmen as to the value of carefully planned advertising campaigns.⁴¹¹ The criticism can be seen against the background that TU generally sought to keep as much advertising as possible in the newspapers rather than magazines, and that the level of commission was generally lower for the magazines than the daily press.

In 1937, 'For and against free service' was the topic of an evening debate arranged by the Swedish Advertising Association.⁴¹² Afterwards, TU's vice-chairman, Eric Carlsson, wrote a long article about the free service in *Pressens Tidning*, in which he linked the practice of free service to the stability and soundness of the advertising industry and the market for advertisements in general. The question was one of fairness between advertisers and general price levels for advertisements. It was wrong, wrote Carlsson, for an advertiser who had already prepared finished advertisements, and thus did not need any free service, to pay the same price for the space in a newspaper or magazine as an advertiser that demanded extensive (free) service. It was

Reklamnybeterna also criticized the free service, see Tømmås, M., 'Den fria annons servicen', *Reklamnybeterna*, 29 januari 1937.

⁴¹¹ Åke Bonnier to TU & AF, 15 mars 1937, avskrift, bilaga 8 till protokoll fört vid sammanträde med AF, 3 maj 1937. Folder 8, Box 1, AF.

⁴¹² Lindholm, Harry, "För och emot fri service", *Annonseren*, no. 9–10, 1937, pp. 2–10.

also a threat to the level of costs of both advertising agencies and newspapers.⁴¹³ As can be recognized from the Andersén Advertising Office case, the same type of argument, but from the advertisers' side, was brought up to criticize the Advertisement Agreement. Large advertisers with finished advertisements believed it was unfair that they had to pay the same price as an advertiser that needed every service. Given this, Carlsson's arguments are paradoxical since he implied that free service was unfair, but the fact that all advertisers, independent of how much work they demanded from an advertising agency, had to pay the same price, was fair.

The conflict over sound methods in 1938

The problem of the how and why of competition also lay behind the conflict that ultimately caused AF to split in two in 1938.⁴¹⁴ The trigger was an advertisement published by an authorized advertising agency, Allmänna Annonsbyrån, on the front page of one of Stockholm's largest newspapers in January 1938. The agency had been acquired by two new owners in the mid-1930s, one of whom was the Knut Laurin who was so critical of advertising consultants.⁴¹⁵ Both owners were thus newcomers to AF. The headline of the agency's advertisement in 1938 read: 'You can fool some people some time but you can't fool all the people all the time'. The headline, but not the rest of the advertisement, was in English (Figure 4.2). It was a call for more honest, sound advertising—an uncontroversial appeal at the time. However, it was the reason behind it that caused the commotion. The advertisement referred to a soap advertisement by Colgate-Palmolive-Peet and its advertising agency, which was one of the large authorized agencies, which played on the 'lowest human instincts'. As Allmänna Annonsbyrån said,

⁴¹³ Carlsson, E. "Annonspris och fri service", *Pressens Tidning*, 1 november 1937, p. 6.

⁴¹⁴ For a limited period, from February 1938, there were thus two organizations: the 'old' one kept the official name Svenska Auktoriserade Annonsbyråers Förening, that I continue to denote AF; and the 'new' organization took the name Svenska Annonsbyrå Föreningen. This order lasted until the outbreak of the Second World War, when the organizations were united again.

⁴¹⁵ Knut Å F Laurin, <https://sok.riksarkivet.se/sbl/artikel/11092>, Svenskt Biografiskt Lexikon (by Rune Kjellander).

Is it not an insult to the Swedish people to bring forward the arguments that we recognize from some types of advertisements? Do you remember the girl who did not marry until she started to use a certain soap? Once she did, she got married within a month ... Isn't there something un-Swedish in these aforementioned abuses? Are they not to be perceived as an infection from outside, especially from America, where the word 'oversmart' has become a badge of honour. If this kind of advertising were to gain recognition as a means to sell goods or services to the Swedish people then our advertising agency is for sale

The reference to the soap advertisement was seen as a direct criticism of the advertiser, Colgate-Palmolive-Peet, and the authorized advertising agency that had helped them to create the campaign. When Allmänna Annonsbyrå's advertisement was published, six of the eleven agencies, among them the two largest agencies, Gumaelius and Svenska Telegrambyrå, resigned from AF and founded their own organization. Their reason was their belief that AF's mission, which was to 'keep and promote sound market conditions for advertisements and in other respects to look after the common interests of the members', could no longer be fulfilled.⁴¹⁶ Their reaction was based on the 'derogatory judgement of Swedish advertising and Swedish companies' in the advertisement, they said.⁴¹⁷ The remaining AF members, including Allmänna Annonsbyrå, declined that the agency had in any way discredited their colleagues.⁴¹⁸

Both sides referred to the new 'Code of Standards of Advertising Practice' that had been ratified by the International Chamber of Commerce in 1937, which stated that 'advertising agencies should avoid defaming their competitors'.⁴¹⁹ The exiting agencies claimed that Allmänna Annonsbyrå,

⁴¹⁶ Wilh. Anderssons Annonsbyrå, Gumaelius, Annonsbyrå Svea, Svenska Telegrambyrå, Thörnblad, Scholander Annonsbyrå & Törnbloms Annonsbyrå to AF, 19 januari 1938, bilaga till protokoll för vid sammanträde med AF, 25 januari 1938, Folder 8, Box 1, AF.

⁴¹⁷ 'Annonsbyråstrid', *Pressens Tidning*, 1 februari 1938.

⁴¹⁸ AF to TU, 16 februari 1938, avskrift, bilaga till protokoll hållet vid sammanträde med AF, 15 februari 1938, Folder 8, Box 1, AF.

⁴¹⁹ 'Grundregler för god reklampraxis', Bilaga 1 till protokoll fört vid sammanträde med AF, 29 oktober 1937, Folder 8, Box 1, AF.

by publicly criticizing a part of the advertising industry for unsound methods, had behaved in a disloyal way. The remaining agencies claimed that it was the other group that was guilty of such behaviour. In a statement published in *Pressens Tidning*, Allmänna Annonsbyrå asserted that in their view the conflict had its roots in a much more fundamental schism than the opposing side wanted to admit, for it was simply ‘the end, or—perhaps put another way—the beginning of a battle for sound and honest advertising methods’.⁴²⁰

**”You can fool
some people some time
but you can’t fool
all the people all the time”**

När en kändis genom oansvarig reklam lyckas att köpa en
längd vara och uppträder i ett minsta, säger han i 9 fall av
10: "Det var bara reklam". Ligger det inte här en förtäring
som över ömses reklamansvar? Och kunde inte detta för-
hållande vara en spår för varje reklamman att genom ansvarig
förläggning alla skapa respekt för sin egen verksamhet? Den vara,
som inte kan köpa och sälja sig fram på en felig reklam, den
har ingen plats på den svenska marknaden.

Skall reklamen leda eller leda?

Är det tillräckligt att kommersiellt utvärdera de typiska reklamen-
ten hos allmänheten för att så ett resultat till en kändis tillkom-
met resultat? Avstår det inte om reklamans utvärdering tydligt
har en annan innebörd, vi vill att vilken reklamist som helst
har reklamans utvärdering? Är det inte så att det svenska folket
att få en från reklamans utvärdering, som de, vi ofta kallas igen från
våra annonser? Kommer vi idag till den, som inte blir gift,
färdig kan köpa sig en via 1937. Då blev den det som
en reklam — som bara köpt ut i ett tryck.

Och tack på alla dessa tillämpade saker, som vi som genom all-
skins tillverkar om "ställda källor", trots att produktens i föga
sakas egentliga källor. Finns det något mer tydligt?
Många reklamman kunna emellertid till dessa källor och
och till sig själva att köpa våra produkter för pengar, som
harde varit till ett förtäring ett stillastående källor.

Inom tryck- och reklamansvarigheten ha vi reklamans ut-
värdering som en annan något annat område. Vi ha helt enkelt
inte rätt att våra tillämpade saker på förtäringens källor.
Allmänna Annonsbyrå har vill att få en lösning genom
en sammanfattning av reklamans utvärdering, en reklamans utvärdering
av reklamans utvärdering. Vi vill att vi
skall reklamans utvärdering för produkter med reklamans utvärdering, som inte
kunna reklamans utvärdering av reklamans utvärdering.

Den svenska reklamans källor kallas att som ett resultat för hela
världen. Men det gäller för reklamans utvärdering att på förtäringens
vill att få en lösning av reklamans utvärdering och reklamans utvärdering
av reklamans utvärdering som på reklamans utvärdering av reklamans utvärdering.

Reklamans utvärdering ha dock i reklamans utvärdering av reklamans utvärdering
som och reklamans utvärdering av reklamans utvärdering. Må de se till, att reklamans utvärdering
sociala källor för reklamans utvärdering.

Ligger det inte något annat över de här ställda källor-
källor? Är de inte ett resultat som en reklamans utvärdering,
speciellt från reklamans utvärdering av reklamans utvärdering? Må de se till, att reklamans utvärdering
sociala källor för reklamans utvärdering.

Vi ha dock på den svenska reklamans utvärdering av reklamans utvärdering
och reklamans utvärdering. Vi ha, att vi fortfarande i vår hand ha en
självständigt reklamans utvärdering av reklamans utvärdering. Vi ha, att
en reklamans utvärdering av reklamans utvärdering och reklamans utvärdering, är en reklamans utvärdering
av reklamans utvärdering.

Stockholm i Januari 1938.

[Signature]

ALLMÄNNA ANNONSBYRÅ

Figure 4.2 Allmänna Annonsbyrå's confrontational advertisement on the front page of *Svenska Dagbladet*, 2 January 1938.

⁴²⁰ 'Annonsbyråstrid', *Pressens Tidning*, 1 februari 1938.

Some newspapers and the general business trade magazine *Affärsekonomi* noticed with irritation the self-righteous tone of Allmänna Annonsbyrån. One newspaper article noted that it was understandable that some agencies had left AF in protest, since they were ‘pioneers for Swedish business advertising with half a century old ancestry and did not bow to the dictates of these relatively new colleagues in the field’.⁴²¹

Allmänna Annonsbyrån’s motives remain unclear. Did the agency anticipate how sensitive the content would be for other actors in the advertising industry—was the advertisement a deliberate act of provocation? Or was it simply trying to position itself as a staunch supporter and innovator in the field of honest and sound advertising? That AF split in two seems a very drastic consequence of just one advertisement. There was a backstory, though. In the autumn of 1937, Allmänna Annonsbyrån had started using statements by a governmental agency, the Nutrition Council (Näringsrådet), to increase the trustworthiness of some of their grocery advertisements. Some other AF agencies saw this as an attempt by Allmänna Annonsbyrån to monopolize the credibility bestowed by a governmental agency. The proper way to go about would have been for the whole industry to have the opportunity to collaborate with the Nutrition Council.⁴²²

The strength of the reaction from the agencies that quit AF should perhaps also be understood against how sensitive it was at the time to be accused of using dishonest and ‘un-Swedish’ methods in advertising. The authorized advertising agencies remained split between two organizations until the outbreak of the Second World War prompted their reunification.

Chapter summary

The period from 1926 until the outbreak of the Second World War was characterized by several different processes and developments. Advertising

⁴²¹ ‘Annonsbyråerna och Pressen’, *Öresunds Posten*, 5 februari 1938; see also särtryck from *Affärsekonomi*, no. 16, 1937 & no. 2, 1938, bilagor till protokoll hållet med Svenska Annonsbyrå Föreningens medlemmar 8 februari 1938, Folder 9, Box 2, AF.

⁴²² ‘Annonsbyråerna och Pressen’, *Öresunds Posten*, 5 februari 1938.

and marketing became more important aspects of Swedish business in general, which was positive for the advertising cartel. Cartels and other forms of restrictive trade practices were widespread and generally accepted. To combat problems with disloyal competition and misleading advertising, a new law against disloyal competitive practices was enacted in 1931. Exactly what constituted disloyal competition was not defined, but the law was supposed to cover practices that were evidently in violation of proper business conduct.

It was against this background that the Advertisement Agreement between AF and TU was renegotiated in the autumn of 1930, and the resulting agreement was elaborate and had a more official character than the earlier ones. The negotiation process reveals that AF sought to involve the advertisers to a greater extent in the governance of the market, but the newspapers were reluctant to do so, mainly due to conflicts over the newspapers' prices. Several new clauses were added to cover practices and demands, which had not been explicit before. It was stated that competition between advertising agencies should be 'fully loyal, but free'. The rules for authorization became stricter, including the personal qualifications of the leader of the advertising agency and the demand that an agency have a completely independent standing. From this perspective, it seemed that the control of the market by AF and TU increased.

The advertising cartel seems to have exploited the ambiguity in the term 'loyal'. It was a solution that enabled the agencies to continue with their restrictive trade practices under the pretence of the positive meaning connected to 'loyal competition'. To combine the word loyal with free can be interpreted as another way to give an air of openness and responsibility to the agreement, despite the seemingly contradictory meaning of such a combination of words. It was the authorized agencies together with the newspapers that had created the governing institutional framework. They thus had the prerogative to decide what could be labelled as loyal or disloyal market behaviour. On the other hand, large advertisers continued to not accept the conception of control by AF and TU, and the founding of the 'Andersén Advertising Office' can be seen as a concrete result of their criticism and attempts to circumvent the regulations.

Even though the Advertisement Agreement became more formal, and the experience of AF and TU in governing the market grew during the period, external actors increasingly challenged the organization of the market. The entry of American advertising agencies increased the number of companies, and they did not always respect the prohibition on rebating, which was a key regulation for the Swedish agencies. The risk was that an advertiser could get its advertisements cheaper through an American agency than a Swedish one. The American advertising agencies had only worked for a few years in Scandinavia when the economic crisis in the early 1930s forced them to close many offices or, as was the case in Sweden, be taken over by Swedish owners.

The advertising cartel, with the help of TU, managed to control and to a certain extent inhibit the development of a group of freestanding advertising consultants, which were perceived as a threat. In terms of handling a group of large advertisers, where Bertil Andersén was a key person, they were not equally successful. The concession in 1932 to let Andersén run an ‘advertising office’ parallel to the regular advertising agency system was a solution that TU and AF were forced to make. However, it was also a means to control Andersén and regulate his activities, even though this implied a break with the rules on the market. Compared to the advertising consultants, Andersén and his advertisers had considerable economic power, thus TU and AF had to find a solution.

The conflict about ‘free service’ and the AF split in the wake of accusations of unsound business methods, are evidence of the power of the *perceptions* of legitimate practices and the consequences if they were violated. From AF’s perspective, free service risked distorting how market business was done, and they tried—unsuccessfully—to make the publishing house, Åhlén & Åkerlund, abstain from this practice. The AF split in 1938 exposed the power of expectations of proper business practices among the group of authorized agencies.

TU had to balance several different interests. On the one hand, some of TU’s board members were aware of the fact that the position of the AF agencies could be interpreted as a monopoly. On the other hand, the board was afraid of a market that was disorganized, and it seems like it tried to assess the size of the market in order to decide how many authorized agencies

it could handle. TU seems not have been concerned about the negative effects of a lack of competition between the authorized agencies. Similar to the agencies, TU's board mainly saw a risk in competition resulting in disorder and disloyal competitive methods. This is highly interesting, since their perception was completely the opposite the much more positive view, which became generally accepted from the mid twentieth century onwards.

Finally, it is interesting to note that the conception of control by AF and TU by the end of the 1930s, primarily manifested in the Advertisement Agreement, showed signs of both a kind of 'shared understanding' about how competition worked in the market, while at the same time showing signs of being in flux. Both advertising agencies and newspapers had become accustomed to the organization of the market governed by the advertisement agreements, which influenced both their perception of how the market should function and their actions. Outside AF and TU, the freelancers accepted the organization of the market, or at least, they were forced to accept it and to try to find a way into the market by gaining authorization. On the other hand, the large advertisers did not share the view on how competition should work, and some of them had the economic power to negotiate a special deal. At the same time, they were unable to change the fundamental rules on the market.

Chapter 5

Cooperation in times of crisis 1939–1949

The new that is to come shall be preceded by heralds. The road must be paved for new needs, new products. Even in times of shortage, yes, perhaps especially then, organized enlightenment in the form of propaganda and advertising, is more necessary than ever.

Excerpt from unpublished AF statement, 1939⁴²³

After the outbreak of the Second World War, and even more so after the invasion of Norway and Denmark in April 1940, the whole of Swedish society mobilized. Sweden was officially neutral and never engaged in the fighting, but the country was affected by wartime blockades, which severely disrupted foreign trade. The government intervened in the economic sphere far more than it had done in the First World War and a slew of regulations

⁴²³ Bilaga 3 till Protokoll från sammanträde med AF, 11 september 1939, Folder 9, Box 2, AF.

were imposed.⁴²⁴ There was an increasing shortage of goods and advertising volumes shrank. The attention of the advertising cartel turned to the government as a possible new advertiser.

Due to the circumstances of the war, this chapter has a somewhat different structure compared to the other empirical chapters. The first part focuses on understanding how the war and the ‘time of preparedness’, as the period was called in Sweden (*Beredskapstiden*), affected the cartel and the collaboration between AF and TU. It is especially relevant to understand the role of the state, and the relationship between the cartel and the government. From the government perspective, the need for communication with the public increased. Wartime announcements and regulations, for example concerning rationing, needed to be broadcast quickly and reliably, but more proactive propaganda and advertising measures, such as campaigns aimed at changing citizens’ attitudes and behaviour, were also needed.

The second part focuses on tracking market changes and the positions and relationships of the various collective agents. How did the organization of the market develop, and what consequences did this have for the conditions of the cartel during the war and the immediate post-war years? During the war, criticism of the cartel and the Advertisement Agreement from the Advertisers’ Association and the non-authorized agencies temporarily ceased. Neither were there any negotiations between AF and TU for a new agreement. Those negotiations that did take place concerned the conditions for government advertising. However, almost immediately after the war, the Advertisers’ Association relaunched their criticism of the organization of the market, this time at the prospect of tougher legislation on restrictive trade practices.

The chapter ends in 1949 since by then the business sphere had largely returned to normal, while 1950 is often taken to be the start of the so-called ‘record years’ of the Swedish economy.⁴²⁵ Marking a new turn, 1950 was also the year when the advertising cartel wrote its first letter in defence of its

⁴²⁴ Friberg (1973); Schön (2012), p. 363. The state’s attempts to intervene in the economy during the First World War was a failure and there were large problems with the provision of food and fuel for the population, see Schön (2012), pp. 278–80.

⁴²⁵ Schön (2012), p. 375.

organization of the market and the Advertisement Agreement to one of the new authorities responsible for competition, which thus will be treated in the final empirical chapter.

Cartels and advertising during the Second World War

Cartels in the regulated war-time economy

It has been suggested that politicians often appreciated cartels since they injected security and stability into the market.⁴²⁶ This could be particularly important during a crisis, such as a war. In Germany, cartels were actively used by the Nazi regime in its war effort.⁴²⁷ In some countries occupied by the Nazis, though, the local economy was almost completely regulated and economic competition was non-existent, implying that cartels had no clear role to play.⁴²⁸ In a Second World War European context, the case of Sweden provides a different perspective. This was partly due to the high level of organization and degree of collaboration in Swedish society in general, but also because Sweden was never directly involved in the war.⁴²⁹

The Swedish state used expertise and resources from the private sector, such as cartels, in order to coordinate the wartime economy. The cooperation of businesses could be more or less voluntary, or the result of a perceived risk of future coercion.⁴³⁰ Many so-called ‘crisis authorities’ were set up. Some of the most important ones, with which the advertising cartel was in close contact, were the Ministry of Supply (Folkhushållningsdepartementet), the Commission of Food Provision (Livsmedelskommissionen), and the State

⁴²⁶ Schröter (2013), p. 1003.

⁴²⁷ Schröter (1996), p. 142. Tworek (2019), pp. 201–204, describes how the Nazi’s took control of the German news agencies that had earlier been organized in an international cartel.

⁴²⁸ See, for example, Bouwens & Dankers (2010), pp. 756–57, on cartels in the Netherlands during the Second World War, which were made redundant by the Nazi occupation.

⁴²⁹ The high degree of organization and collaboration is indicative of what political scientist Bo Rothstein (1992), denotes the ‘corporate state’.

⁴³⁰ Karlsson (2013), pp. 1076–80; see also Friberg (1973), pp. 335–38.

Information Board (Statens Informationsstyrelse), which was responsible for the information flow in Sweden.⁴³¹ Interestingly, the Swedish advertising sector was one of two business sectors that on their own initiative approached the crisis authorities in order to create advisory councils of experts.⁴³² There were also many other semi-official and private organizations that were co-opted by the government and exercised public authority.

During the war, the Swedish government carried out large information and propaganda campaigns. Since it was not just another ‘ordinary’ advertiser, it did not need to respect the cartel or the Advertisement Agreement. The war meant many newspapers’ finances were strained, because advertising spending and therefore newspaper revenues decreased.⁴³³ One hypothesis is that the war, in one way, strengthened the advertising cartel since the government apparently preferred to deal with private actors that were already organized. On the other hand, the war produced extraordinary market conditions that were only temporary. Very soon after the war had ended the political tide turned, and become more critical to practices that restricted competition.⁴³⁴ As soon as 1946, a new law concerning the surveillance of restrictive trade practices was enacted in Sweden, by which all cartel agreements were required to be reported to a register.⁴³⁵

⁴³¹ See Friberg (1973), for an overview of the organization of all state authorities during the Second World War.

⁴³² Friberg (1973), pp. 336–37. The other one mentioned by Friberg was the Trade council created by representatives from the grocery industry as an advisory council to the Commission of Food Provision.

⁴³³ Gustafsson & Rydén (2001), p. 280.

⁴³⁴ Rothstein (1992), ch. 11 discuss the development of the Swedish politics on cartels and competition; see also Karlsson (2013), pp. 1079–82.

⁴³⁵ Lundqvist (2003), pp. 14–15; Sandberg (2014). Similar registers were implemented in many countries, see Fellman & Shanahan (2016).

Advertising and propaganda

There is an extensive literature on the British and American advertising industry's involvement in government propaganda and advertising in the Second World War, while Nazi Germany's use of advertising and propaganda before and during the war has also been subject to research.⁴³⁶ Which collective agents were most active in response to the onset of war seems to have varied. In the US, the strong position of consumer brands seems to be reflected in the fact that it was the large advertisers together with the 4As that formed a special 'advertising council' in early 1942. The idea was to support the government in campaigns that were important for American society, but the council's strategy centred on incorporating war-related messages into regular product advertising in order to keep brand names alive. Commercial media was supportive of the council's work, but was not among the founders of the council.⁴³⁷

In UK, the advertising industry was worried that advertising would be regulated as an 'unnecessary' component in wartime. The British Advertising Association and the Institute of Incorporated Practitioners in Advertising, which represented advertising agencies, both approached the government to offer their services, and a committee was set up with representatives from media, advertising agencies, and advertisers. The committee wanted to align with government to ensure that advertising would not be banned and to convince advertisers, consumers, and the government that commercial advertising was important for the war effort, keeping up morale and a pre-war appearance in media.⁴³⁸

Concerning Sweden's neighbouring countries, they were either occupied by Germany (Norway and Denmark) or in the thick of the fighting (Finland), and it would seem there is no research on their advertising industries in this period. Denmark was a protectorate until August 1943, when, like Norway, it too placed under direct military rule. A prominent Norwegian advertising

⁴³⁶ For UK, see, for example, Clampin (2014). For the US, see, for example, Fox (1975); Stole (2012). For Nazi Germany, see, for example, Berghoff (2003); Swett (2013).

⁴³⁷ Stole (2012), p. 12.

⁴³⁸ Clampin (2014), pp. 28–33.

professional, Trygve Dalseg, later wrote about the experience of the Norwegian Advertising Association during the Nazi occupation. According to him, the industry was strictly regulated, and in 1941 the occupation forces sought to incorporate the association into its administration.⁴³⁹

In Sweden, scholars have treated the role of the advertising cartel in the state's advertising and propaganda efforts during the Second World War indirectly and only partially, as part of other studies.⁴⁴⁰ One exception is the economic historian Erik Lakomaa's research on the Swedish government's role as a client for the advertising industry, but he only treats the Second World War period briefly.⁴⁴¹ An interesting aspect of the crisis was the circumstances under which the government chose different media channels than newspapers. The literature has the new medium of radio being favoured by the State Information Board, for example.⁴⁴² With radio broadcasts, the authorities could 'take' airtime for free in order to spread their information. When journalists were convinced to write about certain topics this could also be perceived as a form of free advertising that the newspapers, at least in normal circumstances, viewed with scepticism.

The Swedish advertising cartel during the war

Opportunities and challenges

It is not an understatement to say that the advertising industry's representatives were full of expectation at the contribution they could make to society after the outbreak of war. At the same time, they recognized the gravity of the situation, but this did not dampen the anticipation felt in the advertising world—rather the opposite, in fact. On 8 September 1939, the

⁴³⁹ Trygve Dalseg (1965), pp. 266–72.

⁴⁴⁰ See, for example, Gustafsson & Rydén (2001), ch. 'Beredskap och Repression 1936–1945'; Wijk (1990) discusses the activities of the State Information Board; Gardeström (2018), pp. 181–201, discusses the advertising industry during the war but focuses on the usage of the different terms, advertising, propaganda and information.

⁴⁴¹ Lakomaa (2019).

⁴⁴² Wijk (1990), pp. 31–33.

general manager of one of the largest authorized advertising agencies, Ervaco, and the chairman of the Swedish Association of Advertising, Folke Stenbeck, said to the trade magazine *Reklamnyheterna* that ‘Swedish advertising and advertising men now have their big chance. Now, if ever, is the opportunity to show to what extent advertising can serve society’.⁴⁴³ This was a reference to the motto adopted by the fourth Nordic advertising congress in Stockholm in 1937: ‘Advertising serves society’.⁴⁴⁴ The industry saw an opportunity to put fine words into action. Several of the large advertising agencies were quick to offer their services to the government in the first month of the war.⁴⁴⁵

The advertising agencies in the cartel were in contact with the government and crisis authorities through different channels; often through AF, but also through their representatives in the Swedish Association of Advertising. The cartel prepared to meet the challenges and opportunities that war would bring. The agencies of course foresaw a downturn in commercial advertising. In the first year of war, from September 1939 until August 1940, it was estimated that their turnover was about 35 per cent lower than the year before.⁴⁴⁶ The crisis facilitated a reconciliation among the agencies that were divided after the conflict in 1938, and in November 1939 all agencies that were authorized by TU came together in one common organization again. As the general manager of one agency put it in a letter to one of the members of the opposing agency organization, ‘if we cooperate now, we can come out of the crisis stronger than before’.⁴⁴⁷

⁴⁴³ ‘Svensk reklam har nu sin chans’, *Reklamnyheterna*, 8 september 1939. Folke Stenbeck was the nephew of Gunnar Stenbeck who had been critical to parts of the regulations of Tariffcentralen in 1915, see Edman (1958), p. 14.

⁴⁴⁴ *Fjärde Nordiska reklamkongressens handlingar* (1937).

⁴⁴⁵ See, for example: Ervacos informationsbyrå to Oscar Thorsing, 6 september 1939; Gumaelius to W. Björck, styrelseordföranden i Tremannanämnden, 22 september 1939; Veckorapport från Statens Informationsstyrelse, 16–22 september, 1939 about a planned campaign called ‘shop as usual’ proposed by Svenska Telegrambyrån, Vol. 2, Tremannanämnden, Statens Informationsstyrelse, RA.

⁴⁴⁶ ‘Annonsbyråerna och det första krisåret’, bilaga till TUs höstmöte, 26 oktober 1940, A3:3, TU, RA.

⁴⁴⁷ Hugo Thörnblad to Hugo Krantz, 20 september, 1939, Folder 6, Box 1, AF.

In November 1939, the agencies agreed to create a 'pool system' for possible assignments from the government for so-called crisis propaganda. The predecessor to the State Information Board (the Three-Man Committee, Tremannanämnden) was informed about the advertising agencies' services and their desire to cooperate with the committee. AF highlighted that its members were competent to carry out all other sorts of propaganda too, not just newspaper advertisements.⁴⁴⁸ There was a fear that, as in Denmark, the government would try to set up its own advertising agency, a development that neither the newspapers nor the advertising agencies wanted.⁴⁴⁹ It was therefore important for the cartel to be proactive.

Another perceived threat concerned the more general view of advertising in society. According to a TU representative, certain powerful business interests in Sweden, such as the Swedish Federation of Industry and the Swedish Employer's Association (Svenska Arbetsgivareföreningen), were of the view that advertising was inappropriate during the present crisis, since it risked making products more expensive for consumers, but the newspapers had forcefully argued against such suggestions.⁴⁵⁰ On this issue, all advertising-related organizations, including the Advertiser's Association, shared the same viewpoint.⁴⁵¹ In addition, the Social Democratic Minister of Finance, Ernst Wigforss, was perceived as being unsympathetic to advertising.⁴⁵² To meet criticism and allay the uncertainty concerning the appropriateness of advertising, TU commissioned two leading researchers to write about the issue on 'purely scientific and objective grounds'. Their results were

⁴⁴⁸ Protokoll hållet vid sammanträde med representanter för nedan antecknade auktoriserade annonsbyråer för konstituerande av Auktoriserade Annonsbyråers Förening (AF), 6 november 1939 samt fortsättning av mötet 7 november, Protokoll 1939–1942, Box 2, AF.

⁴⁴⁹ 'Annonsbyråerna och det första krisåret', bilaga till TUs höstmöte, 26 oktober 1940, A3:3, TU, RA.

⁴⁵⁰ 'TUs arbetsuppgifter i krig och fred', anförande av E. Carlsson på TUs vårmöte 1943, bilaga A till protokoll från vårmötet 1943, A3:3, TU, RA.

⁴⁵¹ Protokoll hållet vid sammanträde med styrelsen för Svenska Annonsörers Förening, 5 juni n.a. (probably 1941 based on the location in the archive) B2:1, SvAF, RA; see also 'Reklam är ingen lyx', *Social Demokraten*, 29 maj 1941.

⁴⁵² 'Annonsbyråerna och det första krisåret', bilaga till TUs höstmöte, 26 oktober 1940, A3:3, TU, RA. Gardeström (2018), p. 100, describes Wigforss' attitude to advertising as ambivalent, it could be of value if it was performed well for good purposes.

published in a booklet in 1943 that was distributed to political decision makers and businesses, and handed over to Ernst Wigforss personally.⁴⁵³

Criticism from the academic world was discussed too, and often forcefully rejected, by advertising professionals in Sweden. In 1943, the German professor of sociology, Theodor Geiger, who worked in Denmark, published 'Kritik af Reklamen' (Critique of advertising).⁴⁵⁴ The Austrian economist Wilhelm Röpke's idea that advertising had to be regulated since it risked leading to monopolies was repudiated in *Annonssören*. According to *Annonssören*, it was in one way true that the aim of advertising was to establish some kind of monopoly of opinion, but no monopoly had ever been established through advertising alone. Rather, advertising was the very essence of free competition and one of the strongest weapons against monopolies.⁴⁵⁵ The critique of advertising as eroding free competition can be recognized from the debates in the Swedish Parliament in the 1930s.⁴⁵⁶

One issue that caused irritation among newspapers in the first months of the war was the perceptions that the government was using newspapers as free advertising space by having them publish various official announcements in the editorial and news sections. Sometimes newspapers also complained about competition from the radio.⁴⁵⁷ There were also initial problems with the newspaper lists—which newspapers were to carry government advertisements. TU and AF negotiated with the authorities concerning both this and the discounts the government should receive. The newspapers argued that discounts were usually given to private business in

⁴⁵³ The two scholars were Gerhard Törnqvist and Sune Carlson at the Stockholm School of Economics, see Törnqvist & Carlson (1943); see also 'Reklamens uppgift i kristid', *Reklamnyheterna*, 17 april 1943.

⁴⁵⁴ See, for example, 'För och emot reklam' & 'Fakirprestation i reklamkritik', *Annonssören*, no. 9, september 1943; see also the reference to Geiger in Stenografiskt protokoll över diskussionssammankomst beträffande gemensam propaganda för AF, 27 februari 1946, Protokoll 1943–1947, Box 2, AF.

⁴⁵⁵ 'Reklamreglering mot åsiktsmonopol', *Annonssören*, no. 1, 1946.

⁴⁵⁶ Karlsson (2013), pp. 1075–9.

⁴⁵⁷ Protokoll från sammanträde med AF, 28 februari 1941, Protokoll 1939–1942, Box 2, AF; see also Björklund (1967), p. 871.

order to stimulate more advertising, which was irrelevant in the case of government advertising. In the end a compromise was reached.⁴⁵⁸

The State Information Board was aware of the dire situation for the daily press. In a speech by one of its directors, Bernhard Greitz, to members of the Swedish Advertising Association in April 1940, he assured his audience that the Board had been quick to understand that the war would put pressure on the newspapers' finances, and hence it was considered advisable to allocate funds for advertisements. Greitz was keen to ensure that the State Information Board was fully aware of the importance of effective advertising according to modern principles, and he could see no need for the government to set up a large advertising and propaganda organization of its own. The resources found in the advertising agencies and indeed the smaller advertising consultancies were satisfactory.⁴⁵⁹ Such statements must have been reassuring for both the advertising agencies and the newspapers. However, in 1943 the Ministry of Defence (Försvarsdepartementet) proposed creating its own advertising agency, an idea that both AF and TU opposed, and it was never realized.⁴⁶⁰ The emphasis on collaboration with the government was also evident in Greitz's speech. It was important for him to convince his audience that the government understood the media's circumstances.

The cartel and the crisis authorities

In the autumn of 1939, AF held meetings with the Three-Man Committee and also with the newly formed Ministry of Supply. To secure everyday supplies was a major concern, and the Ministry of Supply was to become one of the largest crisis authorities. After several meetings, AF was asked to propose a form for collaboration. The proposal included that all the agencies in AF would share the advertising work for the Ministry of Supply, but the

⁴⁵⁸ See, for example, Protokoll från sammanträde med AF, 30 maj, 1941; bilaga 2 till protokoll från sammanträde med AF, 29 augusti, 1941, Protokoll 1939–1942, Box 2, AF.

⁴⁵⁹ Greitz (1940).

⁴⁶⁰ 'Remissvar till Statsrådet och chefen för försvarsdepartementet', bilaga 2 till Protokoll vid sammanträde med AF, 26 februari 1943, Protokoll 1943–1947, Box 2, AF.

Ministry would only have to deal with AF centrally when ordering and invoicing advertisements in the press. Most services would be provided free of charge, since the payment came through the commission that the agencies got from the newspapers. The Advertisement Agreement (from 1939) was included, and it was highlighted that it was only the AF agencies that had the right to mediate advertisements to the newspapers. All advertisements that were handled by AF on behalf of the ministry would be labelled with the word '*Folkhushållningen*'.⁴⁶¹

By war's end several thousand advertisements with that label had been published, both small notice-like advertisements and large campaigns, which were all created and distributed by the AF agencies. In January 1940, a similar form of cooperation was established with the Committee for Food Provision.⁴⁶² Contacts with the State Information Board were also frequent in the spring of 1940, concerning both specific campaigns and the routines for 'simpler' advertisements announcing new regulations.⁴⁶³

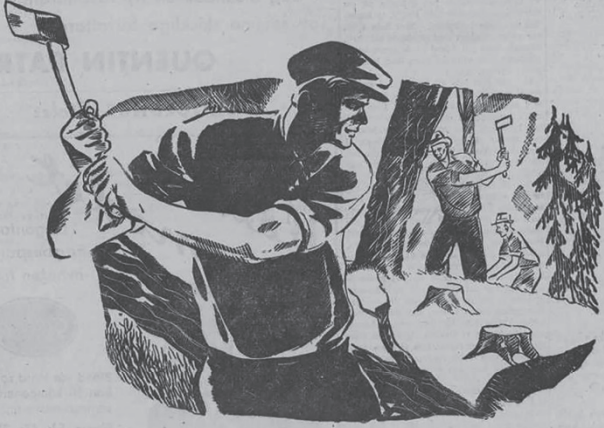
⁴⁶¹ AF to Kungl. Folkhushållningsdepartementet, bilaga 3 till protokoll vid ordinarie sammanträde med AF, 24 november 1939, Protokoll 1939–1942, Box 2, AF. *Folkhushållningen*, lit. 'people's house-holding'.

⁴⁶² Protokoll vid extra sammanträde med AF, 16 februari 1940, Protokoll 1939–1942, Box 2, AF.

⁴⁶³ The work by AF for the state authorities was described by Frans Lohse in 'Annonsbyråernas Beredskapsorganisation', *Svensk Reklam* (1942), pp. 54–60

FOLKHUSHÅLLNINGEN

Svält och köld är ett allvarligt hot



Dina starka armar kan avvärja det!

Faran för brist på bränsle och bröd är överhängande, och den kan bli bister verklighet, om inte Du och Dina kamrater göra en kraftanstängning för att hålla den från dörren. Vi behöva varje stock, varje kilo säd, som skogen och jorden kan ge oss. Men arbetskraften räcker inte till, och det krävs ett starkt uppbåd av frivillig arbetskraft.

Anmäl Dig som riksarbetare och gör Din insats för vår folkförsörjning. Som medlem av ett riksarbetslag arbetar Du under 2 till 3 månader i skogen eller jordbruket tillsammans med Dina kamrater hemifrån. Utöver arbets-

lönen i skogen erhåller Du kompensation i form av flyttbidrag och familjetillägg. Skogsarbetet är arbete för karlar, det är friskt och härdande och blir en värdefull omväxling i den dagliga rutinen.

Titeln riksarbetare blir en hederstitel, ty den innebär, att Du gör Ditt för att rädda landet ur en bekymmersam situation. Tiden tillåter ingen tvekan, Din kraft behövs nu!

Har Ni ännu inte bildat riksarbetslag på Din arbetsplats, så tala med Din arbetsgivare eller Din fackförening. Hos dem får Du närmare upplysningar.

Bliv riksarbetare

— en hederstitel för varje svensk

Figure 5.1. An example of an advertisement from 1942 created by AF agencies with the 'Folkhushållningen' label in upper left-hand corner. This was a campaign for volunteers to work in forestry and agriculture. The headlines read: 'Starvation and cold are serious threats—your strong arms can avert it. Become a national worker—a mark of honour for every Swede'. Source: *Dagens Nyheter*, 19 June 1942.

By the summer of 1940, AF had established cooperation and was in regular contact with several important crisis authorities. The next step was to contemplate how the organization could convince the government of the paramount value of modern advertising. Some felt that the government authorities were generally uninterested and uninformed. One advertising agency manager complained that ‘there was no understanding what ever of a business-like proposition; that the propaganda must be formulated to be of selling value’.⁴⁶⁴ In May, AF had arranged an exhibition targeting politicians, civil servants, and businesses where the agencies had voluntarily created propaganda proposals to demonstrate ‘the advertising men’s preparedness’, but it was later described as unsuccessful because the number of visitors was lower than expected.⁴⁶⁵

In a description from 1943, a change in attitudes towards advertising was noted. Civil servants had become accustomed to viewing their problems from a ‘selling point of view’.⁴⁶⁶ Regardless of the accuracy of such a description, it shows that advertising professionals sought to impose their views of what advertising was and how it should be carried out on the state authorities.⁴⁶⁷

In the autumn of 1940, AF’s tasks grew in scope when it was commissioned to undertake a major campaign for the Committee of Food Provision to make consumers reduce their cheese and cream consumption. An important function of AF was to ensure the reliable distribution of large quantities of advertisements that were to be distributed in a timely fashion to newspapers across the country. Once the campaign had started, the headline of an article in *Reklamnyheterna* read ‘Cheese advertisement to 200 newspapers

⁴⁶⁴ ‘Sweden 1942’, report from Sten Scholander, written July 3, 1943, Box 4, Samuel W. Meek Papers, J. Walter Thompson archive, David M. Rubenstein Rare Book & Manuscript Library, Duke University.

⁴⁶⁵ ‘Annonsbyråerna och det första krisåret’, bilaga till TUs höstmöte, 26 oktober 1940, A3:3, TU, RA. In Björklund (1967), p. 876 the exhibition is however described as successful.

⁴⁶⁶ ‘Sweden 1942’, report from Sten Scholander, written July 3, 1943, Box 4, Samuel W. Meek Papers, J. Walter Thompson archive, David M. Rubenstein Rare Book & Manuscript Library, Duke University.

⁴⁶⁷ This is an aspect of what Gardeström (2018), p. 79 denotes the ‘imperialism’ of the advertising field.

in 10 hours'.⁴⁶⁸ Evidently, such a logistically complicated project was considered something of an achievement. In December 1940, AF handled another campaign for the Committee of Food Provision, this time to encourage households to be economical with butter.⁴⁶⁹

The cartel and the Advertising Council

The authorized advertising agencies used their position in the Swedish Association of Advertising to promote their interests. They were well positioned to do so, since the chairman of the association at the time was a leading advertising agency manager, Folke Stenbeck. In 1943–1945 the next chairman was another key person from the advertisement market, Helge Heilborn, then the deputy general manager of *Dagens Nyheter* and a TU board member. On the outbreak of war, the Swedish Association of Advertising had quickly created a committee for 'social and economic crisis propaganda'.⁴⁷⁰ In the first month of the war it met with the Three-Man Committee and was asked to submit a proposal for how to handle the government's propaganda problems during the crisis.⁴⁷¹

It was the Advertising Association, together with TU and AF, that took the initiative in what would be the Advertising Council (Reklamrådet), an advisory council within the State Information Board, that started work in the summer of 1940.⁴⁷² Its purpose was to provide the authorities with advice and suggestions when planning propaganda campaigns, and to oversee the government's crisis advertising.⁴⁷³ The Advertisers' Association seems not to have been actively involved, which can be compared to the creation of the

⁴⁶⁸ 'AF debuterar som centraldistributör', *Reklamnyheterna*, 29 november 1940.

⁴⁶⁹ 'Krisannonsering på försök', *Reklamnyheterna*, 13 december 1940.

⁴⁷⁰ Gardeström (2018), pp. 191–95.

⁴⁷¹ Sammanträde med Tremannanämnden 21 september 1939, Vol. 1, Tremannanämnden, Statens Informationsstyrelse, RA; see also the account by Apelqvist, Seved, 'Ekonomisk och social krispropaganda', *Svensk Reklam* (1940), pp. 17–25.

⁴⁷² Unger, Gunnar, 'Den statliga informationsverksamheten i Sverige', *Svensk Reklam* (1940), p. 15.

⁴⁷³ Björklund (1967), p. 877.

similar council in the US, where the large advertisers played an important role.⁴⁷⁴ In a 1942 letter from the board of the Swedish Advertiser's Association to their members, more active engagement in the organization was asked for, which indicates that it was not satisfactory at the time.⁴⁷⁵ None of the leading figures in the Advertisers' Association were visible in the Swedish Advertising Association or in the Advertising Council during the war.⁴⁷⁶ However, in 1943, AF recognized that it seemed the Advertisers' Association had been rejuvenated: it had hired an ombudsman, its membership had increased, and it was putting more effort into its magazine, *Annonssören*.⁴⁷⁷

From the discussions in the Advertising Council it is clear that AF successively strengthened its own position when a proposal for a campaign was to be discussed. From AF's perspective it was completely natural that they alone, according to the Advertisement Agreement, had the right to mediate advertisements to magazines and newspapers. This view was also apparent in the referral report that AF wrote in response to the Ministry of Defence's proposal to start its own advertising agency in 1943. It was doubtful, the agencies wrote, whether an agency such as the one proposed by the Ministry would be authorized by TU, and without authorization the proposed agency could not work as a proper advertising agency.⁴⁷⁸ The statement is indicative of the fact that the advertisement agreement had become a powerful institution, or conception of control, by AF, meaning that the organization saw it as completely legitimate that the Ministry should comply with the rules of the market.

A comparison with a propaganda campaign carried out before the council was created is illustrative of AF's increased influence. In the autumn

⁴⁷⁴ Stole (2012), p. 12.

⁴⁷⁵ Svenska Annonssörers Förenings styrelse to medlemmarna, 18 juni, 1942. B2:1, SvAF, RA.

⁴⁷⁶ Besides the lack of representatives of the Advertisers' Association in the sources consulted for this dissertation, the same is the case in the general description by Björklund (1967), pp. 868–79, of the advertising professionals work with the state during the war.

⁴⁷⁷ Protokoll fört vid extra sammanträde med AF, 15 januari 1943, Protokoll 1943–1947, Box 2, AF.

⁴⁷⁸ 'Remissvar till Statsrådet och chefen för försvarsdepartementet', bilaga 2 till protokoll vid ordinarie sammanträde med AF 26 februari 1943, Protokoll 1943–1947, Box 2, AF.

of 1939, the Three-Man Committee, with the support of the Advertising Association, had assigned Sven O. Blomquist, one of the leading advertising consultants, to create a campaign. Blomquist had several times applied to TU for authorization, but had been turned down (see Chapter 4). What he produced was 'the silence campaign' (*tystnadskampanjen*), the first major propaganda campaign focused on boosting public morale and highlighting the need for vigilance and silence.⁴⁷⁹ The campaign included posters and leaflets, but there were no advertisements in the press, a fact that the advertising agency manager Sven Rygaard later criticized. Rygaard asked how the authorities could completely overlook the most efficient of all advertising methods.⁴⁸⁰

From Blomqvist's perspective, he had no incentive to propose press advertisements since he was unable to get properly paid for such work. After this first campaign, Blomquist disappears from the sources that concern crisis advertising; instead it was the large AF agencies that seem to have got most of the campaign work once the State Information Board existed and formal channels of cooperation were in place. AF's representatives in the Advertising Council constantly lobbied for press advertisements as soon as a new propaganda problem was raised. This was the case when the need to reduce the consumption of cooking fats was discussed in late 1940, the new vigilance campaign in 1941, the agriculture and forestry labour campaign in 1942, and the campaign to save household gas in 1944.⁴⁸¹

It became the obvious choice for the Advertising Council to suggest that AF should undertake any campaigns that focused on newspaper advertisements, which most did. It was the opinion of the advertising agencies' representatives that in order for advertising to be efficient it had to be constantly repeated. This of course often led AF to propose increased budgets for campaigns. For example, when the continuation of the

⁴⁷⁹ Protokoll fört vid möte med Tremannanämnden 16 oktober 1939, Vol. 1, Tremannanämnden, Statens Informationsstyrelse, RA.

⁴⁸⁰ Rygaard, Sven, 'Annonsen under Krisperspektiv', *Svensk Reklam* (1940), pp. 49–50.

⁴⁸¹ Protokoll från Reklamrådets sammanträden 3 december 1940; 13 maj & 9 juni 1941; 6 maj & 20 maj 1942, 5:A 476, Statens Informationsstyrelse, RA; Protokoll från Reklamrådets möte 24 oktober 1944, AII:12, Statens Informationsstyrelse, Huvudarkivet, RA.

household gas saving propaganda was discussed in early 1945, AF's Sven Rygaard believed that in order for the campaign to be efficient the budget needed to be ten times as high since 'the propaganda has to be drilled into people's minds every day and in every situation'.⁴⁸²

The exact role and impact of the Advertising Council remains somewhat unclear. Some of its minutes, particularly from the beginning of its existence, reflect its members' uncertainty about what exactly they were supposed to do and that their expertise was going unacknowledged. Several of the ideas and campaigns it discussed were carried out, but some were never realized.⁴⁸³ For the advertising agencies in the cartel, however, the Advertising Council was a valuable platform from which they could promote their interests.

The cartel and government advertising

How much of the government's crisis advertising fell to the cartel during the war? A comprehensive assessment is tricky due to the scattered nature of the sources, but some illustrative examples can be given. A useful place to start is the change in AF members' turnover and results (see Figure 2.4). Plainly, the outbreak of war was a heavy blow to the agencies' turnover. From 1939 to 1940, turnover fell 10 per cent, although it recovered quickly. Results remained positive, but did not increase as much as turnover. This was a source of unease, and the agencies tried repeatedly to persuade TU to initiate a special 'crisis commission' on top of the regular commission. Their proposals were turned down by TU, since the agencies could not

⁴⁸² Protokoll från Reklamrådets möte 9 januari 1945, AII:12, Statens Informationsstyrelse, Huvudarkivet, RA

⁴⁸³ Protokoll fört vid Reklamrådets sammanträde, 16 augusti 1940, pp. 4–5; Protokoll fört vid Reklamrådets sammanträde, 28 augusti 1940, p. 3; see for example the discussion about meat propaganda that was cancelled in protokoll fört vid Reklamrådets sammanträde, 9 oktober 1940, 5:A 476, Statens Informationsstyrelse, RA.

demonstrate convincingly that they were being hit harder by the crisis than the newspapers.⁴⁸⁴

Most probably, the changes reflected an increase in crisis advertising, since commercial advertising levels remained low throughout the war. The much lower growth in turnover between 1944 and 1945 is difficult to explain. Possibly, the crisis authorities reduced their advertising as the war came to an end, even though rationing and various regulations remained in place several years after the war and commercial advertising was still stagnant. Interesting here was an official investigation that started in 1945 to estimate the government's advertising costs and how they could be reduced.⁴⁸⁵ Although the sources do not say as much, one interpretation is that the extensive use of advertising during the war led several authorities to re-evaluate their advertising costs afterwards. For example, the official investigation discussed with 'TU how to rationalize Swedish defence advertising.⁴⁸⁶

Several sources indicate that the bulk of the budget for different crisis campaigns was usually spent on newspaper advertisements, meaning that such work would be handled by AF, for which they received commission. For example, the major campaign by the State Information Board in 1941 and 1942 for increased vigilance was worth SEK 300,000 according to a summary from late April 1942. Nearly SEK 247,000 of that was spent on advertisements created and handled by AF. The vigilance campaign also spanned military propaganda, posters, and articles or reimbursements for writers to the tune of SEK 28,000.⁴⁸⁷ This was the campaign that coined the famous image and slogan 'A Swedish Tiger' (En Svensk Tiger).⁴⁸⁸ In the summary of costs associated with the campaign, SEK 1,060 was recorded as

⁴⁸⁴ See, for example, 'TU om krisprovision', 16 maj 1942, bilaga 4 till protokoll vid ordinarie sammanträde med AF 29 maj 1942, Protokoll 1939–1942, Box 2, AF.

⁴⁸⁵ Annonsutredningen 1945, 868. RA.

⁴⁸⁶ Protokoll hållet vid sammanträde med Annonsutredningen, 1 oktober 1945, 868, Annonsutredningen, RA.

⁴⁸⁷ 'Vaksamhetskampanjen pr 30 april 1942', FIV 475, Samordningsbyrån, Statens Informationsbyrå, RA.

⁴⁸⁸ The word *tiger* in Swedish has a double meaning: it means the animal, tiger, but the verb *tiga* (*tiger* in third person) means to stay silent.

having been paid to Bertil Almqvist, the artist who created the iconic ‘Swedish Tiger’ image.

According to figures in the trade press, the so-called crisis advertisements—meaning advertising in newspapers and magazines—came to SEK 375,000 in 1940 and almost SEK 1 million in 1941. The figure for 1942 was estimated to be SEK 1.8 million.⁴⁸⁹ These figures only included advertisements commissioned by the crisis authorities, and not the usual authorities such as the Swedish National Debt Office (Riksgäldskontoret), which had commissioned several large campaigns for defence loans, which were also created and handled by AF agencies.

One of the most frequent government advertisers during the war was the Commission for Food Provision. Its leadership was favourably inclined to advertising and met regularly with representatives of AF. Their advertisements were worth considerable sums (Table 5.1). The summary has the title ‘advertisement costs’ (*annonskostnader*), which implies that the advertising was primarily handled by AF.

Table 5.1. Commission of Food Provision advertisement costs per ‘budget year’, between 1942 and 1946.

<i>Budget year</i>	<i>Cost in SEK</i>
1942-1943	1 026 803
1943-1944	573 759
1944-1945	455 681
1945-1946	353 812

Source: Liggare över annonskostnader, DI:1, Statens Livsmedelskommission, RA.

How best to gauge the scope and value of the advertising handled by AF? A comparison can be made with what was considered a small advertising budget at the time, and similarly a large one. In 1941, one advertising agency representative classified a yearly budget of SEK 10,000–15,000 as a ‘small advertiser’, while a budget of SEK 175,000 indicated a ‘very large

⁴⁸⁹ ‘Krisannonseringen uppe i miljonen’, *Reklamnyheterna*, 27 december 1941; ‘Krisannonseringen 1942 ökade med 60%’, *Reklamnyheterna*, 20 mars 1943.

advertiser'.⁴⁹⁰ Compared to that the sums spent by the authorities equalled those of the largest advertisers, and often many times more.

A chance to develop professional agency services

'For defence and for work' and other campaigns

The National Debt Office carried out several major campaigns during the war, as we have seen, and its archive is a rich source of material on these campaigns, giving a unique insight into the type of work that the agencies performed. The archive holds correspondence, reports, and proposals from, in particular, Svenska Telegrambyrån, Gumaelius and Ervaco, but also a number of other agencies' proposals. It was publicly known that the three main agencies shared all the advertisement campaigns for the National Debt Office.⁴⁹¹

There were three large rounds of defence loan campaigns, from 1940 until early 1943, and a more general savings campaign in 1943. The National Debt Office's chairman, Karl Hildebrand, was committed to making the propaganda a success, and the authority had a very active press department.⁴⁹² According to Tom Björklund, who was a prominent adman at the time and later wrote an ambitious history of Swedish advertising, it was Ervaco's owner and general manager, Folke Stenbeck, who contacted the Debt Office with a proposal for a large campaign to raise money from the public. Since the authority already had an established cooperation with Svenska Telegrambyrån and Gumaelius, they discreetly asked Ervaco to share the project with the two other agencies.⁴⁹³ The campaign for the First Defence Loan in 1940 was estimated to increase the turnover of Ervaco with

⁴⁹⁰ 'Hur fördelas det lilla annonsanslaget' & 'Fördelningen av det stora annonsanslaget', *Föredrag och anföranden vid A. F.-dagen 18 januari 1941* (1941).

⁴⁹¹ 'Den stora sparkampanjen presenteras', *Reklammyheterna*, 23 januari 1943.

⁴⁹² Ludwigs (1993), p. 214.

⁴⁹³ Björklund (1967), pp. 873–4.

SEK 800,000 that year.⁴⁹⁴ In subsequent years, the AF agencies were in frequent contact with the National Debt Office, and developed their proposals into more and more elaborate and creative propaganda plans. The AF agencies remained responsible for advertisements and other printed advertising material, while the main responsibility for what was called 'publicity' remained with the press department at the Debt Office.⁴⁹⁵ The boundary between them was blurred, however.

One proposal concerning the campaign for the First Defence Loan in 1940 was written by Gumaelius and Svenska Telegrambyrån together. It was very comprehensive and included a mix of different advertising tools, with advertisements as its focal point of course, but also suggestions for posters, printed items, publicity, and several 'selling ideas' including a radio show, advertising in postal offices and railways stations, and collaborations with 'people's parks' (*folkeparker*) across the country. The agencies, together with the famous Swedish radioman, Sven Jerring, had already drafted two scripts for a gramophone record promoting defence loans, and the proposal included a suggestion for how midsummer celebrations could be arranged in the people's parks where the gramophone record would be played. The budget was SEK 200,000, most of which was to go on advertisements (about SEK 185,000).⁴⁹⁶ For the Second Defence Loan the motto 'For defence and for work' was chosen, and the same three agencies made several proposals for advertisements.⁴⁹⁷ The defence loan campaigns were felt to be a great success by both the Debt Office and the advertising representatives involved; however, scholars have been more cautious in their evaluation.⁴⁹⁸

⁴⁹⁴ Edman (1958), p. 64.

⁴⁹⁵ See, for example, 'Förslag till riktlinjer för Andra Försvarslånets annons- och trycksakspropaganda', by Ervaco, Gumaelius och Svenska Telegrambyrån, 30 december 1940. F2:c 9383, Rgk, RA.

⁴⁹⁶ 'Propagandan för försvarslånet', 16 juni-25 september 1940, förslag från Gumaelius och Svenska Telegrambyrån, 31 maj 1940, F1:b 9341, Rgk, RA.

⁴⁹⁷ 'Andra Försvarslånet – för försvar och arbete – 500 millioner kr. är målet', by Ervaco, Gumaelius, Svenska Telegrambyrån, odaterat förslag. F2:c 9383, Rgk, RA.

⁴⁹⁸ Ludwigs (1993).



Figure 5.2. People in front of a wall of posters for the First Defence Loan in 1940, a campaign run by the AF agency, Ervaco Photo: Nordiska Museet, Stockholm.

Generally, it seems to have been Ervaco under Folke Stenbeck that was most active on behalf of the Debt Office. On several occasions the agency wrote long proposals, unprompted, with comments on how the propaganda could be improved.⁴⁹⁹ Ervaco's daughter company, the Institute for Market Research (Institutet för Marknadsundersökningar), also carried out several market research projects in 1940 to evaluate the impact of defence loan advertising and the campaign's visibility in various cities, companies, and households.⁵⁰⁰ The documents provide interesting glimpses into the history of market research, but fall outside the scope of the present dissertation.

The balance act with the newspapers

The agencies realized that if they invested time in developing ideas and proposals at an early stage they could affect the design of a campaign, and thereby increase their chances of future assignments. It seems to have been a method of selling their own expertise. The material in the Debt Office archives indicates that the campaigns were important for the agencies as a learning experience. In their proposals, the agencies developed what they could offer besides newspaper advertisements, an experience that I would argue proved invaluable once the war was over.

However, these new advertising ideas and methods could not be exaggerated, since too great a deviation from newspaper advertisements would have upset TU. In fact, towards the end of the war, TU wanted to collect information from the agencies in order to establish how much of their income came from sources other than newspapers. It was desirable, TU thought, that the agencies did not earn more from other sorts of advertising than newspaper advertisements.⁵⁰¹ The agencies cast about for arguments that supported the widening of the services they offered, but which at the

⁴⁹⁹ 'Propagandan för ett folklån, några synpunkter och utkast till kampanjplan', by Ervaco 26 mars 1940, F1:b 9341, Rgk, RA; 'Några reflexioner ur propagandateknisk synvinkel kring statens fortsatta upplåning', by Ervaco 16 april 1941, F2:c 9383, Rgk, RA.

⁵⁰⁰ 'Rapporter från Institutet för Marknadsundersökningar våren 1940'. F1:b 9341, Rgk, RA.

⁵⁰¹ Protokoll fört vid extra allmänna sammanträdet med AF 18 september, 1944, Protokoll 1943–1947, Box 2, AF.

same time allowed them to keep their privileged position as authorized agencies. In 1940 at one of TU's biannual meetings the chairman of AF was invited to speak about the advertising agencies' work during the crisis. He argued that since government propaganda targeted all classes in society, it was necessary to use all available means of propaganda. Newspaper advertisements were thus just one method, which had to be linked to the whole propaganda apparatus. However, he also stressed that the advertising agencies' representatives always made sure to single out the benefits of newspaper advertisements compared to other advertising channels.⁵⁰²

The positions on the market in the 1940s

Strengthening the bonds with the newspapers

In the Second World War, the criticism voiced by the Advertisers' Association and the advertising consultants of the market's organization ceased. Parallel to their work for the state and crisis authorities, the authorized agencies turned their attention towards their relationship with the newspapers. In the early 1940s they had over twenty years of cooperation with TU to look back on. On an overarching level, AF was satisfied with its agreement with TU, but many advertising agency leaders still felt that the newspapers did not understand the value that the agencies brought to the market. At AF someone hit upon the idea of arranging an 'AF Day'—a conference where newspapers and advertising agency representatives would meet and learn from one another.⁵⁰³

In January 1941, the AF Day was arranged for about 200 newspaper representatives and 100 advertising agency representatives, and representatives from the State Information Board and the Swedish news

⁵⁰² 'Annonsbyråerna och det första krisåret', bilaga till TUs höstmöte, 26 oktober 1940, A3:3, TU, RA.

⁵⁰³ Protokoll från sammanträde med AF, 25 oktober 1940, Protokoll 1939–1942, Box 2, AF's archive.

agency, TT (Tidningarnas Telegrambyrå).⁵⁰⁴ AF's chairman at the time, Sven Rygaard, especially welcomed the lectures by three prominent newspaper representatives, since AF 'was aware of their own lack of knowledge' of the financial realities facing the newspapers. As agency managers often did, Rygaard pointed out the similarities between the newspaper and advertising industries. Both were subject to a 'law of change', so it was important to constantly be open to new ideas and not be hidebound by old ways, a theme that was taken up by Folke Stenbeck.⁵⁰⁵ Both speakers stressed that the stability of the organization of the market was crucial. There was a contrast between these different descriptions, however. According to the advertising agencies, market institutions should not be subject to any fast changes. On the contrary, a static market structure would enable the 'fast world' of advertising to move in the right direction.⁵⁰⁶

The advertisers were absent from AF Day because they were not invited. In the discussions their role was marginal. During dinner, Rygaard, however, admitted the 'paradoxical position' of the advertising agencies, which was not easy for an outsider to understand. They were part of the newspapers' sales organization and their clients' purchasing organization at the same time. This demanded 'maturity, responsibility, and good judgement' on the agencies' part. He proudly resembled the Advertisement Agreement to the 'Magna Carta of Swedish advertising'.⁵⁰⁷ The agencies wanted to instil a feeling of a common goal—ensuring economic profitability for agencies and newspapers alike, wrapped in an ideal about the importance of sound advertising as both the cause and effect of their cooperation.

In 1946, TU dissuaded AF from organizing a similar event. One member of the TU board saw the risk that a new AF Day would be organized as

⁵⁰⁴ 'Annonsbyrådagen blev en succès', *Reklamnyheterna*, no. 2, 1941.

⁵⁰⁵ *Föredrag och Anföranden vid AF-dagen 18 januari 1941* (1941), pp. 6, 11–14. For an earlier account of the same idea see von Sydow (1927), p. 93.

⁵⁰⁶ In her book about cooperation between German news agencies, Heidi Tworek (2019), p. 8, points at a similar difference between the fast-moving news and the slowly changing underlying landscape and infrastructure of the press.

⁵⁰⁷ *Föredrag och Anföranden vid AF-dagen 18 januari 1941* (1941), p. 117.

propaganda for the agencies, to which TU should not contribute.⁵⁰⁸ The purpose of AF Day in 1941 had been to contribute to an increased understanding between agencies and newspapers, but from AF's perspective these hopes were slow to be realized. Instead, several agencies started to worry about a loss of respect for the Advertisement Agreement among newspapers. One advertising agency manager carried out an investigation in 1942 that showed that the newspapers, to a far greater degree than what he had expected, cheated with their prices and favoured some advertisers over others.⁵⁰⁹ AF also had information about price discussions in the Advertisers' Association, perhaps because the advertisers in Andersén Advertising Office enjoyed more favourable conditions than others. Rygaard maintained that a loosening of the Advertisement Agreement was a threat to the principle of market fairness—that advertisers could be sure they were not paying more than their competitors for advertisements.⁵¹⁰

In addition, in 1943 TU decided to appoint a committee to investigate the market conditions for newspaper advertisements, and particularly the role of the advertising agencies. The committee was to find out how the advertising agencies operated, if they were organized optimally, and if there was a sufficient number of agencies. The head of the committee foresaw an increasing number of advertisers after the war, and was doubtful about letting the present advertising agencies grow too large. He believed that in a business such as advertising, clients wanted to meet and be in touch with the agency's leadership, which was more difficult the greater its size.⁵¹¹ The committee

⁵⁰⁸ Protokoll hållet hos styrelsen för TUs ordinarie plenisammanträde, 20 maj 1946, A1:8, TU, RA.

⁵⁰⁹ 'Sweden 1942', report from Sten Scholander, written July 3, 1943, Box 4, Samuel W. Meek Papers, J. Walter Thompson archive, David M. Rubenstein Rare Book & Manuscript Library, Duke University.

⁵¹⁰ Protokoll fört vid extra sammanträde med AF, 15 januari 1943, Protokoll 1943–1947, Box 2, AF.

⁵¹¹ 'TUs arbetsuppgifter i krig och fred', anförande av E. Carlsson på TUs vårmöte 1943, bilaga A till protokoll från vårmötet 1943, A3:3, TU, RA.

proposed that the number of agencies should be increased and that certain aspects of the agreement with AF needed to be revised.⁵¹²

More applications but few authorizations

There was a surge in the number of applications for authorization towards the end of the war, but only a few were approved (see Figure 2.6). In 1939 the number of authorized agencies was 12; in 1949 it was 15. Why was TU so reluctant to issue authorizations? This was particularly surprising given the conclusions of their own investigation, which argued that more agencies would be needed.

Part of the reason for the large number of applications was that several applications came from the same people in a variety of constellations, and they have all been counted individually (Figure 2.6). The advertising manager of the company Kema (part of Anderséns Advertising Office), Carl-Axel Lilliecreutz together with Olof Isacson, Ernst Günther and Yngve Pehrsson all applied several times and in various combinations.⁵¹³ This was probably a strategy to try to meet the demands of the TU board. Sometimes the board advised the applicants to form business partnerships with one another, so for example Lilliecreutz and Günther were encouraged to apply for an agency together in late 1944.⁵¹⁴ Willy Hauffman, whose application with Sven O. Blomqvist had been turned down in the late 1930s, was granted authorization in 1944. Once he became a member of AF, he quickly endorsed the principles of the organization of the market, including the strict rules for authorization, although he remained positive towards Blomqvist's attempts to be authorized.⁵¹⁵

⁵¹² Auktorisation av annonsbyråer m.m. §10, TUs höstmöte 1943, A3:3, TU, RA; see also TUs annonskommitté utredning 9 september 1943, F8f:3, TU, RA.

⁵¹³ See the compilation in 'Sammanställning ej beviljade auktorisationsansökningar 1928–1958', F8e:f, TU, RA.

⁵¹⁴ Protokoll fört vid sammanträde med TUs styrelse, 5 december, 1944, A1:7, TU, RA.

⁵¹⁵ For Hauffman's defense of AF and the current organization of the market see his line of reasoning in 'Stenografiskt protokoll över diskussionssammankomst beträffande gemensam propaganda för AF', 27 februari 1946, pp. 9–11; for his positive attitude to Blomqvist, see

As before, most AF representatives were cautious about new applications. Many expressed the opinion that any new authorization should only be given if the Andersén Agreement was cancelled. If the large advertisers that were part of Andersén Advertising Office were open to acquisition, there would be room in the market for more agencies.⁵¹⁶ The newspapers also discussed the Andersén Agreement and the possibilities to cancel it, but TU was wary because of the unknown consequences. One of TU's board members pointed out that cancelling the agreement would only make it possible for Andersén and large advertisers to put pressure on prices on an even broader scale. He believed that the relationship between the authorized agency Svea and the Cooperative Union (discussed in Chapter 3) was more dangerous, and it would be inconsistent to let Svea continue if Andersén could not.⁵¹⁷ The Andersén agreement was cancelled, but not until 1947.

It was the application by Lilliecreutz that prompted lengthy discussions in TU and between TU and AF, and it developed into a complicated case. He applied three times—1943, 1944 repeated in 1945, and 1947.⁵¹⁸ In 1947, he was in fact granted a preliminary authorization, which was possible because the Andersén Agreement was by then cancelled. Circumstances conspired against him, however, and in the end he was never authorized. He had, against the rules, tried to make some newspapers pay him commission retroactively, which he denied, but several newspaper managers testified against him. The art studio he planned to use had ties to a magazine publisher, which was not in accordance with the Advertisement Agreement, and one of the managers that he wanted to employ could not be approved by TU. He was also accused of using inappropriate business methods.⁵¹⁹

protokoll från extra allmänt sammanträde med AF, 18 september, 1944, Protokoll 1943–1947, Box 2, AF.

⁵¹⁶ Protokoll från extra allmänt sammanträde med AF, 8 september, 1944, Protokoll 1943–1947, Box 2, AF.

⁵¹⁷ Protokoll fört vid sammanträde med TUs styrelses arbetsutskott, 5 september, 1945, A1:8, TU, RA.

⁵¹⁸ 'Sammanställning ej beviljade ansökningar' & 'Lilliecreutz auktorisationsansökningar', F8e:f, TU, RA.

⁵¹⁹ Protokoll fört hos TUs styrelses arbetsutskott, 14 december, 1948, A1:9, TU, RA.

By the late 1940s, the TU board was accustomed to having significant influence over the market, which it supervised in detail. It is still not easy to give a clear answer to the question why TU was so reluctant to let more agencies in. It seems probable that, as before, TU feared disorderly and chaotic conditions, which they associated with competition that was 'too free'. The TU board seemed to estimate how many agencies the market could handle, which made them put different applicants against one another.

Increased criticism from the advertisers

While the war was still ongoing, the Advertiser's Association prepared for the arrival of peace and sought to strengthen its organization. To ensure a strong position for advertising as part of free competition and free enterprise was particularly important. The organization recognized that the war had brought increased government involvement in the business sphere, which was not a desirable situation once normal conditions resumed.⁵²⁰ Besides these general interests, towards the end of the war the Advertisers' Association also initiated a renewed and much more profound critique of the cartel and the Advertisement Agreement. They now questioned the whole organization of the market and demanded drastic changes.

The start was a debate arranged by the Advertisers' Association in the autumn of 1945 on the theme 'Who should pay the advertising agency?'.⁵²¹ In the debate, with representatives from both TU and AF present, one advertiser proclaimed that the system undermined the trust that the client put in the agency; it raised doubts concerning the correctness of the newspapers' advertisement prices; and it implied limited instead of free competition. One clause in the agreement between TU and AF was seen as particularly disturbing. It said that the agencies could support a client with other forms of advertising (other than newspaper advertisements) only if the payment for such services equalled approximately the profit that the agency would make if it spent the same amount on newspaper advertisements. The

⁵²⁰ 'Betydelsen just nu av Svenska Annonserers Förening', *Annonseren*, oktober 1940; see also Blomgren, Axel H., 'Reklam är fri konkurrens', *Annonseren*, juni 1944.

⁵²¹ 'Vem skall betala annonsbyrån', *Annonseren*, no. 9, 1945, p. 3.

agencies' constant focus on the question of commissions was met with scepticism by advertisers, for they were getting a service that they formally did not pay anything for. The advertiser also stated that the whole system was evidently a price cartel.⁵²²

AF's representatives at the meeting defended the system. Frans Lohse, the general manager of Gumaelius and then chairman of AF, pointed out that with a fee-based system it would be possible for large advertisers to try to push the fees down, which would result in unsound competition between the agencies. He maintained that competition between the agencies was more than free; it was in fact hectic and more intense than in any other area, and in other words free enough. It would be very unwise to abolish a system that had brought the standard of advertising to such high levels. Rygaard admitted that the commission system was not perfect, but it worked well despite its faults. The newspapers were supporting 'competition on quality instead of on price'. Another representative from the advertisers' side questioned the statement that just because the system was old it was good. Perhaps it was the other way around. Perhaps it was time to abolish it. Remuneration based on accomplishments would lead to more sound competition.⁵²³

How to summarize the different ideas and arguments? Both sides in the debate referred to the importance of 'sound' competition, but they were divided on what that entailed. As earlier, AF saw competition on quality as superior, however exactly what that meant or how the mechanisms of such quality competition worked were not explained in this debate. The advertisers pointed out that the organization of the market distorted competition, and that a lack of price competition was actually detrimental to the quality of advertising.

In response to the intensified criticism by advertisers, AF discussed how they should react. A propaganda campaign was planned at a long meeting in early 1946.⁵²⁴ The first issue—to reach a common understanding of what exactly their problem was—caused a lot of discussion. Rygaard brought up

⁵²² 'Vem skall betala annonsbyrån', *Annonssören*, no 10, 1945, pp. 11–17.

⁵²³ Ibid.

⁵²⁴ The meeting was recorded in verbatim using shorthand and is over 50 pages long, which shows that it was important for AF to record the discussion in as much detail as possible.

several arguments that their adversaries were using against them: the system of commission was wrong; the advertising agencies were reaping overly large profits and their salaries were too large; and agencies were mostly doing routine work. The newspapers believed that the commission was too high. Rygaard said that most of the critique was due to a lack of knowledge, but if there was justified criticism, this was important to acknowledge. Since AF was in ‘such a fragile boat’, he said, the most dangerous thing would be to undertake propaganda that could be the object of justified criticism.⁵²⁵ Much of the discussion revolved around AF correcting misconceptions by spreading ‘neutral’ information about the agencies: how they worked, what they had achieved, and why they were important. One example given at the meeting was that advertisers, the public, and even newspapers did not know the difference between advertising consultants and authorized agencies.⁵²⁶

Specific ideas for a campaign were discussed. One proposal for an advertisement showed a doctor and his patient, the other a boat pilot (*lots*) and a captain standing on deck. The reasoning behind the pilot advertisement was that when the pilot came aboard he gave the captain advice, but the captain still had responsibility. Several people at the meeting believed that they should avoid parables and instead talk about their work on its own merits: it was important that the agencies taught businessmen that advertising was not just like any other goods. ‘Since the input is very difficult to define, it is the quality of those that carry out the advertising that it hinges on’, was a point made by one participant.⁵²⁷

The minutes of the meeting give the impression of an organization under pressure, and members struggling to understand why. There was an undertone of being misunderstood expressed by many participants. The conception of control, that the Advertisement Agreement and all the parts in the organization of the market were legitimate, was apparent at the meeting. It is interesting, however, that some doubts were raised, such as Rygaard’s remark that there could be some justified criticism, but these were

⁵²⁵ ‘Stenografiskt protokoll över diskussionssammankomst beträffande gemensam propaganda för AF’ 27 februari 1946, p. 7, Protokoll 1943–1947, Box 2, AF.

⁵²⁶ Ibid, p. 17.

⁵²⁷ Ibid, p. 9.

brushed away quickly. Since the participants were convinced they were right, the meeting boiled down to how they could better communicate with outsiders to correct the misunderstandings. However, the plans for such a propaganda campaign in the end came to nothing.

Negotiations and conflicts

The Advertisement Agreement, which had been in effect since 1939, was cancelled by TU in November 1946 on condition that the parties would enter into new negotiations. At the same time, the Advertisers' Association approached TU demanding fundamental changes to the organization of the market. Their demands were that the advertising agencies' remuneration should be in proportion to the actual work carried out, rather than fixed commission rates, that rebating should be allowed, and that the number of authorized agencies should increase.⁵²⁸

The idea of 'performance-based pricing' was one of the advertisers' central points: that the scope of work carried out, for example measured in time, should decide the price. Since the commission was always the same, regardless of how much work the agencies put in, this could be perceived to be a breach of the 'performance-based pricing' idea, which had gained ground in business life and was considered by many to be a basic and sound principle. It implied that it was immoral to be paid for work that had not been done.⁵²⁹ The authorized agencies strongly rejected such accusations about their work.

Due to the pressure from the advertisers, a committee was formed consisting of representatives from TU, AF, the Advertisers' Association, and KeLiFa, the business interest organization with close ties to the Advertiser's

⁵²⁸ Svenska Annonsörers Förening to TU, 30 oktober 1946, F9:3, SvAF, RA; see also Protokoll fört vid sammanträde med styrelsen för Svenska Annonsörers Förening, 9 september, 1946, Protokoll 1946–1950, SvAF.

⁵²⁹ See, for example, the discussion in Bengtsson (1947), pp. 40–2; see also 'Byråer med arbetsfri inkomst', *Annonsören*, no. 2, 1944.

Association, and an impartial chairman.⁵³⁰ The purpose was to investigate the foundations for a new advertisement agreement. The Advertisers' Association and KeLiFa especially pointed out that the current system was detrimental both from the point of view of competition and for the status of advertising in the Swedish business world.⁵³¹ Again, this statement was the complete opposite of AF's—according to AF, it was only thanks to the Advertisement Agreement that competition was 'sound' and Swedish advertising had reached such a high standard.

In an internal memo, KeLiFa asked how it could be that the market system had been sustained for such a long period. They highlighted the danger of the organization of the market to the agencies too. According to KeLiFa, much development of advertising took place outside the recognized advertising agencies; their position was forcing them to fall behind. The memo stated that it was difficult to assert that newspaper advertisements had developed to higher standard than other forms of advertising; it was rather the opposite, partly due to greater freedoms and tougher competition outside the cartel. KeLiFa recognized that the strongest party to the market was the newspaper organization. The prevailing order had been beneficial for them once upon a time when the agencies worked with the acquisition of advertisement space, but not any more, when the core of the advertising agency work had shifted towards services for their clients. The paradoxes in the 1939 Advertisement Agreement were noted: on the one hand, it was sometimes stated that the agencies were the 'general agents' for the newspapers, but in the agreement it was clearly stated that the agencies should 'be fully at their clients' disposal'.⁵³²

That was not all, according to the memo. Swedish advertisers had for too long been passive. They had handed over everything to the agencies, since many companies had not had the competence needed to master advertising or judge its effects. A great many of advertisers also had little or no

⁵³⁰ The chairman was Sten Dehlgren one of the most influential persons in Swedish media at the time. Between 1922 and 1946 he was editor in chief for *Dagens Nyheter*, see Gustafsson & Rydén (2001), pp. 153–4.

⁵³¹ 'Aktion i Annonnsbyråfrågan', *Annonnsören*, no. 9, 1946.

⁵³² 'Förslag till skrift i annonsbyråfrågan', odaterad PM, pp. 1–6, F9:3, SvAF, RA.

knowledge of the implications of the Advertisement Agreement. Cooperation in the business world was in general beneficial, and some sort of order should reign in the advertising market, but ‘competition should be led into sound paths’. The danger with the system was all the greater since there was a general lack of understanding of modern advertising and its role in production and distribution. All parties thus had a common interest in assuring advertising had a strong position in society, which the current system undermined.⁵³³

In relation to the memo’s statement about the lack of development within the advertising agencies, two other sources and previous research point in somewhat different directions. Two accounts from JWT—one from the early 1930s and one from the late 1950s—refer to Swedish newspaper advertising as having the highest standing in Europe besides England, and in the 1930s account, perhaps also Germany.⁵³⁴ Since JWT was a world-leading advertising agency, the judgements by its employees are particularly noteworthy. On the other hand, previous research on Swedish advertising has highlighted the outdated commission system and how it inhibited development among the advertising agencies.⁵³⁵ Since the agencies were prohibited by their agreement with TU from engaging in other forms of advertising to any extent, such an evaluation seems reasonable. In that sense, the Advertisement Agreement was a straitjacket for the agencies. The two JWT accounts also *only* reflect the perceived standard of newspaper advertising and did not consider other forms.

The 1947 investigation of the market and its aftermath

The committee, with its representatives from TU, AF, the Advertisers’ Association, and KeLiFa, was supposed to open-endedly investigate the

⁵³³ Ibid, pp. 7–15.

⁵³⁴ Staff meeting, July 28, 1931, Box 4, Company staff meeting minutes 1927-1952; ‘A study of the advertising industry market in Switzerland and Sweden’ n.a. (but figures from the year 1958 are referred to in the report), Box 5, Samuel Meek Papers, J. Walter Thompson Company archive, David M. Rubenstein Rare Book & Manuscript Library, Duke University.

⁵³⁵ Andersson (2013), p. 28; see also Boisen (2003), pp. 23–26.

organization of the market and in particular the forms of payment to the advertising agencies. However, the work of the committee was beset by conflicts between the different agents. While the committee was working, AF initiated its own survey of advertisers to gauge opinion on the market system, which the Advertiser's Association deemed highly inappropriate. The survey was later used by AF to defend the organization of the market to the competition authorities, since it showed that a majority of advertisers were satisfied with the work of the authorized advertising agencies. In contrast, the Advertisers' Association believed that the whole survey was tendentious, and its results thus neither representative nor reliable.⁵³⁶ At the same time, the newspapers raised their prices, which upset the Advertisers' Association, and several advertisers decided to withdraw parts of their advertising. This in turn caused TU to leave the investigating committee, which never formally finished its work.⁵³⁷

A draft report by the committee survives in AF's archive. In general, AF made the same arguments in favour of the current order as they had done since at least the early 1930s: the focus on quality, fairness among advertisers, and the fact that the system matched international norms.⁵³⁸ Criticism from the advertisers noted: the current order was unfair especially for the advertisers that produced most of their advertisements themselves. Also, when a campaign was repeated in the newspapers the agency received the same commission, without putting down any more work. The newspapers on the other hand tended to view the advertising agencies as their general agents, and saw them as a means to increase advertising in the press. One opinion here was that the free service that the agencies offered all their clients, and which was paid for by the commission, was a rational solution in the general economic-distributional system.⁵³⁹

⁵³⁶ See, for example, 'Byråundersökningen klart underkänd', *Annonseren*, no. 5–6, maj-juni 1947.

⁵³⁷ Protokoll från sammanträde med styrelsen för TU, 6 maj 1947, A1:9, TU, RA. For the Advertiser's Associations' critique see PM ang undersökningen av 'Relationer Annonserer – Annonssbyråer', 9 maj 1947, F9:3, SvAF, RA.

⁵³⁸ '1947 Års Annonsutrednings Betänkande', del V, pp. 7–8, Box 2, AF.

⁵³⁹ Ibid, del VI, Utredningens yttrande och förslag, pp. 1–3.

In the draft of a final statement, the committee recognized that the present market system was 'comfortable' and had a long history. A fee-based system was deemed problematic. It would be difficult to evaluate the service provided by the agencies on a monetary basis. If an agency were to charge a fee that was high enough for it to be able to pay first-class employees, it would be so high that advertisers would not be willing to pay the necessary amount. This would force the agencies to lower their fees, leaving them unable to hire competent advertising experts. A compromise, whereby a few agencies could try the fee-based system parallel to the old system, was also discouraged by the investigation. Such a change risked disorderly, perhaps chaotic, market conditions. Considering the specific agreement with Andersén Advertising Office it was suggested that it should be cancelled and not renewed. Instead the market should be organized in a new way, with an advertising office owned in common by AF, TU, and the Advertisers' Association. This office would handle the advertisements from advertisers that handled all the creative work themselves, and they would also have the right to part of the commission.⁵⁴⁰

Many AF representatives were against the suggested advertisement office, but some believed that compromise was necessary, while others were convinced they should not give an inch.⁵⁴¹ Lohse was especially negative about the idea. There was a risk that large advertisers would, say, hire freelancers to do their advertisements that could compete with the recognized agencies without the responsibilities they had. The simple fact that the advertisement office would be a part of the economic consciousness among advertisers risked leading to pressures for special favours vis-à-vis the authorized agencies.⁵⁴²

Despite the increased criticism from the Advertisers' Association and the 1947 committee's work, the new Advertisement Agreement reached between TU and AF in 1948 contained no major changes that affected advertisers.

⁵⁴⁰ Ibid. See also the account by one of TU's representatives, Gunnar Bjurman (1948), pp. 39–41 about the benefits of the Advertisement Agreement.

⁵⁴¹ Protokoll från sammanträde med AF, 25 april 1947, Protokoll 1943–1947, Box 2, AF.

⁵⁴² 'Expeditionsbyrån – en fara för hela annonsväsendet', PM av Frans Lohse, bilaga till protokoll från sammanträde med AF, 25 april 1947, p. 6, Protokoll 1943–1947, AF.

The activity from the advertisers' side had thus not resulted in any concessions being made. In addition, TU and AF cancelled the Andersén Agreement and informed Bertil Andersén that there would be no new agreement. Andersén, however, indicated that he would continue with his advertising consulting business anyway.⁵⁴³

The increased pressure on AF had some effects on how the organization portrayed its methods and ideals. These were formalized in a new document entitled 'Practices and Norms'.⁵⁴⁴ They were drawn up to strengthen AF's legitimacy and credibility. In a letter between two advertising agency managers it was said that the document should

sell the organizations' members as the most honourable and best companies that exist in the industry with only sound and honest business methods etc. ... These norms must be a part of the campaign, or whatever to call it, that will sell AF's strength, knowledge, honesty etc. as incomparable next to all the small fry.⁵⁴⁵

Morale and commendable initiatives

In the late 1940s, around the same time that AF's 'Practices and Norms' and the new Advertisement Agreement were adopted, several authorized agencies were in financial difficulties. Rygaard's advertising agency was close to bankruptcy. According to TU, Rygaard had made too many large payments to himself, and the agency had also given him personal loans. The owner of another agency, Wilh. Anderssons Annonsbyrå, had mismanaged the agency's finances for several years, and, worse, he had engaged in fraudulent activities in order to access funds. One recently authorized agency, Günther & Bäck, was in a weak financial position according to an audit commissioned by TU. As a prerequisite for continued authorization, TU made several demands and prohibited the two owners from personally

⁵⁴³ Protokoll fört vid sammanträde med styrelsen för TU, 5 december 1947, A1:9, TU, RA.

⁵⁴⁴ 'Praxis och Normer för medlemmarna av Auktoriserade Annonsbyråers Förening', Servicenormer, Box 2, AF.

⁵⁴⁵ To Sven Rygaard from (illegible signature), 13 mars 1948. Servicenormer, Box 2, AF.

withdrawing more than SEK 80,000 in 1948, a limit that the two owners overran anyway, to the dismay of the TU board.⁵⁴⁶ One of the owners of Günther & Bäck, Ernst Günther, protested against the audit and TU's demands. According to Günther, the large withdrawals were essential because he and his business partner wanted to quickly pay off the debts that they had incurred in order to fulfil the capital requirements when they started the agency. From Günther's perspective, TU's demands were counterproductive, had no basis in any agreement, and merely undermined all the owners' hard work.⁵⁴⁷

What these examples show is that the morale among some of the advertising agency managers was perhaps not as steadfast as they liked to say in public, but also the level of involvement by TU in the agencies' business. TU continuously investigated and controlled both general business operations and the finances of the agencies, as I discussed earlier. Besides the control over the economic side of the agencies, TU struggled to make sure that the agencies did not engage in unsuitable activities that competed with newspaper advertising. In a discussion with Rygaard about a new project for a side-business to his agency, TU's general manager formulated the newspaper's opinion in a way that captures this control and the necessary trade-offs very well. He wanted to 'emphasize the commendable in new initiatives, but these must fall within the boundaries of the current rules'.⁵⁴⁸ Similar other cases were also discussed by the TU board.⁵⁴⁹ Again, this is an explanation of the supposedly low degree of initiative and development among the authorized advertising agencies. They had gained a perhaps

⁵⁴⁶ See Protokoll fört vid extra plenisammanträde med styrelsen för TU, 3 maj 1948; Protokoll fört vid sammanträde med styrelsen för TU, 17 juni 1948, A1:9, Protokoll fört vid plenisammanträde med styrelsen för TU, 27 september 1949, A1:10, TU, RA; see also Protokoll hållet vid sammanträde för styrelsen i Wilh. Andersson's Annonsbyrå, 30 maj & 6 oktober 1950, Wilh. Anderssons Annonsbyrå 1950-1963, SI-gruppens Handlingar Erik Elinder, CfN.

⁵⁴⁷ Ernst Günther till TU, 15 maj 1950, Folder 'Günther & Bäck', F8d:5, TU, RA.

⁵⁴⁸ PM, del I, bilaga D till TUs styrelseprotokoll, 24 oktober 1949; del II 'Brev till TUs styrelse från Sven Rygaard', 20 oktober 1949, A1:10, TU, RA.

⁵⁴⁹ See for example the discussion about Ervaco's film business in Protokoll fört vid styrelsesammanträde för TU, 24 februari 1948, p. 9 & 18 april 1950, p. 8 and the discussion about the increased acquisition of local advertisement among advertising agencies in Protokoll fört vid sammanträde med styrelsen för TU, 25 oktober 1948, p. 6, A1:9, TU, RA.

enviable position, but it came with a loss of freedom and the constant watching eye of TU.

New ambiguities related to competition

AF was proud of the collective work it had done for the government during the war, and even wrote a historical account to be distributed to the various authorities with which AF had collaborated. It also served as a reminder that AF was ready to engage in similar tasks again.⁵⁵⁰ On the other hand, there was an increased awareness in AF that a collective solution to government work might be problematic from a competition standpoint. Thus, in late 1945, in a referral letter to the Ministry of Finance (Finansdepartementet) concerning a proposal to centralize defence advertising, AF advised the Ministry, ‘in the interest of free competition’, to freely choose between the available advertising agencies’.⁵⁵¹

As late as 1949, the authorities approached AF again specifically asking to use AF’s services, just as the crisis authorities had done during the Second World War. This time the request concerned a campaign to increase production in Swedish industry, which AF accepted since it was the government that had explicitly asked for such a solution.⁵⁵² It was a difficult balance since the state on the one hand indicated that it wanted AF’s services in the same form as during the war, but on the other hand, there were new authorities established that were clearly sceptical about such collective solutions. Even in 1950, AF was handling advertisements with the headline *Folkhushållningen* collectively, and the agencies wanted to comply with the authorities’ wishes since they believed that non-compliance might cause the idea of a state-run advertising agency to surface again.⁵⁵³ It was not until 1959

⁵⁵⁰ Claes Fleming to Allan Hernelius, 2 september 1949, Korrespondens med TU, Box 2, AF.

⁵⁵¹ AF to Statsrådet och chefen för Finansdepartementet, 7 november 1945, bilaga 1 till Protokoll från sammanträde med AF, 26 oktober 1945, Protokoll 1943–1947, Box 2, AF.

⁵⁵² Protokoll fört vid allmänt ordinarie sammanträde med AF, 30 september, 1949, Protokoll 1948–1952, Box 2, AF. The campaign that was created included the well-known figure in Sweden called ‘Hopp-Jerka’, a man drawn with the legs of a grasshopper, which became a symbol for a person who ‘jumped’ from job to job (having a negative effect on economic productivity).

⁵⁵³ Protokoll fört vid sammanträde med AF, 8 februari 1950, Protokoll 1948–1952, Box 2, AF.

that the *Folkbushållningen* advertising managed by AF was completely dismantled, but its scope in the 1950s was unclear.⁵⁵⁴

Both TU and AF were at this point in time aware of the changing government attitudes towards practices that restricted competition.⁵⁵⁵ In 1948, TU initiated an investigation into the legal aspects of the Advertisement Agreement, which was also discussed with AF.⁵⁵⁶ Around the same time, the general manager of KeLiFa, Karl-Erik Gillberg, was involved in a debate with the general manager of *Dagens Nyheter*, Helge Heilborn, concerning free competition, and particularly the possibilities for new companies to enter the advertisement market.

The debate brought to the fore the different standpoints on one aspect of the Advertisement Agreement: restrictive authorization procedures. Gillberg made much of *Dagens Nyheter's* hypocrisy, since recently it had publicly defended the idea of free competition, while the newspaper, through TU, effectively hindered free competition in its own sphere by the application of rigorous authorization rules for advertising agencies. This left the authorized agencies in a monopoly position. Heilborn's reply was evasive. He denied that there were checks on new entrants to the market, since the authorized agencies themselves had no formal influence on authorizations, it was only TU that took these decisions. He also denied that there was an advertising agency monopoly simply by referring to the recent development of the advertising industry in Sweden. Gillberg's reply to Heilborn, where he pointed out that Heilborn did not really give any answers to his questions, was not published in *Dagens Nyheter*, but in another large daily newspaper.⁵⁵⁷

⁵⁵⁴ Styrelseprotokoll fört vid sammanträde med styrelsen för AF, 5 mars 1959, Styrelseprotokoll 1943–1959, Box 2, AF.

⁵⁵⁵ See for example the discussion in Protokoll fört vid förhandlingar mellan delegerade för TU och AF, 9 mars 1949, Avtalsförhandlingar II, 1948–1950, Box 3, AF.

⁵⁵⁶ Protokoll fört vid sammanträde med styrelsen för TU, 17 juni 1948, A1:9, TU, RA; Protokoll fört vid allmänt sammanträde med AF, 28 augusti 1948, Protokoll 1948–1952, Box 2, AF.

⁵⁵⁷ The other newspaper was one of *Dagens Nyheter's* main competitors in the Stockholm region, *Svenska Dagbladet*, see Gillberg K-E, 'Socialliberalismen och monopolen', *Svenska Dagbladet*, 7 oktober 1948, p. 16; for Heilborn's reply see 'Nyetablering och annonser', *Dagens Nyheter*, 29 september 1948, p. 14; see also 'Nyetablering av annonsbyråer', *Annonssören*, no. 10, oktober 1948.

Chapter summary

In this chapter the advertising cartel's development in the Second World War and the immediate post-war period has been investigated. The first part of the chapter focuses on AF's and TU's relationship with the government and the crisis authorities; the second part, the renewed criticism of the Advertisement Agreement at the end of the war. The fact that Sweden was neutral and never directly involved in the fighting provided a different context compared to most other European countries.

There was an ambiguous attitude, which tilted towards anticipation, among the advertising cartel at the outbreak of war. It was feared that the level of commercial advertising would plummet. Yet the crisis was also seen as a chance for advertising professionals to show how advertising could serve society, in line with the motto of the Nordic advertising congress in 1937. Both AF and TU were very active in trying to establish contact with the authorities in the autumn of 1939. TU wanted to protect advertisement revenue streams to the newspapers for the duration; the authorized advertising agencies wanted their services and knowledge to be put to good use. Both of these aims seem to have been fulfilled.

The authorized agencies, as a collective, gained a monopoly on handling all the so-called 'crisis advertisements' by the state. In addition, several of the largest agencies created and carried out ambitious campaigns for various authorities. The general impression is that AF was very skilled in promoting itself to government. It also offered what the government wanted—an existing infrastructure to quickly create and distribute large numbers of advertisements—because it wanted to support the newspapers through the crisis with official, crisis-related advertising. In fact, the government found it handy to continue to use the cartel's services under the wartime arrangements well into the 1950s, even as the stricter legislation on restrictive trade practices was in development.

The successful work done by AF and TU during the war did not stop the Advertisers' Association from resuming their criticism directly after the war. There was also a growing sense within TU that the rules on the advertisement market should be revised, that the agencies' profits were excessive, and that they were spending too much time and energy on other advertising media

that competed with the newspapers. The criticism from the Advertisers' Association boiled down to three issues: the agencies' compensation should be based on the performance-based price principle, rebating should be allowed, and the number of authorized agencies should increase.

An ambitious investigation was launched in 1947, led by an impartial chairman and supported by TU, AF, and the Advertisers' Association, that was to investigate the market and the form of payment to the agencies. It was discontinued prematurely due to conflicts, primarily between TU and the Advertisers' Association. In the new Advertisement Agreement between AF and TU that was reached in 1948 there were no concessions to the advertisers. At the same time, both AF and TU were aware of the forthcoming legislation, but did not know what to expect from it.

The Second World War and the years immediately after can be interpreted as a period when the collaboration between TU and AF was strengthened. It is also reasonable to label it a period when the cartel's conception of control was strong, even though the advertisers were critical. The war, and the role that the cartel came to play, contributed to closer cooperation both within AF, and between TU and AF. The advertising industry remained relatively unchanged between 1939 and 1949, which was exactly in line with the wishes of the authorized agencies. AF also worked actively to strengthen its bonds with TU, for example through the AF Day, where the common interest and shared values of advertising agencies and newspaper publishers were particularly highlighted. The actions and expressed arguments and ideas of the representatives expose a shared moral standard in AF, which could also be extended to include TU.

Their joint efforts during the war can be labelled successful. These efforts built on the existing conception of control: the advertisement agreement and adjacent principles concerning proper business behaviour and loyal competition. The strong conception of control can probably also be used to explain why TU and AF did not make any substantial changes in the agreement in 1948, despite renewed criticism from the Advertisers' Association. At that point in time, there was relative unity within TU and AF and their restrictive trade practices were still in line with what could be accepted from society. The situation would change however, which the next chapter will show.

Chapter 6

The downfall of the advertising cartel 1950–1965

I would say the reason why advertising is so advanced in America, is that competition is very keen. Its tremendous competition. Not only between the clients but you have a very healthy competition between art directors, between photographers. Everyone is competing to do a very fine job... Competition promotes a higher standard of thinking. And I think that you lack some competition here.

*American ad-man visting Lintas advertising agency in
Stockholm, 1966, from the documentary Reklamfolk
(Advertising People)*

From 1950 a long period started during which the organization of the market for advertisements was increasingly questioned. In the late 1940s and early 1950s, the authorities conducted extensive investigations of the nature and scope of Swedish businesses' restrictive trade practices, and a new law against

restrictions on competition was enacted in 1953.⁵⁵⁸ This was part of a development towards a less tolerant attitude towards restrictive trade practices.⁵⁵⁹ Supported by the new law, both the Advertiser's Association and the advertising consultants approached the authorities to demand radical changes to the organization of the advertisement market.

This chapter investigates events in the advertising cartel and the advertisement market in 1950–1965. The period was characterized by a drawn-out struggle where the newspapers and authorized advertising agencies tried increasingly desperately to defend their organization of the market. Throughout most of the period their agreements were under scrutiny from the authorities. A first verdict that was highly critical of the organization of the market came as early as 1956, but AF and TU still managed to keep their control of the market roughly intact until the summer of 1965. In a theoretical perspective I focus here on the responses of collective agents in a market when faced with a mounting crisis of legitimacy. What arguments and actions did the newspapers and authorized agencies resort to, and why?

Based on the theoretical discussion in the Introduction, one might reasonably expect an increasing struggle over the ideas and principles that underpinned the cartel. After all, the meaning of competition and its expression in the actions of the agents was at the heart of the cartel's conception of control. The cartel's conception of control stipulated a form of competition and a basis for legitimate business practice that was increasingly questioned. The chapter thus sets out to understand the development of these factors when the cartel's very existence was in peril.

The struggle for control of the market came at the same as the advertising industry flourished in the post-war boom in the Swedish economy, and as advertising became one of the key characteristics of modern consumer society. The criticism of advertising also increased.⁵⁶⁰ In the sphere of the

⁵⁵⁸ See SOU, 1951: 27–28; Gerber (2001), pp. 195–96.

⁵⁵⁹ For an overview of this change, see for example Berg & Karlsson (2014); Karlsson (2013); Lundqvist (2003).

⁵⁶⁰ Schön (2012), pp. 375–400; Funke (2013), pp. 93–96; for the Anglo-Saxon context see, for example, Leiss et al. (2018); for critical assessments see for example Lindqvist (1957); Packard (1957); Galbraith (1958).

media, the breakthrough of television in the late 1950s was a key development, but television remained non-commercial until the early 1990s in Sweden. The 1950s was a difficult time for Swedish newspapers and the number of papers decreased. However, from the late 1950s until 1975, total newspaper circulation increased, which left the Swedish population the world's most frequent newspaper readers per capita.⁵⁶¹

Besides these general social and economic changes, which will be referred to in more detail throughout the chapter, the changing legal landscape of competition policy in Sweden is of particular importance. The chapter thus starts with an overview of these legislative changes. Next follows a discussion of events between 1954 and 1958, when the Advertisement Agreement was reported to the authorities. The subsequent changes to TU's authorization policy are discussed next. Television is treated as a disruptive medium that divided existing interests in new ways, and is followed by a discussion of commercial radio, which surfaced around the same time. The chapter ends with the period 1962–1965, when the agreement between TU and AF finally crumbled into nothing.

A changing legal landscape after the war

In the first decade after the Second World War, there were many changes to competition policy in Sweden. The new policies focused on different aspects of competition, starting with how easy, or difficult, it was for new companies to enter a market, and moving on to whether or not existing agreements in a market caused so-called 'harmful effects' for society.⁵⁶² The challenge was to find a balance between competition and cooperation that would produce outcomes that were desirable from a societal perspective. On a general economic and political level, the new competition policies were created in order to ensure the competitiveness of Swedish business internationally and

⁵⁶¹ Gustafsson & Rydén (2002), pp. 106–108, 137–38.

⁵⁶² The viewpoint that it was only the restrictive trade practices that were harmful that should be the subject of the law was brought forward in a governmental inquiry from 1945, see SOU, 1945:42; see also Bengtsson (1947), pp. 70–71.

to combat inflation in Sweden. Price controls had been introduced during the Second World War, and some remained until 1956.⁵⁶³ As already mentioned in the previous chapter, a new law that aimed at surveillance of competition between businesses was established in 1946.⁵⁶⁴ A cartel register was established as part of this law and registered different sorts of cooperative agreements between companies.⁵⁶⁵

The Expert Commission on New Establishments

In 1951 the report of a comprehensive official inquiry was published with a proposal for a new law against restraints on competition. The inquiry had been conducted by a government committee, the Expert Commission on New Establishments (Nyetableringssakunniga). The Advertisement Agreement between AF and TU was presented in the report in a relatively neutral manner as an example of ‘unusual types of control of new entrants’.⁵⁶⁶ Interestingly, two key individuals in the advertisement market were represented in the expert commission as ‘special advisers’ (*särskilda sakkunniga*), and thus contributed directly to the inquiry and the development of the new law: Karl-Erik Gillberg, the general manager of KeLiFa, and Jan Otto Modig, the general manager of TU. KeLiFa, as has been discussed in earlier chapters, had close ties to the Advertiser’s Association, and parts of the organizations’ leadership overlapped.

Gillberg submitted a long special statement, included at the end of the Expert Commission report, which revealed his ideas on competition and cooperation. He was critical of many of the Expert Commission’s proposals for such things as ‘quiet consent’, meaning that if companies behaved *as if* there were an agreement, even though there was none, this should be

⁵⁶³ Gerber (2001), pp. 195–96.

⁵⁶⁴ Lundqvist (2003), p. 15.

⁵⁶⁵ See Sandberg (2014) for an overview of the Swedish cartel register; see also Fellman & Shanahan (2016) for a general discussion about cartel registers, which happened not only in Sweden, but in many other countries as well.

⁵⁶⁶ SOU, 1951: 27–28, p. 380. The collaboration between the advertising agencies and newspapers had been noticed also in an earlier state inquiry concerning organized cooperation in Swedish business, see SOU, 1940:35, pp. 144–45.

classified as a restrictive trade practice.⁵⁶⁷ Here we should note the difference to the description of competition in the 1911 encyclopaedia, which held that free competition did not automatically imply that everyone needed to compete—it was possible to voluntarily refrain from competition.⁵⁶⁸ In 1951, to refrain from competition, even if there had been no explicit agreement to do so, risked falling into what would be labelled as harmful restrictive trade practices.

Gillberg defended the resale price maintenance system, primarily since it brought a sense of security to retailers. In addition, consumers allegedly appreciated that it was a fair system; that all customers were treated equally. Gillberg stated that ‘this attitude might be irrational but it is a reality’. For producers it was also of key importance that brands were not used as bait in order to give consumers the false impression that retailers’ prices were low in general.⁵⁶⁹

The opinion that resale price maintenance was a positive development was pointed out by other business interest organizations too. Fixed price lists made price setting more rational since it took away the complicated and tedious work with calculating individual prices. It had also made the old system of bargaining over prices outdated.⁵⁷⁰ Bargaining was associated with an older form of commerce, which had given way to ‘firm prices’, which implied a ‘completely different fairness’ for consumers, according to a Swedish trade book about business morale from the late 1940s.⁵⁷¹ There were voices in the academic world in Sweden that dismissed this kind of reasoning. According to Gerhard Törnqvist, a professor at the Stockholm School of Economics, a fixed price was in fact the ultimate unjust practice, since it

⁵⁶⁷ SOU, 1951: 27–28, ‘Särskilt yttrande av K-E Gillberg’, p. 710.

⁵⁶⁸ *Nordisk Familjebok* (1911), pp. 775–77.

⁵⁶⁹ SOU, 1951: 27–28, pp. 710–13. In the retail business sphere, there was much debate about resale price maintenance in post-war Sweden and many of the arguments were similar to the ones discussed by the actors on the advertisement market, see Kjellberg (2004), pp. 211–17 *et passim*.

⁵⁷⁰ Lundqvist (2003), p. 31; see also Bengtsson (1947), pp. 16–20.

⁵⁷¹ Bengtsson (1947), p. 19.

made everyone pay the same without considering the different conditions of each buyer.⁵⁷²

Finally, Gillberg also made a point about the authorized advertising agencies, together with the milk retailers and bookshops, particularly concerning the control of new entrants. He believed that the Expert Commission had generally treated the restrictive trade practices in these industries too leniently, since the control of new entrants was in fact far more far-reaching than in many other industries that had been highlighted by the Commission. Concerning the advertising industry, Gillberg wanted to inform the Expert Commission that the control of new entrants to the advertising industry was extremely rigid, and had caused the number of companies to be drastically curtailed.⁵⁷³ In combination with strict rules concerning prices and discounts, the system gave strong protection to the authorized advertising agencies and clearly restricted competition.

Numerous business interest organizations provided the Expert Commission with official statements in response to the proposed new law. Like Gillberg, most of them believed that the Expert Commission was going too far in its legislative proposals, or that the law targeted the wrong issues. Swedish businesses were in general reluctant about increased governmental regulation. Self-regulation was the ideal. The official statements often pointed to the difficult balance between free competition and cooperation. The Swedish National Federation of Industry believed that it was unreasonable for the market in products and goods to be forced into a state of completely free competition, when so many other spheres of society were moving towards increased cooperation and collective solutions. The association believed that cartel registration combined with the measures taken by the industry itself to self-regulate would be sufficient.⁵⁷⁴ In line with this attitude, several organizations from Swedish businesses and industry created their own competition committee in 1951 (Näringslivets Konkurrensnämnd). The purpose was to investigate and negotiate with

⁵⁷² Törnqvist made this statement in 1946. Another academic who was critical to resale price maintenance was the business economist, Ulf af Trolle, see Kjellberg (2004), pp. 213–15.

⁵⁷³ SOU, 1951: 27–28, pp. 702–703.

⁵⁷⁴ Lundqvist (2003), pp. 25–33.

stakeholders in order to liberalize restrictive competitive practices without the direct involvement of the state.⁵⁷⁵ In contrast to business associations, the Swedish Trade Union Confederation (Landsorganisationen i Sverige, LO) was positive to a tougher stance on competition issues.⁵⁷⁶

What the work of the Expert Commission and the preparations for a new law show is that not only did interests diverge and different organizations push to influence the legislation to their benefit, but there had been an interesting shift in what was considered desirable market practices generally. These views exposed the nuances and connections between different notions. Resale price maintenance was considered modern and rational by many business interests, but it implied restricted competition. Bargaining and haggling over prices was an outdated practice, perhaps even a less moral one, but at the same time it could be seen as part of free competition.⁵⁷⁷ When the Advertisers' Association sought to overthrow the market agreement about advertisements and enable transactions on 'businesslike' (*affärsmässig*) grounds, this meant bargaining, even if they never used the word. The term negotiations were used, but the implication was the same: they were haggling.

The law of 1953 and the advertising cartel

The law that was enacted in 1953 built on the work of the Expert Commission of New Establishments and aimed at obviating business practices that restricted competition in markets. It all turned on determining whether or not restricted competition in various industries caused *harmful effects* or not. Thus, the law did not forbid different forms of cooperation, such as cartels per se, but it was the effects of such cooperation that was to be evaluated.⁵⁷⁸ Harmful effects were defined as restrictions on competition

⁵⁷⁵ Irsten, Arne, 'Självsaneringen och de båda kartellagarna', *Svensk Tidskrift*, Vol. 40, årsbok 1954, pp. 17–23; see also Gustafsson (1974), p. 25.

⁵⁷⁶ Lundqvist (2003), p. 23.

⁵⁷⁷ Martenius (1953), p. 7 gives the example with the travelling salesman who bargains with customers as a classic example of free competition. Åke Martenius was the Competition Ombudsman from 1953 to 1961.

⁵⁷⁸ Holmberg (1981), p. 15.

that from a public viewpoint (i) unduly affected the formation of prices; (ii) impaired efficiency in business; or (iii) hindered or prevented the business activities of another.⁵⁷⁹ In addition, collusive bidding and resale price maintenance were explicitly forbidden, since these were perceived as having negative effects and were without redeeming social benefits.⁵⁸⁰

To support the new law, a new government agency was created, the Market Court (Näringsfrihetsrådet), which was a corporatist solution with three neutral members (one of whom served as chairman), three representatives from the private business sector, and three representing labour and consumer interests. It was thus not part of the ordinary court system. The Market Court's role was as ultimate arbiter, while another institution was created to function as prosecutor, the Competition Ombudsman (Näringsfrihetsombudsmannen). The idea with the system was to make business to comply with the law through negotiations and the prospect of negative publicity in case of non-compliance. The composition of the court was in line with what Gerber calls a 'community-effect' orientation, which rested on an assumption that a sense of community among business leaders, competition officials, and academics would induce compliance.⁵⁸¹ The new law came into effect in 1954, and shortly thereafter the Advertisement Agreement was reported to the Competition Ombudsman by the Advertisers' Association and the Association of Advertising Consultants. This was thus the legislative context in which the advertising cartel increasingly came under pressure.

⁵⁷⁹ Gerber (2001), p. 197. Gerber's translation is used here. In Swedish: 'på ett ur allmän synpunkt otillbörligt sätt påverkar prisbildningen, hämmar verkningsförmågan inom näringslivet eller försvårar eller hindrar annans näringsutövning'; see also Lundqvist (2003), p. 19.

⁵⁸⁰ Gerber (2001), p. 200; see also Martenius (1953).

⁵⁸¹ Gerber (2001), pp. 200–204; SOU, 1951: 27–28, pp. 492–96.

AF's and TU's struggle with the new law

Prelude

Even before the new competition law was enacted in 1953, TU and AF discussed its possible consequences and what they could do to prepare. In a letter to the Expert Commission on New Establishments, AF argued for the benefit of the current order, referring to the contested survey from 1947, which showed that a majority of advertisers were satisfied with the authorized advertising agencies. Their sphere of business was rationally organized and cost-efficient, because the agencies could specialize in advertising problems and keep a high and stable level of employment, which was not possible to the same extent in advertisers' advertising departments. Profits were under pressure, however, which was mentioned as a possible reason for the relatively low number of authorization applications. A new agency risked working for several years before being able to make a profit. AF rejected the criticism that the agencies were lagging behind in the development of advertising forms other than newspaper advertisements. Finally, the letter stressed that neither AF nor TU were interested in the advertising agency business becoming a 'closed guild'.⁵⁸²

In 1953, TU and AF frequently discussed the new legislation, and there were contacts with the advertisers as well. In late 1953, Gillberg and Allan Enström from the Advertisers' Association met with representatives from AF and TU. They were surprised that the authorized agencies had taken in so little from the previous years' debate about competition. Gillberg and Enström told representatives from both TU and AF that it was likely that the Advertisement Agreement would not stand up to scrutiny from the Market Court, and that the court would most probably demand that the whole system be dismantled. Some in the Advertiser's Association wanted to report the Advertisement Agreement to the authorities as soon as the new law came into force. Therefore, Gillberg and Enström argued, it would be

⁵⁸² AF to Nyetableringssakkunniga, 8 maj, 1950, bilaga 5 till Protokoll fört vid allmänt sammanträde med AF, 28 april 1950, Protokoll 1948–1952, Box 2, AF.

better for AF and TU to enter into negotiations *now* so that ‘gentler’ changes could be negotiated.⁵⁸³

AF’s opinion was that the system had to be treated as a whole. If, for example, the ban on rebating were removed, it would rock the foundations of the whole market. Lohse, insisted that any departure from the current rules risked ‘breaking down what the advertising agencies so carefully had built up’.⁵⁸⁴ He insisted that competition on ‘service and quality’ was enough to stand up to the scrutiny of the competition authorities.

After the meeting, Gillberg and Enström concluded that it seemed probable that the newspapers would accept at least some relaxation of the agreement. From the agencies’ side concessions were unlikely—at least a few key individuals (for example Lohse) would probably rather see the system reported to the authorities to be tested. However, it was the newspapers that had the final word.⁵⁸⁵ This statement points to the relative power between TU and AF, at least seen from the outside, where TU was undoubtedly the stronger party. In a report from the late 1950s about the Swedish advertising market by the American advertising agency JWT, TU was also referred to as the ‘all-powerful body which rules over advertising’.⁵⁸⁶

TU had a sceptical attitude towards the Market Court. Already in 1953, the general manager of TU, Jan-Otto Modig, anticipated that they would not find a sympathetic hearing in the court, ‘whether from the consumers, the unions, or the men of Swedish industry’. These were the interests represented in the council.⁵⁸⁷ In addition, the TU board perceived the Expert Commission on New Establishments as a forum where advertisers’ representatives could present their criticism towards them and the authorized

⁵⁸³ ‘PM angående överläggningar i annonsbyråfrågan’, 16 december 1953, F9:2, SvAF, RA

⁵⁸⁴ Ibid.

⁵⁸⁵ Ibid.

⁵⁸⁶ ‘A study of the advertising industry market in Switzerland and Sweden’, undated (but figures from the year 1958 are referred to in the report), Box 5, Samuel Meek Papers, J. Walter Thompson Company archive, David M. Rubenstein Rare Book & Manuscript Library, Duke University.

⁵⁸⁷ ‘Anteckningar från Saltsjöbadskonferensen 24–25 augusti 1953’, Avtalsförhandlingar II 1953–1955, Box 3. AF. The journals of the cooperative movement and the labour union were among those that published critical articles of the actions of TU and AF in 1956.

agencies.⁵⁸⁸ The statement by the general manager implies that there would perhaps be less of a ‘community effect’ in this case than otherwise expected, since he expressed distance and suspicion towards the intentions of the other interests represented in the court.

The case and the organization of the market

Supported by the new law, the Advertisers’ Association approached TU again in early 1954, certain that the newspapers would be in a mood to make concessions. An internal memo by a group within TU that negotiated with the advertising agencies indicated that it would be very difficult to keep the prohibition against rebating. The group wanted a solution that somehow could be accepted by the advertisers. It was noted, though, that AF was against all such changes.⁵⁸⁹ AF was disappointed in TU and its unwillingness to justify the existing agreement to the authorities. According to reports and investigations carried out by experts on behalf of AF, the agencies believed that the agreement would hold before the Market Court.⁵⁹⁰ This option was dismissed by TU since they believed that any initiative from their side would imply that they were themselves uncertain whether their agreement was compatible with the new law.⁵⁹¹

The preferred way from the Advertisers’ Association was to reach a compromise through the private competition committee initiated by Swedish businesses. Before any negotiations could begin, however, the Association of Advertising Consultants (Konsultativa Reklambyråers Förbund) reported the advertising agency system, and especially its restrictions on new business, to the Competition Ombudsman. This action led to the Advertisers’

⁵⁸⁸ Protokoll fört vid ordinarie plenisammanträde med styrelsen för TU, 18 april 1950, A1:11, TU, RA.

⁵⁸⁹ PM angående annonsavtalsförhandlingarna, 22 januari 1954, bilaga till TUs styrelseprotokoll 27 januari 1954, A1:15, TU, RA.

⁵⁹⁰ AF to ordföranden vid förhandlingarna mellan TU och AF om det s.k. annonsavtalet, Bilaga J till TUs styrelses protokoll 27 januari 1954, A1:15, TU, RA.

⁵⁹¹ PM osignerat, 2 december 1953, Avtalsförhandlingar I 1953–1955, Box 3, AF.

Association withdrawing their petition to the private competition committee and joining the consultants' complaint to the ombudsman in March 1954.⁵⁹²

In the autumn of 1954, all parties (TU, AF, the Advertisers' Association, and the Association of Advertising Consultants) had meetings with the Competition Ombudsman. The TU board was contemplating different options. Heilborn could not understand why the agencies said that they preferred a state of non-agreement rather than making the necessary changes to the existing agreement; he speculated that perhaps they believed that they had the upper hand over the newspapers. The general manager of TU believed that the agencies relied on the strong position of the press in society, and that the Market Court would hesitate to hear the case. Another opinion was that TU should make a statement stressing the agreement's importance for small newspapers. That would spell out the cultural and societal reasons for keeping the agreement.⁵⁹³ On the other hand, TU's representatives were also keen to resolve the relationship with the advertisers in order to clear the air and move forward.⁵⁹⁴

Some of the advertising agency representatives found it difficult to understand the advertisers' criticism. The advertising agency manager Hugo Krantz, who had been part of AF since 1918, believed that the system in the advertising industry was no different to other industries. No one questioned that a buyer could not turn to, say, a car manufacturer and demand to buy a car for the price offered to the manufacturer's distributor. It was legitimate business practice that the car manufacturer could choose its own resellers. A loosening of market conditions would lead to a situation where the large advertisers could abuse their power and gain significant advantages. *That* would be a threat to free competition, according to Krantz.⁵⁹⁵

⁵⁹² Gustafsson (1974), p. 26.

⁵⁹³ Protokoll fört vid ordinarie plenisammanträde med TUs styrelse, 25 oktober 1954, A1:15, TU, RA; see also 'Nils Ericsson till ordföranden vid förhandlingarna mellan TU och AF om det s.k. annonsavtalet', undated, Avtalsförhandlingar I 1953-1955, Box 3, AF.

⁵⁹⁴ 'Konkurrens och samverkan inom tidningsbranschen', anförande vid TUs höstmöte 1954 av Jan-Otto Modig, bilaga till protokoll från TUs ordinarie höstmöte 25 oktober, 1954, A3:5, TU, RA.

⁵⁹⁵ PM från Hugo Krantz angående bemötande av kritiken från annonsörshåll, undated, Avtalsförhandlingar I 1953-1955, Box 3, AF.

Lohse criticized the advertisers for wanting to have the right to bargain. The commission was first and foremost remuneration for the sales work that the agency did for the newspaper, and thus nothing that concerned the advertiser. Another argument for the current market order was ethical. Advertising was not like any other goods. Lohse believed that:

Advertising without quality is not just useless, it is harmful. That is why competition on quality and not on price is the best for the consumers when it comes to advertising. Quality competition between the agencies is a guarantee for correct information for consumers.⁵⁹⁶

In this statement Lohse tried to equate the quality of *advertisements* in themselves with competition based on quality. It is however apparent that it is logically very difficult to equate quality of products with competition based on quality. Despite this difficulty, the agencies and particularly some of the staunchest supporters of the system, such as Lohse, would continue to use this imagined relationship as an argument.

In December 1954, TU and AF had not managed to reach common ground for a new agreement. It was therefore decided that the Advertisement Agreement from 1951 would expire at the end of March 1955. This information was also given to the Competition Ombudsman.⁵⁹⁷ TU and AF continued to negotiate in the spring. The newspapers did not want a completely unregulated system, so they would do everything in order to preserve some sort of agreement.⁵⁹⁸ These negotiations thus centred on finding a way to formulate a new agreement that would be in accordance with the law. The most important change concerned a redefinition of the relationship between the advertising agencies and the newspapers that would achieve this end.

⁵⁹⁶ PM–Annonsbyråprovisionen och annonsbyråsystemet, Avtalsförhandlingar I 1953–1955, AF.

⁵⁹⁷ Protokoll fört vid ordinarie plenissammanträde med styrelsen för TU, 9 december 1954, A1:15, TU, RA.

⁵⁹⁸ Protokoll från TUs ordinarie vårmöte, 10 maj, 1954, p. 11, A3:5, TU, RA.

The agencies as the agents of the newspapers

In the many discussions and reports that were carried out by AF and TU, a solution seemed to crystalize itself, which included a definition of the agencies as ‘agents’ of the newspapers.⁵⁹⁹ The idea was that if the agencies were the newspapers’ agents it was unproblematic with the prohibition against rebating, since it was legitimate business practice for an agent not to underbid its principal. The idea was treated with interest by the TU board since it seemed to offer a solution to their problems, particularly concerning the prohibition against rebating, which was paramount for AF.

Heilborn stated that if a wording such as ‘an agent cannot underbid its principal’ were chosen, the ban on rebating would have found an acceptable form. That the advertising agencies most probably would continue to regard the agreement as a prohibition against rebating was their business, and could be accepted by TU. Such a construction would also be an excellent support in the newspapers’ rejection of demands for commission from the direct advertisers: the commission should only be paid to the agents of the newspapers and had nothing to do with the scope of the advertiser’s own work, which was the advertisers’ argument against the ban on rebating.⁶⁰⁰ If TU could manage to reach an agreement of this kind and it was later reported to the Market Court, the newspapers could defend it with good conscience.

From April 1955 in the new agreement between TU and AF, the agencies were thus defined as the agents of the newspapers. The explicit clause concerning the prohibition against rebating was removed from the agreement, and instead it was stated that:

Advertisement space should render the same price no matter if it is bought directly from the producer or from agents. It is not in accordance with proper

⁵⁹⁹ Advokat Risings PM ang. förslag den 18 februari 1955 till Annonsavtal, avskrift, Avtalsförhandlingar II 1953–1955, Box 3, AF.

⁶⁰⁰ Protokoll fört vid ordinarie plenisammanträde med styrelsen för TU, 22 maj 1955, A1:16, TU, RA.

business conduct, and subsequently not allowed, for the agent to underbid its principal, in whatever form this might happen.⁶⁰¹

The choice of language in the new agreement, ‘Norms for newspaper advertising’ (‘Normer för tidningsannonsering’) was revealing. To describe newspapers as ‘producers’ and advertising agencies as ‘agents’ alluded to general principles in other spheres of business, for example the relationship between a manufacturer and its resellers. Resale price maintenance, which prohibited by the law of 1953, concerned goods and not services, which left it unclear how applicable it was to newspaper advertising. By describing the relationship between the newspapers and agencies as that of principal and agent, their agreement, according to AF’s legal expert, could not be interpreted as resale price maintenance, even if it did concern goods and not services.⁶⁰² Thus, since the agreement concerned services *and* since it was an agreement between a principal and its agents, it must be interpreted as being in accordance with the law. Anything else would have implied unsound business practice, which no one could possibly want. At the same time, the new agreement still stipulated that the advertising agency should be a completely independent company and have a free position towards advertisers as well as newspapers and magazines. This was of course difficult to reconcile with the agencies’ new agent status.

The change in the agreement between TU and AF was understandable considering what was at stake. At almost any cost, TU did not want an unregulated market, while AF wanted, at any cost, to preserve the prohibition against rebating. It was impossible for them to simply renew their old agreement with only minor changes. How should we understand the strategy chosen by the agencies and newspapers at this point? One way of making sense of TU’s and AF’s actions is by using Skinner’s proposition (see Introduction). It states in part that actors who are engaged in a questionable course of action can try to apply a number of favourable terms to describe

⁶⁰¹ ‘Normer för tidningsannonsering’, utarbetade av TU under medverkan av AF och antagna av de auktoriserade annonsbyråerna 31 mars 1955, Avtalsförhandlingar I 1953–1955, Box 3, AF.

⁶⁰² Advokat Risings PM ang. förslag den 18 februari 1955 till Annonsavtal, avskrift, Avtalsförhandlingar II 1953–1955, Box 3, AF.

their own behaviour. The aim is to 'urge any opponents to admit that they are failing to recognize that the ordinary criteria for applying a set of favourable terms are present in the actions they see as questionable'.⁶⁰³ In struggling for the legitimacy of their actions, AF and TU were able to find a new way to define their relationship. A definition that rested on well-established ideas about business relationships and practices in other parts of the Swedish economy. Their aim was undoubtedly, to try to convince their opponents that their system was not at all harmful: it was in fact based on completely natural, and sound, business practices.

On the other hand, the redefined relationship probably affected both how the agencies perceived themselves and how they were viewed by others. If the agencies were the agents of the newspapers, they also needed to try to act in accordance with that principle. This proposition is also in line with Skinner's ideas.⁶⁰⁴ The problem, which was of course pointed out by the advertisers, was that the real situation did not match this new description. To define the agencies as the newspapers' agents was a skewed description of reality. In the 1950s, anyone could see that the agencies were working as advisors to clients to support them with expertise related to marketing and advertising.⁶⁰⁵ Their role as sellers of advertisement space on behalf of the newspapers was secondary. It is thus probable that the new definition caused an increasing gap between the *described* contractual relationship between the agencies and the papers and *actual* developments.

The Advertisers' Association was unsure of what to expect from a new agreement between AF and TU. Advertisers suspected that the existing agreement would appear in a new form 'with the current restrictions on competition barely disguised', which turned out to be a good guess.⁶⁰⁶ At the same time, it was believed that neither TU nor AF would want to risk being taken to court for the new agreement. Later, after the 1955 Advertisement

⁶⁰³ Skinner (2002), p. 153.

⁶⁰⁴ Ibid, pp. 155–56.

⁶⁰⁵ See, for example, the statement by Karl Erik Gillberg on p. 6 and Allan Enström on pp. 21–2 in Protokoll hållet vid offentligt sammanträde i det s.k. annonsbyråärendet inför Näringsfrihetsrådet, avskrift, 5 April 1956, p. 7, F9:4, SvAF, RA.

⁶⁰⁶ 'Vändpunkt i annonsbyråfrågan', *Annonssören*, no. 1, 1955, p. 3.

Agreement had come into force, advertisers were wary. There had been some liberalizations—for example, concerning the advertising consultants' status, since it was now allowed for an agency to share the commission with a consultant—yet everything depended on how the agreement was interpreted and implemented.⁶⁰⁷

The hearings and the verdict in 1956

Despite the new agreement, the Competition Ombudsman decided to take the case to the Market Court. Public hearings were held in the spring of 1956 where the different parties made their case. These have been carefully described in the report by Gustafsson from 1974, which can thus be used as a starting point.⁶⁰⁸ The hearings were clearly a battle of ideas and of the socially acceptable view of competition in the sphere of commercial markets.⁶⁰⁹ What principles should regulate the advertisement market and why? This is what the different collective agents tried to prove to the Market Court. Most of the ideas and arguments were variations on the same ones advanced by the various parties on other, earlier occasions. They will thus only be briefly discussed, followed by a more general account of the role of these ideas and arguments for AF and TU in a changing context.

The first issue concerned whether or not the Advertisement Agreement impeded for others to do business, which was classified as a harmful effect according to the law. AF and TU continued to insist that a relatively strict authorization procedure was needed to maintain high advertising standards.⁶¹⁰ The Competition Ombudsman asserted that the mechanisms of free competition would achieve this goal. Free competition usually promoted

⁶⁰⁷ 'Nytt annonsbyråsystem', *Annonssören*, no. 4, 1955, p. 3; see also Svenska Annonsörers Förenings föreningsmeddelande no. 4 1955, avskrift av avskrift, Avtalsförhandlingar I 1953–1955, Box 3, AF; Gustafsson (1974), pp. 28–30.

⁶⁰⁸ Gustafsson (1974), pp. 32–42.

⁶⁰⁹ This is similar to what Schröter (1996), p. 131 writes about '... the social consensus about how to proceed in economic matters'.

⁶¹⁰ Gustafsson (1974), p. 36.

the survival of the most qualified firms in the long run. The same argument was made by the Advertisers' Association. A representative from the advertisers also said that they would be willing to accept a system where payments were made in advance. In such a system, the rigid capital requirements on the agencies would be less important since neither the newspapers, nor the agencies, would take any financial risks.⁶¹¹

The second issue concerned the effect on prices of the Advertisement Agreement, which was related to the ban on rebating. On this point, AF and TU referred to agent status, which, they said, made the issue of rebating irrelevant. There was also efficient competition on service between the agencies. In addition, they maintained that free competition would cause chaotic conditions, and that the law primarily was intended for the effects on consumer prices, which was not the case here. The Competition Ombudsman believed that the risk of an 'oriental market situation' was a wild exaggeration. Many other industries had managed to liberalize in an orderly way. Why would advertising be any different? The agent status of the advertising agencies did not change anything. Furthermore, the Competition Ombudsman did not have anything against competition on service, only that this had to be combined with competition on price.⁶¹²

The third issue concerned the effect on the efficiency in the advertising industry, where the different parties, again, had completely opposite viewpoints. The Competition Ombudsman believed that the current order hampered the development of the industry, and that there had been no 'important institutional innovations' since the 1920s. The strict regulations made it more difficult for advertisers to achieve vertical integration, since advertiser-owned agencies were not allowed, even if this would have been motivated from a strict economic point of view.⁶¹³

In the discussions, the advertisers stated that they were not interested in trying to push prices down; what they wanted, according to Gillberg was to 'participate in the competition and in the aspirations to produce good

⁶¹¹ Protokoll hållet vid offentligt sammanträde i det s.k. annonsbyråärendet inför Näringsfrihetsrådet, 5 april 1956, p. 7, avskrift, F9:4, SvAF, RA.

⁶¹² Gustafsson (1974), pp. 37–41.

⁶¹³ Ibid, p. 41.

advertising'.⁶¹⁴ AF and TU were sceptical to such assurances and pointed to several instances in the near past when large advertisers had tried to push both newspapers and agencies to lower their prices or give other benefits. Gillberg also said that he had nothing against an agency making a healthy profit, but it should be the result of a free system where economic status was reached due to competence and not due to restraints on competition.⁶¹⁵

What is clear from the discussions is that all representatives tried to link their arguments to notions of rationality and efficiency. AF's and TU's adversaries maintained that the current order skewed the market incentives, which was detrimental to rationalization. Free competition, according to the Competition Ombudsman, would in the long run lead to structural rationalizations, which was best from a societal point of view. It would bring costs down. The agencies opposed such a description, and argued that their opponents were using the concept of freedom as if it was something absolute. Unlimited freedom could not exist in a civilized society. 'If the advertising agency system is restricting freedom, it does so in the same way as traffic lights', said one advertising agency representative to the Market Court. 'The proposed changes would only benefit the large advertisers.'⁶¹⁶

In its verdict in June 1956, the Market Court concluded that the 1955 agreement still contained elements that restricted competition in such a way that there were harmful effects in violation of the law. According to the court, the agreement hampered the advertising consultants in their business practice, for they could not compete on the same grounds as the authorized agencies. Furthermore, the prohibition on the agents (agencies) to charge a lower price than the one determined by the newspapers was restricting competition, because it forced everyone to compete on service but not on price. 'There was thus most probably overscaled service competition.'⁶¹⁷

⁶¹⁴ Protokoll hållet vid offentligt sammanträde i det s.k. annonsbyråärendet inför Näringsfrihetsrådet, 5 april 1956, avskrift, p. 29, F9:4, SvAF, RA.

⁶¹⁵ Ibid.

⁶¹⁶ Ibid, pp. 41–42.

⁶¹⁷ Näringsfrihetsrådets beslut i anledning av en utav ombudsmannaämbetet för näringsfrihetsfrågor gjord framställning om förhandling för undanröjande av skadlig verkan i det s.k. annonsbyråsystemet, avskrift, Stockholm 21 juni 1956, Näringsfrihetsrådet II, Box 3, AF.

The Market Court believed that just like in any other sphere of business it was possible to assume that increased price competition would lead to rationalizations, which would have beneficial effects. Since advertising, and particularly newspaper advertising, enabled large-scale production and sales of consumer goods, it was in the public interest for efficient advertising to be carried out at the lowest possible cost.⁶¹⁸ The advertisement market was not unique compared to other markets, which could have motivated different conditions. The Market Court thereafter encouraged the newspapers and the agencies to enter into negotiations in order to liberalize the market conditions. After the decision in June 1956, the advertisers rejoiced, however prematurely. They believed that the restrictions on competition would be removed promptly, probably by the end of the year.⁶¹⁹

Deadlock

Contrary to what everyone expected, AF and TU refused to obey the verdict of the court, which they announced later in the autumn of 1956. The uncompromising decision was met with astonishment both by the Market Court and the general business community. It jeopardized the whole ‘negotiating’ character of the competition law and risked tougher legislation.⁶²⁰ As an interesting comparison, another cartel in Sweden at the time, in the pipe and tube industry, formally dissolved its agreements partly as a preventive measure even before the 1953 law was passed. However, after concluding that the enforcement of the law was not as strict as expected, the members resorted to cartel behaviour again after a few years.⁶²¹ AF and TU actively opposed any changes. TU explained its stance to the Market Court. It was difficult for the newspapers to see how the system that they had helped create during several decades could be detrimental from a societal point of

⁶¹⁸ *Annonssystemet inför Näringsfrihetsrådet* (1957), pp. 5–17.

⁶¹⁹ Sveriges Annonssörers Förening till medlemsföretagen, avskrift av avskrift, 3 juli, 1956, Näringsfrihetsrådet II, Box 3, AF.

⁶²⁰ Näringslivets Konkurrensnämnd till TU, 19 november 1956, Bilaga A till protokoll fört vid sammanträde med TUs styrelse 6 december, 1956, A1:17, TU, RA.

⁶²¹ Strandqvist (2017), p. 248; Strandqvist (2018), pp. 185–87.

view. The court had not considered the special status of newspapers; it was not just like any other business. Furthermore, AF and TU argued that since the process was of a ‘negotiating’ character that must imply that the Market Court could not always have its way in every case, there must thus be room for the court to ‘lose’ a case.⁶²²

According to the 1974 report by Gustafsson, the only possible explanation for the uncompromising attitude within AF and TU must have been that neither party really believed that the Market Court would report the case to the government, which was the probable scenario if the court failed to resolve a case.⁶²³ However, the sources from TU indicate that there were other reasons too, which Gustafsson does not discuss. Gustafsson’s report does not contain exact references, but only a list of sources and literature at the end. Based on this list, it seems he did not consult the sources that provide a more nuanced picture.

Transcripts of notes by TU’s general manager found in AF’s archive indicate that the newspapers believed that they had nothing to lose from stricter legislation, if that would be the consequence of their declining answer. Then it would be the public courts that would take care of the implementation of the legislation and not a body such as the Market Court.⁶²⁴ Against this background, TU’s uncompromising attitude can be better understood. The Market Court was under the influence of interest groups, some of which had been critical of the Advertisement Agreement long before the case had come to court, which according to TU risked making its decision biased. An impartial, regular court would be the better judge.

Furthermore, the newspapers believed that the primary aim of the law was to protect consumers, while this was an issue between business groups. TU’s task was to protect the small, financially weak newspapers, and the court’s decision risked leading to price pressure on the small papers and ‘power discounts’ (*maktrabatter*) where large advertisers, using their financial

⁶²² TU till Näringsfrihetsrådet, 2 november 1956, avskrift, bilaga B till protokoll fört vid sammanträde med TUs styrelse, 24 oktober 1965, A1:17, TU, RA; Gustafsson (1974), pp. 42–47.

⁶²³ Gustafsson (1974), pp. 42–47.

⁶²⁴ Anteckningar från en överläggning på Kommerskollegium, 27 november, 1956 av Ivar Hallvig, 1 december, 1956, avskrift, Näringsfrihetsrådet I, Box 3, AF.

strength, could play different papers off against one another. TU pointed out the importance of the quality of advertising, which risked being lowered. The newspapers depended on the work of the agencies to acquire new business, and did not wish to undermine their work.⁶²⁵ AF's legal adviser informed the Market Court and the Competition Ombudsman that the answer from the agencies was based on prolonged reflection, and that in the end the conclusion had been reached that it was impossible to change only parts of the market system: it had to be treated as a whole.⁶²⁶

Within TU, there were diverging opinions too, however. At least two sources indicate that TU's general manager, Ivar Hallvig, was of a different opinion than the one declared by TU in public. As all expertise said otherwise, Hallvig believed that AF and TU could not justify their resistance. Even though there were probably divergent views, Hallvig believed that everyone took the same line out of solidarity. In a later letter, an appendix to a board minutes from late 1956, Hallvig declared that he was personally in favour of a fee-based system, but this was not the opinion of TU's members.⁶²⁷ His personal opinion was thus not a secret.

Among the authorized agencies, only the advertising agency manager Erik Elinder expressed a view that differed substantially from AF's official view at this stage.⁶²⁸ This is unsurprising considering Elinder's background. Until the late 1940s he had been an advertiser, and he had been on the board of the Advertisers' Association in the 1940s. In a statement from 1964, Elinder maintained that he had experienced the inconveniences of the advertising agency system as an advertiser in the 1940s.⁶²⁹ Throughout the

⁶²⁵ Ibid.

⁶²⁶ G.A. Rising to Ivar Hallvig, 21 januari, 1957, Näringsfrihetsrådet II, Box 3, AF; see also TU till Näringsfrihetsrådet, 2 november 1956, avskrift, Bilaga B till protokoll fört vid sammanträde med TUs styrelse, 24 oktober 1956, A1:17, TU, RA.

⁶²⁷ G.A. Rising to Gösta Persson 'Ang förhandlingar med Näringsfrihetsrådet', 23 november, 1956, Näringsfrihetsrådet II, Box 3, AF; Anteckningar från ett telefonsamtal med ordföranden i svensk fackpress, 11 oktober 1958 av Ivar Hallvig, bilaga A till protokoll fört vid sammanträde med TUs styrelse, 23 oktober 1958, A1:19, TU, RA.

⁶²⁸ Erik Elinder to Folke Beronius, 21 mars, 1957, Näringsfrihetsrådet II, Box 3, AF.

⁶²⁹ 'Uttalande av Erik Elinder i samband med Fyrpartsutredningens avslutande', 13 oktober 1964, Förhandlingsdelegationen I, Box 3, AF.

1950s he collaborated with numerous advertising consultants, which was a sensitive issue for both AF and TU. To share the commission with consultants was not formally permitted until 1955, but it was widely known or suspected that Elinder practised such methods.⁶³⁰

The chairman of the Market Court hoped that the parties would shift position. He was uncertain how to proceed since there was no previous experience. He made it clear that if the parties refused to make changes, it was probable that the case would be handed on to the government, but according to AF's representative, it was clear that the court did not want that. Both TU and AF had decided in an earlier meeting to not offer any compromises, but instead wait and see what the Court would do.⁶³¹ In all, everything was highly uncertain.

Why did TU and AF so stubbornly resist any changes to the organization of the market when all other industries had given in to the demands of the Market Court? Several different answers seem possible. Perhaps the answer can be sought in the 'special' status of newspapers in society as perceived by TU and AF. Or perhaps in the very strong conception of control that had been developed by TU and AF over the course of several decades. This was, for example, reflected in the statement by TU that it could not accept that the system that they had developed over several decades was harmful. Another possibility is that key representatives in both organizations managed to convince the others to resist. The answer most probably lies in a combination of factors.

A '100 per cent different' compromise

Despite the uncompromising attitude by AF and TU, some sort of solution had to be reached. The subsequent development came to revolve around the creation of an 'advertising office' that would be allowed to operate under

⁶³⁰ See, for example, Protokoll fört vid ordinarie allmänt sammanträde med AF, November 28, 1952, Protokoll 1948–1952; Frans Lohse till AF (undated), bilaga 5 till Protokoll fört vid årsmöte med AF, 30 januari, 1953, Protokoll 1953–1955, Box 2, AF.

⁶³¹ 'Referat från sammanträde 19 augusti', 1956 av Gösta Persson, 20 september, 1956; Sammanträde med utomstående byråer, 18 september, 1956, Näringsfrihetsrådet I, Box 3, AF.

different conditions compared to the other authorized agencies. That would be a concession to the large advertisers that were not in need of any creative services. The commission that the advertising office earned would be paid out to the advertisers that used its services in proportion to each advertiser's advertising volume. That way, advertisers would be compensated for the work that they carried out themselves.⁶³²

The idea was not new. The Andersén Advertising Office (see Chapter 4) had exactly that function in the 1930s and 1940s, but only for a limited number of advertisers. In the investigation of the market that was carried out in 1947, this idea was suggested as a means to satisfy the advertisers' demands. In the aftermath of the Market Court's verdict in 1956, it also regularly appeared in the discussions as a possible way forward. However, many of the advertising agency representatives detested the idea.⁶³³

In early 1957, the newspapers and agencies drafted a compromise that included an advertising office, which was a solution that could be accepted by the Market Court.⁶³⁴ The subsequent conflict centred on who would own the office. The Market Court had declared that an advertising office should be owned by the advertisers, but the newspapers and agencies objected since they believed that such a company risked turning into a purchasing monopoly, which would use its power to play off the authorized agencies and newspapers against one another.

The negotiations dragged on because the parties were unable to agree on ownership or the level of commission that the advertising office would receive. In the end, TU's and AF's compromise proposal was that the advertising office should be owned by TU, AF, and the advertisers jointly. The chairman of the Market Court said that the proposal looked thin, and that it was 100 per cent different to what they wanted. He believed that any changes should lead to the market being less organized, not more, but the

⁶³² Gustafsson (1974), pp. 48–49.

⁶³³ Ibid.

⁶³⁴ 'Anteckningar från sammanträde med NFR, 16 januari, 1957', 18 januari, 1957, Näringsfrihetsrådet I, Box 3, AF; see also 'Minnesanteckningar från sammanträffande 10 april 1957 med Helge Heilborn och Folke Beronius angående annonsbyråmonopolet', 12 april 1957, F9:4, SvAF, RA.

court was still willing to try to reach a compromise. In principle, the advertising office should be owned by the advertisers, but the chairman could accept three-party ownership if all parties agreed; however, the advertisers should have the majority ownership.⁶³⁵

In December 1957, Heilborn asked the authorities how they would view an advertising office where the advertisers were not among the owners. The Competition Ombudsman emphasized that the crucial factor was to achieve more competition in the field. If the advertisers ended up not having any confidence in the office then there would be no changes to the market. The atmosphere between the parties deteriorated. Due to the accusation by the newspapers and the agencies that an advertising office that was majority owned by advertisers risked turning into a purchasing monopoly, the advertisers declared that they were no longer interested in a compromise. They asserted that all problems would be eliminated, and there would be no need for an advertising office, if the ban on rebating were removed.⁶³⁶ AF and TU were upset by the publicity given to the advertisers blaming the newspapers and the agencies for all their problems. They decided that no more concessions could be made, and that they would go ahead and create the advertising office themselves.⁶³⁷

The Market Court delivered a compromise verdict on 6 March 1958. The new regulations should include the following: no need-based assessment of new agencies; the capital demands to get authorization would continue to be softened; and the question of authorization would be handled by a new committee consisting of representatives from TU and those nominated by a committee of the Chamber of Commerce (Handelskamrarnas nämnd) and the Advertisers' Association. Furthermore, a new advertising office called 'Annonsdistribution AB' (or ADAB) would be created, to which the newspapers would pay a 5 per cent lower commission. The advertisers should have the majority shares. However, since the newspapers and

⁶³⁵ 'Anteckningar efter telefonsamtal med G.A. Rising' 11 juni, 1956, Näringsfrihetsrådet I, Box 3, AF; 'Annonsbyråfrågan', brev till TUs styrelse, 20 juni, 1957, Näringsfrihetsrådet I, Box 3, AF.

⁶³⁶ Svenska Annonsörers Förening to Näringsfrihetsrådet, 5 mars, 1958. F9:3, SvAF, RA.

⁶³⁷ 'Ang. annonsbyråfrågan inför NFR', brev från G.A. Rising till cheferna vid de auktoriserade annonsbyråerna 24 januari, 1958, Näringsfrihetsrådet I, Box 3, AF.

agencies would not accept this, the advertising office would be owned by the newspapers and the agencies alone.

The Market Court expected that the office would be run strictly according to business principles, and that advertisers, when choosing between a regular agency and the advertising office, would let only financial and rational considerations guide their decision. These changes to the system could be accepted by the court, however with much doubt and hesitation. It would be evaluated if the changes had the desired effect and if not, the whole issue could be brought up again.⁶³⁸ The advertising consultants were satisfied with the changes for new authorizations, which was important for the outcome of the case, since they were one of the complainants. The advertisers were unsatisfied and continued to demand that the ban on rebating should be abolished.⁶³⁹

The solution that nobody wanted

The new advertising office, ADAB, opened for business in October 1958, but on the whole the enterprise was a complete failure, both commercially and as a solution to the competitive situation in the market. It existed for seven years, until 1965, but was never of any significance. No party really saw it as a viable alternative to the authorized agencies since its activities were so heavily curtailed from the start. It could not offer any services or advice beyond its very narrow function, and it was written into the company statutes that the manager had to be an administrator, without any advertising-related training.⁶⁴⁰ AF and TU were satisfied that the case ended there. However, it comes as no surprise that the launch of the new company was carried out with lack of enthusiasm. The newspapers and agencies had to finance and

⁶³⁸ 'Näringsfrihetsrådets beslut efter avslutad förhandling jämlikt lagen om motverkande i vissa fall av konkurrensbegränsning inom näringslivet i ärende angående annonsförmedlingssystemet' 6 mars 1958, Näringsfrihetsrådet I, Box 3, AF; see also 'Näringsfrihetsrådets beslut i annonsförmedlingsfrågan', *Pressens Tidning*, no. 6, 1958.

⁶³⁹ Ivar Hallvig to TUs styrelse, 6 mars 1958; Svenska Annonsörers Förening to Näringsfrihetsrådet, 5 mars 1958, Näringsfrihetsrådet I, Box 3, AF.

⁶⁴⁰ AFs styrelseprotokoll fört vid sammanträde, 17 mars, 1958, Styrelseprotokoll 1943–1959, Box 2, AF.

run a company that they did not want, and at short notice. The advertisers, the ones to originally propose such a solution, were not part of the enterprise, and were disappointed and critical of this turn of events.

It was probable that newspapers would benefit from an increased turnover of ADAB, since the commission was lower than to the authorized agencies, but the authorized agencies had no interest in trying to make more advertisers use the advertising office's services, since any client that did so was a client lost to their regular business.⁶⁴¹ Hallvig expressed doubts about the solution straight after the decision in a speech he gave in Helsinki later in 1958, saying that ADAB's 'fate was highly uncertain, but due to the compromise with the authorities, TU and the agencies cannot delay the start'.⁶⁴²

Gustafsson labels the compromise a "Pyrrhic victory".⁶⁴³ The liberalizations that were implemented undermined market regulation. The increase in the number of agencies brought tougher competition. Many former advertising managers started their own agencies, and, together with the permission for agencies to share commissions with consultants, this caused a kind of indirect rebating. The increase in the number of agencies left the advertising industry more divided, and AF tried to restrict access to their organization by referring to new agencies' lack of capabilities and skills.⁶⁴⁴

ADAB was an awkward construction, which, as pointed out by the Market Court, implied more complicated market arrangements instead of a liberalization of the conditions. At the time, however, AF and TU believed that they remained in control of the principles that governed the market.

⁶⁴¹ 'Arbetsrapport nr. 7, Annonsdistribution AB', 2 maj, 1964, p. 14, Fyrpartsutredningen arbetsrapporter, Box 3, AF.

⁶⁴² Speech by Ivar Hallvig in Helsinki 1958, Ö2:6, TU, RA.

⁶⁴³ Gustafsson (1974), p. 61.

⁶⁴⁴ Ibid.

A reluctant change of heart

How did TU's and AF's attitudes and actions in relation to new authorizations change in response to the legal context? The applications and adjacent discussions are interesting to examine since they exhibit how principles concerning competition and business practices were interpreted. The number of authorized advertising agencies increased rapidly in the 1950s, after all (see Figure 2.2): in 1950 there were 16 authorized advertising agencies; in 1963, 51. Between 1953 and 1958, the number of authorized agencies almost doubled, from 19 to 37. The increase was partly due to a growth in advertising volume, but also due to a less strict authorization procedure.

Even though not written into the Advertisement Agreement, the TU board gave AF the opportunity to give their opinion on applicants. This procedure continued until at least 1954.⁶⁴⁵ While the agreement was being investigated by the Competition Ombudsman, TU started to issue authorizations more generously as a preventive measure. As was mentioned above, from 1958 a new, independent committee was in charge of granting authorizations to advertising agencies. Within AF, some representatives referred to the newcomers as 'Epa agencies', a reference to the low-cost retail chain Epa (see Chapter 4).⁶⁴⁶ Epa's business concept was often referred to as disloyal in the 1930s. It was clear that the older, established agencies believed that too many new agencies that were being authorized on shaky grounds were not only a threat to their business, but also to the general status of the advertising industry.

For the newspapers' part, attitudes to the changes in authorization policy were ambiguous. TU realized that they had to become more liberal in their decisions, particularly after the 1955 Advertisement Agreement had been enacted. As earlier, and until the mid-1950s, it spent considerable resources

⁶⁴⁵ See, for example, AF to TU angående auktorisationsansökan från K.E. Melin och F.G. Rücker, 1 oktober 1953; AF to TU angående auktorisationsansökan från Claes Mörner, 7 september 1954, F8e:F, TU, RA.

⁶⁴⁶ Protokoll fört vid extra allmänt sammanträde med AF, 4 maj 1953, Protokoll 1953–1955, Box 2, AF.

and time on evaluating different applications. In addition, TU was constantly occupied with supervising and controlling the authorized advertising agencies, a task that evidently grew in scope with more agencies in the market. In 1955, the newspapers in Gothenburg were worried about the consequences of the increases in number of authorized agencies. It was a risk to the stability of the advertisement market. They understood that the current situation had forced TU into this path, but they wanted to point out the importance of taking the personal and economic preconditions among applicants into account, so that an agency could develop well and attain a strong economic position.⁶⁴⁷

The discussions in the TU board from 1950 until 1955 when the new agent-based Advertisement Agreement was reached, were, as before, characterized by an ambition to provide the already authorized agencies with the best conditions in order to prosper, while at the same time trying to estimate how many more agencies the market could handle, and what would be best for the newspapers. In the late 1940s, the TU board often referred to the general economic conditions as a reason not to grant authorizations.⁶⁴⁸ This became less common by the mid-1950s, which may have been because of the more uncertain economic outlook in the late 1940s, but also an awareness among TU's board members that needs-based assessments were no longer legitimate.

The authorized agencies were, unsurprisingly, never outright in favour of new authorizations. AF was continuously referring to the applicants' competence and morals when giving their opinion to TU. After the Second World War, one applicant stated in his application that if he were authorized, he would transfer some of his clients' budgets to newspaper advertising. This was discreditable, according to AF, since 'an advertising agency's own economic interests should under no circumstances be guiding its advisory

⁶⁴⁷ Göteborgskretsen av TU to TUs styrelse, 19 oktober 1955, Bilaga till protokoll fört vid ordinarie plenisammanträde med styrelsen för TU, 26 oktober 1955, A1:16, TU, RA.

⁶⁴⁸ See, for example, Protokoll fört vid ordinarie plenisammanträde med styrelsen för TU, 14 januari 1948, A1:9, TU, RA.

work'.⁶⁴⁹ The judgement was based on the ideal that it was only what was best from an advertising point of view that should affect the work of the advertising agency. This ideal was of course often used by AF agencies when it suited them. It was however an unfair judgement, since it was evident that the reason for wanting to become authorized for any advertising professional was to be able to get paid for providing advertising to the newspapers. To believe that an unauthorized agency would provide the papers with advertising for free, simply because this was best from an 'objective' point of view, was of course an illusion.

Applications were, as earlier, declined on various grounds. The formulations in the Advertisement Agreement about personal qualifications and the demand that an agency had to be a completely independent company left room for interpretation, case by case. After the cancellation of the Andersén Agreement in 1948, the Advertisers' Association tested the system for authorizations by applying for what they called an 'advertisement office', well aware of the fact the Advertisement Agreement did not allow agencies that were owned by advertisers.⁶⁵⁰ TU duly declined the application.

Many other applications were treated with scepticism since it was suspected that the applicant had ties to specific advertisers.⁶⁵¹ This was of course not strange, since the applicants had often worked with different clients for many years, either as freelancers or as employed in an already existing agency. In their applications it was a difficult balance to strike, since the applicants had to show TU that they could bring more advertisements to the newspapers through their established contacts, but they could not be too close to an advertiser since that would contradict the independent position

⁶⁴⁹ AF to Svenska Tidningsutgivareföreningen 22 februari 1946, bilaga till protokoll fört vid sammanträde för AF, 22 februari 1946, Protokoll 1943–1947, Box 2, AF.

⁶⁵⁰ 'Till Svenska Tidningsutgivareföreningen', undated, bilaga till brev från ordföranden, 6 mars 1948, B2:1, SvAF, RA.

⁶⁵¹ See for example the discussion about Nordiska Annonsbyrå och Eco Internationell Annonsbyrå i Protokoll fört vid ordinarie plenisammanträde med styrelsen för TU, 1 februari 1950, A1:11; the discussion about Magnus Åkerhielm's application in Protokoll fört vid ordinarie plenisammanträde med styrelsen för TU, 9 april 1952, A1:13; the discussion about Carl Ekberg's application in protokoll fört vid ordinarie plenisammanträde med styrelsen för TU, 9 december 1954, A1:15, TU, RA.

of the agency. One agency, Lintas, was granted authorization in 1955, despite the fact that it was on the verge of being classified as a so-called ‘house agency’, that is, owned by advertisers. To receive authorization, Lintas had provided TU with a written assertion that it did not violate the clause in the Advertisement Agreement that stipulated that advertisers could not have a direct financial interest in an agency.⁶⁵² It was however widely known that the agency had close ties to Unilever.⁶⁵³

AF often pointed to the regulations concerning the applicants’ personal qualifications, saying this was important to consider when granting authorizations. In a few cases, AF believed that since the applicant was unknown to them that cast doubt on the applicant’s suitability.⁶⁵⁴ Sometimes, reasons were very specific. One applicant, Arne Håkansson, who had a leading position in the failing Wilh. Anderssons Annonsbyrå was denied authorization in 1951. TU let him know that one of the main reasons was the ramifications for Wilh. Anderssons Annonsbyrå, which was under reconstruction at the time.⁶⁵⁵ When AF found out about the application many advertising agency representatives criticized Håkansson for disloyalty.⁶⁵⁶ Why was the survival of the agency so important to TU? One probable reason was that the newspapers had claims on the agency, which would be lost if the agency went out of business.

TU’s efforts to control and influence the agencies

The level of detail with which TU tried to control and influence the agencies was far-reaching. This tendency becomes more visible in the board minutes

⁶⁵² Protokoll fört vid extra plenisammanträde med styrelsen för TU, 17 mars 1955, A1:16, TU, RA.

⁶⁵³ For example, two years later, Elinder referred to the authorization of Lintas (and Svea), as “historical facts that must not be repeated”, Erik Elinder to Folke Beronius, 21 mars, 1957, Näringsfrihetsrådet II, Box 3, AF.

⁶⁵⁴ AF to TU ’angående Eco Internationell Annonsbyrå’, 3 mars 1950; AF to TU ’angående Schönström och Åkerhielm’, 1 april 1952, F8e:F, TU, RA.

⁶⁵⁵ Protokoll fört vid sammanträde med TUs styrelse, 7–8 juni, 1951, A1:12, TU, RA.

⁶⁵⁶ Protokoll fört vid allmänt sammanträde med AF, 22 maj 1951, Protokoll 1948–1952, Box 2, AF.

of TU in the early and mid-1950s, due to the higher frequency of applications and new authorizations. One applicant, Rune Svensson, applied several times for authorization for an agency called Eco Annonssbyrå. The TU board believed that Svensson was skilled at creating campaigns and advertisements, but they doubted that he possessed the necessary administrative and managerial skills to successfully lead an advertising agency. As a solution, TU suggested that Svensson should reach an agreement with Wilh. Anderssons Annonssbyrå and its general manager, Elinder, and that the new company should be called Eco as in 'Elinder & Co'. That, however, was a solution that neither Svensson nor Elinder was interested in.⁶⁵⁷

In another case in 1955, the TU board demanded that the applicant himself did not become general manager of the agency due to his limited experience of economic and administrative issues.⁶⁵⁸ The applicant, Bo Eriksson, even after advertising for a suitable person, had not been able to find a candidate who could serve as general manager. After this, the TU board permitted Eriksson to become general manager, but he had to find a person to serve as his chief financial officer—and that person had to be approved by TU.⁶⁵⁹

Compared to earlier, TU became more permissive about side businesses. By the mid-1950s, many authorized agencies were starting film companies and companies for direct advertising or special services outside newspaper advertising.⁶⁶⁰ These new ventures were simply noted by the TU board, while similar initiatives in the 1930s or 1940s had often been criticized, and sometimes the agencies were persuaded to stop their expansion.

⁶⁵⁷ The first application from 1950, see 'Eco Internationell Annonssbyrå', F8e:F; see also Protokoll fört vid ordinarie plenisammanträde med styrelsen för TU, 28 oktober 1952; PM angående Wilh. Andersson och Eco, 9 december 1952, avskrift, A1:13, TU, RA.

⁶⁵⁸ Protokoll fört vid ordinarie plenisammanträde med styrelsen för TU, 26 oktober 1955, A1:16, TU, RA.

⁶⁵⁹ Protokoll fört vid ordinarie plenisammanträde med styrelsen för TU, 29 november 1955, A1:16, TU, RA; see also Protokoll fört vid ordinarie plenisammanträde med styrelsen för TU, 17 mars 1955, A1:16, TU, RA, about the application from Wilhelm Beckman.

⁶⁶⁰ See the examples with Eco Annonssbyrå and Viking Annonssbyrå in Protokoll fört vid ordinarie plenisammanträde med styrelsen för TU, 6 december 1956, A1:17, TU, RA.

Even after the new agreement in 1955, it was difficult for the TU board to change their conception of control, which used to include a right for them to make far-reaching decisions concerning other actors in the market. At a board meeting in September 1955, a more general discussion about authorizations took place. A few members wanted TU to consider the consequences of too many authorizations. One board member had a different opinion. He believed that new authorizations would contribute to free market competition, and that it was unfair to protect the established agencies by being restrictive with new authorizations. There could be an increased financial risk if authorization procedures became too liberal, and it was therefore important to retain the rigid capital requirements. Several others agreed.⁶⁶¹

At this point, Hallvig pointed out that they were now discussing more restrictive capital demands and also evaluations of the need for more agencies. This was contrary to what their recent actions had been designed to achieve. A little later, Heilborn added that the board should discuss the frequency of new authorizations. Perhaps two a year would be suitable? After Heilborn's statement several participants noted that such a policy could be interpreted as if they were evaluating the need for more agencies, which they were not allowed to do.⁶⁶²

Until the mid-1950s, the newspapers treated the market as a totality. There was a paternalistic attitude from TU, where it both had the right to rule over the market, but also an obligation to provide good conditions and to intervene when it was deemed necessary. These tendencies most probably grew out of the advertisement agreements that gave TU the right and the duty to supervise the market. However, by the mid-1950s, it had started to become an outdated form of governance, clearly not in line with free competition, and increasingly difficult to uphold.

⁶⁶¹ Protokoll fört vid ordinarie plenissammanträde med styrelsen för TU, 16 september 1955, A1:16, TU, RA.

⁶⁶² Protokoll fört vid ordinarie plenissammanträde med styrelsen för TU, 16 september 1955, A1:16, TU, RA.

The debate on commercial radio and television

The development of television in the 1950s was one of the most important questions for all of the collective agents in the advertisement market. All agents believed that it would have an impact on the market. The issue was connected to views on competition—should there be free competition in the sphere of television?—and it affected the relationships between the various actors. Television clearly divided the interests of the parties in a new way, and it is therefore relevant to look at the role it played in connection to the increasing conflict in the market and the further development of the organization of the advertisement market.

In the early 1950s, a state expert commission on television investigated how television should be financed and organized, which was an open question at the time. Both television and radio remained non-commercial in Sweden until the early 1990s (see Chapter 2), but this was by no means certain from the viewpoint of the actors in the early 1950s. The newspapers were until 1957 the majority owners of the monopoly radio broadcasting company, Radiotjänst, and this company was also put in charge of regular television broadcasting when it was finally introduced in Sweden in 1956.⁶⁶³

The television question was discussed at almost all TU board meetings in the early 1950s. Most board members preferred non-commercial television, but if there would be advertising, the newspapers should try to gain a financial interest.⁶⁶⁴ In the autumn of 1953, several business interest organizations handed in a joint proposal to start commercial television in Sweden to the Minister of Communication. In response to this move, TU launched their own investigations in the UK and Germany, and contacted the Minister of Communication to inform him of TU's willingness to play a

⁶⁶³ In 1957, the ownership structure was changed in Radiotjänst. The newspapers saw their share reduced to 40 percent. New owners were the interests from various labor, consumer and non-profit movements (*folkrörelser*) with 40 percent, and private business interests with 20 percent, see Hadenius (1998), pp. 158–60.

⁶⁶⁴ See, for example, PM med vissa synpunkter på frågan om reklam i svensk television, bilaga F till TUs styrelseprotokoll 9 december 1952, A1:13; Protokoll fört vid ordinarie plenisammanträde med TUs styrelse, 7 maj 1953, A1:14, TU, RA.

part in television if it was to be pursued by separate economic interests.⁶⁶⁵ It soon became clear that many leading politicians and also the Minister of Communication were not in favour of commercial television.⁶⁶⁶ In 1954, Radiotjänst advised against commercial television in a statement to the Swedish Parliament.⁶⁶⁷

A majority of advertisers were interested in television advertising.⁶⁶⁸ Many believed that the costs for newspaper advertising had increased rapidly and television was a much more ‘selling’ advertising form. The newspapers believed that it was an unfair comparison; advertising in television would also be very costly.⁶⁶⁹ In the debate, the advertisers accused the newspapers of wanting a monopoly instead of free competition, and they believed that the newspapers’ resistance to commercial television had contributed to the hesitant development of television in Sweden.⁶⁷⁰ The Advertiser’s Association was engaged in a public relations exercise in favour of commercial television. Their own investigations, which were strongly criticized by TU, however, showed that a majority of the Swedish population was positive to advertising in television.⁶⁷¹

TU’s general manager believed that it was important to show a positive interest in television. They should not push the argument too heavily that newspaper advertising was superior to television advertising. Instead, they should focus on the cultural and political arguments against commercial television. The public must not be given the impression that the newspapers were only watching out for themselves. At the same time, TU carried out its

⁶⁶⁵ Protokoll fört vid ordinarie plenisammanträde med TU’s styrelse, 21 oktober 1953, A1:14, TU, RA.

⁶⁶⁶ Protokoll fört vid ordinarie plenisammanträde med TU, 3 december 1953, A1:14, TU, RA; see also Hadenius (1998), pp. 134–60.

⁶⁶⁷ Protokoll fört vid ordinarie plenisammanträde med TUs styrelse, 19 mars 1954, A1:15, TU, RA.

⁶⁶⁸ SOU 1954: 32, pp. 106–14.

⁶⁶⁹ Ibid.

⁶⁷⁰ ‘Hellre monopol än konkurrens och reklam vill tidningarna’, *Annonssören*, no 1. 1955, p. 19.

⁶⁷¹ Protokoll fört vid ordinarie plenisammanträde med styrelsen för TU, 10 januari 1955, A1:16, TU, RA.

own range of public relations activities, primarily in order to counteract the activities of the Advertisers' Association.⁶⁷²

What were the actions and arguments of the authorized agencies? In the early 1950s they seem to have kept a low profile. Elinder did not think that television would be revolutionary; even if there were television advertising, there would still be intensive newspaper advertising too. The different forms would boost one another.⁶⁷³ The television issue was remarkably absent from AF's discussions in the early 1950s. The authorized agencies handed in a statement to the state expert commission on television, but it was not referred to in the final report. The statement clearly stated AF's positive view on advertising in television.⁶⁷⁴ AF also met with the Advertisers' Association, when Lohse emphasized that the agencies were interested in commercial television and that they would not yield to the newspapers on this question.⁶⁷⁵

Not until the late 1950s were there more frequent discussions in AF, now with a sense of urgency—they had realized the importance of television too late. A 'Television Committee' had been formed by the Advertisers' Association, the Federation of Swedish Industries, and the radio industry (Näringslivets Televisionskommitté) that seemed to have forgotten that AF was also supposed to be a member.⁶⁷⁶ Several members of the AF board were convinced that there would be commercial television in Sweden and that it was a crucial question for the agencies. Preparations were made in many agencies, educational courses were arranged, and the issue was frequently discussed in AF's trade magazine, *Resumé*.⁶⁷⁷ AF even wrote that since it was

⁶⁷² Protokoll fört vid extra plenisammanträde med styrelsen för TU, 24 februari 1954; Protokoll fört vid ordinarie plenisammanträde med styrelsen för TU, 9 december 1954, A1:15, TU, RA.

⁶⁷³ 'Televisionsfrågan', bilaga till sammanträde med TUs styrelse, 24 februari 1954, p. 15, A1:15, TU, RA.

⁶⁷⁴ Protokoll fört vid allmänt sammanträde med AF, 31 oktober 1952, Protokoll 1948–1952, Box 2, AF.

⁶⁷⁵ Protokoll från sammanträde med representanter från dels AF, dels Svenska Annonserers Förening, 1 juli, 1952, Protokoll 1951–1955, SvAF.

⁶⁷⁶ Protokoll fört vid sammanträde med styrelsen för AF, 15 januari 1959, Styrelseprotokoll 1943–1958, Box 2, AF.

⁶⁷⁷ See, for example, "PM Reklamfilmen", 9 november 1958, avskrift, Bilaga 1 till Protokoll fört vid sammanträde med styrelsen för AF 12 november 1958, Styrelseprotokoll 1943–1958, Box 2,

such a strong proponent of competition, it was convinced that more programmes would give the viewers increased freedom of choice and contribute to greater programming flexibility.⁶⁷⁸

Commercial radio was another hotly debated topic at this stage. The background was a commercial radio company, Radio Nord, which started broadcasting from a ship in international waters off the coast of Sweden, challenging Radiotjänst's monopoly.⁶⁷⁹ AF produced printed advertising material for Radio Nord and was generally favourable towards the enterprise, which was strongly criticized by the newspapers.⁶⁸⁰ On the other hand, some magazine publishers started advertising in Radio Nord, which was highly problematic for TU, as it counted so many magazine publishers among its members.⁶⁸¹

A peculiar contribution to the debate about commercial television was made in 1961 by one of the largest agencies, Ervaco. The agency published a full-page ad in *Dagens Nyheter* promoting commercial television. It was formulated as a proposal to all members of the Swedish Parliament based on the idea that since Swedish viewers, no matter what Swedish politicians decided, would probably be reached by commercial television in the future anyway, and it was better to be proactive. The risk otherwise was that consumers would be reached by foreign firms' advertising, using advertising channels unavailable to Swedish firms. Furthermore, Ervaco proposed that all profits from commercial television should go to aid developing countries, channelled through an organization called 'Sweden helps' (Sverige hjälper); a purpose that transcended all economic and political interests.

AF's archive; 'Reklam i televisionen', *Resumé*, no. 3, 1959; 'Svensk kommersiell tv redan 1960?', *Resumé*, no. 4, 1959.

⁶⁷⁸ 'Var står AF i radio- och TV-frågan?', *Resumé*, no. 5, 1962.

⁶⁷⁹ Hadenius (1998), pp. 183–85. Another commercial radio station, Radio Mercur, later Radio Syd, also broadcasted from the Öresund strait reaching listeners in southern Sweden and Denmark. After a few years, both Radio Nord and Radio Syd were forced to discontinue with their broadcasts.

⁶⁸⁰ See, for example, Tamm, Göran, 'Radio Nord spurtar – och Sveriges radio?', *Resumé*, no. 1, 1960; 'Storm i vattenglas', signaturen E.G, *Resumé*, no. 2, 1960; 'Björntjänst åt reklamen', *Pressens Tidning*, no. 10 1961; 'Klartext om Radio Nord', *Pressens Tidning*, no. 20, 1961.

⁶⁸¹ See, for example, the discussion in Protokoll från sammanträde med TUs styrelse, 16 maj, 1961, A1:22, TU, RA.

Förslag
till
ledamöterna av Sveriges Riksdag

till hjälp, där hjälp behövs för framåtskridande och lindrande av mänsklig nöd

Frågan om kommersiell television i vårt land har diskuterats i skilda sammanhang. Ståndpunkt har tagits för och emot.

Tillskyndarna till kommersiell TV anser detta massmedium vara av stort värde, när det gäller att ge allmänheten information och upplysning av kommersiell karaktär.

Andra parten har motiverat sitt ställningstagande med, att man icke önskar kommersiellt inflytande över TV-programmen.

Naturligtvis finns det starka skäl för bägge parter uppfattning.

Men kommer vi i framtiden att kunna undvika att den svenska TV-publiken

nås av utifrån kommande kommersiella program?

Svaret är med säkerhet nej, och detta gäller även våra skandinaviska grannländer.

Skall då svenska industrier och handelsföretag, på vilka vår sysselsättning och vår välbefinningsutveckling beror, tvingas avstå från ett reklammedium, som kan utnyttjas av andra länders konkurrerande säljare för att påverka de köpande svenska konsumenterna?

Vore det därför inte framsynt att nu säga JA till kommersiell TV på sådana villkor, att varje inflytande över de reguljära programmens utformning är helt uteslutet? Vi anser att detta är genomförbart.

Detta är vårt förslag:

- **upplåt** viss begränsad programtid för rena reklamsändningar i näringslivets regi. Tillåt endast i förväg inspelade program — ej s.k. direktsändningar.
- **kalla** dessa program precis vad de verkligen är, nämligen *reklamprogram*.
- **tillämpa** på reklamprogrammen de av Internationella Handelskammaren och av reklamens organisationer antagna Grundregler för god reklam.
- **utesluta** annonsörerna från varje form av inflytande över de reguljära programmen.

■ Överlämna det betydande överskott, som dessa reklamprogram kommer att ge till ett ändamål, som står över alla partiintressen och diskussioner, nämligen till hjälp åt utvecklingsländerna!

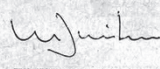
Låt överskottet från kommersiell TV i Sverige oavkortat gå till hjälp där hjälp behövs för framåtskridande och lindrande av mänsklig nöd.

.....

Det skulle ge SVERIGE HJÄLPER ekonomisk ryggrad och bli ett goodwill-skapande exempel för världen.

Stockholm den 15 mars 1961

Aktiebolaget **ERVACO** Reklam

WILHELM DANIELSON verkst. direktör

AKTIEBOLAGET ERVACO REKLAM STOCKHOLM - GÖTEBORG - MALMÖ - KÖPENHÄVN - OSLO - för endast DTI bund i varje branch

Figure 6.1 Ervaco's advertisement in favour of commercial television, 1961. The headline reads 'Proposal to the members of the Swedish Parliament. For help where help is needed, for progress and the relief of human suffering'. Source: *Dagens Nyheter*, March 15, 1961.

It was a topical subject; in early 1961 Sweden Helps carried out a large fundraising campaign for foreign aid. At the same time, the newspapers published images of starving children from the conflict and famine in Congo. It was a clever move of Ervaco to connect commercial television with aid, since opponents of commercial television thereby also could be accused of not wanting to contribute to help the poor.⁶⁸²

In conclusion, in the early 1960s, the advertising agencies took a more active stance in favour of both commercial television and radio. This is perhaps indicative of the increasing gap between the agencies and newspapers, which surely did not help in their struggle against the authorities and advertisers. By increasingly embracing other advertising media, the agencies of AF risked their relationship with TU. Why would TU want to continue to protect the interests of the agencies, if the agencies were no longer loyal to newspaper advertising? A reasonable interpretation is that the radio- and television issue contributed to an increased distance in interests between TU and AF. This was important since the advertisers had not given up about a complete liberalization of the regulations on the advertisement market.

The 'Four-party investigation'

In early 1962, the Advertiser's Association contacted TU again and wanted to discuss market conditions. The rigid regulations had not been liberalized to the desired extent, and the system was hampering the development of advertising. In the end of 1962, TU proposed an increase in the sums that the advertisers would get back from ADAB as a concession to advertisers, a proposal which was dismissed. The Advertisers' Association saw ADAB as an unjustifiable construct. They wanted to be able to discuss prices and

⁶⁸² For a discussion of the campaign 'Sweden Helps' see Öhman (2008).

discounts with their agencies just like in any other industry, and they were tired of the slowness and obstructiveness of TU and AF.⁶⁸³

There were developments in other countries that gave new impetus to the Swedish actors. In France a similar case to Sweden was brought up in the early 1960s. In the US, even though anti-trust laws were very different, there had been a legal case against the commission-based system of remuneration. However, according to one large American company, the commission system had never been heavily criticized by US advertisers. It was perhaps inequitable in some cases, but on the other hand a good advertising agency was not fairly compensated by the 15 per cent rate of commission, which was standard in the US.⁶⁸⁴ The historian Daniel Pope notes, though, that large American advertisers complained almost constantly that the system was too rigid.⁶⁸⁵ A few years later, in 1964, several international newspaper publishers and advertising agency organizations issued a joint statement that clearly went against the Swedish Advertisers' Association. It stated that independent agencies and the ban on rebating should be two key principles of the advertisement market.⁶⁸⁶ Earlier that year, the Nordic Advertisers Association issued a statement that they wanted a 'complete liberalization of the terms of cooperation' in the market.⁶⁸⁷ All parties on the Swedish market could thus find support for their own cause based on international developments.

A major difference in 1962 was that the unity within AF was now showing signs of cracking and there was criticism from within the authorized agencies. Erik Elinder held a much-discussed speech in Oslo in the summer

⁶⁸³ Svenska Annonsörers Förening to Gustaf Petrén, 30 september, 1964, avskrift, Underlag annonsavtalsförhandlingarna 1962–63, Box 3, AF.

⁶⁸⁴ Svenska Annonsörers Förening to TU, 2 oktober 1961, avskrift, F1:166, NO, RA; W.D. Kinsell to Allan Enström, 13 juni 1957, F9:4, SvAF, RA.

⁶⁸⁵ Pope (1983), p. 152.

⁶⁸⁶ Press release and Motion on the relations between newspapers, advertising agencies and advertisers, by several international newspaper and advertising agency organizations, December 7, 1964, F1:166, NO, RA.

⁶⁸⁷ 'Resolution av de Nordiska Annonsörföreningarnas Förbund' 22 maj 1964, Annonsbyråsystemet 1956–1970, F9:3, SvAF, RA.

of 1962 in which he clearly dismissed the current market regulations.⁶⁸⁸ His speech was the starting point for a discussion that would continue over the next couple of years. A few months earlier, the advertising agency manager, Fridé Antoni, who was working in Erik Elinder's business group, did not mince his words in a letter addressed to all the members of AF:

The advertising agency system in its current form has never been generally accepted. There is a struggle over the system and this alone is revealing. There is no battle of this kind concerning the lawyers. Their code of conduct is accepted. They have tackled the ethical problems in their profession and solved them in a satisfactory way. The same is the case for other professions that engage in consulting and advisory services.⁶⁸⁹

Antoni stated that it was well known that the current prohibition against rebating as it was formulated was vague and there were no possibilities for an efficient control. He further asked, 'Is it not time for us to decide ourselves when and where we can open local branch offices?' Up to this point, all new advertising agency offices had to be approved by the TU board. Antoni wanted to claw back some of the respect that had been lost in recent years.⁶⁹⁰

More critical articles were published by the advertisers. The general manager of the Advertiser's Association, Lars Wiege, believed that the agencies were "janus-faced" since they tried to serve two masters and that the industry could not be taken seriously until its position had been clarified. The "Gordian knot" could be dissolved in a simple way; by liberalizing the conditions.⁶⁹¹ Another advertiser accused the agencies of living in a 'preserve', separate from the rest of society and business world.⁶⁹²

In this discussion, *Resumé* chose to staunchly defend the current regulations. It represented the official stance of AF, which was still negative

⁶⁸⁸ Elinder, Erik, 'Annonssbyråernas anpassning till 60-talets strukturbild', pp. 6-9, *Den Svenska Marknaden*, no. 6, 1962.

⁶⁸⁹ Antoni, Fridé, 'Till Annonssbyråföreningens Medlemmar', 9 januari 1962, Annonssbyråsystemet 1956-1970, F9:3, SvAF, RA.

⁶⁹⁰ Ibid.

⁶⁹¹ Wiege, Lars, 'Två slår den tredje', *Ekonomien*, no. 15 1962.

⁶⁹² Larsson, John, 'Marknadsanpassat provisionssystem', *Ekonomien*, no. 12, 1962.

to greater liberalization. One article pointed out that the criticism of AF and TU was mainly due to misunderstandings and a lack of understanding. Neither the advertising agencies nor the media had been good enough at clarifying the principles of the system. Advertisers had engaged in propaganda and sought to gain temporary benefits by claiming parts of the commission.⁶⁹³ This line of reasoning can be recognized from the mid-1940s, when AF discussed a propaganda campaign to promote itself (see Chapter 5); criticism stemmed from a lack of knowledge, and if only AF could enlighten its opponents they would see the benefits of the current order and change their minds.

In early 1963, TU and AF took the initiative for what was called the ‘four-party investigation’, inviting all four parties (TU, AF, the Advertisers’ Association, and the advertising consultants’ organization) to participate in a joint investigation to find ways to change the organization of the market. The advertisers were sceptical at first—they believed there had been enough investigations—but they still agreed to participate. The ambition was that the investigation would be finished by 30 June 1964, which was when the agent contracts between the agencies and newspapers would expire. An impartial chairman, the well-known lawyer and judge Gustaf Petré, was recruited to lead the investigation, as was a secretary who would be in charge of the practical work.⁶⁹⁴

In the correspondence with Petré, AF made the same arguments as before: it was important to have independent agencies to assure the high ethical standing of advertising and to achieve a positive development. The argument of fairness was used again: market regulation guaranteed fairness among advertisers, as a large advertiser could not use its financial clout to buy advertising more cheaply than another advertiser.⁶⁹⁵ As late as the summer of 1964, when it became increasingly clear that the organization of

⁶⁹³ ‘Provisioner och Principer’, *Resumé*, no. 4, 1962. For similar arguments in favor of the current system see also: ‘Vem betalar vad – och varför?’, *Resumé*, no. 7, 1962.

⁶⁹⁴ See, for example, the brief description of the investigation in Protokoll från TUs ordinarie höstmöte, 25 oktober, 1963, A3:5, TU, RA.

⁶⁹⁵ ‘Det gängse förmedlingssystemet’, Auktoriserade Annonsbyråers Utredningskommitté, undated, F9:3, SvAF, RA.

the market had begun to disintegrate and that both newspapers and agencies were breaking the Advertisement Agreement, an article in *Resumé*, defended the current order:

It is badly done for an authorized agency to violate the agreement's meaning and spirit. When an authorized agency in the tough competition that characterizes the industry offers the advertisers benefits that the agreement and the norms do not allow... Such is not fair play. For the authorized advertising agency, it is a blatant violation of the agreement. The consequences should be that the agency loses its authorization.⁶⁹⁶

How fair conditions really were by this stage was uncertain. At a meeting in 1964 between Elinder and representatives of the social-democratic newspapers (the so-called 'A-pressen'), they discussed the fact that it was only the local authorities, the government, and the large national advertisers that paid the newspapers' official prices. Most important local advertisers were managing to get large discounts.⁶⁹⁷ This account is revealing since it implies that local advertisers, that were often smaller companies compared to the large national advertisers, were favoured by the system at this stage. If this description was accurate more generally, it thus further fuelled the criticism of the large advertisers.

In 1964, Elinder wrote frequently to one of his closest colleagues concerning the four-party investigation, for which he was one of AF's representatives. By this time, Elinder had built up a group of marketing and advertising companies, including several advertising agencies. Elinder's goal was to turn it into the leading marketing concern in Scandinavia; however, the group's prestige was low among the newspapers since it was critical of the views and actions of AF. Elinder often characterized the meetings of the four-party investigation as hollow and confused. He said that all the parties merely repeated their well-known ideas, and 'Petrén seemed to become more

⁶⁹⁶ 'Avtal, normer och moral', *Resumé*, no. 5, 1964.

⁶⁹⁷ Erik Elinder to Gunnar Ehrlemark, veckobrev, 6 april 1964, Meddelanden till och från SIC 1964, Erik Elinder, CfN.

and more desperate since he did not get any concrete proposals””.⁶⁹⁸ In a particularly telling part of a letter Elinder wrote to his colleague:

I am as surprised and confused as you are over the statements made by the four-party investigation and the advertising agency representatives that somehow reminds me of battles in the eighteenth century when soldiers in fancy uniforms still marched straight towards each other, like chess pawns in a tactical game... It is embarrassing that the situation on the newspaper side is even more confused than among the agencies. There will not be a single substantial proposal from the newspaper side for now, we on the agency side must come up with the ideas.⁶⁹⁹

The investigations that were carried out were extensive and time-consuming. The agencies had wanted even more extensive studies, but this was deemed to fall outside the scope of the project. In total, thirteen reports were prepared on such topics as ‘competition law in different countries’, ‘principles concerning good advertising standard’, and ‘advertising systems in different countries’. Interview surveys were conducted among advertisers, newspapers, authorized advertising agencies, and consultants.⁷⁰⁰ In August 1964 all parties met for a three-day conference in the city of Sigtuna north of Stockholm to discuss the results.

The results and aftermath

The investigations showed that the small, vulnerable newspapers received 70 per cent of their advertisements from local advertisers, which were thus not placed through agencies. That finding implied that TU’s argument that the market system was crucial in protecting the small and financially weak newspapers did not hold water. In addition, the reports showed that there were already a great many hidden discounts and services given by newspapers

⁶⁹⁸ Erik Elinder to Gunnar Ehrlemark, 8 juli, 1964, Meddelanden till och från SIC 1964, Erik Elinder, CfN.

⁶⁹⁹ Erik Elinder to Gunnar Ehrlemark, 10 augusti, 1964, Meddelanden till och från SIC 1964, Erik Elinder, CfN.

⁷⁰⁰ See the reports in ‘Fyrpartsutredningen, Protokoll och arbetsrapporter’, Box 3, AF.

to advertisers. Furthermore, it was clear that several authorized agencies already shared their commission with their clients, which was formally prohibited. The united front presented by TU and AF cracked. At the meeting, at least three agency representatives said that they would agree to allow rebating, and several openly declared that they shared the advertisers' view on the issue.⁷⁰¹

The chairman, Petrén, was now convinced that the current system was behind an unsound industry ethos. He proposed a transition to a system whereby agencies charged their clients for most of their services, which could be done over a period of time in order for all parties to adjust.⁷⁰² That would mean that rebating would be allowed. In reply, TU decided that it could accept rebating in the form of services, but not in cash, meaning that the agency could omit being paid for some services that they performed for a client, but that rebating in cash would still be forbidden.⁷⁰³ Such a proposal was acceptable for the agencies and the consultants, but not for the advertisers. After extensive discussions, there was still no agreement between the parties. The four-party investigation ended in disarray.⁷⁰⁴ In a statement, Antoni expressed his dissatisfaction with the outcome, especially since, according to him, the parties were in accordance on most key issues apart from rebating, and there the newspapers had insisted that this could only be in the form of services. Antoni believed that this was a 'fight over words—a fiction' since it would be impossible to uphold any regulations about rebating in the form of services.⁷⁰⁵

After the collapse of negotiations, AF handed a statement to Petrén that the advertisers deemed astonishing. In it the agencies, again, claimed that the

⁷⁰¹ 'Operation byråbyte, en följd av de strandade förhandlingarna inom fyrpartsutredningen', undated, F9:3, SvAF, RA.

⁷⁰² Protokoll från fyrpartsutredningens sammanträde 2 september, 1964, Fyrpartsutredningen protokoll, Box 3, AF.

⁷⁰³ Arne Nygren to all TU's members, 28 september, 1964, Underlag annonsavtalsförhandlingarna 1962–63, AF.

⁷⁰⁴ Gustaf Petrén to Svenska Tidningsutgivareföreningen, de auktoriserade annonsbyråerna, reklamkonsulterna och Svenska Annonsörers Förening, 25 september 1964, Fyrpartsutredningen protokoll och arbetsrapporter, Box 3, AF.

⁷⁰⁵ 'Uttalande av Fride Antoni', undated, Förhandlingsdelegationen I, Box 3, AF.

present system was critical for the high ethical standard of advertising. The message thus went against much of what had been said by several agency representatives at Sigtuna. Furthermore, only a short time before, AF had been found guilty of breaking the ethical standards of advertising adopted by the International Chamber of Commerce in a public relations advertisement designed to promote the AF agencies as being better than those outside the organization. At this point, there were many agencies that had recently been authorized, but were not members of AF.⁷⁰⁶ Furthermore, AF criticized the secretary of the investigation of biased, since he proposed a solution in line the advertisers'. The agencies wanted a neutral expert to examine the secretary's report, which the Advertisers' Association believed was only an attempt to further delay the process.⁷⁰⁷

The debate continued in the daily press in the autumn of 1964. The various actors generally repeated the same arguments. The difference, as was pointed out by Wiege, was a change of opinion on the part of at least some of the authorized agencies. Wiege said it was only the newspapers that still stubbornly clung to the outdated system.⁷⁰⁸ Elinder continued to criticize the system: he believed it was outdated, and it did not even matter for the small and vulnerable papers, since they did not get that many advertisements from agencies. Also, many newspapers were providing a great many services to advertisers for free under the current system, which was in fact harmful to the newspapers' financial situation.⁷⁰⁹

A few days after the breakdown of negotiations, the Advertisers' Association reported the system to the Competition Ombudsman again. The case was reported on the radio news since it was the first time the same issue had been taken to the ombudsman twice. The advertisers still thought it especially disturbing that it was the newspapers, which had always stood up for free enterprise, that were now refusing to obey to the rules of the game.

⁷⁰⁶ In 1964, there were 49 authorized agencies, but only 25 were members of AF, see Björklund (1967), p. 742.

⁷⁰⁷ Svenska Annonsörers Förening to Gustaf Petrén, 30 september, 1964, avskrift, Underlag annonsavtalsförhandlingarna 1962–63, Box 3, AF.

⁷⁰⁸ Wiege, Lars, 'Att förmedla annonser', *Dagens Nyheter*, 19 oktober, 1964.

⁷⁰⁹ Elinder, Erik, 'Annonspriserna', *Dagens Nyheter*, 27 oktober, 1964; see also Hallvig, Ivar, 'Annonsförmedlingen', *Dagens Nyheter*, 23 oktober 1964.

It was also highly problematic that the advertising agencies, which were advisors on competition issues (since advertising was a competitive tool), had such a difficult time accepting free competition in their own field.⁷¹⁰ The dual position of the agency was worrying since advertisers could not know that the agency, the advisor, was not affected by the commissions that the agency was paid by the newspapers.⁷¹¹

The end of the advertising cartel

During the new negotiations with the Competition Ombudsman, the authorized agencies agreed to accept rebating, while TU was still against rebating in money. Both newspapers and the authorized agencies resisted changes concerning the prohibition for advertisers to own advertising agencies. The agencies maintained that if rebating was allowed, there was hardly a need for an advertiser to own an agency.⁷¹² The Advertisers' Association, supported by the Competition Ombudsman, could not agree to minor changes or changes that implied more regulations and market rules. They wanted all the remaining regulations that restricted competition to be removed. After more negotiations and the threat from the ombudsman to report the case to the Market Court again, a compromise was reached in the end of March 1965. It stated that new rules were to be implemented by the market from 1 July, which included that rebating would be allowed and advertisers could own their own agencies.⁷¹³ The compromise thus marked the end of the old organization of the market. Advertisers had their way at last and looked forward to free and 'better' competition.

An interesting example from one of Erik Elinder's advertising agencies can be related to the anticipation from the advertisers. In 1964 the agency became in charge of the advertising for the company Philips using the system

⁷¹⁰ Svenska Annonserers Förenings föreningsmeddelande, no. 10, 12 oktober, 1964, avskrift, Underlag annonsavtalsförhandlingarna 1962–63, Box 3, AF.

⁷¹¹ Svenska Annonserers Förening to Hovrättsrådet Gustaf Petré, 11 oktober, 1963, F9:3, SvAF, RA.

⁷¹² Gustafsson (1974), pp. 58–60.

⁷¹³ TU & AF to Näringsfrihetsombudsmannen, 28 juni 1965, avskrift, Förhandlingsdelegationen I, Box 3, AF.

with a fee, rather than the old commission system. What was interesting with the calculations was that, in general, it did not become cheaper for the advertiser. It was not until the advertiser reached a certain budget that it became a little bit cheaper. The creative work became more expensive with the new principle, the mere placement services became cheaper, but instead the agency needed to charge for more administrative work. Apparently, this had surprised Philips, but they still accepted the calculations.⁷¹⁴

According to the Advertisers' Association, it was an important reform for the whole Swedish business community that had finally been realized; a breakdown of the monopoly. Their efforts during more than two decades had finally given results and it would now be possible with a performance-based price system. This would mean a coming of age of the agencies in which they were now deemed mature enough to determine the prices and other conditions in individual agreements with their clients. Earlier, 'the newspapers in their role as guardians have had the final word'. The newly won freedom also implied that advertisers needed to plan their work in a better way.⁷¹⁵

Chapter summary

This chapter addresses the final fifteen years of the Swedish advertising cartel and the gradual loss of control of the market by TU and AF. The key event was the passing of the new law against restrictive competitive practices in 1953. The law prohibited restrictive trade practices that caused 'harmful effects'; thus all subsequent investigations carried out by the competition authorities were focused on determining whether such effects existed or not. The business interest organizations tended to be negative towards stricter legislation, while the trades unions welcomed tougher legislation. Several business representatives, among them a leading figure in the Advertising

⁷¹⁴ Gunnar Ehrlemark to Erik Elinder, 16 juni, 1964, Meddelanden till och från SIC 1964, Erik Elinder, CfN.

⁷¹⁵ 'Friare konkurrens inom annonsbyråbranschen', undated document; Föreningsmeddelande no. 3 & 4, 1965, Annonsbyråsystemet 1956–1970, F9:3, SvAF, RA.

Association, Karl Erik Gillberg, defended some restrictive trade practices, for example resale price maintenance. Gillberg, who was a special advertiser to the committee that proposed the new law, highlighted that market competition for advertisements as particularly weak. TU was sceptical of the committee since it included advertisers that could express their criticism of the newspapers. The new institution, the Market Court, which was a corporatist solution, was also viewed askance by the newspapers since several representatives were among their critics.

Shortly after the law had been enacted, the collaboration between AF and TU was reported to the Competition Ombudsman by the Advertisers' Association and the Association of Advertising Consultants. They wanted a liberalized authorization procedure, the removal of the ban on rebating, and permission for advertisers to own advertising agencies. Complicated negotiations followed. With the new legislation looming over them, AF and TU changed their agreements and redefined their relationship into one of 'principal' and 'agent' in an attempt to retain the restrictive trade practices. It was not legitimate business practice for an agent to underbid his principal, and thus for AF such a redefinition would give them protection from criticism, or so they hoped.

The authorities were not convinced, and in its verdict in 1956 the Market Court demanded that AF and TU enter into negotiations to liberalize market conditions. TU and AF refused to comply with the verdict, a response that was highly unexpected. All other industries had complied with the verdicts and recommendations of the court, and among Swedish businesses it was feared that the refusal by TU and AF would lead to tougher legislation.

After further intricate negotiations, a few concessions were made, which were accepted, albeit hesitantly, by the Market Court in 1958. These included an 'advertising office', which would give large advertisers that created their own advertisements more beneficial conditions. It was also formally decided that advertising agencies could share their commission with consultants and the authorization procedure would be modified. The number of authorized advertising agencies had increased rapidly since the early 1950s when TU had started to approve applications more generously. But the TU board exerted rigid control over the authorized agencies at least until the mid-1950s, and it

was difficult for TU board members to grasp that they could no longer rule the market as they had in the past.

Meanwhile, television arrived to further complicate the relationship between the various collective actors. Advertisers saw it as a promising new medium, the newspapers were afraid of the competition, and the advertising agencies were in favour of commercial television, but took a very passive stance, probably fearing for their relationship with TU. The advertisers accused the newspapers of wanting to monopolize television since Radiotjänst, the monopoly company put in charge of television broadcasting in Sweden, was majority-owned by the newspaper industry. In the early 1960s AF took a much more active stance in favour of commercial radio and television, which upset TU and surely did not help their position on the market.

In 1962, the collaboration between AF and TU was discussed by the authorities again—there had still not been enough market liberalization. More negotiations followed and an ambitious four-party investigation was undertaken in order to shed light on market conditions and how they could be improved. The negotiations fizzled out in 1964, and shortly after the Advertisers' Association reported AF and TU to the Competition Ombudsman again. TU and AF's united front had already started to crumble. Some agencies openly declared that they did not stand behind AF's official statements, which in late 1964 were still hostile to any fundamental changes. However, in the spring of 1965, under pressure from the Competition Ombudsman, who would not accept anything but complete liberalization of the market, the two major issues were resolved: rebating and advertiser-owned agencies were allowed from 1 July 1965.

Chapter 7

Concluding discussion

This final chapter of the dissertation consists of two main parts. The first is a brief summary of the development of the cartel and the organization of the market. Detailed descriptions of events and processes can be found in the chapter summaries. The remaining part of the chapter will be devoted to a discussion about the role of ideas in the collaboration between AF and TU concerning how and why competition and business practices should be regulated in a certain way. To understand the role of these ideas in the cartel is also a key to understand why AF and TU managed to defend the system for such a long period of time, and thus also to why the organization of the market developed the way it did.

Summary: The life and death of the advertising cartel

An important result of the dissertation is that it has shown how and why restrictive trade practices could be implemented and how they could develop on a market that has rarely been associated with cartels or treated in cartel research. In this case, the role of a second party, TU, that could protect the borders of the cartel, was instrumental. It is easy to see that in other service markets where such an actor as TU is absent, it would be much more difficult, or impossible, to uphold the same kind of system. These aspects

and other related findings connected to the lifespan of the cartel will be discussed below.

To start with, it is useful to go back to the basic aim of the collaboration between AF and TU in 1915. The organization of the advertising agencies at this time, together with the agreements that were reached with the newspapers, were designed to reduce price competition, both between the newspapers and also between the agencies. The period leading up to 1915 was thought by TU and AF members to have been chaotic and damaging, with advertisers trying to push for lower prices and special benefits. The solution to this was to make both the newspapers and the advertising agencies adhere to fixed prices. This was a process that took time, and there were frequent accusations of cheating, but there were still enough newspapers that respected the agreements to see it through, and TU and AF always managed to negotiate new agreements throughout the fifty-year period.

Six key *explicit* principles became established in the advertisement agreements and thus also on the market: (i) no deviations from the newspapers' official prices: (ii) prohibition against rebating (sharing commission with an advertiser): (iii) TU granted authorization to advertising agencies (until 1958): (iv) only authorized agencies could receive commission: (v) authorized agencies should be completely free standing and independent companies and: (vi) rigid capital requirements on advertising agencies. These explicit principles, which were written into the advertisement agreements, were depending on more fundamental ideas about competition and proper business conduct, which will be elaborated upon more below.

The period from 1915 until the late 1920s, was a formative period when these principles gradually became more established on the market. A conception of control, particularly the advertisement agreement, was developed and gradually put in place. By the early 1930s the key principles were all written into the advertisement agreement. The early 1930s until the late 1940s can be characterized as a period of firmer establishment of these principles and thus also of the control of the cartel. Finally, the period from the early 1950s until 1965 was a period when they were increasingly questioned.

The authorization process and the rigid capital requirements was a means to create entry barriers into the industry. The arguments from AF and TU, which have been discussed in the dissertation, were related to quality and morals—it was necessary with strict demands since it was important that only experienced and reliable advertising men were allowed to work on the market. Again, in this process, TU played the key role. Without TU watching the boundaries of the market, it would have been impossible for AF to uphold its privileged position. This is a major difference to, for example, the restrictive trade practices in the news agency industry, where there were much higher ‘natural’ entry barriers due to the high fixed costs of gathering news.

It was hypothesized already in the introduction that there were probably few significant substitutes to newspaper advertising. What this dissertation has shown is how the cartel, together with TU, reinforced this non-substitutability of newspaper advertising. The authorized agencies needed to show TU that they promoted newspaper advertising above all, which they often did, for example in the Advertising Council during the Second World War. The fact that both TU and AF together favoured newspaper advertising—in the case of TU, since this was the main source of income, in the case of the authorized agencies, since this was the basis of their market position—is a reason to why newspaper advertising was such a strong advertising media in Sweden. It can thus serve as an explanation to the observation made in previous research that advertising was almost synonymous with newspaper advertisements until the 1980s.

In the early 1960s, when both commercial television and radio was debated, the agencies’ attitude shifted and AF openly supported such new advertising channels. This was highly unpopular in TU and most probably contributed to weaken the feelings of mutual interest between the authorized agencies and the newspapers.

The process of authorization, which was both a personal, and a company authorization, bears some resemblance to other forms of professionalization processes. However, in the case of the advertising industry it was difficult to on the same grounds as, say lawyers or accountants, claim the usage of truly objective criteria. The assessments of TU, to which AF could also give their opinion, were not carried out in a strictly objective manner, but could be

arbitrary and based on personal opinions, as has been shown in the empirical chapters. From TU's side, there was also always a consideration for the conditions for the existing agencies that played a role in their decision-making, which thus disabled them to judge candidates on purely 'objective' grounds.

In the late 1920s and 1930s the cartel was challenged by American advertising agencies that were established in Stockholm and a growing group of non-authorized advertising professionals. These could not compete on the market under the same conditions as the AF agencies since only authorized agencies could, formally, receive commission. However, the American non-authorized advertising agencies could successfully work on the Swedish market without being authorized, but the scope of their work remains unclear. It has been suggested that the high price policy of, for example JWT, made it difficult for the agency to acquire European clients. If this was the case also in Sweden, when the largest client of JWT, General Motors, suffered from the 1930s depression, this must have been a severe blow to JWT's Stockholm office. All American agencies withdrew from the Swedish market in the wake of the Great Depression, or were taken over by Swedish owners. The problem with the non-authorized Swedish agencies was not as easily solved. The attempts from AF and TU in the 1930s to force the leading advertising consultants into employment in the authorized agencies were unsuccessful.

The conception of control of the cartel was strengthened in the Second World War and the first years after the war, which is probably a reason to why there were no substantial changes in the advertisement agreement reached in 1948, despite increased criticism from the Advertisers' Association. Furthermore, the Andersén agreement was cancelled. Both AF and TU were aware of the coming of stricter legislation on restrictive competitive practices, but this knowledge did not make TU and AF to soften some of the regulations.

The period from the early 1950s until the mid-1960s was turbulent, with fierce debates and gradual changes to the organization of the market until the cartel lost control in 1965, after several rounds of negotiations with the competition authorities. Supported by the new law against restrictive competitive practices that was passed in 1953, the Association of Advertising

Consultants and the Advertisers' Association reported AF and TU to the Competition Ombudsman in 1954. From then on, the cartel was under public pressure and TU and AF tried different solutions in order to preserve the conditions. The agencies and the newspapers put down much energy and resources to try to justify the status quo in face of changing circumstances.

What this process shows is also the important role played by, particularly, the Advertisers' Association. One can ask if the Competition Ombudsman would have pursued the case with the same energy had there not been such a strong critical voice from a non-cartel actor on the market. A comparison can be made to the pipe and tube cartel in Sweden, discussed above. The members dissolved their cartel as a preventive measure even before the law of 1953 had been enacted. After noticing that the implementation was not as strict as expected, they reverted to cartel behaviour. This was not possible for AF and TU, due to the pressure from the Advertisers' Association.

Looking at the whole period, 1915–1965, what is striking is the lack of change. When society and the economy went through radical changes, the organization of the advertisement market and the advertising industry remained roughly the same. Both AF and TU saw stability and orderly conditions on the market as virtues that needed to be protected.

Interpreting and using ideas on the market

Another important result concerns the role played by principles and ideas in the cartel and between TU and AF. The dissertation has shown that both TU and AF successfully used various ideas connected to competition and business practice to fend off criticism and motivate their collaboration. They centred on the following terms: *loyal*, *sound*, *free* and *fair*.

These were considered to be positive and desirable descriptions of how both business practice and competition should be played out, by all actors in the market. That is, all actors agreed on the benefits of loyal, sound, free and fair competition. As has been described in previous research, these were generally perceived to be positive by society as well. However, the nature and consequences of *free* competition were more ambiguous than the others, since competition that was too free, could lead to undesirable consequences.

A state of free competition could thus be in conflict with other desirable states of a market. These expressions have their opposites: disloyal, unsound, un-free and unfair and all actors tended to regard them as negative and undesirable. The problem was that there was no unity in how these terms were interpreted by the collective actors. Due to the vagueness and inherent complexity built into these notions, they could be used by the different actors to serve their purposes. TU and AF systematically used them to defend the organization of the market—opponents, or other challengers to the system (such as free-lancers) were often accused of being disloyal or using unsound methods.

Loyalty was connected to certain behaviour by AF and TU. On a general level, it meant adherence to the advertisement agreement. Based on this, several other behaviours were also connected to loyalty. To be loyal meant to resist the temptations from offering special deals and discounts. To resist such temptations was a sign of high morals and steadfast principles. A connected ideal was that it should always be the quality of advertising that should override all other considerations, for example, profit motives by agencies or newspapers. To be loyal also meant to respect the strict regulations concerning how agencies could compete with each other. In the 1920s, for example, it was considered disloyal to become a *reklambyrå*, meaning to offer services that were considered to be too far away from newspaper advertising. When Allmänna Annonsbyrån used statements from the governmental agency, the Nutrition Council, in their advertisements in the 1930s, that was also considered disloyal since it was unfair to the other authorized advertising agencies. The notion of loyalty was thus also a means to control the agencies inside the cartel.

The importance of sound conditions was often used to describe a desirable outcome, for example, what *should* characterize the market. Loyal behaviour could be a means to achieve a sound market. A sound market was also a market characterized by order, which implied that prices were respected. In markets with price competition, that is—free competition—there was less order and actors had to spend time and energy on bargaining over prices. This was perceived as unsound and brought disorder to the market, according to TU and AF.

Concerning the role of fair behaviour, this was generally connected to the conditions for advertisers. AF often referred to the importance of equal treatment of all clients and that this was a legitimate argument in favour of the organization of the market. This meant that no advertiser should be able to, by using its economic clout, negotiate better deals than what other, less financially powerful clients could do. The line of reasoning concerning the assessment of economic power is similar to the one employed by American independent proprietors in the 1910s, as described in previous research. They protested against the, according to them, unfair American regulations that ruled out cooperation between smaller, less economically powerful actors (for example in a cartel), but allowed for economically powerful actors to merge, or buy other companies, through which a dominant market position could be achieved. In the Swedish advertisement market, the roles were reversed; it was generally the economically powerful advertisers that believed it to be unfair that they could not receive benefits which, in a state of freer competition, would have been possible simply due to their size.

Interestingly, the idea of fairness was used by the Swedish advertisers too, for example when they argued in favour of resale price maintenance. According to them, consumers appreciated that the price for a brand was the same everywhere and for everyone. It was easy and it was fair. The fact that it seemed to matter for consumers indicated that the price was a relational and relative issue. Exactly the same kind of reasoning underlined the arguments from the agencies and the newspapers concerning the conditions on the advertisement market, but in that context, the advertisers dismissed the argument. For AF and TU, the fairness-argument fitted nicely with their aim of securing control over the market. However, it gradually lost its importance as the competition policy of the Swedish state started to change after the Second World War. In a system with free competition, it was unproblematic with special deals for economically powerful advertisers. Different treatment based on different economic preconditions is a fundamental principle in a system with free competition.

In the 1940s and onwards, the advertisers also argued for fairness based on the 'performance-based price' principle. This implied that remuneration should be calculated based on the performance, or the amount of work, put down on a task. Particularly large advertisers argued that since they put in so

much work themselves, and often gave the advertising agency finished advertisements to distribute, they should receive some kind of remuneration for this—they should be acknowledged for their performance, and the price should be adjusted accordingly. When this was first discussed, the agencies objected. The commission system might be a rough way of calculating, but to start calculating a fee would be too complicated. The time and resources should be used to create better advertising.

The idea of performance-based pricing gained ground in the 1940s. The basic idea was that it was unsound, perhaps even immoral, to get paid for work, without having made any effort. This is what the large advertisers accused the authorized advertising agencies of doing. They could earn a great deal of money from some clients, even though they did not carry out much work for them. In those situations, the advertising agencies mostly resorted to another argument: the commission was remuneration based on the sales work that they undertook for the newspapers. There was thus nothing strange about it being the same all the time, and the notion of performance-based price was irrelevant.

Manipulating commendatory terms

This dissertation has shown that both AF and TU tried to navigate away from criticism by changing and adapting the description of the organization of the market, often by the usage of the above-mentioned ideas. Two specific events that clearly exemplify this concern the description of ‘fully loyal, but free’ competition in the 1930s and the re-definition of the agencies as the ‘agents’ of the newspapers in 1955.

In the 1910s and 1920s there was a general acceptance in society that completely free competition could be detrimental and lead to disloyal competition, which included various undesirable practices such as bogus price discounts, exaggerations about a product’s properties and defamation of competitors. After AF and TU had agreed about the prices on the market, deviations from those prices, or such attempts, were denoted as disloyal competition by the agencies and the newspapers. From the perspective of AF and TU it was increasingly considered disloyal to question the basic aim of the cartel and the advertisement agreement. Of course, AF and TU never

proclaimed publicly that the aim of their collaboration was opportunistic; a means for them to secure their own position and increase their profits. Rather, the cartel agreements were portrayed as a necessary regulation to secure a sound and orderly market, which was crucial both for the development of the newspapers and for advertising. This was important against a presumption that both newspapers and advertising were vital parts of a democratic and market-based society. Similar arguments were used by the cartels in the news agency business, as previous research has shown.

After the unsuccessful attempt by AF to divide the market between them in 1925, the agencies most probably wanted another solution to the problem of how they should regulate competition between themselves. In the 1930s the increased societal focus on disloyal competition and the new law against disloyal competition, provided the cartel members with proper words to describe their relationship with one another. The law from 1931 against disloyal competitive practices did not contain a clear definition of what exactly constituted disloyal practices but it was assumed that only such behaviour that was evidently in violation with proper business conduct was supposed to be covered by the law. Such an understanding automatically favoured the dominant or established actors in a market since they, per definition, had participated in creating the existing views on 'proper business conduct'.

In the new and more elaborate agreements between AF and TU from the 1930s onwards, the stipulation about 'fully loyal, but free competition' can be understood against the background of the law, and the undefined concept of disloyal competition. The clause 'fully loyal, but free' enabled the authorized agencies to endorse very restrictive trade practices in the market by alluding to the accepted idea of 'loyal competition'. The advertisers, on the other hand, never accepted this premise. But in the 1920s and 1930s, their criticism could not find enough support in established ideas outside the market, since the general societal perception of competition and business practices was in accordance with the language employed by AF and TU.

In the mid-1950s, when AF and TU were under increasing pressure, they developed the idea that the agencies performed sales work for the newspapers. In their agreement from 1955, the agencies were even redefined as the agents of the newspapers and it was stipulated that the agents could

not underbid its principal since this was not in accordance with proper business conduct. It was hoped from TU's and AF's side that this redefinition would make their restrictive trade practices to fall outside the law.

The argument that the advertising agencies were paid for the sales effort that they performed on behalf of newspapers were at odds with another part of the Advertisement Agreement: that the agencies should be impartial and fully at their clients' (advertisers') disposal, and only be guided by what was deemed to give the best result for the client. This contradiction became more problematic with the agreement that was signed in 1955. Earlier, the agencies had not had the formal status as agents for the newspapers, even if some agencies in the 1910s and even into the 1920s behaved more like newspaper agents than advisors to advertisers. In order to keep the ban on rebating, TU and AF believed that a reformulation of the agreement into one between a principal and agent was a solution to their problems, despite the fact that the actual development had gone in the complete opposite direction.

One way of explaining the strategy by AF and TU in both of these cases is offered by Skinner's idea concerning how to legitimize a seemingly questionable course of action. When faced with legitimacy problems, actors can resort to employ values or ideas from other spheres in society. The stipulation about 'fully loyal, but free' competition in the 1931 agreement can be understood as such a strategy. It seems like AF and TU tried to manipulate the criteria of what constituted loyal and free competition in an attempt to legitimize their continued strict regulation of the market. It is also, however, possible to see that there was an inherent conflict in this combination of words since it was perhaps impossible to uphold a state of *both* loyal and free competition. In a state of completely free competition, the role that loyalty can play is less clear.

The redefinition of the agencies as the newspapers' agents in 1955 was a similar attempt since it was considered proper business conduct for an agent not to underbid its principal. However, in the mid 1950s, AF and TU were much more questioned compared to during the 1930s. Furthermore, it was clear to many observers that this was false description of reality.

Skinner states that when describing a seemingly questionable course of action with words aimed to disguise this, or avert attention from the

problematic aspects, the agents' options for possible actions become affected by these descriptions. I interpret this in the following way: there needs to be at least a minimum of correspondence between an actor's expressed ideals or principles and the actual actions in order for the actor's course of action to be perceived as credible. The strategy is unsuccessful if an agent's actions depart too far from these described principles. A reasonable conclusion, based on the above discussion, is that by the mid-1960s, there was no longer any credible correspondence between the stated principles in the collaboration between AF and TU and their course of action.

A moral community and conception of control

Until the mid-1950s, there was little internal opposition to the basic principles of the organization of the market, whether in AF or in the TU board. There existed, to a large degree, a shared understanding of the necessity of the Advertisement Agreement and its sound effect on the development of the market. What developed could be described as a moral community, largely based on the ideas of loyalty, fairness, and sound methods, which was used to control agencies in the cartel and to motivate the organization of the market to outsiders. The advertisement agreements became the conception of control upon which AF's and TU's control over the market rested. The agreements were public and constituted the very foundation of the advertisement market.

The authorization process was important for the creation of a moral community. Due to the high demands, and few new authorized agencies, the AF agencies could rightly perceive of themselves as chosen. As such they could also claim to have skills and moral judgement and this is probably a reason to why they often kept referring to these aspects. A consequence of TU's reluctance to authorize more agencies was protection and a privileged position for the agencies in the cartel—an additional privilege on top of the benefits that came directly from the restrictions on competition. It meant that once inside, the agency would probably stay there, simply due to the position of the agency as part of the cartel.

One possible contributing factor to the crumbling of the cartel from the 1950s and onwards, is a dissolution of this moral community and a weakening of the conception of control. Particularly from the early 1960s there is evidence of more blatant violations against the Advertisement Agreement, from both advertising agencies and newspapers. As for the authorized advertising agencies, it seems clear that Erik Elinder, and several of the advertising agency managers that belonged to his group of companies, were among those who did not feel bound by the agreement between TU and AF at this stage of proceedings. At this point in time, the number of authorized agencies had also increased drastically, which in itself, most probably also contributed to a weakening of the shared moral standard. Furthermore, Ivar Hallvig, the general manager of TU from 1954 and onwards, openly declared that he personally did not support the existing regulations. However, he was forced to support it in his professional role. This could of course have been problematic for his credibility in the negotiations and might have contributed to the 'confused' situation in conjunction with the four-party investigation in 1964.

It was generally the older advertising agency managers, of which some had been part of AF since the 1920s, who did most to defend the way the market was organized. In the 1950s it was difficult for them to understand the criticism launched against them. There was also a conviction among many advertising managers that they were misunderstood due to a lack of knowledge among their adversaries. If only these misunderstandings could be corrected, with the help of credible information, the criticism would fade.

Some board members of TU also had a difficult time in the mid-1950s, to accept that they could no longer decide over the market as they used to, due to the case in front of the competition authorities. The level of control that TU exerted over the market was extensive, and had been since the 1920s. TU decided which agencies could work in the market, they disciplined agencies if they misbehaved, and they had the right to audit their financial accounts. These control mechanisms were the result of the formal agreements that stipulated that these tasks should fall on TU. The board members of TU expressed a responsibility towards the market and also that it was their right to demand obedience from the advertising agencies. The frequency with which the board of TU discussed the advertisement market,

and also the internal problems of advertising agencies on a very detailed level, indicate that this had become a routinized practice.

The divergence between principles, actions and societal acceptance

How then, is it possible to explain how TU and AF could motivate and defend the organization of the market for such a long period of time? An answer to this question, also includes an answer to why AF and TU in the end lost control of the market. Of course, the introduction of the law in 1953 was the key factor in determining the fate of the cartel, but there were other mechanisms in this process too.

What the dissertation has shown is that during the first years of the cartel, at least until the Second World War, the agreement between AF and TU corresponded relatively well *both* with their own actions and with the generally accepted view on competition and business practice. Later, a gap emerged between the principles of AF and TU on the one hand, and their actions on the other, particularly in the early 1960s. In parallel, the societal view on competition and restrictive trade practices started to change.

In the 1920s and 1930s, even though there had been cheating and different violations against the advertisement agreements, there still existed a will to adhere to it among the majority of agencies, and to a large extent also among newspapers. The fact that the actors always managed to negotiate new agreements is one proof of this. After the Second World War, the consensus started to change. Over the next two decades, the respect for the agreement was increasingly lost among both advertising agencies and newspapers. In addition, the gap between the stipulated competition and business practices in the agreement and the more generally accepted views started to widen.

Still, until late 1964, the official standpoint of AF indicated an ignorance of the problems with the rules on the market. When the authorities, advertisers, and even a few advertising agency representatives, pointed out the negative consequences of the rules of the market, AF would not admit

that there was anything wrong with those rules. It was the morale in the industry that needed to be strengthened and tougher measures needed to be implemented against violations. This is perhaps also a reason as to why AF resisted until the very end—the conception of control and the moral community that had evolved over several decades were still relatively strong, at least among the older, well-established authorized agencies.

The struggle of the cartel and the organization of the market that took place over the 50 years covered in the dissertation can thus be understood against the background of the discussion above. The agreement between AF and TU contained descriptions concerning how the market should function. Based on these descriptions, the actors operated in the market. In addition, the societal view on competition, provided an important context and a source of legitimacy for the cartel. As has been shown in the dissertation, both AF and TU resorted to well-established notions and ideas about competition and business practice to legitimize their own actions. This proved to be relatively successful, at least until the late 1940s, even though the large advertisers were always critical. From the mid 1950s, both the actions of the actors in the market as well as the societal view of competition started to diverge from the descriptions in the agreements. When this divergence had reached a certain level, there was no legitimacy left in the descriptions of how competition *should* be played out.

Of importance here was probably a more general shift from older perceptions of what was important on markets—loyalty and fairness for example—to an ideal of the free market, where it was more difficult to adhere to such ideas without obstructing free competition. AF and TU represented an ‘old order’, which in the economic and political context of post-war Sweden, found it increasingly difficult to uphold their ideals. It was probably not the case that loyalty, fairness and sound methods were considered to be negative in the 1950s and 1960s, only that they often stood in the way for free competition, that had become relatively more important. Therefore, the older ideas had to yield.

Finally, one could ask to what extent the conception of control established by AF and TU was successful, or generally accepted. I have argued that AF and TU established a conception of control and also labelled it as successful, since they managed to stay in control of the market and

defend the way it was organized. However, it is also possible to nuance this description. The fact that the large advertisers never fully accepted the conception of control means that TU and AF did not manage to establish a shared understanding concerning how the market should be organized. On the other hand, they managed to control the market for 50 years, which is a long period of time. They also managed to fend off reoccurring criticism and even after they were reported to the competition authorities, it took more than ten years for their system to be abolished. This is proof of the resilience of the cartel and the strong ties with with TU. The answer to the question whether or not the conception of control was successful or not, is thus that it can be seen both as a success and a failure, depending on which perspective is employed.

This dissertation has shown how a cartel could both anchor its own organization of the market in the socially accepted ways of perceiving restrictive trade practices, but also how a change in societal acceptance affected its development. The dissertation thus provides greater insight into what historical agents actually meant with expressions such as ‘loyal’ and ‘sound’ competition and business practice. In particular, how these were consciously exploited by actors in the cartel offers a new perspective to research on cartels in twentieth century Sweden and Europe.

For future research, it would be interesting to explore to what extent these kinds of mechanisms existed also in other cartels, or other markets. Advertising, as observed in the dissertation, is an industry not normally associated with restrictive trade practices, and the fact that the position of the advertising agencies depended on the newspapers’ control of the boundaries of the market, indicate that the development of this case, might, to some extent, be unique. On the other hand, previous research has shown the prevalence of the ideas exploited by the cartel, at least in a Swedish context, and these might have played a role in other cartels too.

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Boxes 1,2 & 3

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