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University of Rhode Island

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Friday
August 19, 1983
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Dennis L. McNeill, University of Denver

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de Administracion, Caracas, Venezuela

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*Not presented Observations on the Roles of Canadian Govt in the
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At Barn hill*

EIGHTH ANNUAL MACROMARKETING SEMINAR
August 18-21, 1983

SCHEDULE

- 8/17 - No registration
early arrivals - late afternoon and evening
4:30 p.m. - open bar will be set up
7:30 p.m. - late night snacks
- 8/18 - Breakfast for early arrivals
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4:00 p.m. - Social - open bar, snacks
6:00 p.m. - Dinner - Rock cornish hen
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- 8/19 - 8:00 a.m. - Breakfast
8:00 - 9:00 a.m. - Registration
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11:30 a.m. - 2:00 p.m. - Check out

LIST OF PARTICIPANTS - EIGHTH MACROMARKETING SEMINAR

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marketers who are more Machiavellian are less satisfied with their jobs in general and with marketing as a career.

MARKETS AS ETHICAL BEHAVIOR SYSTEMS: SUMMARY

Thomas A. Klein
The University of Toledo

The capacity of market systems for virtue is examined.

Recent attention by marketing scholars has been given to the morality of marketing behavior by individuals and firms. These considerations of equity, truthfulness, and beneficence or injury and alternative frameworks or guidelines for choice assume that the market context of behavior is given. A more radical view is that there are inherent properties of markets - and such institutional or motivational antecedents as private property, freedom of contract, and self interest - that are immoral. Marketing scholars have tended to avoid the institutional debate and concentrate on the management of the exchange process within the prevailing system. The intent of this paper is to verify that situation within the context of macromarketing theory.

An ethical behavior system may be defined as an institution which, according to its nature, purposes, and consequences, fosters behavior that is ethical. An institution binds persons and organizations through reciprocal rights and obligations. Ethics may be defined, as in Kohlberg, as guides for action with dimensions of self-centeredness (or altruism) and dependency on rewards or penalties (as opposed to principle). Systems which foster behavior that is altruistic, principled, and dependent, if at all, on longer term rewards or penalties are more ethical than systems that foster ego-centered behavior dependent on immediate and sensate effects.

Markets are institutions which bind persons and organizations through exchange. While self-interest may be the initiative for entering the market, the characteristic give and take of a transaction implies a proportional measure of benefit is given to other parties in any exchange. The markets of traditional economic theory are characterized by impersonal competition among powerless buyers and sellers and conflict between them; sales transactions resolve these conflicts. The markets of experience include relationships among and between buyers and sellers that are often personal and long-lasting, and exhibit power in the ability to choose and withhold and to influence the choices of others. Perhaps most important is that behavior in these real markets is influenced by a great range of extramarket relationships - public policy, culture, and reciprocal obligations relating to family, friendship, community, and firm. This "stakeholder" view implies a more general balancing of interests than would be attributable to market forces alone.

Traditional economic philosophy is that markets are necessarily ethical insofar as the assumptions of perfect competition are met. Imperfections in competition, information, and externalities are sources of market failure and imply disproportionate harm or benefits. Such "imperfections" are the grist of the critics of marketing, particularly those who view markets as socially inappropriate, i.e., unethical.

An economic philosophy enriched by marketing theory and experience would observe that "imperfect" markets are not necessarily unethical. While some market structures may tend to foster "unethical" behavior, most markets involve relations, duration, and internal and external forces that compel a healthy measure of reciprocal obligation and principle. While markets are unlikely settings for heroic morality, neither are they corrupt mechanisms of immediate sensate self-interest, fueled by ignorance and monolithic power.

Most important, from a policy-oriented perspective of macromarketing theory, an evaluative framework based on ethical reasoning may be a less controversial and more useful means to enrich our definition and typology of market failure. For example, positive externalities and product differentiation that serves both buyer and seller interests are not necessarily "market failures." Such a framework may also suggest corrective managerial and public policies that differ somewhat from those indicated by the competitive model. For example, *per se* prohibition of price collusion applied to markets exhibiting temporary excess capacity might be replaced by a "rule of reason" interpretation that gives weight to general welfare consequences and long term competitive effects of cooperative efforts designed to achieve a temporary and partial equilibrium.

In summary, market forces and extramarket forces commonly associated with markets, tend to foster behavior that is equitable, truthful, and beneficial to both voluntary and involuntary market participants, i.e., ethical. Attention to these characteristic performance features of markets may be a more productive basis for formulating managerial and public policy regarding both structure and behavior than attention to competitive imperfections alone.

ADVERTISING SELF-REGULATION:
PRIVATE GOVERNMENT OR AGENT OF PUBLIC POLICY?

J.J. Boddewyn (Baruch College CUNY)

There is general agreement that advertising - like any other form of business activity - ought to be controlled. "Control," however, tends to be exclusively associated with government regulation. This is a mistaken notion.

Obtaining "good" advertising behavior (truthful, non-deceptive, fair, decent, informative, etc.) requires that: (1) standards be developed, (2) they be made widely known and accepted, (3) advertisers be advised about unavoidable grey areas, (4) compliance with the norms be monitored, (5) complaints from consumers and competitors be promptly and fairly handled, and (6) bad behavior be sanctioned.

The performance of these six tasks does not have to be a government monopoly. First, laissez-faire in fact requires self-discipline based on personal moral principles, current notions of fair/ethical business behavior, and/or a fear of consumer retaliation and government intervention.

Second, advertising people may accept the control of their peers through self-regulation - a system already operative in at least 35 nations. Voluntarily accepted guidelines and codes of conduct present many advantages - including speed, economy, flexibility, ability to deal with such soft areas as "good taste" which are very difficult to regulate, and the ability to serve as testing ground for future regulation.

Its major criticisms include the danger of cartelization, the difficulty (but not the impossibility) of reaching non-members and recalcitrant members, and the fear that self-regulation will undermine the case for legitimate regulation.

Third, advertising is fairly unique in its dependence on media which have their own rules of acceptance for advertisements and commercials, and thus exercise further control over what is being advertised - except in the case of direct-response advertising (e.g., direct mail and telephone solicitations).

In fact, all three modes of advertising control are growing as companies develop their own codes of advertising (e.g., Colgate-Palmolive), as advertising self-regulation grows around the world, and as the media apply stricter acceptance rules. These three non-regulatory modes do not argue for the elimination of government intervention. Instead, what is needed is: (1) a better delineation of what each sub-system can do best, and (2) a more explicit government policy about the development and supervision of these complementary approaches to advertising-behavior control.

For example, a system similar to the U.K. Office of Fair Trading would seem desirable. It is charged with the promotion and supervision of voluntary industry codes but has the reserve power to recommend legislation where the voluntary-code approach has failed. As such, self-regulation truly becomes an agent of public policy besides being a private government.

In conclusion, this analysis suggests that macromarketing analysis tends to ignore or underplay the role of intermediate bodies such as advertising self-regulatory organizations. Yet, governments are increasingly paying attention to them in the context of the current deregulation movement but mainly because the law cannot realistically hope or pretend to be comprehensive and effective in controlling all forms of advertising behavior - a fast-changing and complex field in any case.

ADVERTISING SELF REGULATION

A COMPARATIVE STUDY

By

Taylor W. Meloan

The United States has been a world leader in the regulation of advertising by governmental agencies and through self-regulatory mechanisms. American regulatory goals have focused essentially on consumer protection from misleading, deceptive, or false advertising, as well as guarding advertisers from such practices by their competitors. There has been a pronounced erosion recently of the role of government as the principal guardian of consumer interests and welfare, and as the watchdog of the business community. This provides new opportunities for self regulation by the industry. The thrust of this report is to contrast the principal mechanism for self regulation of advertising in the United States, the National Advertising Division of the Council of Better Business Bureaus, with that of the United Kingdom, the Advertising Standards Authority. Personal interviews were held in late 1981 with representatives of the NAD in this country and with their counterparts in the ASA in Great Britain. These meetings supplemented by follow-up study since that time provided insight for recommendations for modification and augmentation of American self regulatory policies and mechanisms.

The principal vehicle for self regulation of national advertising in the United States is the NAD (National Advertising Division)/NARB (National Advertising Review Board) mechanism. The NAD is the first tier of the self regulation process, while the NARB is positioned as the second tier or appeals level. The NAD functions through a professional staff in New York. In evaluating a questionable advertising claim, the NAD staff requests undigested data from an advertiser in order that it may replicate the reasoning process by which the advertiser concluded that its claims were truthful. The NAD relies primarily on the rule of reason and common sense in determining whether to make a challenge and in evaluating substantiating evidence. If the NAD determines that questioned advertising claims are adequately substantiated, the case is closed. If not, a need arises for the advertiser and the NAD to reach agreement on corrective action--to withdraw or modify the challenged claims. Failing agreement, the NAD and the advertiser have recourse to the second tier, the NARB. For each case heard by the NARB, a panel of five members is appointed consisting of three advertiser members, one agency representative, and one public member. Both the NAD and the NARB make public disclosures of challenged cases which have been substantiated, modified, or discontinued. This system is financed through funds allocated by the Council of Better Business Bureaus plus monies provided by advertisers and agencies.

By contrast, the counterpart system in Great Britain, the Advertising Standards Authority, is financed by a surcharge of 0.1 per cent of all display advertising. The ASA engages also in the continuing monitoring program of print advertising in order to check conformity with the Code of Advertising Practice, a 72-page booklet containing 462 rules and guidelines of sound advertising practice. Radio and television commercials in Great Britain fall under separate statutory regulations and organizations that govern them.

In Great Britain, extensive advertising to the general public has increased awareness of the ASA. A recent headline said, "If you find an advertisement unacceptable, don't turn the page: turn to us." To enhance visibility in the U.S., a pilot public awareness advertising campaign is recommended, along with dissemination of published codes of advertising practice. Increased public representation on NARB boards would also be desirable. This is another characteristic of the British system.

THE FEDERAL TRADE COMMISSION

DEREGULATION AND PUBLIC POLICY IMPLICATIONS:

A CASE EXAMINATION

Lee D. Dahringer
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Denise R. Johnson
Chief, Public Protection Division
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The current move toward deregulation in the U.S. is perhaps no better illustrated than by the proposals put forth by the Chairman of The Federal Trade Commission, James C. Miller, III. These proposals would: (1) require evidence of actual consumer injury as a result of a deceptive practice; (2) limit deception to representation of fact rather than opinion, and; (3) restrict the protection of the law of deception to the "reasonable" consumer rather than the "ignorant, unthinking" consumer. Adoption of those suggestions would alter considerably the approach taken by the FTC toward the regulation of advertising. This paper reviews the evolution of the current standards of deception and unfairness in advertising regulation, and contrasts the current standards with the Miller's proposals for new standards. Two recent cases settled under the current guidelines by the Attorney General's Office of the State of Vermont are presented. An examination of the probable outcome of those cases under the proposed guidelines is then conducted. Several marked contrasts between the current and proposed FTC guidelines are identified through these case examinations. Current standards, which are more inclusive, have allowed federal and state agencies to bring about elimination of false advertising claims that would not be

possible to prove under the proposed guidelines. In essence, the proposed changes would force regulators to fall back upon the concept of common law fraud to demonstrate the existence of deception. The implications of this return to the 19th century principle of caveat emptor are then examined.

ARE THERE SCALE ECONOMIES IN AMERICAN RETAILING?

Charles A. Ingene

The central purpose of this paper is to determine the degree of scale economies which exist in the retail trades. The motivation for such research is the recognition that scale economies reflect efficiency in the delivery of goods and services to consumers. Conversely, decrease returns to scale imply inefficient delivery. While normally regarded as a micro-level phenomenon which is of interest to managers who wish to construct an optimally sized store, scale economies have an important macro-level, societal impact. Specifically, an analysis of the average store in many market areas can produce awareness of the impact of varied competitive structures on the efficiency of the retail system. In turn, this awareness can lead to insights about the evolution of retailing.

The paper considers the techniques available for the study of scale economies-- production function, cost curve, and survivor technique. It is concluded that only the production function method is appropriate for the analysis of macro data. The limited literature on scale economies is reviewed. Then, using a Cobb-Douglas production function, scale economies are investigated for ten lines of retail trade: apparel, department, drug, furniture, miscellaneous general merchandise, grocery, hardware, variety and restaurants. Data is for U. S. Standard Metropolitan Statistical Areas for 1977. It is found that drug stores have increasing returns and that apparel stores and restaurants have decreasing returns. It is then shown that nonconstant returns are not due to size of community. By using a split sample, it is seen that below average store sizes evince constant returns for all ten lines of trade. The aforementioned results are then shown to be concentrated in stores of above average size. It is further demonstrated that there are slight increasing returns in larger variety stores and slight decreasing scale economies in larger sporting goods stores.

COMPOSITE MEASURES IN TIME-SERIES DESIGNS

Nicholas M. Didow, Jr.

Composite measures are frequently appropriate in time-series designs. This paper has explicated a Box-Jenkins strategy for the researcher to follow to develop composite measures of unobservable constructs. The strategy was illustrated in a macromarketing research example. The ITS example involved the generation of an unobservable measure for the treatment series after ARIMA filtering of two single-item variables. The unobservable measure for the covariate control series was developed after ARIMA filtering of three single-item variables. Hierarchical multiple regression analysis was used to evaluate the statistical adequacy of the covariate control series and to test the static intervention model.

Composite measures of unobservables are different from dependent and independent measures formed by simple aggregation. The latter method of measure development assumes a common metric in each submeasure that is maintained in the aggregate measure. Composite measures of unobservables, however, are a more general approach to time-series measure development. Here the arbitrary process of measure development is based on the researcher's underlying conceptual model and on the principles of psychometric theory. This has broad applications for the researcher who is faced with either common metric time-series or time-series of different metrics.

Constructing the measures after ARIMA filtering of each series minimizes the threat of misspecification of the ARIMA model. A major issue in Box-Jenkins ARIMA time-series analysis is the identification of the appropriate parsimonious series model. Aggregation followed by ARIMA modeling makes the identification and parameter estimation of the one ARIMA series model a major critical research increment. The procedure advocated here enables one to assume that whatever error may be introduced into the analysis from ARIMA filtering is spread across the various independently identified ARIMA models. One issue for future research is the extent to which time-series hypothesis testing is biased due to misspecification of the ARIMA models. This is particularly relevant since the general consensus among time-series researchers is that ARIMA modeling is at present as much of an art form as it is an empirical science.

Additional issues for future research attention concern the covariate control series measures in the ITS design. The hypothesis-testing strength of the ITS design results from measures over time and nonequivalent control series. Particularly in the absence of a guiding theory, how does the researcher select an appropriate control series to accompany the treatment series? Furthermore, should a covariate control series measure that is developed in a manner consistent with a plausible conceptual model be included in the intervention hypothesis test even though its regression coefficient is not significantly different from zero? Such was the case in the cigarette smoking example. A statistician would perhaps argue that the nonsignificant covariate term should be removed from the final regression model. A quasi-experimental design perspective would probably argue that the full strength of the ITS design can only be achieved by inclusion of the covariate term in hypothesis testing, regardless of the level of significance of its regression coefficient.

Abstract

A MARKET SEGMENTATION APPROACH TO DESCRIBE THE RESPONSE TO ENERGY CONSERVATION

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The 1973 Arab Oil Embargo set in motion a far reaching set of activities in the U.S. and other oil importing countries. These activities ranged from new policy initiatives in the area of production to a number of various types of energy conservation programs. During the period following the embargo, the U.S. has undergone several shifts in philosophy by which energy policy has been shaped. We have witnessed the establishment of the U.S. Department of Energy in 1977 to its relative demise in 1982. One constant during these shifting policies has been the attempt of research, specifically consumer research to aid in the documentation of energy program effects, to identify ways to improve response to energy programs and to identify potential new segments for response to energy programs.

This paper represents an approach to further the state of knowledge regarding the existence of segments in the conservation marketplace. The method used is an analysis of two national surveys dealing with household characteristics, individual characteristics, and energy conservation behaviors.

This study used past efforts to generate hypotheses on the role of income, age, and certain psychological or demographic variables in explaining conservation behavior. The analysis used two previously untapped data bases, of a national nature, to test these hypotheses. The analysis also included a test of hypotheses across types of conservation behaviors and the role of other intervening variables in explaining behavior.

The data, while not converging in the description of the population's conservation behaviors did converge on several issues related to the role of influences on conservation. Some support was generated for the inverse relationship of age to conservation. However, this support was not confirmed in both studies. The role of age and income was generally confirmed in a multivariate analysis using other demographic bases. However, the role of psychological variables takes precedence over age and income when these are considered in a multivariate analysis. The direct relationship of income to conservation was not confirmed. In fact, the measured influence was in the opposite direction. Of note in both analyses is the lack of a consistent role for energy prices in explaining variance in behavior.

A clear guide to future efforts is the need to stress types of behaviors, as well as the need to examine multiple influences in order to segment the market. This is particularly true since the relationships found in this analysis, while significant, explain a very small amount of the variance in behavior. Finally, the segment bases, while relatively clear on a national level vary significantly by region of the country. This implies the use of caution in generalizing regional data to a national level.

Executive Summary

Scale Analysis of Cultural Value Systems on Consumption Patterns among Black and White Consumers

Charles L. Evans and Melvin T. Stith
Florida A&M University

This paper focuses on the influence of cultural factors on consumer behavior. Rokeach's terminal and instrumental values were employed to compare black and white consumers from two southern states.

The application of commonly held values is important in analyzing cultural influences on aggregate consumption patterns and expenditure variables to strategic marketing. This comparison of value systems of black consumers and white consumers treats values as explanatory variables with respect to differences in consumption by race of respondent.

Of the thirty-six values employed in this study, significant black-white differences occurred on seven variables. There were also four significant differences on the characteristics of products and service scales.

The results of this study should further the understanding of values in governing consumption patterns of aggregate market segments among culturally unique, but non-homogeneous groups.

CRITERIA FOR THE DEFINITION AND
DOMAIN OF MARKETING

WILLIAM G. NICKELS

There is still much confusion among marketing scholars regarding the nature and scope of macromarketing. This confusion persists because of traditional definitions that used "level of aggregation" as the criterion for separating macro from micro marketing. Using that criterion, any study of an individual firm is micro, even when the study's focus is on the social welfare of the surrounding region as affected by that firm. Similarly, by that criterion, the effects of new legislation on a large firm such as AT&T is micro, even though the study is concerned with the overall impact of such legislation on society (e.g., the increased cost of local phone service).

Recent research in this area (micro versus macro) found academics using terms such as "more macro" to describe some issues and "less macro" to describe others. There was and is no clean, clear division between micro and macro issues. Furthermore, subjects such as nonbusiness and service marketing were not clearly macro or micro under traditional definitions. In short, given present conditions, there is no firm basis for a discipline called macromarketing.

This paper proposes that macromarketing be defined as "the study of exchange activities and exchange systems from a societal perspective." The element that separates macro from micro marketing is the perspective of the research, not the level of aggregation. Whether the study focuses on a single firm or the whole marketing system, as long as the perspective is "social impact" or "social externalities," the research is macro. If the focus is on management of a total system to improve profits, the study is micro, even if the subject of study is a whole country's marketing system. It is not level of aggregation that determines whether the issue is macro or micro, it is the perspective (social or managerial).

Clarification of the definition and domain of macromarketing is fundamental to the development of macromarketing theory, the integrity of macromarketing conferences, and the survival of the Journal of Macromarketing. If most issues are "somewhat macro" and "somewhat micro," there can be no firm discipline called macromarketing. It is my intention to discuss this issue at the Macromarketing Conference in Rhode Island this year and develop a consensus definition once more. Then all those involved in macromarketing can market this definition to other marketers so that everyone understands the nature and scope of the subdiscipline.

A THEORETICAL MODEL OF CRITERIA
FOR EVALUATING MARKETING SYSTEMS PERFORMANCE

by

Eric H. Shaw
Florida Atlantic University

This study develops a theoretical model for a set of five abstract criteria for evaluating the performance of macro or micro marketing systems. A General Systems Framework is used to organize the marketing literature into five historical periods of the Twentieth Century. The General Systems Framework is then used to provide a basis for constructing a theoretical model which, in turn, is used for deriving a set of criteria for evaluating marketing systems performance.

Historically, in the Formative Period (1900-1919) marketing authors were concerned with identifying the concept of efficiency. During the Early Period (1920-1939) the focus of concern was costs and its relationship to efficiency. In the Middle Period (1940-1959) emphasis was given to productivity. Marketing writers of the Modern Period (1960-1969) stressed effectiveness. Finally, Contemporary Period (1970-1979) authors focused on cost-effectiveness. Thus five performance criteria have been identified in the marketing literature of the Twentieth Century.

Theoretically, axioms of the necessary and sufficient conditions for the Systems Performance Model are derived from the General Systems Framework. The axioms of the theoretical model are used first to examine, and then to explain the Twentieth Century historical development of criteria for evaluating marketing systems performance.

Executive Summary

of

A PARTIAL THEORY ON THE ROLE OF SOCIAL RESPONSIBILITY AND ENVIRONMENTAL CONCERN

by

Donald P. Robin

The objective of this article is to develop and present a partial theory on the role of the broadly held human value "social responsibility" and the more narrowly held value "environmental concern". The theory presented is partial in the sense that the arguments generated focus on only one explanation of environmentally concerned consumer's behavior. Ideally, a fully developed theory of such behavior should be developed, but all of the conditions and generalizations to determine this behavior are presently unknown. The presentation of this theory proceeds by first offering a partial explanation of behavior in a specific domain. Then by using abstraction, the explanation is extended to a point where the specific behavior represents only a very small part of the behavior which is influenced by the broadened construct.

Once developed and tested, the broadened model will aid policy makers in understanding the full impact of the laws they pass. Existing micromarketing models of behavior do little in this respect, but if the underlying values of individuals can be uncovered, policy makers can fine tune their legislation to the desires of the population. Minority values and opinions and the views of other population segments can also be identified and protected to the maximum degree possible if a carefully formulated "explanation" of the causal links can be developed.

The existence and justification of a model described in this article could be of particular interest to macromarketers. Decisions on policies and laws in capitalistic democracies are often made with only limited economic cost-benefit information and perhaps a technical environmental impact study. There is ample evidence that the population often uses a noneconomic, nontechnical, value oriented judgements in voting for laws and people. As indicated in the Michigan Bottle Bill studies (Crosby, Gill and Taylor, JM, 1981; Crosby and Taylor, JM, 1982 and JCR, 1983), it is essential to understand how people value things to produce the best results in a democratic process. This statement would seem to be true whether the policy maker adhered to the ethical philosophies of utilitarianism or egalitarianism, or some combination of the two. It is hoped that models of this type can aid in providing such additional information.

EXECUTIVE SUMMARY

Economic Anthropology and Marketing: A Preliminary Analysis

A.H. WALLE

Marketers have long felt that much anthropological theory and research is vitally significant to their profession. Unfortunately, the opportunity to apply anthropology to marketing has largely been unrealized. Primarily, marketers have taken anthropological insights and merely applied them in anecdotal fashion without a meaningful theoretic context. Secondly, some theoretical marketers have emphasized generalized anthropological overviews which won nods of approval from the academic community and were anthologized, but were too general to be of much pragmatic significance.

An alternative to such strategies is for marketers to deemphasize overly general or overly specific anthropology and utilize economic anthropology, a subdiscipline of anthropology which shares many common interests with marketing. By studying an anthropological subdiscipline which largely dovetails with marketing, it is hoped that greater, more profitable interactions between the two disciplines can occur.

Far from being a homogeneous body of knowledge, Economic Anthropology has long been split into two rival camps: the formalists and the substantivists. The formalists attempt, as many marketers have done, to apply formal economic theory to their discipline. The substantivists, on the other hand, do not totally view behavior in terms of formal economic models, but also with reference to the cultural milieu in which behavior takes place. Such an orientation parallels trends in marketing (such as consumer behavior) which underscores non economic factors influencing behavior.

The work of substantivist Karl Polanyi and his emphasis upon the terms Reciprocity, Redistribution, and Market Activity seem especially relevant since he took terms well known to marketers and dealt with them in both macro and cross-cultural ways.

Much of Economic Anthropology appears valuable to marketing and macro-marketing especially in an era of increased international trade.

Executive Summary

STUDYING THE ROLE OF MARKETING IN THE DEVELOPMENT OF INDUSTRIAL ENTERPRISE IN RESOURCE-RICH, MARKET-POOR COUNTRIES

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In 1960, manufactured goods represented merely 4% of Latin America's exports. Today the figure is about 20%. During the past two decades there has occurred a significant process of industrialization. A large number of nations in Latin America have engaged in a vigorous policy of import substitution, protection of domestic industries, and limitation of the scope and involvement of foreign investment. One of the results of those policies has been the emergence of highly oligopolistic structures in some industries. Another has been a domestic industry with fairly high production costs and a principally domestic focus. These trends have been particularly noticeable in Venezuela, a nation that is rich in resources, a founding member of OPEC and one that has a relatively small domestic market.

The marketing literature on economic development has focused principally on the role of distribution, particularly the modernization of distribution systems for basic commodities. This paper attempts to formulate a model of the marketing behavior of private-sector manufacturing firms. In particular, it focuses on the impact of environmental factors on the development of a modern marketing orientation among large-scale private enterprise in the manufactured goods sector. The model utilizes a "structuralist" approach. It divides the environment into (1) basic conditions of demand and supply; (2) competitive rivalry; (3) internal organization structure; (4) utilization of formal procedures for analysis, planning, and control; (5) intensity and sophistication of marketing strategies; (6) extraneous or circumstantial factors; and (7) company performance.

A causal effects model traces the effects of environment on behavior and of the latter on market performance. The intent of the model is to offer a guide to data collection and analysis that will permit public policy-makers to understand the consequences of environmental factors upon market behavior. At the same time the model should be of some guidance to firms that are interested in emulating the behavior of successful firms. It is hoped that this will provide a stimulus to the modernization of marketing practices.

The model is being tested on a stratified sample of sixty nine consumer goods and industrial goods marketers. Some preliminary findings of the empirical portion of the research will be presented at the Seminar.

A GENERAL MODEL OF COMPARATIVE MARKETING:
FORMAL DEVELOPMENT, METHODOLOGICAL IMPLICATION
AND AN AGENDA FOR RESEARCH

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Summary

After a comprehensive review of the literature from a historical and methodological perspective, this paper develops a general model for comparative marketing. The features of the model are discussed and the shortcomings of descriptive marketing, which covers most of the past literature in comparative marketing, are pointed out. An outline for a systematic program of research in comparative marketing is presented at the end.

CONSUMER VIEWS AND POLICY. IMPLICATIONS OF
PUBLIC FOOD MARKETING AGENCIES IN
MEXICO AND INDIA

by

Lee D. Dahringer and Marye T. Hilger

EXECUTIVE SUMMARY

Public enterprise marketing of essential goods and services is frequently undertaken in developing economies; often with controversial results. Most evaluation and planning of public marketing has been from the perspective of economists or public policy planners. Relatively few analyses have examined public marketing from the perspective of its impact upon those the system serves--consumers. This paper presents an assessment of two national, public food marketing agencies, one in Mexico and one in India. It reports on the performance of each agency as an active participant in the marketplace from the end user's perspective.

The data in both countries suggest that each public marketing agency is supported as important to economic development and as offering good values. However, CONASUPO in Mexico appears to better serve its intended target market than FCI in India. Both agencies were seen as powerful competitors although their impact on prices in private stores was not apparent to consumers. Data also suggest the importance of non-patrons in successful management of public food marketing. These implications for management are in contrast to private sector food marketing in developing countries.

MARKETING FOR DEVELOPMENT:
A SOCIAL AND NOT-FOR-PROFIT PERSPECTIVE

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Ronald McTavish and Christopher A. Ross
(Concordia University, Montréal)

The major theme of this paper is that Social and Not-for-Profit marketing can make a major contribution to the development of Third world countries. The ease or difficulty of the development task, however, will be determined by the existence of certain environmental conditions.

After outlining the importance of Third world development to the world as a whole, the paper discusses the broadened concept of development. The broadened concept of development suggests that development is not merely concerned with increasing the wealth of individual countries but also with the provision of adequate nutrition, education, shelter and medical facilities and services. The concept also includes self-determination, self-reliance, national and cultural identity and a sense of purpose in life and work among the peoples of the developing countries.

A review of the literature on marketing and development, however, reveals that most marketing scholars focus mainly on the economic aspects of development, particularly that of increasing distribution efficiency. Thus, it would seem that marketers are still locked in to the notion that development is equal to economic growth. This paper suggests that the non-economic aspects of development are as important as the economic ones and that the broadened concept of marketing is quite consistent with the broadened concept of development.

The article provides examples of marketing's ability to contribute to the non-economic aspects of development. These examples include family planning in Sri Lanka, Bangladesh and Thailand. Another example is that of the National Savings Committee in Jamaica and their efforts to increase the level of savings among the populace.

The paper then outlines the conditions which may affect the success or failure of marketing programs. These conditions include the objectives of the program, the existence of a latent demand for the program, the existence of a facilitating agency and the existence of perceived benefits to individuals. The support of the political bureaucracy is also deemed to be important.

The conclusion of the paper discusses the role of developmental agencies in Social and Not-for-Profit marketing.

Executive Summary
of
FUTURES RESEARCH IN MARKETING
by
R. Eric Reidenbach
Donald P. Robin

Research dealing with futures problems in which marketing can play a role has been lacking. However, there are signs that interest in the area is beginning to grow. The purpose of this study is to identify problems that people who are interested in the area feel are serious, critical, solvable and are of the type that marketers can help alleviate.

Forty-three problem areas were identified in a study of scientists and engineers at both the Stanford Research Institute and a National Meeting of the American Association for the Advancement of Science. That study was supported by the National Science Foundation and sponsored by the Office of Science and Technology Policy. The forty-three problems were part of the research team's report to those bodies.

Using these problems as a beginning point, a questionnaire was developed that asked the respondent to give their impressions about the seriousness, criticality, solvability, and degree to which marketers can help. Subscribers to the Journal of Macromarketing were used as the population of interest because it was felt that they were a group that would be most interested in the area. About thirty percent of this population returned the questionnaire.

Marketers ability to help and the seriousness of the problem were the measures used to provide an initial screening of the forty-three areas. Ten problem areas passed this screen. The research then focuses on their solvability and criticality. On average, nine of the ten were seen as being above the mean in solvability, and all ten were expected to become critical within a twelve year period.

The ten problems include (1) the conflict between low growth and rising expectations, (2) the invisible famine, (3) teenage alcoholism, (4) lack of functional life skills in adults, (5) decreasing capital productivity of new technology, (6) regulatory restraints and economic growth, (7) cumulative effects of pollution, (8) decreasing utility of higher education, (9) chronic unemployment, and (10) a growing need for appropriate technology that could produce practical support for a much simplified way of living.

MAKING EXPLICIT THE INTERNAL GRANTS IN AMERICAN PUBLIC
HIGHER EDUCATION: A MACROMARKETING AND
GRANTS ECONOMICS PERSPECTIVE

Dr. Ed Lyell

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8th Annual MacroMarketing Seminar, August 1983, University of Rhode Island

OVERVIEW:

Philip Kotler and others describe the need for, and present implementations of marketing thought for non-profits. These efforts have not examined the distributional impact of costs and pricing strategy upon categories of participants. As Lewis Mayhew indicated in The Carnegie Commission on Higher Education report in 1973, we must change the pricing strategy for higher education to reflect the different levels of expenditure made for student segments such as graduate students versus undergraduate students, and professional fields such as medicine compared to arts, and science fields. (Kotler, Mayhew)

Literature in "Grants Economics" (Boulding, Horvath), provides a theoretical understanding of the pricing complexities of higher education. This paper will identify the policy issues which arise from making explicit the inequities inherent in present revenue acquisition and resource allocation policies of colleges and universities. Developing greater awareness of the exchange processes in higher education is especially important as funds for public education continue to diminish while the importance of higher education to the nations productivity and economic security increases.

MARKETING AND MACHIAVELLIANISM

by

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Abstract

Critics often attack marketing as being manipulative and unethical, or "Machiavellian" in nature. Are critics correct? Is marketing Machiavellian? This article presents the results of a research project designed to explore this question, using a sample of over 1,000 marketers. Specifically, the study addressed three research questions: 1) Are marketers more Machiavellian than other members of society? 2) Are some kinds of marketers more Machiavellian than others? 3) Is Machiavellianism related to success in marketing?

Marketing and Machiavellianism

Niccolo Machiavelli. Was he a political satirist, a patriot, or the first modern political scientist? Although historians continue to debate how best to characterize this sixteenth century Florentine writer (Jensen 1960), few dispute the impact of his two most famous works: The Prince and Discourses on the First Ten Books of Titus Livius. Indeed, interpretations of these works have resulted in the label Machiavellian becoming a negative epithet, indicating at least an amoral (if not immoral) way of manipulating others to accomplish one's objectives. Although Machiavelli wrote for political leaders in sixteenth century Italy, many analysts believe that his beliefs are applicable to modern business managers. Calhoun's (1969) views are typical:

A definition of the twentieth century Machiavellian administrator is one who employs aggressive, manipulative, exploiting, and devious moves in order to achieve personal and organizational objectives. These moves are undertaken according to perceived feasibility with secondary consideration (what is necessary under the circumstances) to the feelings, needs, and/or "rights" of others. Not that Machiavellianism is "right" or even particularly "bright," but it exists in today's leadership and needs to be recognized as such (p. 211).

Some writers openly advocate Machiavellian tactics for the top executive who wishes to stay in power. For example, McMurry (1973, pp. 144-5) recommends that "an executive-politician must: use caution in taking counsel... avoid too close superior-subordinate relationships...not hesitate to be ruthless when expedient...limit what is to be communicated...learn never to place too much dependence on a subordinate unless it is clearly in the latter's personal advantage to be loyal...and give outward evidence of status, power, and material success." Entire treatises apply Machiavellian tactics to management (Jay 1970) and some (controversial) MBA courses specifically teach Machiavellian techniques (Business Week 1975).

The purpose of this paper is to explore the question: "To what extent is marketing Machiavellian?" The question arises because the twin themes of manipulation and unethical seem to underlie both the concept of Machiavellianism and, also, many of the historical criticisms leveled at marketing activities. For example, Cox, Goodman and Fichandler (1965, pp. 198-241) categorize many of the criticisms of marketing under the labels of "unfair," and "abusive." They believe marketing is often considered unfair because farmers do not get their "fair share" of the consumer's food dollar. Marketing is often considered abusive because it is filled with "hucksters, cheats and frauds" who unethically manipulate consumers into purchasing products they do not really need or want.

Concerning specific marketing activities, Moyer and Hutt (1978) observe that critics claim that "planned obsolescence" is unfair (1978, p.77), that advertising is deceptive and manipulative (1978, p. 102), and that the practice of charging higher prices to ghetto consumers is both unethical and widespread (1978, p. 138). Similarly, Greyser and Bauer (1966) identify three major streams of criticisms of advertising: 1) advertising is wasteful, 2) advertising manipulates consumers by propagandists and persuaders, and 3) advertising is unethical. Concerning these criticisms of advertising, Aaker and Day (1982, p.11) conclude that "a number of studies have found that 35-40% of the public believe that advertising - especially television advertising - is seriously misleading."

Perceptions of manipulation and questionable ethics also underlie consumerism. Hermann (1970) identifies three causes for the rise of the consumer movement: 1) dangerous and unreliable products, 2) changing conceptions of the social responsibilities of business and 3) dishonest practices by a fringe of the business community. Finally, Murphy and Laczniak (1981, p. 251) report that "The function within business firms most often charged with ethical abuse is marketing."

Clearly, the charges that have historically been leveled at marketing suggest that critics of marketing perceive marketing to be Machiavellian (manipulative and unethical) in nature. This conclusion is consistent with the findings reported by Churchill, Ford and Walker (1981, p. 5) that students often associate sales careers with descriptors such as "insincerity, deceit, high pressure" and phrases like "forces people to buy unwanted goods." It is also consistent with the findings of Beisel and Fugate (1981) concerning the scores of students who major in marketing on the "faith in people" questionnaire. The faith in people questionnaire attempts to measure an individual's degree of confidence in the trustworthiness, honesty, goodness, generosity, and brotherliness of other people. Not only did Beisel and Fugate find that marketing majors scored eleventh among twelve occupational choices (nursing majors had the highest faith in people and pre-med had the lowest), but also that marketing majors showed "a willingness to use manipulative means to succeed" (1981, p. 172).

Are critics correct? Is marketing Machiavellian? This article presents the results of a research project designed to explore this question using a sample of over 1000 marketers. Specifically, the study addressed three research questions: 1) Are marketers more Machiavellian than other members of society? 2) Are some kinds of marketers more Machiavellian than others? 3) Is Machiavellianism related to success in marketing?

Over the last two decades an enormous body of literature has developed which treats Machiavellianism as a personality trait. Almost all of the literature is based on the Machiavellianism scale originally developed by Christie and Geis and reported in their book Studies in Machiavellianism (1970). Since the research reported here also relied on the Machiavellianism scale, a discussion of the development of the scale and how it has been used in a variety of

research settings is appropriate.

Development of the Machiavellianism Scale

Christie and Geis developed the Machiavellianism scale after observing that the personal beliefs of many leaders who control the behaviors of others through manipulative means seemed to coincide with the statements of Machiavelli in The Prince and the Discourses. That is, Christie and Geis observed that many leaders have the following characteristics: 1) a relative lack of affect in interpersonal relationships, 2) a lack of concern with conventional morality, 3) a lack of gross psychopathology, and 4) a lack of ideological commitment. To Christie and Geis (1970 p. 3-4), these characteristics of the manipulative leadership style were precisely the characteristics advocated by Machiavelli. To explore their working hypothesis, Christie and Geis developed an initial set of 71 statements, taken almost literally from the actual writings of Machiavelli. These items were placed in a Likert-type (1-7) format and administered to a convenience sample of their colleagues. They received significant encouragement when they found that "the extent to which our respondents agreed with Machiavelli seemed to fit with our subjective estimate of their [the respondents'] relative success in manipulating others" (Christie and Geis 1970, p. 8). The decision was then made to develop a formal scale to measure Machiavellianism.

The original 71 items were administered to 1196 students of varying majors at four different universities. Twenty items were selected for the final scale (reproduced in appendix A). To minimize response bias, ten items were keyed to endorse Machiavellian statements and ten keyed in the opposite direction. The primary criterion used to select the final items was the item-total discriminatory power. Christie and Geis report a mean item-total correlation for the items of 0.38 and mean split-half reliability for the total scale of 0.79. The

final scale, referred to as Mach IV, contains nine statements categorized as "Machiavellian tactics." For example, "the best way to handle people is to tell them what they want to hear." An additional nine items have to do with "views of human nature." For example, "it is hard to get ahead without cutting corners here and there." The final two items were categorized as "abstract morality." For example, "all in all, it is better to be humble and honest than important and dishonest."

At the time of scale development, Christie and Geis did not have resources to factor analyze a data set with 71 separate items and 1196 respondents (1970, p. 359). A subsequent factor analysis conducted by Ahmed (1981) with a varimax rotation revealed five interpretable factors with latent roots above 1.0: Machiavellian tactics, Pollyanna syndrome, negative Machiavellian tactics, moral ideal, and Machiavellian view. These factors overlap, but do not exactly coincide, with the original structure hypothesized by Christie and Geis. An even more recent factor analysis by Hunter, Gerbing and Boster (1982) found Machiavellianism to be represented best by a four-factor solution: deceit, flattery, immorality and cynicism.

The most convincing evidence of the validity and usefulness of the Machiavellianism scale lies not in formal factor analyses of the scale. Rather, the most convincing evidence is the large number of experiments which have consistently shown the scores on the Machiavellianism scale to be good predictors of certain kinds of behaviors. The results of these studies become even more noteworthy when one considers the generally poor predictive validity of most personality measures. For example, Kassirjian (1971, p. 416) points out that marketing researchers too often get inordinately upset at the small correlation coefficients between paper-and-pencil personality measures and behaviors. He points out that "to expect the influence of personality variables to account for

a large portion of the variance is most certainly asking too much."

In their 1970 work, Christie and Geis reported the results of thirty-eight studies using the Machiavellianism scale. They analyzed these studies with regard to how "high Machs" (those who score high on the Machiavellianism scale) differ in their behaviors and characteristics from "low Machs" (those who score low on the Machiavellianism scale). Their general conclusion was "high Machs manipulate more, win more, are persuaded less, persuade others more, and otherwise differ significantly from low Machs." These differences occur in situations in which "subjects interact face to face with others, when the situation provides latitude for improvisation,...and in situations in which affective involvement with details irrelevant to winning distracts low Machs" (1970 p. 312). A recent review by Vleeming (1979) examines thirty-four additional articles on Machiavellianism which have appeared since 1970. Vleeming concludes "generally the results of the thirty-four articles reviewed here are in accordance with the ideas postulated by Christie and Geis" (1979, p. 294).

Machiavellianism as a Personality Construct

Since 1970 there have been over two hundred published research projects that have used the Machiavellianism scale. Our purpose is not to view these hundreds of projects. Rather, we shall briefly review only those studies that are particularly relevant to the research questions addressed in this study.

Machiavellianism and Manipulation

Manipulative behavior is one of the most common variables examined in Machiavellian experiments. Christie and Geis (1970 p. 106) define successful manipulation as "a process by which the manipulator gets more of some kind of reward than he would have gotten without manipulating, and someone else gets less, at least within the immediate context." Christie and Geis review

four experiments where manipulation was an identified variable. A consistent pattern emerged: high Machs were able to "win" through manipulation as predicted, but only in certain kinds of situations. When high Machs are placed in situations where they are face to face with low Machs and where there are opportunities for manipulation, high Machs will control the structure of the situation and win. Low Machs in these situations will have a tendency to get emotionally involved with the personal feelings of others and, consequently, lose (1970, p. 312). A typical experiment is the "ten dollar game," described by Christie and Geis as follows:

This is a bargaining game in which you will have a chance to make some money if you are good at bargaining. Ten one dollar bills will be placed on the table in front of the three of you. The money will belong to any two of you who can agree with the other as to how you divide the ten dollars between you. (You will not be allowed to divide the money among all three of you). The two prospective partners can divide the ten dollars any way they chose. For example they might split it five and five, eight and two, or any other split. Of course, the third man, who at the time is being left out of the agreement can also make offers to either of the two bargainers, and try to win any one of them over to making the agreement with him. The game is over when any two players have made an agreement which the third player cannot get them to break. The money belongs to the two who have made the agreement and is divided accordingly between them (1970, p. 162).

The ten dollar game was played on seven different triads. Each triad consisted of a high Mach, a middle Mach and a low Mach. In all seven experiments, the high Mach was included in the winning coalition. In five of the experiments the middle Mach was in the coalition and in only two of the experiments was the low Mach in the winning coalition. In each experiment the high Machs won by manipulating the others in the triad through controlling the structure of the situation. The low Machs were distracted from winning by affective feelings toward the other two participants.

In his review article Vleeming (1979) evaluated eleven research projects conducted since 1970 on the subject of manipulation. The subjects involved

several different populations: students, faculty, parents, Japanese children and male employees, among others. The experimental situations included theft, bluffing, bargaining, ingratiation and cheating. Vleeming's review corroborated the earlier findings by Christie and Geis that subjects who score high on the Machiavellianism scale will both attempt to manipulate more and be successful in doing so.

Machiavellianism and Ethics

Concerning the ethical dimension of behaviors, high Machs show very little concern for conventional morality. As Christie and Geis point out, this is almost definitional when one examines many of the items in the Machiavellianism scale. Many of the experiments on Machiavellianism specifically measure the extent to which subjects will engage in unethical practices, such as lying and cheating. Christie and Geis review the results of the experiments and conclude:

Low Machs, though opposed to dishonesty in principle, can be persuaded to cheat or lie given a strong, personal, and repeated inducement, especially in a face to face situation in which they have little time to reflect, but must act, either accepting the other's wishes or rejecting them; in these situations external "rational" justifications had little effect on their decisions. In contrast, high Machs, although not opposed to dishonesty in principle, will cheat less if the "rational" incentives are low or the costs (such as the probability of getting caught) are high (1970, p. 298).

The research indicates that high Machs will review the situation in cool, cognitive terms and will lie or cheat if it is in their rational best interests to do so. Low Machs will become emotionally involved with the other people in a situation and will lie or cheat when exposed to personal peer pressure rather than appeals to their rational self-interest.

Hegarty and Sims (1978) examined unethical decision behavior in a business context. The subjects were one hundred and twenty graduate business students who made a series of decisions over whether to pay kickbacks or not. Subjects were given rational incentives for unethical behavior. Machiavellianism was

found to be a significant covariate of unethical behavior. A recent study by Geis and Moon (1981) explored the issue of whether high Machs can lie more convincingly than low Machs. Subjects were videotaped denying the knowledge of a theft. Half the subjects had been directly implicated in the theft and the other half made a truthful denial. As predicted, high Machs who were lying were believed more often than low Machs who were lying, as judged by impartial viewers examining videotapes.

In conclusion, people who score high on the Machiavellianism scale are likely to win more often in situations where they can manipulate the behaviors of others. Also, high Machs show a disdain for conventional morality and are more likely to engage in unethical behavior when their rational self-interest is involved. These research findings led us to our first question: Are marketers more Machiavellian than other members of society?

The available research would suggest that the preceding question might be answered affirmatively. As previously discussed, marketing activities are often viewed as being manipulative and of questionable ethics. Further, Machiavellian people seem to be drawn to occupations where manipulation can make a difference. For example, Christie and Geis (1970, p. 346) reported on the results of eleven studies of medical schools. They found that "invariably, potential psychiatrists made the highest Mach score; potential surgeons scored at or near the bottom of the distribution." They explain this finding by pointing out that manipulative skills would be much more important for success in psychiatry than in surgery. Also, a study by Wertheim, Widom and Wortzel (1978) found that several personality dimensions were related to the career choices of students. In particular, students who were majoring in business and law scored significantly higher on the Machiavellianism scale than did students majoring in social work.

Machiavellianism and Personal Characteristics

Our second research question asks: Are some kinds of marketers more Machiavellian than others? Most of the studies conducted to date indicate that Machiavellianism is only minimally related to traditional demographic variables (Christie and Geis 1970, p. 316). Nevertheless, almost all studies show that age is related to Machiavellianism: younger people are more Machiavellian than older people. For example, the norm study on 1782 college students conducted by Christie and Geis showed significantly higher scores on Machiavellianism than the scores in their nationwide norm study on the 1477 adults. Also, the scores on the college-student sample were higher than the scores of the subset of college-educated adults in the adult sample (1970, p. 315).

Two explanations could account for the age-Machiavellianism relationship. One, Machiavellianism may be higher in young adults and then decrease through time. Two, there is a "generation gap" where "each recent generation in the United States is socialized to become more Machiavellian and that lower mean scores among older adults reflect a clinging to values common when they were growing to maturity" (1970, p. 316). Christie and Geis review the empirical evidence and conclude: "available evidence suggests that the younger generation has been subjected to social influences such as increasing urbanization and cosmopolitanism in American society which are conducive to the fostering of manipulative orientations" (1970, p. 338).

Among the other demographic variables, education and sex have been found to be significant predictors of Machiavellianism. Women generally score lower on the Machiavellianism scale (1970, p. 317) and less educated adults normally score higher. However, Christie and Geis explain the negative correlation between education and Machiavellianism as a result of less educated adults being more willing to admit socially undesirable things about themselves on a questionnaire. When social desirability was held constant, the correlations

between Machiavellianism and education change from $-.26$ to $+.02$ (1970, p. 317).

The present study examined age, sex and education, as well as several situation-specific variables. Given the findings of Werthiem, Widom, and Wortzel (1978) (that students majoring in business and law were more Machiavellian than students majoring in social work), one might expect that marketers who had majored in business as undergraduates would be more Machiavellian than marketers who majored in the social sciences or humanities. This would also be consistent with the findings of Siegel (1973) who studied MBA students, business managers, and faculty. MBAs were found to be significantly higher in Machiavellianism than managers in general. Interestingly, they found business faculty members to be the most Machiavellian of all!

Heisler and Gemmill (1977) have suggested that people high in Machiavellianism would be more attracted to small corporations than large corporations because there would be greater opportunity for face to face interaction and opportunity for improvisation in smaller firms. This would suggest that in our study as the size of the firm increases, the number of marketers who are high in Machiavellianism should decrease.

Finally, some kinds of marketing jobs might disproportionately attract persons high in Machiavellianism. In particular, one might expect that marketers in sales positions would be higher in Machiavellianism than marketers in positions such as market research. For example, Christie and Geis (1970, p. 355) suggest that "the high-pressure salesman is enshrined in folklore along with the carnival pitch man as the epitome of manipulation." They further suggest that "salesmen for the Encyclopedia Britannica who prey upon professors with small children are highly Machiavellian." However, the results of four, small, nonrandom samples of salespeople revealed mean Machiavellianism scores below the population as a whole. Christie and Geis (1970, p. 356) rationalized these fin-

dings by suggesting that "the Machiavellian salesmen were so successful that they were promoted to more responsible positions."

Machiavellianism and Success

The final research question asks: Is Machiavellianism related to success in marketing? The underlying issue is whether the admitted success of high Machs to win by manipulating others in laboratory settings can be transferred to socioeconomic success in the real world. The research results so far have been mixed.

The early research of Christie and Geis on the national norm sample of adults showed no relationship between Machiavellianism and socioeconomic success, as measured by an index of "upward social mobility" (1970, p. 354). A second study by Turnbull (1976) on 201 college-student salespeople showed no relationships between Machiavellianism and two measures of sales success. Similarly, on a sample of 99 adult males Touhey (1973) found no relationship between Machiavellianism and social mobility. However, for men with above average intelligence Touhey found a significant positive relationship between Machiavellianism and social mobility. Furthermore, for men of below average intelligence he found a significant negative relationship.

The preceding findings prompted Turner and Martinez (1977) to re-examine the original Christie and Geis data. Their results differed for men and women in the sample. For men with above average educations, they found a significant positive relationship between Machiavellianism and occupational attainment and for men with below average educations they found a significant negative relationship. For women they "found Machiavellianism to have a substantial facilitative effect upon women's occupational attainment, and we found no support for the interaction [between education and Machiavellianism] hypothesis" (1977, p. 334).

Although only suggestive, the findings reported in the preceding paragraph gave direction to the present study. If the laboratory studies on "winning" have external validity, one would expect success in marketing to be positively related to Machiavellianism, particularly for women and for men with above-average educations.

Method

Data Collection

To explore the question, "Is Marketing Machiavellian?" a self-administered questionnaire was sent to 4,282 marketing practitioners. These represented a systematic sample of one out of every four marketing practitioners in the American Marketing Association. Educator and student members were excluded from the sample.

The questionnaire was pretested using a convenience sample of 200 marketers, also obtained from the AMA directory. The final set of mailings consisted of the questionnaire itself, a cover letter, a stamped, pre-addressed reply envelope, a pre-notification postcard sent one week prior to the questionnaire, and a follow-up postcard sent one week after the questionnaire.

A total of 1076 usable questionnaires were returned, for a response rate of 25.1%. Response rates in this range are not uncommon when using marketing practitioners as a sample. For example, Myers, Massy, and Greyser (1980) obtained a response rate of 28.5% in their survey of the American Marketing Association membership and a straightforward membership survey of AMA practitioners conducted by the association reported only a 41% response rate (American Marketing Association, 1982). These studies had the sponsorship of either or both the American Marketing Association and the Marketing Science Institute, which probably accounts for their greater response rates.

Table 1 presents the characteristics of the respondents in this study. A direct comparison between our study and the American Marketing Association membership survey (1982) was not possible due to coding differences on many of the items. On items coded similarly (i.e. education level, age, sex, income) the two samples are very similar. The AMA membership survey had slightly more representation in the manufacturing and service industries, and slightly less representation in the "other" industries category. Some differences also existed in the job titles reported in the two studies. However, these discrepancies are probably due to variations in coding procedures. For example, the AMA membership survey did not report a vice president category and the current study does.

Respondents to the current study were compared on the constructs of Machiavellianism, job satisfaction, age, and income to determine if responses between early and late respondents differed. Using the date a questionnaire was received as a basis, respondents were divided into two groups. A total of 711 (66%) were placed in the early response group and 365 (34%) were placed in the late response group. No significant response differences were found.

Measures

Many of the measures of constructs (i.e. age, education, title, sex, marital status, career emphasis, organization activity) are self-explanatory and can be found in Table 1. The measures of Machiavellianism, job satisfaction, and success require some elaboration.

Machiavellianism

The Mach IV scale developed by Christie and Geis (1970) was used in this study (Appendix A). A Cronbach's alpha coefficient of .76 was obtained for the scale. This compares favorably with the .79 split-half reliability coefficient

reported by Christie and Geis (1970, p.16).

For the Mach IV and all other scale items, respondents were asked to respond in a Likert format: 1) strongly agree, 2) agree, 3) slightly agree, 4) neither agree nor disagree, 5) slightly disagree, 6) disagree, 7) strongly disagree. Mach IV scale items were distributed throughout the questionnaire to minimize response set bias.

Several comments received by the authors pointed out the sexist nature of the Mach IV scale. In particular, the wording of items 16, 18, and 20 was criticized (see Appendix A). Future researchers should "de-sex" the scale by eliminating the male orientation of these items.

Satisfaction

Several measures of job satisfaction were used in this research. The first measure consisted of an index of job satisfaction, shown in Appendix B. Seven of the items were developed by the authors from pre-test responses and focused on various elements of the respondents' jobs. Also, seven items were selected from the Job Characteristics Inventory (Sims, Szilagyi, and Keller, 1976). An alpha coefficient of .89 was obtained for the total satisfaction scale. When the fourteen satisfaction items were factor analyzed, the following four factor solution resulted: 1) satisfaction with information, 2) satisfaction with variety and freedom, 3) satisfaction with ability to complete tasks, and 4) satisfaction with pay and security. Alpha coefficients for each of the four factors were .93, .88, .80, and .56, respectively. These four factors were also used as separate measures of job satisfaction.

The sixth measure was a single item, global assessment of satisfaction: "In general, I am satisfied with my job." The seventh measure of satisfaction also consisted of a single item, designed to assess career satisfaction: "If I had it to do over again, I would choose a career outside the marketing area."

Success

Two measures of success were used in this study: income and job title. Respondents were asked to check one of eleven categories, ranging from under \$10,000 to over \$100,000 in increments of \$10,000 (see Table 1). The second measure of success was each respondent's job title. Respondents were asked to identify their current job title, their firm's industry, and their primary job responsibility. Using this information, respondents were placed in the following hierarchy of job categories:

- 1: Jr. Analyst, Sales Representative, Trainee
- 2: District Manager/Director, Analyst
- 3: Division Manager/Director, Product Manager
- 4: Corporate Manager/Director
- 5: Vice President
- 6: President, Owner

Results

Are Marketers Machiavellian?

The distribution of scores for marketers on the Machiavellianism scale was remarkably symmetrical. The mean score for the sample was 85.7 (including the constant of 20), and the median score was 85.3 with a skewness coefficient of 0.4. Scores ranged from a minimum of 48.0 to a maximum of 123.0 with a standard deviation of 13.2. The standard deviation is in line with standard deviations reported in previous research.

Two national norm studies have been conducted using the Machiavellianism scale. The first study was conducted on a sample of 1,782 college students. The second was on a representative sample of 1,482 noninstitutionalized adults within the United States obtained through the National Public Opinion Research Center. The mean scores of these two studies, as well as the scores of several small-sample studies, are reported in Table 2. As expected, Table 2 shows that

the mean score for marketers (85.7) was significantly lower ($p < .01$) than the mean score (90.7) for students. Historically, adults score lower on the Machiavellianism scale than do students. On the other hand, the score of 85.7 for marketers is within 1.2 scale points of the mean score of 84.5 for the adults norm study.

Unfortunately, Christie and Geis do not report a standard deviation for their adult norm study (Christie and Geis 1970, p. 315). This is because they were forced to use a short ten-item version of the scale in the national norm study. They conclude that "estimates of what the standard deviation would have been for the NORC sample if they had taken the full scales are slightly higher, but cannot be precise enough to serve as a test of the differences" (Christie and Geis 1970, p. 315). The most conservative posture possible for this study is to assume that the standard deviation for the adult norm study is exactly the same as the standard deviation for the student norm study, that is, 14.3. Given such an assumption, even with the extraordinarily large sample sizes of the two studies the difference between the mean scores of the two studies is not significantly different at the 0.01 level. Even if the difference of 1.2 scale points between the two samples had been statistically significant, it would not have had practical significance. Recalling that the Machiavellianism scale is a summated scale, a difference of 1.2 total scale points over 20 items would represent only a difference of 0.06 on each individual item in the scale. Few researchers would claim that Likert-type items have such fine discriminating power.

How do marketers compare with other specific groups in our society? Table 2 shows the means scores reported in other studies for several different populations. Although the mean score for marketers is significantly different from the other studies, the temptation to claim that marketers are either "more" or

"less" Machiavellian than these other groups should be avoided. Unfortunately for our purposes, all of these other studies used relatively small, convenience samples. The studies were primarily laboratory experiments used to test specific behavioral hypotheses and, therefore, representativeness of their samples to some external population was not a major concern of the researchers.

Machiavellianism and Personal Characteristics

Although the results shown in Table 2 indicate that marketers are no more Machiavellian than other members of society, there are obviously some marketers who score very high on the Mach IV scale. No absolute cut-off points exist to distinguish "high Machs" from "low Machs." However, it is worth noting that over ten percent of all marketers in our sample scored in excess of 100 on the scale. Scores of this magnitude in the literature on Machiavellianism are generally considered to be very high. Similarly, approximately ten percent of our sample scored below 70, a relatively "low" score. Obviously, some kinds of marketers are much more Machiavellian than others. Our second research question focuses on the characteristics distinguishing high Machs from low Machs in marketing.

Table 3 shows the results of a multiple regression with Machiavellianism as the dependent measure and several characteristics of marketers as independent variables. The independent variables are displayed in the order in which they entered a preliminary stepwise regression. In many respects the regression results are consistent with previous studies on Machiavellianism. For example, the low R^2 (0.07) is consistent with the conclusion of Christie and Geis (1970, p. 316) that demographic-type variables usually explain only a small percentage of the variance in Machiavellianism scores. Similarly, consistent with all of the past research, there was a strong relationship between age and

Machiavellianism. Younger marketers are more Machiavellian than older marketers and singles are more Machiavellian than marrieds. Nevertheless, several of our findings directly contradict either the research findings of previous writers or their speculations.

Sex was a significant predictor of Machiavellianism: women were more Machiavellian than men. This finding is inconsistent with most studies, which generally show women to score lower in Machiavellianism than men. The regression results also show, contrary to the findings of Werthiem, Widom and Wortzel (1978), that marketers who majored as undergraduates in business administration are not more Machiavellian than marketers who majored in other areas. Similarly, contrary to previous research and speculation, neither education nor size of firm was a significant predictor of Machiavellianism. That is, marketers who are more highly educated are not more Machiavellian and neither are those who work for smaller companies. Finally, there were no significant differences relating to the kinds of jobs that marketers hold. Marketers in sales and advertising positions were not more Machiavellian than marketers in marketing research or staff positions. Taken in toto, the results suggest that marketers who are high in Machiavellianism have a tendency to be younger, single and female.

Machiavellianism and Success

Our third research question asks "Is Machiavellianism related to success in marketing?" Consistent with previous research, this study employed two measures as indicators of success: job title and income level. Table 4 displays the multiple regression results with income and job title as dependent variables and age, sex, education and Machiavellianism as independent variables. Since previous research has found the relationship between Machiavellianism and success

to be different for men and women, we also conducted separate analyses for male respondents and female respondents.

Income as Dependent Variable

The simple correlations between income and each independent variable for the total sample show a relatively strong positive relationship (0.43) between income and age and a weaker positive relationship (0.09) between income and education. Both relationships were expected. One would obviously expect that older marketers would have higher incomes than younger marketers. Similarly, with such a small variance in education level (97 percent of our sample had at least a bachelor's degree), one would not expect a very strong relationship between years of education and level of income. The simple correlations also show a strong negative relationship (-0.33) between sex and income and a relatively strong negative relationship (-0.15) between Machiavellianism and income. That is, the simple correlations suggest that women marketers earn less than their male counterparts and respondents who are more Machiavellian have lower incomes. Since the purpose of this article is to explore Machiavellianism in marketing (rather than sex discrimination in marketing), the issue of potential sexual bias will not be further addressed here.

The multiple regression results reported in Table 4 show that the negative relationship between Machiavellianism and income for the total sample is probably spurious. When age, sex and education are entered as control variables in the regression, Machiavellianism ceases to become a significant predictor of income. As previously discussed, there is a strong negative correlation between Machiavellianism and age. When income is controlled for age, the relationship between Machiavellianism and income almost vanishes entirely. Since it is unlikely that Machiavellianism "causes" people to grow older, the regression

results strongly suggest that the simple correlation between Machiavellianism and income is spurious.

Since previous research has found that Machiavellianism is strongly related to success for females, Table 4 also shows the regression results for women and men treated separately. Both the simple correlations and the regression results show similar patterns for both males and females. Again, there are strong positive correlations between age and income, and negative correlations between Machiavellianism and income. Nevertheless, the regression results suggest that the negative relationships between Machiavellianism and income for both samples are spurious.

Job Title as Dependent Variable

The same pattern emerges when job title, rather than income, is used as an indicator of success in marketing. Table 4 shows positive correlations between age and job title for the total sample and for the male/female splits. Likewise, there are negative correlations between Machiavellianism and job title in all three cases. However, once again, the regression results show that the simple correlations between Machiavellianism and job title are probably spurious. All six regressions consistently indicate that there is no relationship between Machiavellianism and success in marketing.

Satisfaction as Dependent Variable

Even though Machiavellianism is not related to success in marketing it could still be related to job satisfaction. That is, it could be the case that marketers high in Machiavellianism are more satisfied with performing the kinds of tasks required in marketing positions. To explore this issue we gathered data on seven measures of satisfaction: an index of job satisfaction, a global measure of job satisfaction, a measure of satisfaction with marketing as a

career, and satisfaction with information, job closure, variety and pay.

Table 5 displays the results of the multiple regressions with the seven measures of satisfaction as dependent variables and income, age, sex, education and Machiavellianism independent variables. There is a relatively strong negative correlation between Machiavellianism and each of the seven measures of satisfaction. In each case marketers who are more Machiavellian are less satisfied with their jobs in general and with marketing as a career. When income, age, sex and education are entered into the regression equations as control variables, the relationship between Machiavellianism and each of the seven satisfaction measure continues to be statistically significant. Somewhat surprisingly, Machiavellianism explained more of the variance in each of the seven measures of satisfaction than did income. We also ran regressions with satisfaction as the dependent variable and the additional variables listed in Table 3 as control variables. In each case, not only did the negative relationship between Machiavellianism and satisfaction remain statistically significant, but also, Machiavellianism was the single best predictor of satisfaction in marketing.

DISCUSSION

The generalizability of survey research is always a legitimate concern. In this case our sample population consisted of practitioner-members of the American Marketing Association. The quality of the sample drawn from this population suggests that our findings reasonably portray the characteristics of this population. However, to what extent is the American Marketing Association representative of the total universe of marketers in our society? Unquestionably, the AMA is more representative of the universe of marketers than other professional associations, since other professional associations related to marketing tend to be more narrow in scope. Examples are the American Association of Advertising

Agencies and the national associations representing wholesalers and purchasing agents. Nevertheless, people who join the American Marketing Association are more likely to view marketing as a profession than "just a job." Therefore, the AMA membership probably overrepresents marketing management and underrepresents those on the lower rungs on the marketing employment ladder.

To what extent are our findings biased as a result of our sample overrepresenting professional marketers? A priori, one might expect that a group of marketers who considered marketing to be a profession would likely be more ethical and less Machiavellian than the universe of marketers. On the other hand, past research has consistently found that professionals systematically score higher in Machiavellianism than the public at large (Christie and Geis, 1970, pg. 355). Furthermore, as one of our colleagues pointed out, joining an association such as the American Marketing Association may be precisely the kind of behavior a Machiavellian would engage in. A professional association is an excellent way to "make contacts," an activity which would certainly be perceived as important by someone high in Machiavellianism. Therefore, although our findings should probably be generalized only to the universe of professional marketers, there is no reason to believe that our findings are systematically biased either higher or lower for the universe of marketers.

Our study, consistent with past research, found a strong negative correlation between age and Machiavellianism. As previously discussed, Christie and Geis attributed the negative correlation to a "generation gap" where "each recent generation in the United States is socialized to become more Machiavellian and lower mean scores among older adults reflect a clinging to values common when they were growing to maturity" (1970, pg. 316). It is worth noting that the Christie and Geis norm studies on adults and students were conducted in 1963 and 1964, respectively. The mean age for our sample of marketers

was 39.4, suggesting that our "average" respondent was a college student at the very time the norm study on college students was undertaken. If each generation in America is becoming "more Machiavellian," why did we not find the scores of present-day marketers to reflect the scores of students of two decades ago? At the very least, our findings suggest that the relationship between age and Machiavellianism should be reexamined and point out the desirability of new national norm studies.

Our finding that Machiavellianism is not related to success in marketing does not necessarily refute the findings of Turner and Martinez (1977) that Machiavellianism is positively related to success for males with "high" education. First of all, Turner and Martinez considered "high" education to be a high school education and above. In contrast, 97 percent of our sample was college educated. Furthermore, Turner and Martinez used a short-form version of the Machiavellianism scale with only five scale points and relied on income estimates provided by spouses. The reliability of their income and Machiavellianism measurements would therefore be less than ours. Finally, the Turner and Martinez sample was, of course, a probability sample of noninstitutionalized adults in the United States, while our sample was restricted to marketers. These differences suggest that our findings on success and Machiavellianism do not directly refute Turner and Martinez.

Almost all past research has found women to score lower than men on the Machiavellianism scale. Our opposite finding could result from self-selection. Women who are low in Machiavellianism may perceive that they would not be successful in marketing and, therefore, may not seek out positions in marketing. Alternatively, women who are low in Machiavellianism could be perceived by prospective employers as having little potential for success in marketing and

might not be hired. In either case, our data suggests both perceptions would be wrong: women marketers who are high in Machiavellianism are no more successful than their low Machiavellian counterparts.

CONCLUSION

Is marketing Machiavellian? Although it is customary in academic research to report all findings as merely suggestive, the results of this study appear to be clear, consistent and compelling. The only way that the marketing profession can be considered Machiavellian is if our entire society is Machiavellian. Rather than admit that marketing is not Machiavellian, some social critics would probably condemn American society as a whole. The present authors do not share this deprecatory view.

Marketing has its "share" of Machiavellians - no more, no less. Further, marketers high in Machiavellianism are not disproportionately located in any particular marketing occupation (such as sales). Most importantly, there appears to be no evidence that one has to be Machiavellian to succeed in marketing. In fact, people who are high in Machiavellianism seem to be less satisfied with their marketing careers than those who are low in Machiavellianism.

TABLE 1
Characteristics of Sample

Characteristic		Characteristic	
Activity of Organization		Education Level of Sample	
1. Manufacturing	29 ^a	1. No College Degree	3
a. consumer products	14	2. Bachelor's Degree	39
b. industrial/institutional products	15	3. Master's Degree	53
2. Services	29	4. Doctorate	5
a. market research	14		100
b. advertising	10	Major Field of Study	
c. consulting	5	1. General Business	20
3. Finance, Insurance, Real Estate	10	2. Business Marketing	24
4. Other	31	3. Business Accounting	1
5. No Answer	1	4. Business Management	2
	100	5. Business Statistics	2
		6. Business Finance	1
		7. Engineering	8
		8. Other Technical (e.g. Physics)	9
		9. Social Sciences	15
		10. Humanities	10
		11. Other (e.g. Education)	9
			100
Job Title		Income	
1. Other; Junior Analyst, Sales Representative, Trainee	7	1. Less than \$10,000	1
2. District Manager/Director, Analyst	18	2. \$10,000 to \$19,999	7
3. Division Manager/Director, Product Manager	16	3. \$20,000 to \$29,999	21
4. Corporate Manager/Director	29	4. \$30,000 to \$39,999	25
5. Vice President	18	5. \$40,000 to \$49,999	17
6. President, Owner	11	6. \$50,000 to \$59,999	10
7. No Answer	1	7. \$60,000 to \$69,999	7
	100	8. \$70,000 to \$79,999	4
		9. \$80,000 to \$89,999	3
		10. \$90,000 to \$99,999	1
		11. \$100,000 or more	4
			100
Career Emphasis		Age	
1. Marketing Management	37	20-29	18
2. Sales	7	30-39	40
3. Marketing Research	41	40-49	22
4. Advertising	7	50-59	16
5. Staff Positions	8	60 or more	4
	100		100
Size of Firm Worked for (Number of Employees)		Median Age (years)	
1	2		37
2 to 9	7	Sex	
10 to 19	5	Male	70
20 to 49	7	Female	30
50 to 99	5		100
100 to 249	11	Marital Status	
250 to 499	9	Married	72
500 to 999	10	Single	28
1000 or more	44		100
	100		

^aNumbers in table are percentages unless otherwise noted.

TABLE 2
Machiavellianism Scores of Different Populations

	<u>Mean^a</u>	<u>S.D.</u>	<u>n</u>	<u>Reference</u>
108.13	12.9	105 male employees	Touhey (1973)	
99.6	12.6	122 purchasing managers	Chonko (1983)	
90.7	14.3	1782 students	Christie and Geis (1970)	
88.7	14.5	211 community college teachers	Hollon (1975)	
85.7	13.2	1076 marketing professionals	The Present Research	
84.5	N.A. ^b	1477 adults	Christie and Geis (1970)	
82.1	14.1	183 student teachers	Biggers (1978)	
80.0	15.6	149 managers	Gemmell and Heisler (1972)	
73.3	11.0	52 school superintendents	Volp and Willower (1977)	

^a Following Christie and Geis (1970), a constant of 20 has been added to all scores. Therefore the total score at the theoretical neutral point is 100(4.0 x 20 items + 20). The maximum score is 160 (7.0 x 20 items + 20) and the minimum score is 40 (1.0 x 20 items + 20).

^b This sample received only ten item version on a five-point scale, instead of 20 items on a seven-point scale. Estimates of what the standard deviation would have been had the respondents taken the full scale were slightly higher than for the student sample (Christie and Geis, 1970).

TABLE 3
 Regressions: Characteristics Related to Machiavellianism^C

<u>Independent Variable</u>	<u>Simple Correlation</u>	<u>Standardized Regression Coefficient</u>	<u>t</u>
Age	-.20	-.16	4.90 ^a
Marital Status	.16	.09	2.86 ^a
Business Major	-.07	-.04	0.81
Sex	.16	.09	2.44 ^b
Social Science Major	.11	-.08	1.92
Education	.03	.03	0.80
Marketing Research Positions	.04	-.02	0.45
Size of Firm	.03	.02	0.55
Advertising Positions	.01	.02	0.48
Humanities Major	.04	.02	0.60
Technical Major	-.02	.02	0.44
Sales Positions	-.01	.03	0.08
Marketing Management Positions	-.05	.03	0.05
Constant	63.0		
R ²	.07		
F	6.31 ^b		

^a significant at the .05 level
^b significant at the .01 level
^c summated score on Mach IV scale as dependent variable

TABLE 4
Regressions: Machiavellianism and Marketing Success

Characteristic	Income As Dependent Variable				Title as Dependent Variable													
	Total Sample	males	females	Total Sample	males	females	Total Sample	males	females									
Age	.43	.37	12.8a	.39	.39	11.1a	.35	.35	6.3b	.37	.32	10.6a	.34	.33	9.1a	.28	.37	6.6a
Sex	-.33	-.22	7.5a							-.22	-.14	4.7b						
Education	.09	.06	2.2b	.05	.08	2.2b	0	.02	0.5	-.05	-.06	2.1b	-.12	-.06	1.8	-.11	-.09	1.6
Machiavellianism	-.15	-.04	1.5	-.11	-.06	1.6	-.08	-.01	0.2	-.14	-.04	1.5	-.08	-.05	1.5	-.10	-.02	0.4
Constant	2.38			0.93			1.27			3.61			3.86			4.63		
R ²	.25			.16			.12			.16			.12			.15		
F	80.9a			45.7a			13.9a			48.1a			32.7a			17.3a		

a significant at the .01 level
 b significant at the .05 level
 c r = simple correlation coefficients
 d b = standardized regression coefficients
 e t = t value for regression coefficients

TABLE 5
Regressions: Machiavellianism and Job Satisfaction

Characteristic	Index of Total Satisfaction		Satisfaction with Information		Satisfaction with Job Closure		Satisfaction with Variety		Satisfaction with Pay		General Satisfaction		Satisfaction with Career								
	r	b	r	b	r	b	r	b	r	b	r	b	r	b							
Income	.24	.22	6.5b	.14	.14	4.0b	.09	.05	1.5	.22	.19	5.6b	.23	.25	7.4a	.20	.19	5.5b	.12	.14	4.1b
Age	.13	-.06	0.1	.05	-.03	1.1	.11	.07	2.0	.15	.03	1.0	.09	-.05	1.4	.13	.13	.04	.03	-.07	2.0
Sex	-.05	-.003	1.7	-.02	.03	0.9	-.001	.05	1.6	-.07	.01	0.5	-.01	.08	2.5	-.03	.06	1.9	-.02	.03	0.9
Education	-.06	-.05	2.2	-.002	-.008	0.3	-.06	-.05	1.4	-.06	-.06	2.3	-.09	-.09	3.1	-.05	-.05	1.8	-.10	-.10	3.3
Machiavellianism	.27	.25	8.2a	.16	.15	4.9b	.18	.17	5.3b	.23	.20	6.4b	.26	.25	8.2a	.28	.26	8.5a	.21	.21	5.8a
Constant	22.20			10.2			2.9			6.71			2.3			0.81					-0.51
R ²	.12			.04			.05			.10			.13			.11					.07
F	28.2a			8.86a			9.80a			21.7a			29.4a			25.9a					15.4

a significant at the .01 level
 b significant at the .05 level
 c see Appendix 3 for measures
 d r = simple correlation coefficients
 e b = standardized regression coefficients
 f t = t value for regression coefficients

APPENDIX A
The Mach IV Scale^a

Item	Classification ^b
1. The best way to handle people is to tell them what they want to hear.....	tactics*
2. When you ask someone to do something for you, it is best to give the real reasons for wanting it rather than giving reasons which might carry more weight.....	tactics
3. Anyone who completely trusts anyone else is asking for trouble.....	tactics*
4. It is hard to get ahead without cutting corners here and there.....	views*
5. Honesty is the best policy in all cases.....	tactics
6. It is safest to assume that all people have a vicious streak and it will come out when they are given a chance.....	views*
7. Never tell anyone the real reason you did something unless it is useful to do so.....	tactics*
8. One should take action only when sure it is morally right.....	tactics
9. It is wise to flatter important people.....	tactics*
10. All in all, it is better to be humble and honest than important and dishonest.....	morality
11. Barnum was very wrong when he said there's a sucker born every minute.....	views
12. People suffering from incurable diseases should have the choice of being put painlessly to death.....	morality*
13. It is possible to be good in all respects.....	tactics
14. Most people are basically good and kind.....	views
15. There is no excuse for lying to someone else.....	tactics
16. Most men forget more easily the death of their father than the loss of their property.....	views*
17. Most people who get ahead in the world lead clean, moral lives.....	views
18. Generally speaking, men won't work hard unless they're forced to do so.....	views*
19. The biggest difference between most criminals and other people is that criminals are stupid enough to get caught.....	views*
20. Most men are brave.....	views

^aChristie, R. and Geis, F.L (1970) Studies in Machiavellianism, New York, Academic Press, p. 17-18.

^bThe classification of items was developed by Christie, R. and Geis, F.L. (1970). Tactic items are concerned with the nature of the person's interpersonal tactics. Views items are concerned with an individual's views of human nature. Morality items are concerned with abstract or generalized morality.

*These items were reverse scored in the present study. High total scores (disagreement with statements) were then interpreted as a high Machiavellian orientation, and low total scores (agreement with statements) were interpreted as a low Machiavellian orientation.

APPENDIX B
Factor Analysis of Satisfaction Stems

	Factor Loadings ^a			
	1	2	3	4
Satisfaction with Information^b				
1. I am satisfied with the informatin I receive from my superior about my job performance.....	.87			
2. I recieve enough information from my supervisor about my job performance.....	.88			
3. I receive enough feedback from my supervisor on how well I'm doing.....	.92			
4. There is enough opportunity in my job to find out how I am doing.....	.65			
Satisfaction with Variety^b				
5. I am satisfied with the variety of activities my job offers.....	.82			
6. I am satisfied with the freedom I have to do what I want on my job.....	.59			
7. I am satisfied with the opportunities my job provides me to interact with others.....	.48			
8. There is enough variety in my job.....	.75			
9. I have enough freedom to do what I want in my job.....	.62			
10. My job has enough opportunity for independent thought and action.....	.62			
satisfaction with Closure^b				
11. I am satisfied with the opportunities my job gives me to complete tasks from beginning to end.....	.76			
12. My job has enough opportunity to complete the work I start.....	.71			
Satisfaction with Pay^b				
13. I am satisfied with the pay I receive for my job.....	.51			
14. I am satisfied with the security my job provides me.....	.66			

^aVarimax rotation. R^2 for each of the four factors is 41.0, 13.5, 8.5, 7.8, respectively.

^bItems 1-14 are combined to form the index of total satisfaction.

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MARKETS AS ETHICAL BEHAVIOR SYSTEMS

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MARKETS AS ETHICAL BEHAVIOR SYSTEMS

Abstract

Attention to marketing ethics is ordinarily concentrated on decision rules and behavior of firms or individuals. This paper broadens that focus to the market settings wherein marketing takes place. Do markets have properties which foster behavior that, in philosophical terms, would be regarded as ethical? Or is ethical behavior the result of firms and individuals overriding the tendencies fostered by market or business incentives and culture? Both a policy orientation and valid science require that markets be studied in the context of the relevant range of social and political interactions. That is, markets and businesses are only a part of the relatively continuous web that is social organization. Market forces, per se, and other social forces tend to reward behavior that is altruistic and punish behavior that is egoistic; success is fostered by a balancing of interests and claims, rights and duties regarding various stakeholders. Market imperfections or failures, regulatory or structural features which distort or frustrate that balance are a more useful typology for study and correction than those derived from the theory of competition alone.

Introduction

An all too popular misconception is that business ethics is a contradiction in terms. Virtually all organizations and institutions have an observable ethos, a distinguishing moral ideal that guides actions and relationships with the people who serve or depend on them, a vision that aids in resolving conflicts over rights and duties, in defining right and wrong. But that alone is hardly a sufficient basis for this discussion. After all, the government of South Africa and the Mafia also each have an ethos, either available from constitutionally avowed philosophies or to be inferred from their policies and acts. In any but the loosest construction of terms, the ethical characters of these institutions could hardly be described as either moral or ideal. More to my point is that the nature of most marketing enterprises, dependent on political and economic approval for their survival, requires a fairly high standard of morality. Certainly there are temporary exceptions to this generalization - even a few that seem to persist. But adherence to widely accepted standards of respect for the rights and needs of employees, customers, suppliers, competitors, residents of communities where they do business, and, of course, shareholders is a necessary predicate for profitable operation. An important correlate of this predicate -- sometimes consequence, perhaps prerequisite, probably a little of each -- is that the persons who ascend to power and leadership in business organizations are likely to be men and women who hold high moral standards and, more important, can claim a history of decisions and actions that testify to those standards. It is in the nature of most persons and human organizations to maintain patterns of behavior that assure social survival. Business people and business organizations rarely deviate from that rule - at least deliberately. On this reasoning, testable through observation, one may conclude: (a) business is not inherently

unethical; (b) business can be ethical and still "do business;" and, perhaps most important, (c) business should be ethical because it is a requisite of survival. At least within the relativistic context of the expectations of the groups with whom businesses transact their business, it is the nature of business to be ethical. Stated more strongly, the nature of business in general and of "successful" businesses in particular implies a higher level of morality than is predictable for many, if not most, other human institutions not subject to continuous tests of their legitimacy and effectiveness, including some whose morality is seldom challenged -- courts where justices serve for life, churches with supernatural sanctions, and governments with judicial and military protection.

The foregoing remarks are a slightly abridged version of an introduction to an informal presentation made last Fall to an assembly of Toledo faculty members, primarily from humanities disciplines. As one might suspect in such a setting, my thesis was broadly questioned on both technical and semantic grounds. At least most of that audience remained unconvinced that business activities were much more than a necessary evil in a society founded on principles of liberty, equality, and laws designed to protect men from oppression. Certainly they were not persuaded that business institutions were more likely to be just than democratic governments or churches, hospitals, and social service agencies whose very foundations seem to be about commonweal or love of neighbor.

This paper is, in a sense, a variation on that theme. My focus is more on markets and marketing than on business in general. Also, in the spirit of the concept of macromarketing, I will distinguish between markets as an agglomeration of acts and actors and individual firms and their marketing tasks. And, of course, in this more disciplined setting, a bit more care about explaining concepts and theoretical and empirical predicates and relating them to the macromarketing literature is in order. Finally, some attention

to policy implications will be given. Overall, however, the basic argument remains intact. That is that the checks and balances that operate within the market and on it tend to generate behavior that is ethical.

Marketing Ethics and Markets

Ethics is conventionally defined as the systematic study of behavior with a view to right and wrong or good and evil. While there are subtle etiological differences, the term "ethics" is quite commonly interchanged with that of "morals" and "virtue." And, while differing philosophic viewpoints may put more or less emphasis on these matters, issues of duty or obligation, and intentions, means, and ends or consequences tend to be raised.

A specific application of ethics is likely to take the form: given a particular set of circumstances, alternative courses of action, and likely consequences, ethical considerations directly prompt or preclude one or another course of action or, perhaps, prompt or preclude one or another outcome with implications for the choice of action. In this sense, of course, simple profit maximization or any other formula for optimizing the interest of the actor is an ethic. More conventionally, ethics takes some notice for the welfare of alter -- others -- when situations pose conflicts between the interests of ego and alter. Some ethical systems give regard to comparative claims, i.e., of various others, which some give primary attention to the inherent character of actions per se: The Decalogue, for example, provides a rather broad indictment against killing, stealing, and lying with little regard - and that a matter of interpretation - for whether the consequences of these acts might, in some respect, be beneficial.

There are a great many ethical systems or schools of thought reflecting different philosophers, cultures, and social organizations at different points of history. In most instances, there is considerable room for debate about whether or how any one of these systems might apply to a particular problem. Differing

systems sometimes reach the same conclusion but for different reasons, e.g., wanton disregard of human life is condemned by utilitarians ("greatest good for the greatest number"), proportionalists ("a major evil can only be justified if necessary to avoid an even greater evil"), and natural law advocates (killing is intrinsically evil). Similarly, all three systems would condone the theft of food from a grocer by a man with no other means of obtaining food for his family. But even these intellectually trivial problems would not generate universal agreement. Many cultures condone killing one man to save the honor or reputation of another or as a form of organized punishment for seemingly trivial violations of a social code. In our own nation, the grocery theft would be treated as a criminal act, albeit a misdemeanor; withholding of a formulary penalty would require an understanding judge and, most likely, the absence of any prior criminal record. More complicated problems, e.g., induced abortion, war, and, in the realm of business, questions of the "just wage," worker safety and health, and misleading advertising tend to produce widely variant ethical prescriptions, perhaps explaining why there is so much controversy over these issues even among disinterested parties. Marketing ethics is, of course, the application of ethical discipline to marketing policies and practices. The aforementioned question of misleading advertising is laden with ethical implications. An inquiry into a specific problem would cover such issues as the intent of the advertiser, whether the "misleadingness" is explicit or a matter of audience interpretation, who is most likely to be misled, and what, if any, are the costs of being misled for both prospective buyers and others who may involuntarily be affected, e.g., competitors. The prospect of spillover benefits for some affected parties and the model established for other advertisers may also be the subject of investigation or, at least, speculation. The result of such an inquiry might be to approve or reject the advertising or to suggest specific modifications

which promise to align the advertising itself or its consequences with the criteria and standards used to evaluate it. Other issues in marketing commonly given ethical scrutiny include product safety; ecological (conservation, pollution) aspects of products or distribution methods; price discrimination and monopolistic pricing; bribery, gifts, kickbacks, and other extratransactional methods of selling; marketing efforts which take advantage of particularly vulnerable publics -- the aged, the poor, the ill, etc.; and, in general, sharp practices and policies which may in some sense or other, be viewed as unfair with respect to customers, suppliers, or competitors. In all of these issues there are implicit notions that one or another party has rights that are being disregarded, of duties or obligations that should be attended, of specific practices or consequences that should be eschewed or, at least, weighed carefully.

It is notable -- and really quite proper -- that most writing and discourse dealing with marketing ethics concentrates on the firm and its management or agents (sales personnel, dealers, ad agencies) and conflicts in rights and duties between the firm and its various constituencies or "stakeholders" (customers, employees, suppliers, competitors, shareowners, etc.). Quite proper because ethics is essentially a matter of choice between doing and not doing or of doing one thing as opposed to one or more other things; ethical criteria relate more or less directly to the thing done or to the consequences for ego and alter of the thing done or not done. The focus of this inquiry, while encompassing firms and the ethical aspects of their choices, is explicitly larger. The question posed by the title is, in effect, "To what extent do markets, the interactive systems in which marketing choices are made, in which marketing processes occur, have the capacity for virtue?" Concentration on marketing and firms seems incomplete in one or the other of two respects:

(1) Considerations of ethics in marketing, e.g., equity, truthfulness, and beneficence or injury and alternative guidelines or frameworks for choice assume that the market context of choice or behavior or its consequences is given. Such an assumption fails to confront, for example, the radical views of Marx and the Utopian Socialists and their intellectual offspring that there are inherent properties of markets -- and such institutional or motivational antecedents as private property, freedom of contract, or self interest -- that are immoral. It is beyond the scope of the present inquiry to make this confrontation directly. And, one suspects, that would not be a particularly productive enterprise. Nonetheless, the normative content of macromarketing should certainly not be limited to specific or general notions of managerial oughtness without giving attention to those forces which facilitate or make difficult, reward or penalize policies and practices derived from such a consideration.

(2) A not too casual reflection on human tendencies - including some introspection - suggests that heroic virtues, i.e. - moral behavior undertaken at great personal sacrifice is quite rare indeed. In fact, a cynical view is that most moral heroes are insane, poorly informed, simply clever and driven by engines of self-interest that we cannot understand or appreciate, or, most likely, persons whose circumstances or psychology has cast them in risk-taker roles. A practical ethic, on the other hand, should be one that ordinary, more or less rational mortals can apply in relatively common situations without risking life, social esteem, or property. Nostrums, frameworks, or even elaborate lines of inquiry and reasoning will only be followed if they constitute, in the sense just given, a practical ethic. While some heroism may occasionally be called for -- the single product firm whose product turns out to be injurious in some important way -- ethics will be little more than a philosophical fantasy or a critic's hammer if ethical choices necessitate

major sacrifices for the person choosing. The reason why our humanities colleagues sometimes sneer cynically at our protestations regarding marketing or business ethics is because they really are absurd. Most philosophers of ethics, from Aristotle to Rawls, and most cultural or religious systems of ethics actually offer rules or reasons for choice or choices which are fairly well in line with self preservation of self actualization, i.e., self-interest. If the forces acting on and within markets require moral heroism of marketing actors, then ethical behavior will be exceptional rather than ordinary regardless of how much professors or philosopher-executives ruminate over measures and criteria of right, good, and duty. Rather, since markets are behavior systems of man's creation, they can be modified by men so that men -- or firms -- seeking their own interests will find ethics practical. Markets are systems of exchange - theoretical spheres where buyers and sellers, forces of demand and supply interact to bring about exchange. Only one of these forces is that of competition.

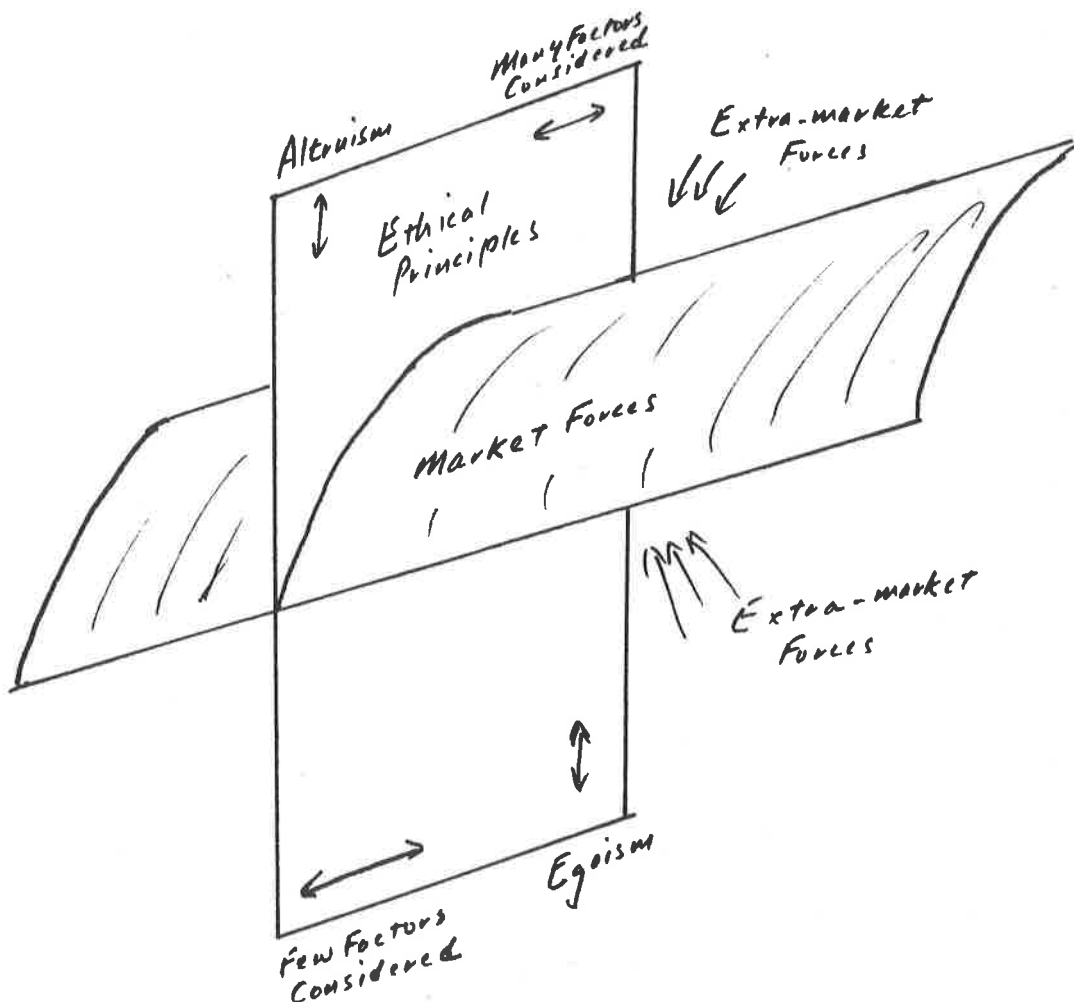
An admittedly imperfect metaphor is that a market is a playing field on which the game of marketing is played. Some markets are highly organized with codified rules of entry and play, e.g. organized baseball and a major league stadium. Most playfields are much more informal in character -- the one behind your neighborhood school, for example. Entry is rather casual and the rules of play are primarily a matter of custom. But these rules are enforced and entry, while theoretically open, tends to discriminate against those who do not abide by the unwritten rules. Occasionally a playground supervisor or police officer -- or a parent or one of the bigger kids -- will intervene in a particularly serious dispute. It should also be noted that in these neighborhood playgrounds the game observed is not the only game; the game relationships among the players are not the only operating relationships. Friendships and enmities founded in other places are brought to the game

and affect who is chosen on teams or as captain, who gets to pitch or play right field, who has to bring a bat or loan his glove in order to be asked to play. Relationships developed at the playground may also carry to other settings. Finally, there are playfields, for example at large metropolitan parks where entry is studiedly open but supervision is more continuous. Relationships among players are much more likely to be uni-dimensional or less textured, i.e., relate strictly to the activity of the moment, and, at least for many, be quite discontinuous or episodic.

Only a little imagination should be required to see how markets parallel these images. The New York Stock Exchange or Lloyd's of London are the major leagues of markets. Most industrial and wholesale markets and many retail markets conform to the neighborhood playfields: buying and selling is intermixed with golf, political advocacy, churchgoing and kid-raising, and a whole range of social relationships. Analagous to the large public park with its formal structure but limited social texture are the markets dominated by supermarket, discount, and department store chains - heavy on written policies, weak on those matters not specified in the policy manual.

Return, now, to a more direct consideration of markets -- as systems of problem solving and choice. These choices may have ethical implications; the behavior and consequences resulting from those choices may have ethical content. Markets are really institutions which bind persons and organizations together in terms of reciprocal rights and duties, in terms of behaviors expected, encouraged, merely tolerated, or actively discouraged, and in terms of consequences anticipated and either actualized or not. The instant question is whether or not markets encourage or discourage behaviors and consequences which, from the perspective of a philosopher-manager, would be aligned with ethical reasoning. First, the nature of this question bears some brief explanation.

In a geometric sense, "the capacity of markets for virtue" involves the intersection of two planes. One plane is that of the market itself, really the various intra-market and any extra market forces which inform or influence choices. The intersecting plane, at least superficially, appears less complex. That is the ethical plane; points on that plane can be described in terms of their reflection of altruism or "high-mindedness" and the degree to which complicating factors are involved in choices. This notion of intersecting planes is presented below. The attitude and height of the market plane relative to the ethical plane is a figurative way of characterizing the capacity of that market for virtue. To understand the tensions at the intersection of the ethical plane and the market plane (or field of force), the relevant characteristics of the two planes must be examined.



The Character of Marketing Ethics

First, it must be understood that marketing ethics is ethics applied to marketing -- it is first and foremost ethics -- not some transmutation bearing little resemblance to the discipline of right and good that guides choices in other realms of social organization. Markets are, of course, complicated systems in which the simple nostrum "Do good and avoid evil" provides little or no guidance. Some measure of benefit and harm exists in most marketing decisions. Further, the notorious cases of life and death or poverty and wealth that capture popular debate on ethics are only rarely present in the ethical agenda of most marketing executives. But these characterizations are valid in other social spheres as well. There is very little ethical theorizing about marketing or, for that matter, business in general, in which linkages to more general theories are not evident.

Laczniak's recent and instructive article (1983) warrants discussion here. He notes the weakness of simple rules as guides to action and goes to what he terms "frameworks" -- perspectives from which specific rules may be derived. The sources of his frameworks are (1) W.D. Ross (1930) who offered a theory of duties (e.g., fidelity to contracts, truth-telling, gratitude, justice, beneficence, self-improvement, and nonmaleficence*); (2) Thomas Garrett (1966) who offers the theory of proportionality (e.g., goodness of ends must justify unwilled side effects, unethical to will major evil); and (3) John Rawls (1971) whose principles of "initial position" or risk minimization (the ethical choice is what a rational man would choose if he had no knowledge of his position in life), liberty, and equality/inequality (generally favor the least advantaged but allow inequality to the extent that all gain and no one suffers.) Among these, only Garrett has concentrated on business ethics and his theory seems to be a conditioned formulation, as is that of

*Hobbes (1839, p. 144-5), in a variation of the "Golden Rule," handled the concept of nonmaleficence more simply: "Don't do to others what you would not have them do to you."

Rawls, of utilitarianism (Wolff, 1977). Rawls' notion of the initial position is also reminiscent of Kant (1785, 1949) -- act so that your action can be a universal maxim, never act as if persons are mere means. Laczniak, in choosing these frameworks, has included the criterion of multi-dimensionality, analagous to the number of factors considered in the figure above. He also rejects utilitarianism as a suitable ethical framework for marketing. This is surprising in light of his acceptance of Garrett and Rawls. It is also surprising because true utilitarianism is not synonomous with the self-interested objectivist pragmatism of Ayn Rand (c.f., Stevens, 1979) but is very much other-regarding - the greatest good for the greatest number implies others and may, in some situations, involve the total surrender of self-interested claims. While classical markets of the Adam Smith variety are virtually identical with the institutions envisioned by Bentham and Mill, the authors of utilitarianism, they depend on merging interests for ethical resolution.

Notwithstanding this minor criticism, Laczniak has surveyed the major ethical streams of thought with some thoroughness and cites a broad range of relevant literature, including some on both sides of utilitarianism. (The "References" section of this paper includes many of Laczniak's citations.) There remain, however, several important "frameworks" which Laczniak ignores. The first of these is the theoretical keystone of this article, i.e., managerial ethics in marketing requires some inquiry into the market and extra-market context of marketing. That is the subject of the next section.

A second void in Laczniak's work is the dialectic along emotive, subjectivist, existential lines of ethical theory characteristic of, in particular, the 19th and early 20th century. John Dewey's thinking which fostered the progressive, self-guided approach to education is characteristic of this (Dewey,1929). MacIntyre (1981) has traced this line of thinking in both historical and philosophical terms. He rejects this reasoning in favor of the heroic

moderation of Aristotle (1925), e.g., courage lies between rashness and timidity, justice between committing and suffering injustice, honesty between clever prevarication and stupid candor, a kind of virtue that seems as practical to modern men of affairs as it may have been in Athens in the 4th Century B.C. Nonetheless, in a system characterized by pluralism in values and tastes, to ignore subjectivist philosophy is to ignore, ultimately, the rationale for 28 flavors, large, medium, and small, and, in general the notions of variety and consumer satisfaction which more or less drive all markets in both free enterprise and command economies.

A third issue overlooked by Laczniak is the important vertical axis of the ethical plane, the continuum from egoism to altruism. The notion that choices may be unethical or amoral indicates that choices may be more or less ethical. Rawls and Garrett provide some help in this area as proportionality, equality, and liberty are concepts susceptible to operationalization. Somewhat more helpful in this respect are various pastoral guidelines of the Roman Catholic Church. Pope John XXIII, in Pacem in Terris (1963), wrote of the entitlements of the modern welfare society -- food shelter, clothing, health care -- as rights, implying social duties to see that the hungry poor are fed, etc. John Paul II, in Laborem Exercens (1981), wrote of the value of work and the worker as central in an economic system. In a pastoral letter that surely presages a U.S. based effort, the Canadian Bishops apply the lessons of Laborem Exercens to the recent recession and deplore that the demands of capital in a period of flagging demand must mean layoffs and that modernization necessarily displaces workers in favor of automated machinery (Social Affairs Commission..., 1983). Surely these expressions, if focussed on the consumer sector of the economy would plead for lower cost and more plentiful housing, food, clothing, and shelter and deplore the allocation of scarce resources to such toys of the rich as luxury cars, fashion apparel,

and electronic gadgetry. Without scrutinizing more closely the occasionally naive view of economic realities these exhortations reflect, it is sufficient to note that they, like Kant's categorical imperative, would make the welfare of mankind - as opposed to that of a few men - the measure of goodness or virtue. In our own literature, the discussion of equity by Crompton and Lamb (1983) has many parallels.

A clearer scheme for dealing with the ego-alter dimension has been offered by Kohlberg (1981). Concerned with the process and stages of moral development, Kohlberg has studied the behavior and attitudes of young people from small child to young adulthood. He finds a progression of morality from the highly egoistic, to a response to physical consequences (pain or pleasure), to respect for laws and certain authority figures, to a level where personally worked out principles and voluntary promises and contracts guide behavior, as below.

A fourth and, for the instant purpose, final strand missing from Lacznia's discussion of ethical textures is a consideration of sources of ethics. The prevailing categories of ethical theories are deontological (deduced through reason, e.g., Kant, Rawls' initial position) and empirical (utilitarian, pragmatic). Perhaps a more common source of practical ethics is culture. To a large extent, our personal ethics are a matter of "tribal custom" (Jaki, 1978); true in business and marketing as well (Walton, 1969). So long as there is seamless connection between roles in family and community and in firms and the market place, the question of how one arrives at ethical judgments is, frankly, of little practical moment. The contemporary reality and, thus, concern is, of course, that values in business are pluralistic. Business leaders do not necessarily share religious orientation, a major determinant of our ethical views (Philiburt, 1983), or ethnic heritage (particularly in multi-national organizations) and businesses have tended to develop a value set of their own (Barber, 1977; Cavanaugh, 1976; Teulings, 1978; and Weisskopf, 1977). This yields an ethic in which bribery is preferable to

Kohlberg's Structural Categories of Moral Development

Level I: Preconventional Moral Thought

The person responds to societal rules and labels of good and bad, but interprets them only in terms of physical consequences.

Stage 1: Physical consequences of pain come with "bad" choices; physical consequences of pleasure indicate "good" choices.

Stage 2: What brings instrumental satisfaction to me and occasionally to others is good, and vice versa.

Level II: Conventional Moral Thought

Maintenance and loyalty belong to one's family, group, or nation.

Behavior is based on conformity to those external expectations.

Stage 3: Good behavior is that which pleases other persons; bad behavior is that which they would scorn.

Stage 4: Right behavior consists of doing one's duty to maintain the various loyalty groups to which one belongs.

Stage 4½: Bypassed by many; cynical view that all values are relative, all systems and institutions hypocritical.

Level III: Postconventional Moral Thought

Principled moral reasoning sees laws as temporal and necessary guides to human institutions, but tests the validity of any rule or law by criteria of universality, motivation, and the common good.

Stage 5: Corporate consensus on moral issues derived from universal core of values and administered for the common good.

Stage 6: Universal core of ethical values that are self-chosen and that appeal to universality, logical comprehensiveness, and consistency.

SOURCE: Donald M. Joy, ed., Moral Development Foundations, Nashville, Tenn.:

unutilized assets, economic expansion is preferable to environmental protection, short-term profits are preferred over loyalty to employees, and the prospect of some tax advantage levels a perfectly functional neighborhood shopping complex and replaces it with the latest in automatic car washing technology. What is significant -- and troubling -- is that this value set and the choices it predicts, is so often at odds with the values of persons affected by these choices. And it explains why, therefore, society is calling for more accountability (Donaldson, 1983).

Some light -- and hope -- for this issue lies in the concept of "relation." Philibert (1983) points out that the other "motor of morality" (besides religion) is "relational commitment" to family, friends, colleagues, and community. Here one finds shared or joint interests and concerns in which the advancement of alter is simply an extension of ego. One, of course, should be wary of generalizing from this reasoning to markets. Transactions among persons and organizations whose relationships are founded and primarily nourished in other social settings, while not exceptional, are hardly the rule. But one should not be totally put off by what Philibert calls "intersubjectivity." The Aristotelian concept of "friendship" was more a relationship of affection based on common goals than based on an emotional state we term "liking" (c.f., MacIntyre, 1981). This thought and common experience and observation suggest that business relationships may be a stronger and more enduring basis for interpersonal or relational commitment than shared genes or geography. With this suggestion that markets and marketing are more than systems of trading goods and services for dollars, it is appropriate to focus more directly on the institutional character of markets and the ethical implications of that character.

The Character of Markets

As suggested earlier, the primary function of a market is to facilitate voluntary exchanges between buyers and sellers. The institutional characteristics of specific markets and of markets in general--spheres of cooperation, coordination, and competition, of characteristic rights and duties, of activities, and of changes in technology and arrangements--all tend to serve that facilitation. Further, the exchanges made or not made, choices that also encompass the institutional and functional predicates of exchange, reflect wants or needs and values of these market participants. Therefore, as in Bain (1959), it is common to envision markets as systems having elements of structure or organization (describing the nature of buyers and sellers and the relationships among them), conduct or behavior (processes, policies, or activities related to exchange, including terms of sale), and performance (results, primarily defined in terms that reflect the goals and concerns of market participants -- including involuntary participants [environmental pollution is a performance variable]).

The markets of our theory are fairly arid, albeit self-contained landscapes. We seem to think that these buyers and sellers do nothing but buy and sell all the time yet, except in cartels and vertical structures, they seldom really share goals or concerns. Certainly distaste for the declining state of Western morality, let alone the proposed country club assessment, interest in the rise and fall of the Dow-Jones average, of trade deficits and surpluses, of walleye catches in Lake Erie, or the fortunes of Twins or Lakers, of the enrollment at Alma Mater, of the state of disrepair of the Central Motor Inn, or of whether Bud or Ralph or Helen will make it to Congress this time -- issues which commonly evoke strong feelings and bond or divide people -- have no place in our academic understanding of why A buys from B and not C.

And the barrenness of our theories is frequently matched in others; political theorists seldom note that B's contribution to Helen's campaign may have something to do with the fact that Helen's campaign manager is one of B's major customers.

It is, of course, old hat to beat on the theory of perfect competition as the source of most of our myths and ignorance about what occurs in markets. Nonetheless, no institutionalist can maintain self-respect without hurling a verbal brick or two given the opportunity. Much of the burden of business professors in explaining ethics to both managers and critics of business lies in the simplistic notion that supply and demand functions alone, given free competition, are sufficient to keep business decisions on a high ethical plane. Managers seem to believe the myth while social critics, knowing better, reject out of hand the possibility that an ethical theory based on a fiction can coexist with ethical behavior. We are indeed indebted to Bruce Henderson (1983) for his cogent argument that competition in markets, like competition in nature, involves an equilibrium based on product differentiation, not perfect substitutability.

It is unfortunate that studies of the institutional character of markets -- other than those of the "marketing in..." or "marketing of..." genre -- are so rare. Absent a better appreciation of the rich social texture of the markets of experience, both prescriptions and predictions are likely to go awry. In the instant frame of reference, the assessment of whether markets foster ethical behavior, such an omission would be unforgiveable.

This social texture has four elements. First, and obvious of course, is the linking of buyer and seller self-interests. For an exchange to occur each party must offer the other the expectation of more value than he would expect without the exchange. Alternative possibilities of exchange -- what we call competition -- are another force toward increasing the value offered (or reducing the price required). But, as we know, this element is quite

imperfect in many markets (Harris and Carman, 1983). Ignorance, limited choice, divergence of realized value from that expected, and the prospect of spillovers of "unearned" costs (and benefits) on involuntary participants are frequently present and give considerable latitude to marketers who may choose ego over alter. On the other hand, the markets of experience are not anonymous, impersonal settings for a continuous series of unconnected shop and run episodes. Most business and local retail markets are characterized by competitive and transactional relationships that endure over relatively long periods of time -- often by formal contract, typically by informal agreement, if only because of inertia. Participants come to know each other not unlike the teammates and combatants of the athletic metaphor. In this setting, imbalances in particular exchanges are likely to be worked out in other, counterbalancing exchanges. In effect, transactions have the properties of duration (or time span) and relation that at least approaches and often reaches the level of friendship. To be sure, anonymity and episodic exchanges exist on the fringes of most markets; but these are, after all, fringes. Patterns of choice and behavior seem likely to be determined at the core -- at least that hypothesis seems intuitively sound. And, yes, some markets are typified as being impersonal and remote. These markets, of course, may be dominated by large, bureaucratic organizations where written policies control the anonymous employees and, hence, the relationships with anonymous customers. These organizations also have a degree of social visibility that makes them susceptible to extra-market influences. And, of course, some markets are quite episodic in character. When products and services are only infrequently purchased, relational commitments are unlikely to develop. Such situations, however, may make participants wary, particularly if large sums are involved. It would be expected that such wary parties would use external reputational criteria (information from other sources and non-marketing relationships) in selecting transactional partners.

A second element of this social texture is the character of the

choice-makers. Walton (1969) has described the executive ethos

as the product of personal religion and culture and responsibilities to the firm -- especially co-workers -- and community. The choices of "the firm" are, of course, a composite of collegial, superior, and subsidiary choices. This view is in marked contrast to our theoretical conception of the firm as some kind of singular entity, beholden only to shareholders interested in quarterly reports and today's stock movements, working out complex problems with an unambiguous formula for calculating net present value. Walton's thesis implies that the criterion of profit-maximization is not so overpoweringly dominant in the firms we work in or buy from. Weisskopf (1977) notes that the so-called "Protestant world view," that material achievement is the goal of work and the earthly symbol of salvation, has been replaced in modern theology and philosophy and most popular thinking by a more humanistic and justice-oriented world view.

Now, profits are still important in the typical business setting, as are such less controversial values as efficiency and industry. Few business leaders are ready to accept the Canadian bishops advice to eschew plant modernization and retain workers without work. But if Walton is correct -- and both intuition and observation suggest he is -- business firms are much more likely to hold their choices to higher ethical standards than could ever be envisioned from the most perfect market alone. On the other hand, the Walton-Weisskopf characterization is not universal. We all can cite experiences of dealings with firms and, most likely, agents of firms whose ethics are, in Kohlberg's terminology, "pre-conventional" or immature. But those experiences are not sought and are seldom repeated. In other words, market forces and, in bureaucratic settings, administrative forces tend to discourage unethical behavior. Another perspective on this point is that unethical choices and behavior and outcomes that are unsatisfactory or unsuitable, though they exist, are more a matter of individual aliens than a necessary element of marketing. "Marginal firms who manage to survive by (or in spite of) 'unfair' and illegal

tactics are not essential to the free enterprise system any more than criminals are necessary to society." (Kugel and Gruenberg, 1977, p. 2).

A third characteristic of markets is the degree to which they are subject to external social forces. We commonly belabor this point in our marketing principles courses. The achievement of marketing objectives is constrained by moral-legal influences, by changes that affect the demand and supply environments, and so on. Dixon, in his recent comment on Crompton and Lamb (1983), puts it succinctly: "... the operation of any marketing subsystem cannot be understood in isolation from its suprasystems. The management of any organization...must conform to the requirements of the economic and political systems, and these in turn must conform to the principles of social justice ruling in that social system." (Dixon, 1983, p. 45). Laczniak's review (1983) cites a number of studies that conclude that ethics in marketing are affected by these outside forces (Alderson, 1964; Bartels, 1967; Robin, 1980; and Walton, 1961).

Michael Novak's recent treatise on social philosophy emphasizes the tri-partite character of social systems with market forces, political forces, and the intellectual and cultural forces emanating from organized religion and the academy all grappling mightily with one another -- and influencing each other in a continuous reshaping process (Novak, 1982). To a large extent, of course, these external forces intrude by affecting the ethos of persons making choices.

A more direct impact occurs as public policy -- governmental regulation of markets, penalties for violating those regulations, the laws of liability that operate in particular jurisdictions and market situations, the anticipation of regulation, and the suasive power of public officials -- affects choices whose consequences may be felt in both the short and longer run. And the interactions operate, or at least can operate in both directions -- business on government as well as government on business. The concept of "interpenetrating systems" describes this phenomenon (Preston and Post, 1975). In this respect, it seems inappropriate to analyze the ethical character of a market as if it operated in a vacuum when, in fact, it does not. In a sense, the apparatus

of the modern state is as much a part of the market as experienced by market participants as are the channels, means of communications, products and services, prices asked and paid or rejected, and managerial policies that affect these more commonly accepted market elements. Of course, these apparatus are not always in place. Tavis (1982), in discussing the ethics of multi-nationals in third world nations, points out that ethical responsibilities are greater when firms operate in settings that do not have sophisticated instruments of social control. As the range of choice -- market power -- is greater, the development of working principles from internal sources is more necessary. In such markets, underdevelopment is as much political as it is economic. Kohlberg would similarly judge the moral character of such markets to be immature.

A final aspect of the market plane or field of force, bearing but brief mention and somewhat implicit in previous elements, is the matter of dynamics. Markets have been described, in effect as open systems -- open to external forces from a variety of sources, notably public policy, and capable of internal adjustment. The evidence of this dynamism is present in all three elements of the industrial organization model: structural arrangements, behavior, and performance measures change, sometimes dramatically, and interact -- dissatisfaction with some measure of performance feeds back on choices which modify structure and behavior. A question remains, of course, regarding whether such changes imply ethical progress or merely maintain a given level of conduct while seeking a moving point of equilibrium. Indeed, change alone could imply a declining level of morality. If our sense of general social progress through history is correct, however, and allowing for occasional regression, it seems reasonable to predict that a careful longitudinal investigation would disclose both more ethical initiatives and more comprehensive and effective social controls.

Are Markets Ethical Behavior Systems?

The obvious simple answer to this question is that some are and some aren't but, like market research results, it isn't that simple. As investigated, the question is whether or not markets tend to have properties of purpose or function, of institutional order and sanction, and in the character of successful participants that foster ethical behavior. Stated another way, imagine that only ethical heroes inhabited markets and engaged in marketing. Such ethical heroes would, by definition, exemplify intentions, behaviors, and consequences of a high moral order. In such a setting, the counterbalancing mechanisms of competition, public opinion and regulation, and the price system would be unnecessary to achieve a just distribution of socially and individually appropriate goods and services through means that would be morally unquestionable. But ethical heroes are not that numerous in markets. While there are some, most market participants are ordinary humans with occasional streaks of goodness but also knavery embedded in their characters. Absent these control mechanisms, the results are likely to deviate widely from ethical norms. But these control mechanisms constitute the institutional character of markets. They influence choices which might otherwise be amoral or immoral. Granting that self-interest in some form or other necessarily initiates all market transactions, do the markets of experience, given both inherent and imposed checks and balances, generate ethical behavior, i.e., behavior which absent those checks and balances would be regarded as good and just?

An admittedly limited and selective foray into philosophy seems a necessary part of this excursion. A generalized reformulation of the question is whether, under conditions of social organization, the pursuit of self interest is in keeping with social harmony and altruism. Hobbes (1839), writing in the 17th century, clearly felt that social harmony was the chief self-interest.

His covenantal prescription, which approving of the strong, socially ubiquitous nation-state, hardly squares with modern liberal tendencies in both politics and economics. Dixon somewhat anticipates Laczniaak with an analysis of the work of Adam Smith and his contemporaries. He argues that the classical market of self-interest "...required a coexistent ethical system." (Dixon, 1982, p. 38) Even more persuasive, and certainly more contemporary, is the highly abstract work of Howard Margolis (1982). Using a high level of mathematical sophistication, Margolis finds that controlled altruism, i.e., "group interest" and self-interest are identical. This controlled altruism is, of course, a virtue of moderation, not helter skelter doing good but beneficence focused where opportunity, competence, responsibility, and expectation are greatest, a vision quite in concert with that of Aristotle. A final recent philosophical view is that of Hollenbach (1979). His work concentrates, working from a rights perspective, on the conflicts among rights and the problem of developing priorities among them. Relying on the moral teaching of the Roman Catholic Church, Hollenbach concludes with ethical criteria echoing those of Rawls, i.e., liberty is to be preferred over material welfare; food, housing, and health care are to be preferred over other wants; the needs of the poor and freedom of the dominated are to be preferred over the wants of the rich and the liberty of the powerful, and social participation of "marginalized groups" is to be preferred over the preservation of a social order that excludes them. The result is a kind of "whole act" ethic that brings together both process and consequence and clearly states preferences that are frequently not parallel to those of the market. Without strong moral or political impulses, at least some important aspects of altruism are unlikely to be served by market forces alone.

And what of our own theory and experience in the business disciplines? Writers and teachers in business polciy have long advocated a managerial approach that has lately been given the name "stakeholder management" (Emshoff and Freeman, 1979). Stakeholder management recognizes the presence of interests

and identifiable publics or groups who maintain those interests that are at least potentially affected by the actions of a business firm. Similarly, the informal and formal, market and political actions of these groups can determine the range of choices available to the firm and the consequences of action in terms of sales, resources, costs, planning time and requirements, and so forth. The concept further recognizes that there may be conflicts in these stakeholder interests, both with those of the firm and among themselves, e.g., the environment vs. employment question. Preferred prescriptions involve both process and outcome. With respect to process, stakeholder management involves open and direct communications and, perhaps, negotiation with groups regarding policies that affect them. With respect to outcomes, a parallel to bargaining theory is to be pursued, viz., outcomes should be sought that reflect, at once, a compromise of positions and, if possible, an advance for all parties affected.

What is particularly nice from a macromarketing institutionalist perspective dealing with ethical questions is that the stakeholder concept, with its classification scheme including groups (of which shareholders are one) and segments and interests related to outcomes, with choices of alternative actions linking the two, closely parallels the industrial organization model used to analyze markets, i.e., structure influences behavior which causes outcomes or performance. Performance criteria include both goals and side effects, thus, stakeholder interests. It is perfectly reasonable to expand the rest of this industrial organization model to encompass extramarket forces and institutional arrangements and behaviors without modifying the basic framework. With the addition of some behavioral taboos, not unlike those dealing with price fixing in the basic industrial organization model, an ethical overlay is possible that allows any decisionmaker to evaluate the level and kind of participation, to set priorities among outcomes, and to analyze tradeoffs among them relative to alternative courses

of action. In effect, a decision-maker has the practical task of striking a balance among interests and interest groups, e.g. customers and employees. With proper analytical tools and data, he can further measure, for example, profit and social sacrifices and gains resulting from moving from one course of action to another. The result is, of course, a primarily utilitarian ethic, but not one driven by self-interest alone. But the decision-maker can add constraints to deal with such rules of thumb as no "major evils," "nobody worse off," and "marginal groups -- or customers or whatever -- get preference over some other groups." The beauty of the stakeholder model is, subject to some obvious information gaps, that it works and is already used in some business settings and to good purpose. Relying only on the self-interest of the firm, and taking into account the internal and external forces which bear on market behavior, self interest in a market yields ethical behavior and, because the model is performance-driven, appropriate consequences.

This balancing of stakeholder interests as a framework for ethical behavior in conflict situations deserves two qualifying points. First, it is less a natural outgrowth of marketing and markets than an approach useful to any organization in a complex social network. But markets are the social networks of business organizations. Considered more broadly, the generic concept of marketing or exchange is present in all interrelationships involving business with government, citizens groups, workers and other resource suppliers, etc. In this sense, those holding with the broadened concept of marketing might usefully embrace the stakeholder model as a way of resolving the inevitable conflicts confronting a firm operating in what are actually multiple markets or exchange subsystems.

The second qualification is that to this point the stakeholder model, while clearly workable, is only intuitively appealing as a means of resolving conflict and, further, depends in some respects (the problem of marginal groups, for example) on either a management with some moral heroism or a political framework that assumes responsibility for market casualties and charges businesses, on an

actuarially sound basis, a premium for this underwriting and its administration. Intuitive appeal is theory and belief, unconvincing to those predisposed to either excuse the market institution and its participants, as such, from ethical responsibilities or accuse it and them of incapacity. There needs to be, in other words, some empirical evidence to support the thesis.

Despite the amount of interest in corporate social responsibility during the past decade or more, there is relatively little empirical work on the connection between the social performance of business and much more conventional, financial measures of corporate effectiveness. Aside from any reluctance of witnesses on both sides of the debate to test their theories, this paucity of evidence is understandable. The research problem is a veritable mare's nest. Image measures, more directly affected by socially responsive policies, may not translate into revenue increases or cost reductions. Cause-effect relationships are notoriously complex; socially responsive policies are hardly the only factor at work and effects, if any, are indirect and likely to come from varying directions. The aforementioned tradeoff prospects may mean that one stakeholder group-- and its sympathizers-- may react negatively while another reacts positively. And, of course, the lag in time between expenditures or short-term sacrifices in earnings and any long-term increases complicates measurement. What studies exist are not models of methodological care in controlling for these confounding factors. Nonetheless they bear mention.

Two studies that evaluated stock market performance (in keeping with share price and risk reduction objectives) determined that socially responsible corporations do not do better and may do worse than those whose records in this area are less exemplary (Rudd, 1981 and Vance, 1975). Two other studies that directly related profitability to social responsiveness, on the other hand, got opposite results: firms that did well in the social realm -- or had reputations for doing well -- were at least as profitable as a sample of others and, on

the average, fared better (Burke and Berry, 1974-75 and Spicer, 1978). A simple explanation for the differences is that investors, unlike other groups who more directly affect profits, may be insensitive to social responsiveness; their foolishness does not invalidate the relationship. On the other hand, and to be fair, there are chickens and eggs in this question. Corporations constrained by adverse market conditions are likely to limit philanthropy and defer investments which reduce pollution -- doing good will not turn, for example, a tire manufacturer into a hot performer in the midst of an automotive depression. Such companies must, of necessity, have other priorities. On the other side of the scale, firms whose financial performance is consistently above industry or market averages can literally afford more in the way of social contribution without any severe impact on the availability of needed working capital or on shareholders with expectations pegged to those averages. The conclusion to be drawn on this point is that, while some reservation is reasonable, at least a weak positive relationship exists between ethical level maintained and profitability. It seems important to note that no study indicates that unethical behavior is rewarding. More vicious examples of behavior, the stuff of sensational articles, seem not to yield any appreciable net financial reward.

Final consideration is due Kohlberg's thesis of moral development as it involves more than the degree of altruism or justice in choices and consequences. While relationships between ego and alter are explicit in the mid-levels of Kohlberg's structure, as one moves along the continuum, the significance of contracts and promises becomes significant. At the highest level, one finds principles of a universal character engaged as a mechanism for resolving conflicts. Across the whole continuum, any self-gratification involved in increasingly deferred; immediate and sensate gratification is required only at the most immature level. It is significant

that mature markets, which also tend to be populated by more mature firms, often with more mature leaders, match this structure. Chaotic atomism seems most usually characteristic of markets for new product concepts or in new geographic or other customer settings. The nature, number, and need to control transactions tends to lead to integration or contractual arrangements among firms. Long range planning with the prospect of investing today for returns in several years (through research, for example) is an activity seldom formalized until firms grow in size and complexity. Ethical principles are analagous to (and often found in) codified corporate policies. Here, too, one must consider the relationship between experience and maturation and the felt need to state unequivocally a firm's position on classes of issues that would otherwise get ad hoc treatment, frequently at a management level where broader social or other perspectives are subordinated to immediate, more technical concerns. It must be admitted that these observations are less than universally valid. There are numerous examples of older companies, some good-sized, that operate at a level of atomism or have quite trim policy manuals. New companies embarking in direct marketing or fast foods and other services frequently utilize franchising or other contractual arrangements quite early in their history. The so-called high tech firms of this electronic age put comparatively huge proportions of their capital bases into research. Considered altogether, however, these exceptions may quite properly be understood to verify rather than disprove the rule. In general, markets display signs of increasing moral maturity.

The above comments apply Kohlberg's thesis to business enterprises. What about other market participants? Certainly social controls enacted and operated by governments have tended to be more extensive and sensitive to interests other than wealth and corporate power. Even the apparent hiatus in this progression in recent years, in the United Kingdom and U.S.A. for example,

might be interpreted, at least in part, as a time of searching for better balance in regulation. Among other stakeholder groups, the evidence is not so impressive. Unorganized consumers really lack institutional tools, other than demand, to enforce any ethical view on themselves or their market counterparts. Organized groups of citizens, at both local and national levels, are certainly more in evidence today than twenty years ago. While their agenda seem to be self-indulgent -- in the sense that balance and tradeoffs are options for others -- and univariate, they are organized, an important first step, and have had a measurable impact on both corporate and public policy.

Concluding from these considerations, markets, most especially the more complicated and open markets of experience, do tend to foster ethical behavior. The criteria of philosophical and pastoral ethical theories appear to be met to a considerable and increasing degree. To be sure, it is extra-market forces and personal ethics of decision-makers rather than the distilled forces of the market that lead to the balancing of those interests extending beyond customers, shareholders, suppliers, and workers. But these are integrated into the markets we observe and experience. No distillation can, except by accident, yield more than a partial equilibrium.

Does this mean that markets are, therefore, perfect and automatically self-regulating in moral as well as economic terms? Certainly not. What we call self-regulation or institutional adjustment, even in the pure markets of theory is, after all, ultimately the effect of choices, i.e., of policy or policy change. But the range of issues posed by this investigation into moral capacity suggest that a more integrated view of market imperfection and its remediation is in order.

Policy Implications of the Moral Capacity Thesis: A Broader Look at "Market Failure"

The recent article by Harris and Carman (1983) is a splendid synthesis of past and contemporary thinking on the subject of market imperfection. Its stimulus for this work, as first presented at the 1982 Macromarketing Seminar bears acknowledgment. The discussion that followed, in addition to the usual semantic difficulties with persons unfamiliar with or who have rejected the classical model of pure competition, revealed some basic differences about what failure meant. In one sense, the whole foregoing argument has been an attempt to diagnose this difficulty and resolve these differences.

At the outset of the article, Harris and Carman refer to Charles Lindblom's (1977) categories of methods of control in social organization. Primary among these are authority, exchange, and persuasion. Lindblom includes coercion -- threats and warnings -- and promises as elements of persuasion. Moral codes and tradition are also categories of control but are relegated to secondary status. Taken as a whole, Lindblom's work is chiefly a characterization of the similarities and differences between authority or politics and exchange or markets. Harris and Carman take this distinction as a point of departure in developing a typology of "market failures" in terms of imperfections in exchange, *viz.*, monopoly or excessive competition, predatory or anti-competitive behavior, externalities, inequities, informational deficiencies, and so on. (Part II of this article will deal with "regulatory failures.") While important, this typology tends to emphasize the role of competition in determining perfection. Moreover, by parsing out the exchange elements of the market and referring to incomplete or imperfect exchange as market failure, they begged some of the misunderstandings and disagreements that followed. Related to but different from this problem is the proposition that successful product differentiation, a form of monopolistic competition, is

a market failure. This proposition is derived from the dependence on perfect competition, i.e., perfect substitutability, as the competitive norm. As noted earlier, Henderson's article (1983) addresses that proposition by offering product differentiation as normative.

It is significant that Lindblom (1977, p. 80) explicitly rejects the concept of "market failure" in favor of that of "market defects," a somewhat less controversial term. "Failure" implies a kind of finality that is not matched by experience. These failures are more in the nature of chronic conditions than terminal diseases and, as with product differentiation, signify triumph not failure for at least sellers and, perhaps, buyers as well. Lindblom also points out here that such defects or failure are shared with all mechanisms of social organization and control.

The departure in kind of the present paper from the premises of Harris and Carman is in the notion that markets involve more than the classical forces of exchange or, perhaps alternatively, that exchange is affected by more than purely market forces. (I prefer the former characterization but believe the latter to be nearly equivalent.) Accepting Lindblom's categorization of social control mechanisms, market interactions, are linked inextricably to other systems of social interaction and to the preferences (including ethical) of personal as well as organizational participants. They are controlled to some degree by all five. Authority is present in governmental action as well as in firm and channel hierarchies. Persuasion is present, not only in overt sales (or occasionally, purchasing) promotion, but also from other sources -- threats of regulation or more intensive enforcement and connections between market transactions and other aspects of social and psychological reward or penalty (in effect, parallel exchange). Moral codes, sometimes explicit, assuredly operate in markets and commonly override pure exchange factors. Tradition is also

present in markets and apart from moral, exchange, and political (at least in some degree) criteria. (Anyone who has witnessed the arcane customs of auction markets or independent hardware dealers has observed traditions that may run counter to all sorts of other criteria by contemporary standards.)

These remarks are certainly not meant to deny the functions of exchange as the primary purpose and content of market interaction. Nor, it follows, does it deny classical market forces a principal role in explaining most transactions. Rather, this conceptualization of market exchange as affected by the whole range of social controls implies that what occurs in markets and transactions may be powerfully affected by factors that a traditional market analysis would not disclose, let alone measure or include in prediction.

From a policy perspective, then, market defects arise when choices in markets fail to reflect a proper or acceptable balancing of stakeholder interests. Such choices ordinarily surface as exchanges or transactions -- or exchange related activities, but may also originate in other mechanisms controlling marketing. They occur, apart from stupidity or miscalculation, because the institutional arrangements in the market, the relative power and other inter-relational factors associated with stakeholders, do not provide incentives or constraints to foster acceptable conduct leading to consequences in line with stakeholder expectations, goals, and concerns. These defects can only be addressed by policies that alter institutional arrangements or provide incentives for acceptable behavior and performance. Further, the identification of such defects does not rest solely, or even mainly, on departures from the competitive model.

This recasting of the conceptualization of market failure, from exchange imperfection relative to a competitive norm, to one in which stakeholder participation and consequences are paramount seems significant in potentially altering policy prescriptions. In the main, the Harris and Carman typology

remains intact. Pollution, predatory practices, imperfect information are defects in both conceptualizations. As previously discussed, however, product differentiation that meets consumer as well as competitor needs (all examples of product differentiation do not) would be removed from the list. On the other hand, the sort of market segmentation that involves more than simple price discrimination and that, given competition in the segment, would not be caught in a search for defects, might now show up. This occurs when the marketing strategy literally abandons marginal segments without alternatives in order to both serve those offering more reward.

Similarly, positive externalities achieved without proportional sacrifice and public, really indivisible goods are not "failures" when they are inherently unavoidable and advance welfare. Conversely, demerit goods, marginal entries in the Harris-Carman typology, represent a more serious defect in a market held to a moral rather than a competitive standard.

One could go on citing points of difference between Harris-Carman defects and those implied by the more encompassing model. Only one, however, stands out. The status of price-fixing and market division in anti-trust law is well known. Virtually every other arrangement that has been attacked can also legitimately be defended in circumstances where competition is fostered. Price fixing, however, is prosecuted under per se reasoning. The U.S. A. employs a rule of competition in assessing market arrangements; price fixing is a prima facie example of not only non-competition but, actually, cooperation and, thus, is prohibited. Grant that the per se rule may be more a matter of administrative or judicial convenience. Imagine, however, if price fixing were adjudicated according to ethical or performance norms. Unless substantial harm resulted for customers, price fixing that grows out of temporary over-capacity in an industry and, thus, amounts to a more equitable sharing of the cost of maintaining that capacity, would be regarded as more beneficial to

all parties concerned than the less than full-cost pricing that the competitive model would predict.

A final policy implication is that a market failure in the Harris-Carman typology tends to point to a regulatory remedy. This is surely convenient but does not necessarily serve the more ethical and more efficient norm of stakeholder balance. The ethical norm leaves the question of responsibility for remediation open to the test of efficiency that reflects all affected parties. The final solution may, of course, be regulatory in character, but that solution is likely to result from a kind of negotiation among these parties that will better balance all the interests at stake.

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**ADVERTISING SELF-REGULATION:
PRIVATE GOVERNMENT OR AGENT OF PUBLIC POLICY?**

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ADVERTISING SELF-REGULATION:
PRIVATE GOVERNMENT OR AGENT OF PUBLIC POLICY?

Does the current deregulation movement stand only for "regulating better and regulating less" (Thompson and Jones, 1982) or does it also allow for, if not invite, more and better self-regulation by industry? This paper argues that the latter holds true in the light of an international analysis of advertising self-regulation.

The Control of Advertising Behavior

There is general agreement that advertising ought to be truthful, non-deceptive (straightforward), fair, wholesome, informative and the like, even though the precise listing and meaning of these norms remain controversial and evolve over time (Boddewyn 1981a, b; 1982).

In any case, obtaining "good" advertising behavior requires that the following tasks be performed: (1) developing standards; (2) making them widely known and accepted; (3) advising advertisers about grey areas; (4) monitoring compliance with the norms; (5) handling complaints from consumers and competitors, and (6) sanctioning "bad" behavior in violation of the standards.

The performance of these tasks can be achieved through a variety of means ranging from laissez-faire to self-regulation and to regulation, with various hybrid forms in-between.

Laissez-Faire and Self-discipline

Under laissez-faire, the control of advertising behavior is left to individual firms and customers - not to associations or the government: "If competition alone would effectively regulate the market in all circumstances, both laws and self-regulation would be superfluous (Rosden and Rosden, 1982,

p. 40.3)." Business' temptation to fool the clientele or abuse competitors is tempered by self-discipline¹ based on personal moral principles and/or current notions of fair/ethical business behavior (Laczniaik 1983), and by self-interest since advertisers fear both consumer retaliation and the threat of regulation:

No advertising man would therefore be so foolish as to deliberately include a lie in his statements. No medium would be so masochistic as to accept advertisements likely to mislead its readers, listeners or viewers. They know that, sooner or later, the consumer will slip away, the collective conscience will rebel, organized groups will make themselves felt, the self-regulatory bodies will exert pressure, the courts will condemn, the company will be in jeopardy, and unemployment become even more acute. This is the only certainty (Haas 1983, p.2).

This approach to advertising control has, of course, been endlessly challenged on the grounds that: (1) there is no necessary correspondence between private and public interests, and (2) abuses are inevitable and will not always be redressed through the working of the market.

Regulation²

Here, all or part of advertising behavior is mandated and/or circumscribed by various government rules backed by the use of penalties, on the grounds that the public interest is best served through statutory controls because: (1) business cannot be trusted to self-discipline or self-regulate itself well, and (2) consumers and competitors lack the will or the means to countervail business power.

Its major advantages lie in universal reach and compulsion - compared to laissez-faire and self-regulation where only "members" or those who care enough do apply standards of good advertising behavior.

On the other hand, the regulatory approach has been continuously criticized for being oppressive, ineffectual, confused, conflictual, costly,

rigid, weakly enforced (recent budget-cutting is not helping here), amenable to capture by its targets, and the like.³ The current deregulatory movement rests, of course, on such philosophical and practical arguments.

Self-Regulation

This system refers to "the control of business conduct and performance by business itself rather than by government or by market forces (Pickering and Cousins 1980, p. 17)." In its pure form, industry assumes full responsibility for the six tasks outlined above. Control is exercised by one's peers so that "outsiders" such as consumer representatives or government officials are kept out of the development, use and enforcement of an industry's code of practice, guidelines, etc. This approach does not preclude informal consultations with outsiders but it excludes a formal decision-making role for them.

To its proponents, pure self-regulation presents the following advantages over regulation (LaBarbera 1980a, b; Pickering and Cousins 1980; Thomson 1983):

1. Self-regulation is faster, cheaper, and more efficient and effective (flexible, on target, up to date, etc.) than government regulation because industry knows better what the problems and their proper remedies are. Should the industry lack information or expertise about certain matters (e.g., to what extent are consumers satisfied with advertising or misled by certain advertisements), they can be obtained by tapping experts or by commissioning studies.
2. It helps forestall government intervention (i.e., more laws and/or stricter enforcement) by proving that business can and will police itself,⁴ while allowing government to focus on more important matters such as trade restraints, and avoiding the frictions between business and consumers which regulation tends to generate.
3. It helps raise the quality of business practices through codes and

guidelines voluntarily developed and adopted by members who must obey not only the letter but also the spirit of self-imposed rules.

4. Codes can deal with matters which the law finds difficult to handle (e.g., matters of taste and decency), and be even more stringent than government (e.g., the prohibited broadcasting of hard-liquor commercials by the U.S. distilled-spirits industry) when the law itself does not forbid a particular practice. As such, self-regulation may serve as a "testing ground" for rules to be ultimately incorporated in the law once their effectiveness has been proven.
5. The public interest is safeguarded through the industry's self-interest since it wants to avoid negative consumer reactions as well as government intervention in the case of self-regulatory failure.

As the Director General of the Advertising Standards Authority (U.K.) put it:

It is no longer the case, if it ever was, that the law provides the only fair, effective and politically acceptable means of securing the public interest. Legal modes of control are now widely complemented by systems of self-regulation (Thomson 1983, p. 3).

Conversely, self-regulation has been criticized for:

1. Impairing business competition, innovation and access to the public because of self-serving restraints on the part of associations (e.g., many advertising associations have opposed comparison advertising).
2. Representing a transparent device to subvert the setting of more rigorous government standards by pretending that business will do the job when, in fact, voluntary standards are low and/or enforcement lax: "Why would they accept strict voluntary codes if they oppose strict mandatory rules?"
3. Being ineffective whenever antitrust and other laws (e.g., freedom of

association) forbid compulsory membership so that the worst offenders stay out, or preclude extreme penalties for offenders, such as expulsion, boycott and reporting of non-compliers to the authorities.

4. Limiting industry rules to the lowest common denominator in order to avoid low membership, internal controversy and schism.
5. Being insufficiently financed, publicized (e.g., investigations and decisions are often kept secret) and promoted (e.g., consumer complaints are not actively solicited).
6. Including too few consumer and public-interest representatives who are, in any case, selected by the industry, and may thus be "token" consumerists (Boddewyn 1983b).

Such criticisms have led one consumerist group to conclude that:

Where there is very little, or even no prospect of legislation at all, where the choice is clearly a [voluntary] code or nothing else, then codes should be given careful consideration as a possible means of improving consumer protection. One should however keep in mind that the mere existence of a code can seriously undermine the case for future legislative reform (ECLG 1982, pp. 4-5).

In any case, they suggest that industry self-regulation cannot by itself establish a balance in the relative bargaining power of buyers and sellers but must be considered as only one of several means of achieving such an equilibrium (Pickering and Cousins 1980, p. 7). Besides, are the weaknesses of self-regulation either incapable of correction, or so fundamental as to vitiate the concept itself (Thomson 1983, p. 8)?

Private Government or Agent of Public Policy?

Industry self-regulation certainly constitutes a form of private government to the extent that peers rather than outsiders formally dominate the establishment and enforcement of self-imposed and voluntarily accepted behavior rules (Schmitter and Streeck 1981, pp. 29ff.). Besides, it is being increasingly recognized as a tool of public policy.

For one thing, the limits of regulation (and of laissez-faire) are evident even if not static nor remediable to some extent (Thompson and Jones 1982). Hence, there is always a need for complementary forms of behavior control. Actually, courts in a number of countries use the International Code of Advertising Practice of the International Chamber of Commerce as well as national voluntary codes as expressions of fair commercial practice:

The distinction and preference between rules of self-regulation and statutory regulation is too simplistic. There is a large category of rules of self-regulation which are applied by the courts as rules of law, and there are statutory rules which the self-regulation bodies use as professional recommendations. It is also a mistake to think that professional rules are less restrictive than laws; they affect the freedom of business quite as much, and sometimes more (ICC 1978, p. 35).

Second, discussions of the control of economic systems have generally ignored or underplayed what might be called the "meso" level between the "micro" (the firm or consumer) and "macro" (the government) levels. A good part of this ignorance can be ascribed to over-reactions against the corporatism often associated with restrictive medieval guilds and the puppet corporations of the Fascist state - not to mention the U.S. National Recovery Administration of the 1930s and its proposed industry-wide cartels (Schmitter 1979).

Yet, the industry level has first-hand expertise about problems and possible solutions within its own domain. Such expertise is not complete nor impartial - but whose is? The industry's conception of the public interest is bound to be partial and limited - but whose is not, even though the government is more likely to provide a better forum for the expression, however imperfect, of the public interest.

Third, public policy in most developed countries has encouraged the development of associations for various purposes, including the elaboration and application of technical and ethical standards, although not unaware of the real and constant danger of anticompetitive behavior on their part. Governments frequently support the existence of a self-regulatory system that complements the law because: (1) it relieves the administration and the courts of some burdensome, costly and/or complex tasks, and (2) it even applies statutory rules because "the first principle of ethical behavior is respect of the law."⁵ As mentioned before, it can also serve as "pilot" or trial balloon for future regulation once the voluntary norms have been tested, refined and broadly accepted.

For that matter, in a few countries such as Brazil and the Philippines, the government appears to have granted quasi-regulatory powers to advertising self-regulatory boards who thus function in a corporatist manner where industry itself is deputized to develop and enforce standards, albeit within a legal framework and under government supervision.

The European Communities (1981), the European Parliament (1980), the Council of Europe (1972) and, to a lesser extent, the United Nations (1981) have encouraged the development of self-regulation for similar reasons although they tend to prefer "negotiated" codes (see below).

Fourth, "pure" advertising self-regulation administered only by industry members is giving way in many countries to the inclusion of "outsiders" - whether consumer representatives (as in the Netherlands), public members (as in Canada and the United States) or independents (as in the United Kingdom). While most of these outsiders are in a minority position, the British Advertising Standards Authority includes a two-third majority of them (Boddewyn 1983a). In any case, even pure self-regulatory bodies (e.g., in France) sometimes involve outsiders (including government representatives) as advisers or experts.

Fifth, further down the road are codes of practice negotiated or "concerted" between self-regulatory and consumer associations and/or the government (EC 1981, ECLG 1982, EAT 1983). Thus, the European Advertising Tripartite (of advertiser, agency and media associations) and COFACE (EEC Committee of Family Associations) are jointly developing guidelines for toy advertising as well as an enforcement system.

In the United Kingdom, the Office of Fair Trading encourages and assists the development of voluntary codes of practice by trade associations, and had approved some 20 of them by 1980 (Pickering and Cousins 1980, p. 3). In that country:

Day-to-day implementation is the responsibility of the trade association but monitoring of the code takes place from time to time by the official negotiating body. Because such codes are negotiated with the industry, they are clear, unambiguous and practicable to implement. The official body can be very useful in publicizing new codes and ensuring their wide dissemination, and may subsidize or pay for appropriate educational literature (EAT 1983, p. 14).

Sixth, such negotiated agreements, can be sanctioned by government and become "collective conventions" applying to an entire industry,

including non-members of the association. This stage has not been reached yet in advertising, as far as is known, although there are elements of it in Brazil and the Philippines.

Seventh, codes like the World Health Organization's Code of Marketing of Breastmilk Substitutes (which bears on their advertising) are imposed on business from the outside. They often lack clear instructions and procedures for the monitoring of advertising practices and the adjudication of complaints although they are being translated into law by a number of countries (EAT 1983, pp. 14-15). Commenting on such codes, the European Advertising Tripartite remarked that:

Industry should not be expected to enter into agreements against its own interests or better judgment. In such cases, national legislation fought through the democratic process may be the most effective means of establishing controversial controls (EAT 1983, p. 15).

These various approaches involving outsiders are not without various problems, both philosophical and practical, but they will not be discussed here (Boddewyn 1983b, ECLC 1982).

Last but not least, one must briefly return to the question of the present effectiveness of voluntary codes of advertising practice and of their improvement. This is not something which can be argued in a few paragraphs but my own research (e.g., Boddewyn 1983a) as well as other studies (e.g., Pickering and Cousins 1980, Thomson 1983) have convinced me that it works very well in such countries as France and the United Kingdom, and that it is improving in a number of other countries although still absent, embryonic or weak elsewhere, particularly in less-developed nations.

Conclusion

The triple classification of the control of advertising behavior through either laissez-faire, self-regulation and regulation should not suggest an "either-or" situation. In fact, the three systems coexist in various dosages throughout most of the world where there are at least 35 fairly developed self-regulatory systems (Neelankavil and Stridsberg 1979; Boddewyn 1981a). Elsewhere, regulation or laissez-faire - sometimes wild laissez-faire - largely predominates.

This analysis suggests that macromarketing research tends to ignore or underplay intermediate bodies such as advertising self-regulatory organizations in its studies of marketing-behavior control. Yet, they exist in many countries and flourish in some; and governments are increasingly paying attention to them in the context of the current deregulation movement but mainly because the law cannot realistically hope or pretend to be comprehensive and effective in controlling all forms of advertising behavior - a fast-changing and complex field in any case.

The true challenges in this area lie in the development and supervision of self-regulation. Some nations already have effective systems, but the latter are largely missing in less-developed countries at a time when the United Nations is urging the expansion of bureaucratic systems of consumer protection, which would include major consumerist inputs but relatively little industry participation (UN 1981). Self-regulatory bodies from developed nations will need to assist their parallel development in LDCs, lest this crucial mechanism of behavior control remains untapped.

Conversely, all governments will have not only to encourage the development of self-regulatory bodies but also to supervise their functioning lest they be either too weak or too strong, ineffective as far as consumer

protection is concerned or anticompetitive. In particular, a system similar to the U.K. Office of Fair Trading would seem desirable. The latter is charged with the promotion and supervision of voluntary industry codes, but has the reserve power to recommend legislation where the code approach has failed. As such, self-regulation truly becomes an agent of public policy besides being a private government.

FOOTNOTES

1. "Self-regulation is a concept distinct from self-discipline. The latter describes the individual's control, or attempts to control, his own actions; the former entails control by the individual's peers, subjection to whose judgment is central to the description of such systems as regulatory. Self-discipline's only sanction is the individual conscience. The most characteristic sanction of self-regulation is exclusion from participation in the activity regulated (Thomson 1983, p. 4)."
2. "Economic regulation may be defined as the imposition of rules by a government, backed by the use of penalties, that are intended specifically to modify the economic behavior of individuals and firms in the private sector. This definition distinguishes economic regulation as an instrument of public policy from others such as exhortation, direct expenditure, taxation, tax expenditures, and public ownership (Thompson and Jones 1982, p. 17)."
3. One should not ignore that the law can also be used by competitors and consumers (or their associations) who can sue advertisers or petition for cease-and-desist injunctions - at least in some countries.
4. Typical sanctions applied by self-regulatory bodies include denial of access to member media (mainly), publicizing the names of recalcitrant advertisers (usually), denunciation to the authorities (rarely), expulsion from the association (rarely), and suing to protect the interests of the profession (rarely). These sanctions can often be applied even to non-members of the self-regulatory system.
5. The International Chamber of Commerce's International Code of Advertising Practice (1973) starts by saying that "all advertising should be legal."

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ADVERTISING SELF REGULATION

A Comparative Study

by

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INTRODUCTION

The United States has been a world leader in the regulation of advertising by governmental agencies and through self-regulatory mechanisms. American regulatory goals have focused essentially on consumer protection from misleading, deceptive, or false advertising, as well as guarding advertisers from such practices by their competitors.¹ But there has been a pronounced erosion recently of the role of government as the principal guardian of consumer interests and welfare, and as the watchdog of the business community. The call of the current Chair of the Federal Trade Commission, James C. Miller III for an F.T.C. authorization bill by the Congress to state more definitively the role and goals of the Commission is illustrative of the thrust of the current administration in Washington.

Dampening of Federal regulation of advertising provides new opportunities for self regulation by the industry. The current climate imposes a new sense of urgency as well. Unless the advertising industry policies itself "adequately," there will eventually be renewed pressure for more Federal, state, and local regulatory mechanisms and guidelines. In addition to misleading, false, and deceptive advertising; the consumer movement, environmentalism, religious fervor, the feminist movement, sexual preference alternatives, nationalism, and regionalism will continue to be potent factors impacting on advertising and its perceived role in society. The private sector must build inter-

¹James P. Neelankavil and Albert B. Stridsberg, Advertising Self Regulation: a Global Approach, (New York: Hastings House, 1980), p. 3.

face effective mechanisms with spokespersons for these movements, factions, and pressure groups which characterize our pluralistic society.

But no nation has a monopoly on sound advertising regulatory procedures. The thrust of this report is to contrast the principal mechanism for self regulation of advertising in the United States with that of the United Kingdom. To elicit first-hand data, personal interviews were held in late 1981 with representatives of the principal regulatory agency in this country and in Great Britain. These meetings supplemented by follow-up study in 1982 provided insight for the recommendations for modification and augmentation of American self regulatory policies and mechanisms.

AMERICAN SELF REGULATION

The principal vehicle for self regulation of national advertising in the United States is the NAD (National Advertising Division)/NARD (National Advertising Review Board) mechanism. The sponsoring body for the National Advertising Review Board is NARC (the National Advertising Review Council), a separate corporation formed by four entities, AAAA (the American Association of Advertising Agencies), AAF (the American Advertising Federation), ANA (the Association of National Advertisers), and CBBB (the Council of Better Business Bureaus). NARC membership consists of the presidents or chairpersons of the four founding entities. NARC has

purview over budgets, policies, and NARB membership appointments.²

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In evaluating a questionable claim, the NAD staff requests undigested data from an advertiser in order that it may replicate the reasoning process by which the advertiser concluded that its claims were truthful.⁴ The NAD staff relies primarily on the rule of reason and the use of common sense in determining whether to make a challenge

²Priscilla A. LaBarbera, "Advertising Self Regulation: An Evaluation," MSU Business Topics (Summer, 1980), p. 55.

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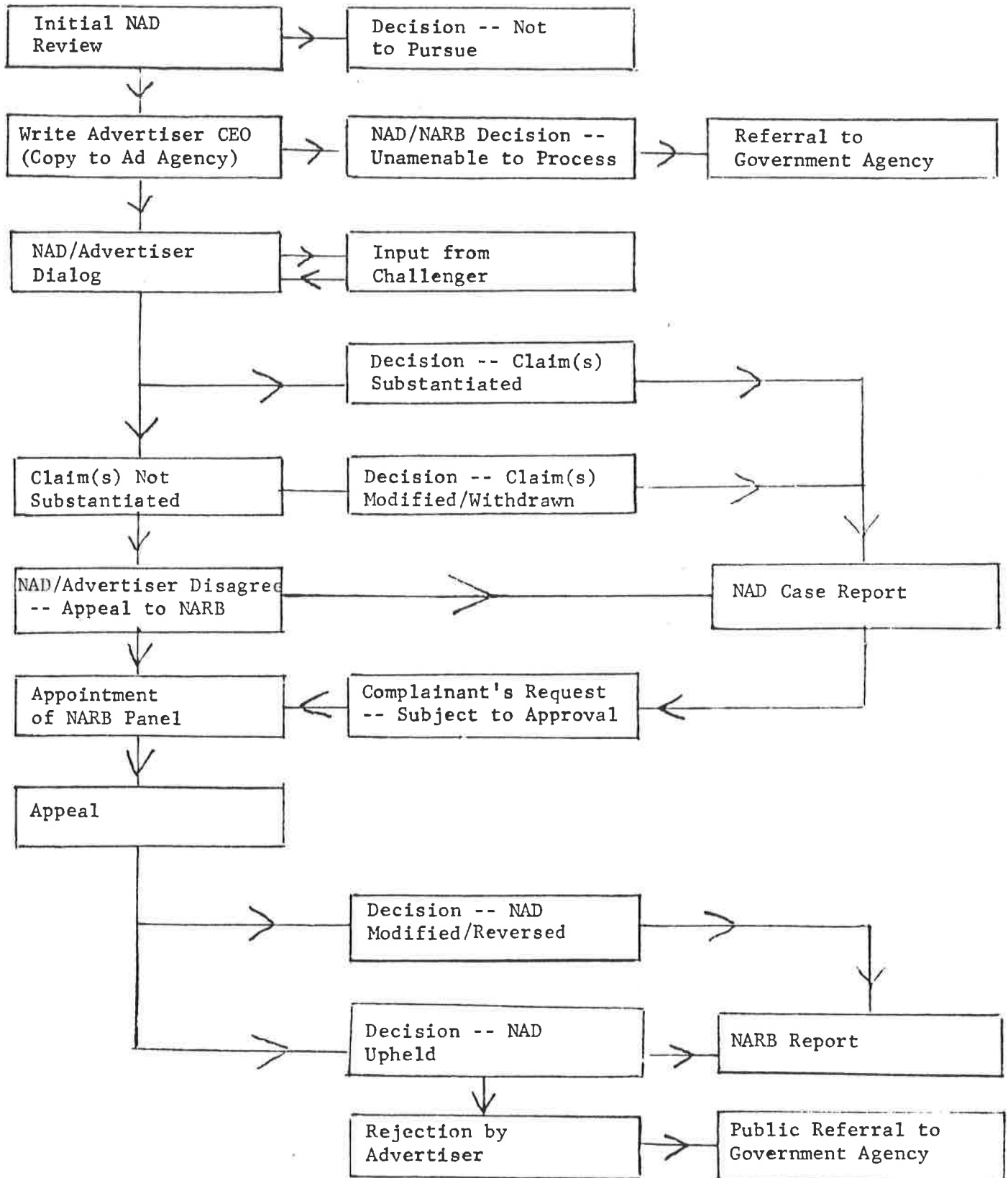
and in evaluating substantiating evidence.⁵ If the NAD determines that questioned advertising claims are adequately substantiated, the case is concluded. If the NAD does not agree that the claims are substantiated or accurately stated, a need arises for the advertiser and the NAD to reach agreement on corrective action--to withdraw or modify the challenged claims. Failing agreement, the NAD and the advertiser have recourse to the second tier, the NARB. Any external complainant also has the option of requesting such appellate review. Figure 1 is a flow chart of the steps involved in the NAD/NARB self regulatory process. Of all the investigations completed by the NAD over the past decade, approximately two per cent have been appealed to the NARB.⁶

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⁵Interview with Lorraine C. Reid, Senior Vice President, National Advertising Division, New York, June 17, 1982.

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STEPS IN NAD/NARB PROCESS



Source: National Advertising Division, Council of Better Business Bureaus, 1983.

from the NARB board consisting of three advertiser members, one agency representative, and one public member.

An NARB panel is not bound by the decision of the NAD in a given case. It may reverse, modify, or sustain the NAD. If an NARB panel finds against a challenged advertiser, who agrees to modify or withdraw the advertisement under review, the case is closed. But if the challenge is upheld by the NARB panel, and the advertiser declines to modify or discontinue the advertising, the chair of the NARB has the power to refer the file to a germane governmental agency making public the transmittal letter to the agency. To date, it has not been necessary to resort to this final step.⁷

Both the NAD and the NARB make published disclosures of challenged cases which have been substantiated, modified, or discontinued. The NAD Case Reports are published monthly and widely distributed to the business community and the advertising industry as guidelines to sound advertising practice.

In 1974 a Children's Advertising Review Unit was established within the NAD to assess the truth and accuracy of advertising aimed at children under age 12. CARU has appointed seven academic advisers with backgrounds in child psychology, the behavioral sciences, and nutrition to counsel the unit. Funded entirely by advertisers to children, CARU has published Children's Advertising Guidelines with

⁷Review and Perspective on Advertising Industry Self Regulation, 1971-1977 (New York: NAD/NARB, 1978), p.7.

sections on truth and accuracy, product presentation, endorsements, safety, use of premiums, and claim substantiation. Approximately 2,000 copies of these guidelines were distributed in 1980. On request, CARU will review advertisements prior to use which have been submitted by advertisers.⁸

NARB Consultative Panels. In addition to endeavoring to ensure the truthfulness and accuracy of national advertising, the NARB has commissioned ad hoc panels to report on key societal aspects of advertising. Findings have been disseminated via NARB panel reports including "Product Advertising and Consumer Safety," "Advertising and Women," and "Identifying Competitors in Advertising."

Local Advertising Review Boards. The Council of Better Business Bureaus and the American Advertising Federation have launched a voluntary local advertising self regulation program utilizing local Better Business Bureaus and local Advertising Clubs. Under this program, ARC (Advertising Review Committees) have been formed with representation from local advertisers, local advertising agencies, and the public to consult with local Better Business Bureaus about problem issues in advertising. The ARC groups also consider individual

⁸Laurene Meringoff (ed.) Children and Advertising: An Annotated Bibliography (New York: Council of Better Business Bureaus, 1980) p.v. This is an 87-page bibliography with citations on cognitive development, consumer groups, consumer socialization, content analysis and viewing patterns, creative and marketing techniques, food and health, government, industry, instructional television, opinion surveys on children's television, parent-child relationships, print advertising, research, television as a socializing agent, toys, vitamins, drugs, and society.

cases which local Better Business Bureaus have not been able to resolve. The local BBB, an advertiser, or a complaintant can request an ARC panel to study a case and render an advisory opinion following the initial BBB finding. The American Advertising Federation has prepared a LARP (Local Advertising Review Program) procedural package for distribution to Advertising Clubs and Better Business Bureaus that would like to form an ARC group.⁹ In setting up a local Advertising Review Committee, the American Advertising Federation recommends that one-third of the members be local advertisers, one-third from advertising agencies, and one-third public members with the chair from the public sector.¹⁰ In the 25 programs adopted during the past two years, only a handful of cases have had to go before a review committee. In all other cases, the questioned advertising was resolved between the local Better Business Bureau and the advertiser.

While it is not a part of the LARP system, the Minnesota Better Business Bureau in St. Paul maintains an active advertising review program which functions much like the NARB. This Bureau publishes a monthly news release citing the names of local firms whose advertising has been challenged, the basis for each challenge, and its resolution. The Advertising Review Division of the Minnesota BBB adjudicated 349 challenges during 1982. Of this total, 94 cases were concluded when the local BBB concluded that the advertisers had

⁹"AAF Reports Revival in Ad Review Panels," Advertising Age (June 28, 1982), p. 72. "Self Regulation Program Now Operating in Seventeen U.S. Cities." AAF News (September 1, 1982), pp. 1-4.

¹⁰"Local Advertising Review Committee: Guidelines, Criteria and Implementation," (Washington, D.C.: American Advertising Federation, 1981), p. 4.

an appropriate basis for making the claims that had been challenged. In 255 cases, the advertisers confirmed that the challenged advertisements had already been withdrawn (for a variety of reasons), or they agreed to modify the questioned claims. None of the cases had to be referred to the Minnesota Advertising Review Board in 1982. In addition to the 349 local advertising cases handled during 1982, the Minnesota BBB referred 35 questioned claims to the (NAD) National Advertising Division. Under a pilot program with the Council of Better Business Bureaus, the Minnesota BBB reviews tapes of television broadcasting and forwards questionable claims to the NAD for further investigation.

The Minnesota BBB has a long history of local advertising review stemming from the inception of its program in 1973. Summarized in Table I is a summary of actions taken in challenged cases between 1973 and 1982.

Table I
Action Taken in Challenged Local
Advertising Cases*
1973-1982

Cases Dismissed or Substantiated	620
Advertisements Modified or Discontinued	1,449
Cases Administratively Closed	92
Cases Referred to Minnesota Advertising Review Board	18
Cases Referred to Regulatory Agencies	24
Cases Referred to National Advertising Division	<u>59</u>
Total Cases Closed or Referred	2,262

*"349 Challenges to Local Advertising Resolved," St. Paul: Minnesota Better Business Bureau (January 14, 1983), p. 4.

SELF REGULATION IN THE UNITED KINGDOM

In Great Britain, self regulation of advertising is accomplished by means of a tripartite system. The Advertising Standards Authority is the top tier of this system. It is an independent entity which is financed by means of a surcharge of 0.1 per cent on all display advertising. The ASA is headed by an independent chair who is unaffiliated with the advertising industry. In 1981-1982 the chair was Professor Lord McGregor of Durris.¹¹ The chair appoints the Authority's twelve council

¹¹ Annual Report, (London: Advertising Standards Authority, 1981), p. 2.

members, two-thirds of whom may not be affiliated with any aspect of advertising. Members serve as individuals, not as representatives of organizations or sectional interests.¹²

The ASA Council considers complaints which are received from sources outside the advertising business. It publishes periodic case reports of its investigations. The ASA engages also in a continuing monitoring program of print advertising in order to check conformity with the Code of Advertising Practice. This code is published under the general supervision of the ASA in a 72-page booklet with sections on truthful presentations, responsibility to the consumer and society, unacceptable practices in connection with advertising (including unsolicited home visits, non-availability of advertised products, and switch selling), and health claims. The code is supplemented by guideline appendices on advertising to children, medical and allied claims, credit and investment advertising, mail order advertising, hair and scalp product advertising, cigarette advertising, advertising of alcoholic beverages, and advertising of vitamins and minerals. In all, 462 rules are found in the code, the heart of which is the International Code of Advertising admonishment that advertising should be legal, decent, honest, and truthful.¹³

¹²Interview with Peter Thompson, Director General, Advertising Standards Authority, London, December 10, 1981.

¹³British Code of Advertising Practice, (London: Advertising Standards Authority, 1979), p. 72.

The Code of Advertising Practice Committee is the second tier of the control system. It is responsible for adjudicating complaints received from competitors, updating the CAP Code, and promulgating its provisions to the advertising industry. The CAP committee membership consists of representatives of twenty trade and professional advertising associations including the Incorporated Society of British Advertisers, the Independent Television Companies Association, the Association of Independent Radio Contractors, the Newspaper Publishers Association, the Periodical Publishers Association, the Association of Mail Order Publishers, the Institute of Sales Promotion, the British Advertising Association, the Bus Advertising Council, and the Screen Advertising Association. In contrast with the ASA, members of CAP serve as representatives of the organizations with which they are affiliated. The CAP Committee is assisted by standing Sub-committees in four especially complex areas; financial advertising, mail order advertising, health and nutrition claims, and sales promotion. A separate Code of Sales Promotion Practice has been published by a Sub-committee in this field.¹⁴

The third aspect of this tripartite system is called the

¹⁴The British Code of Sales Promotion Practice (London: The Advertising Standards Authority, 1980). This 16-page code has sections on integrity, protection of privacy, children, safety, presentation and publicity, quality and suitability of goods, worth and value claims, the offer, free offers, promotions and prizes, charity linked promotions, and trade promotions.

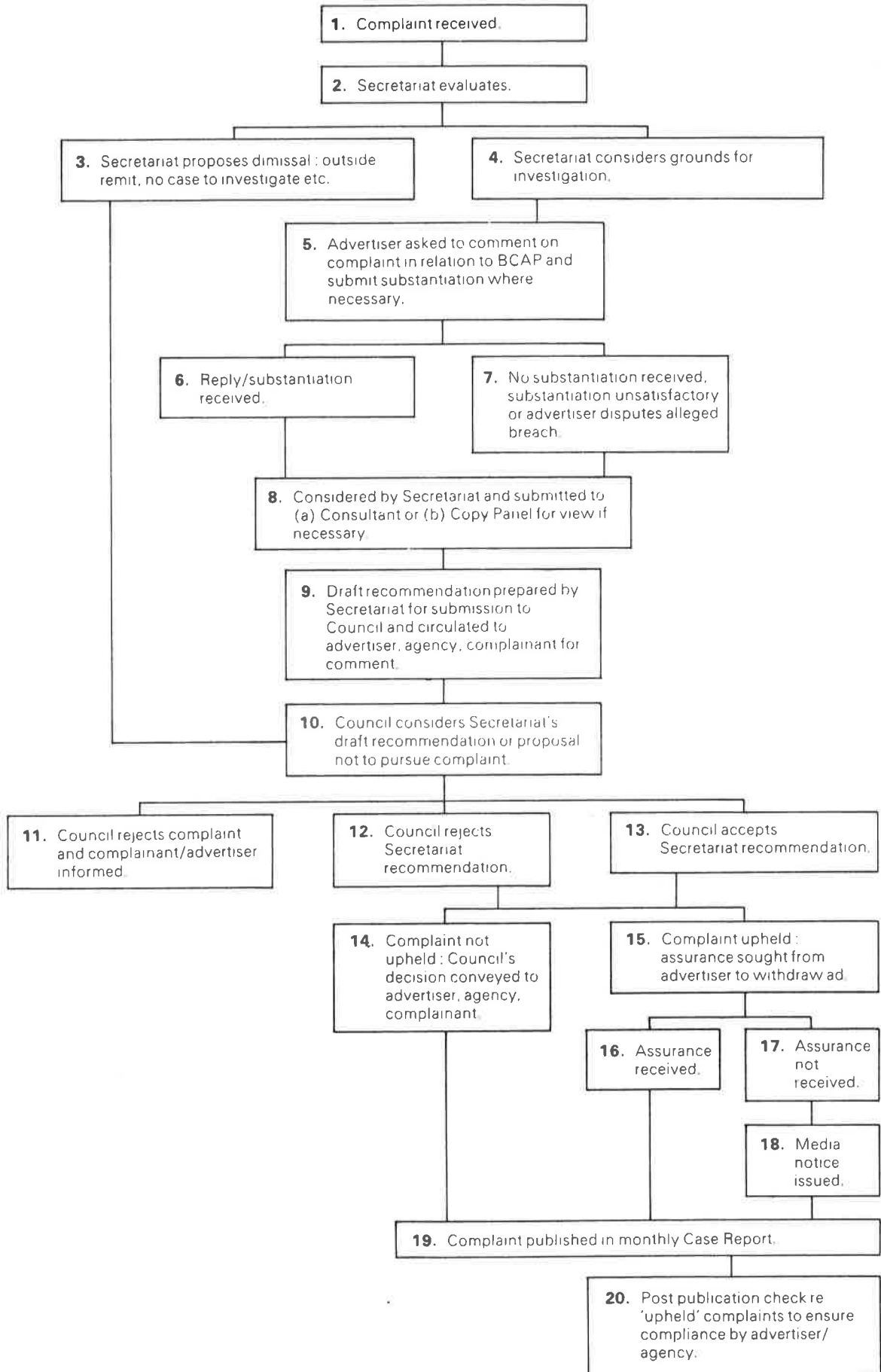
secretariat which provides pre-publication guidance on copy and the suitability of products, and pre-clearance of advertisements in mandatory fields, such as cigarette advertising. The secretariat is a full time staff of professional personnel. The ASA, the CAP Committee, and the secretariat all share the same physical facilities in carrying out their respective responsibilities. This structure is largely restricted to print advertising and sales promotion. Radio and television commercials fall under statutory regulations and organizations that govern their functions.

Figure 2 summarizes the ASA complaints procedure with a flow chart indicating the steps and alternative courses of action in evaluating complaints received from the public. One can see that the secretariat is the initial point of evaluation in determining whether to investigate or to dismiss a complaint. Secretariat recommendations may be accepted or rejected by the ASA Council.¹⁵

Analysis of ASA Complaints. In 1980, the ASA received, 6,533 complaints, 4,324 of which were not pursued. Of that total, 939 involved complaints about goods or services per se as opposed to the content of advertisements, or they involved product manuals, labels, packaging, or advertisements which fell outside the purview of the Code of Advertising Practice including those of a political or religious nature. Another 458 pertained to radio or television

¹⁵British Code of Advertising Practice, op. cit.

Summary of ASA Complaints Procedure



advertisements which fall outside of the ASA mandate. Inadequate details precluded investigation of another 698 complaints. Another 1,228 complaints were not investigated because there was really no case involved. These included opinion letters and complaints of various kinds, but not violations of the Code. The final category of 1,001 complaints involved cases which had already been investigated, or were in the process of being researched.¹⁶

Of the 2,209 complaints which were investigated in 1980, 1,155 pertained to advertising copy, while 1,054 involved mail order delays. In toto, 1,033 copy complaints were resolved in 1980. In the majority of cases, the ASA obtained assurances from advertisers that the offenses would not be repeated. The product or service categories that gave rise to most complaints were holiday and travel, followed by automobiles and car accessories.

The 1981 Annual Report indicates that the ASA's overall expenditure budget totaled £882,577 in 1980 and £1,005,018 in 1981 with £331,733 in 1980 and £350,769 in 1981 for advertising and promotion of its activities to the trade and the public.¹⁷

EVALUATION AND RECOMMENDATIONS

The NAD/NARB system for self regulation of advertising in the United States is generally well regarded by the industry, considered

¹⁶ Annual Report, (London: The Advertising Standards Authority, 1980) pp. 16-17.

¹⁷ Annual Report, (London: The Advertising Standards Authority, 1981), pp. 28-29.

to be well managed, and an important deterrant to undesirable and detrimental advertising practices. This self regulatory system has also reduced the workload of the Federal regulatory agencies, and over the years it has tended to dampen the ardor of public sector agencies whenever more extensive Federal regulation was contemplated. In part, this stems from the timely manner with which complaints and challenges have been processed. In recent years this has ranged from five to six months by the NAD and the NARB.¹⁸

Scope of Operations. Despite this positive overall evaluation, much can and should be done to enhance further the effectiveness of the NAD/NARB system. The United States is by far the leading nation of the world in overall investment in advertising, with total volume of almost \$32 billion in 1980. In that same year, advertising agency income topped \$4.6 billion, while that of the United Kingdom was \$503 million.¹⁹ American advertising agency income was approximately double that of the United Kingdom, France, the Netherlands, and Italy combined in 1980. Our leadership position has not changed. Certain companies in the United States spend as much on advertising as is invested overall in smaller nations including Spain, Switzerland, Mexico, Austria, and Norway.

¹⁸Eric J. Zanot, "The NARB: Precedents, Premises and Performance," Unpublished Ph.D. dissertation (Urbana: University of Illinois, 1977).

¹⁹"Advertising Age Yearbook," (Chicago: Crain Books, 1982), pp. 112-117.

In the light of the importance and power of advertising in the United States, the 141 cases processed by the NAD in 1980, 156 in 1981, and 140 in 1982 appear modest, especially when one considers that the NAD/NARB system is the largest and most successful self regulatory system in the nation. The number of cases adjudicated under self regulatory codes of various media associations and trade associations in the United States average less than 30 a year each with the exception of the Direct Mail/Marketing Association which processes between 140 and 150 cases annually.²⁰

By contrast with a modicum of complaints and challenges processed annually by the NAD/NARB in the United States, the Advertising Standards Authority in the United Kingdom received 6,533 complaints from the public in 1980, 2200 of which were pursued. The burgeoning volume of complaints in Great Britain stems, in part, from the success of a high priority advertising campaign to increase public awareness of the Advertising Standards Authority. A recent headline aimed at the general public said, "If You Find An Advertisement Unacceptable, Don't Turn the Page: Turn To Us." An advertisement aimed at opinion leaders which referred to the Code of Advertising Practice, stated, "It Contains 462 Rules: If An Advertiser Breaks One, We Throw The Book At Him." Poster advertisements dwelt on the theme, "If An Advertisement Is Wrong: We're Here To Put It Right."

²⁰Priscilla A. LaBarbera, "Analyzing and Advancing the State of the Art in Advertising Self Regulation," Journal of Advertising (Volume 9, No. 4, 1980). In this study the advertising self regulatory codes, mechanisms and budgets of 22 industry groups including media associations and trade associations were analyzed.

In 1980, the ASA invested £331,000 in advertising and promotion. As a result, prompted awareness of the ASA and its self regulatory role increased from 31 per cent to 46 per cent in a sample of consumers over a six-month period during 1980.²¹

Visibility. To enhance its public relations potential and its credibility with consumers increased promotion of the NAD/NARB system is warranted.²² Perhaps this has not been done because of concern that a larger volume of complaints would overwhelm the National Advertising Division which would find itself unable to cope with them in a timely manner. The Council of Better Business Bureaus which allocates funds to the NAD/NARB is a lean operation which must use available funds with care. The NAD/NARB may well be the victim of its own success. It is well regarded, and the spectre of more rigorous Federal regulation has receded. In this milieu, the advertising industry does not feel vulnerable. Consequently, there is somewhat less incentive today than there was during the watershed of the consumer movement during the 1960's and 1970's to provide funds for self regulation of business generally, including advertising.

The overall operating budget of the NAD/NARB was \$718,755 in 1982. Of this total, \$289,080 came from the general funds of

²¹Annual Report (London: Advertising Standards Authority, 1980), pp. 6-20.

²²Unprompted public awareness of the NAD/NARB self regulatory system ranged a few years ago from one per cent to five per cent of the general public. There is little reason to believe that it is higher today. See Zanot, op. cit., p. 190.

the Council of Better Business Bureaus, \$237,463 from advertising agencies, and \$192,212 from companies whose advertising is directed toward children. The latter category of support is for the children's advertising review unit.²³ Considering the impact of inflation, funding in real terms has been static in recent years. By contrast, the Advertising Standards Authority in the United Kingdom receives the bulk of its operating funds via a levy of 0.1 per cent of non-broadcast advertising billings. It benefits directly from the impact of inflation and from advertising industry prosperity. By contrast, funding in the United States is rooted in a more static fee structure that is less responsive to the impact of inflation and perceived needs. Mitigation of this dilemma should be a continuing agenda topic by the sponsors of the NAD/NARB system.

To enhance visibility, a pilot public awareness campaign could be launched at little cost in order to test market its consciousness raising impact and any increase in consumer generated complaints stemming from it. The expenses of such a public service program could easily be justified by a major advertising agency or industry association. If successful it could be expanded utilizing the British program as a model. This step could be coordinated with a major fund raising campaign among advertising

²³Council of Better Business Bureaus Annual Report (Arlington, Virginia, Council of Better Business Bureaus, 1982), p. 5.

agencies and corporate advertisers to support the costs associated with an expanded level of effort.

Standards. The NAD/NARB system does not utilize written codes or standards which are made widely available to consumers. This is in contrast with the ASA/CAP mechanism in the United Kingdom which is rooted in a widely disseminated Code of Advertising Practice which is periodically updated.

The American approach allows for flexibility and the application of a rule of reason in appraising challenged advertisements. The lack of widely accepted guidelines can contribute to murky standards, problems associated with dispute adjudication, and the possibility of shifting positions over time. Marketing scholars have occasionally attempted codification of NARB decisions and imputed guidelines utilizing case conclusions as vehicles for analysis.²⁴ But this has not been done by the staff of the NAD/NARB.

Sanctions and Legality. An early plan for self regulation of advertising in the United States proposed by a past chair of the American Advertising Federation included sanctions patterned after the British model. Recalcitrant advertisers refusing to withdraw or modify advertisements found to be misleading or deceptive would be denied access to media which would refuse to carry such advertising.²⁵ Unfortunately, ample evidence has made it clear that industry agreement to foreclose media to offensive advertising

²⁴ Zanot, op. cit., p. 25.

²⁵ "Advertising Federation Chairman Suggests Independent Review Council to Curb Ad Abuses," Advertising Age (September 12, 1970), p. 49.

would constitute illegal restraint of trade under the nation's anti-trust laws. Consequently, American self regulation relies on moral persuasion and peer pressure. Legal concerns surfaced dramatically in a benchmark local advertising review board case in Denver in 1974 when a challenged local advertiser sued rather than responded to a LARB complaint. The suit charged violations of plaintiff's civil rights, the 14th amendment, due process, and the anti-trust laws. While the case was later dismissed, it cast doubts temporarily on the legality of the NAD/NARB mechanism, and it effectively stopped for several years the formation of additional local advertising review boards. Existing ones largely curtailed their operations too.²⁶

Public Representation. When the parameters for self regulation of advertising were being debated with the industry a dozen years ago, a preponderance of public members on review bodies was envisioned. This characterized the British system then and today.²⁷ Skepticism was widespread within and outside the advertising industry when only ten of the 50 members of the NARB were ultimately designated as public representatives with no advertising industry affiliation. Perhaps the dearth of support for more public representation at that time stemmed from the belief that outsiders lacked the background and judgement to make qualified recommendations about deception in advertising. But recall that the guidelines for setting up local Advertising Review Committee, recommend that one-third of the

²⁶ Telephone interview with Norman E. Gottlieb, General Counsel, Council of Better Business Bureaus, July 16, 1982.

²⁷ "Advertising Federation Chairman Suggests Independent Review Council to Curb Ad Abuses," op. cit., p. 49.

members and the chair should be from the public sector.

Fortunately for the credibility of the NARB mechanism, the reputation of the public representatives at that level has been high even though their numbers have been small. Doubtless, it is too late to increase the level of public representation in a national system which is functioning well. It is regrettable that greater public representation was not provided for originally. But there are opportunities today for increased representation from consumerist groups, marketing scholars with backgrounds in self regulation, and those in non-business societal leadership roles. Illustrative appointments to the Board of the Advertising Standards Authority in the United Kingdom include a Methodist minister, a chartered accountant, a member of Parliament with a background in economic policy, and a public service oriented member of the House of Lords.²⁸ Delineation of public membership criteria could be established as an initial step in the development of a roster of qualified candidates for NARB appointment.

CONCLUSIONS

Contrasting the principal mechanism for self regulation of advertising in the United States with that of the United Kingdom opens the door to a charge of non-comparability-- cultural, governmental, and historical differences from one nation to another --

²⁸Annual Report (London: The Advertising Standards Authority, 1979), pp. 2-3.

which can invalidate comparisons. But American common law, constitution, and system of government are based on that of the United Kingdom. This report suggests re-examination of British self regulatory practices as well as those of other industrialized nations, supplemented by a critical audit of the NAD/NARB system by practitioners and qualified public representatives, in an effort to strengthen further this private enterprise effort which deserves increased recognition, visibility and financial support.



SCHOOL OF BUSINESS ADMINISTRATION

UNIVERSITY OF SOUTHERN CALIFORNIA

ADVERTISING SELF REGULATION

A Comparative Study

by

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1983

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INTRODUCTION

The United States has been a world leader in the regulation of advertising by governmental agencies and through self-regulatory mechanisms. American regulatory goals have focused essentially on consumer protection from misleading, deceptive, or false advertising, as well as guarding advertisers from such practices by their competitors.¹ But there has been a pronounced erosion recently of the role of government as the principal guardian of consumer interests and welfare, and as the watchdog of the business community. The call of the current Chair of the Federal Trade Commission, James C. Miller III for an F.T.C. authorization bill by the Congress to state more definitively the role and goals of the Commission is illustrative of the thrust of the current administration in Washington.

Dampening of Federal regulation of advertising provides new opportunities for self regulation by the industry. The current climate imposes a new sense of urgency as well. Unless the advertising industry policies itself "adequately," there will eventually be renewed pressure for more Federal, state, and local regulatory mechanisms and guidelines. In addition to misleading, false, and deceptive advertising; the consumer movement, environmentalism, religious fervor, the feminist movement, sexual preference alternatives, nationalism, and regionalism will continue to be potent factors impacting on advertising and its perceived role in society. The private sector must build inter-

¹James P. Neelankavil and Albert B. Stridsberg, Advertising Self Regulation: a Global Approach, (New York: Hastings House, 1980), p. 3.

face effective mechanisms with spokespersons for these movements, factions, and pressure groups which characterize our pluralistic society.

But no nation has a monopoly on sound advertising regulatory procedures. The thrust of this report is to contrast the principal mechanism for self regulation of advertising in the United States with that of the United Kingdom. To elicit first-hand data, personal interviews were held in late 1981 with representatives of the principal regulatory agency in this country and in Great Britain. These meetings supplemented by follow-up study in 1982 provided insight for the recommendations for modification and augmentation of American self regulatory policies and mechanisms.

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Role of the NAD. The NAD functions as the first tier of the self regulation process, while the NARB is positioned as the second tier or appeals level. The NAD functions through a professional staff in New York. From the inception of the program in June, 1971 through the first six months of 1981, the NAD reviewed, evaluated, and settled 1,864 complaints. Of that total, 697 or almost 38 per cent resulted from NAD internal monitoring of television and magazine advertising by a team of full-time evaluators. The largest number of external complaints, 374 over the ten year span, came from competitors, followed by 318 submissions from local Better Business Bureau offices around the country. Individual consumers provided 239 of the challenges, while consumer organizations accounted for 179 more. The remaining 57 challenges during the first ten years of NAD/NARB operations came from diverse marginal sources.³

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³"Advertising Review," Better Business News and Views, Volume 7, No. 2, 1981, p. 3.

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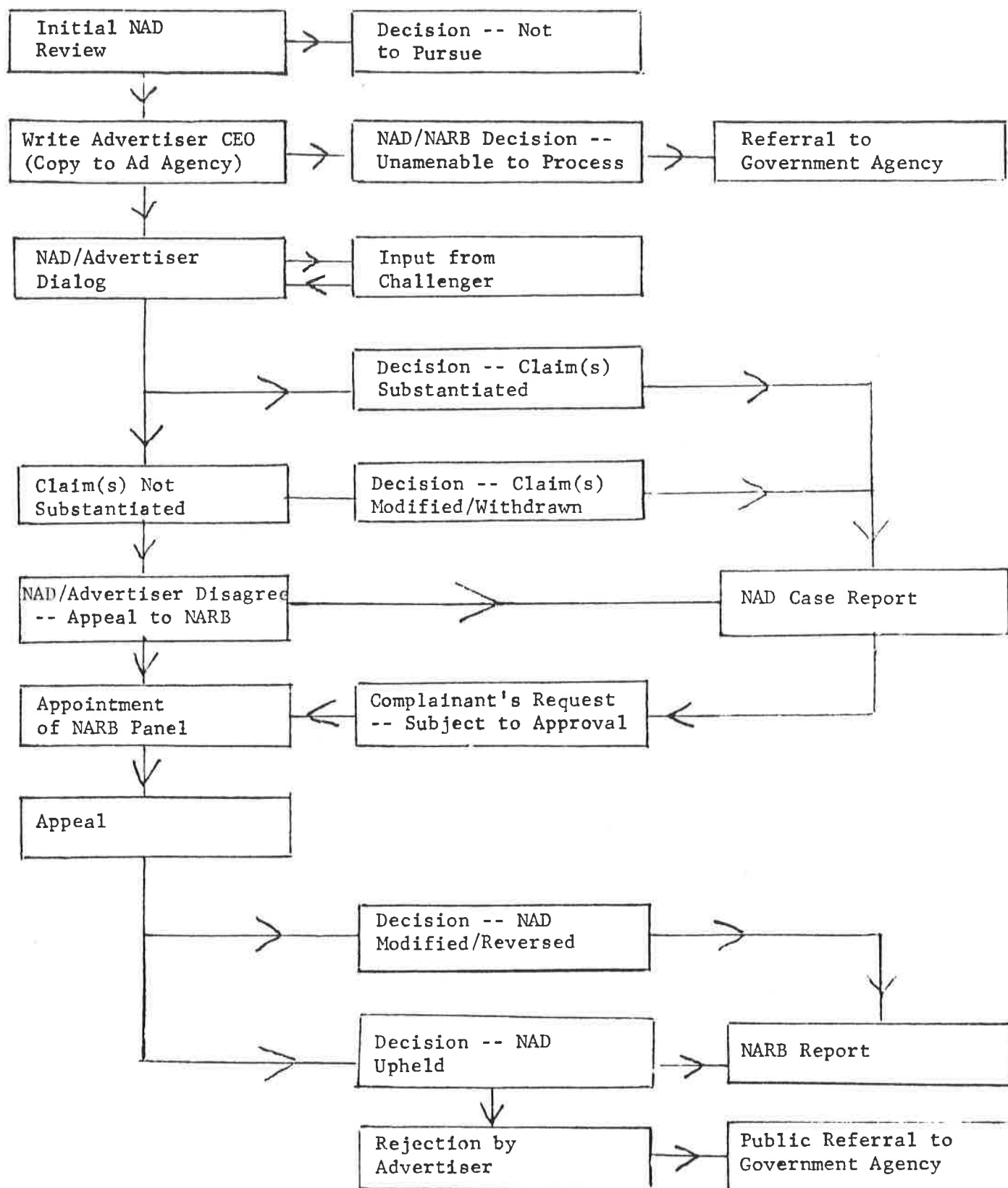
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FIGURE 1

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An NARB panel is not bound by the decision of the NAD in a given case. It may reverse, modify, or sustain the NAD. If an NARB panel finds against a challenged advertiser, who agrees to modify or withdraw the advertisement under review, the case is closed. But if the challenge is upheld by the NARB panel, and the advertiser declines to modify or discontinue the advertising, the chair of the NARB has the power to refer the file to a germane governmental agency making public the transmittal letter to the agency. To date, it has not been necessary to resort to this final step.⁷

Both the NAD and the NARB make published disclosures of challenged cases which have been substantiated, modified, or discontinued. The NAD Case Reports are published monthly and widely distributed to the business community and the advertising industry as guidelines to sound advertising practice.

In 1974 a Children's Advertising Review Unit was established within the NAD to assess the truth and accuracy of advertising aimed at children under age 12. CARU has appointed seven academic advisers with backgrounds in child psychology, the behavioral sciences, and nutrition to counsel the unit. Funded entirely by advertisers to children, CARU has published Children's Advertising Guidelines with

⁷Review and Perspective on Advertising Industry Self Regulation, 1971-1977 (New York: NAD/NARB, 1978), p.7.

sections on truth and accuracy, product presentation, endorsements, safety, use of premiums, and claim substantiation. Approximately 2,000 copies of these guidelines were distributed in 1980. On request, CARU will review advertisements prior to use which have been submitted by advertisers.⁸

NARB Consultative Panels. In addition to endeavoring to ensure the truthfulness and accuracy of national advertising, the NARB has commissioned ad hoc panels to report on key societal aspects of advertising. Findings have been disseminated via NARB panel reports including "Product Advertising and Consumer Safety," "Advertising and Women," and "Identifying Competitors in Advertising."

Local Advertising Review Boards. The Council of Better Business Bureaus and the American Advertising Federation have launched a voluntary local advertising self regulation program utilizing local Better Business Bureaus and local Advertising Clubs. Under this program, ARC (Advertising Review Committees) have been formed with representation from local advertisers, local advertising agencies, and the public to consult with local Better Business Bureaus about problem issues in advertising. The ARC groups also consider individual

⁸Laurene Meringoff (ed.) Children and Advertising: An Annotated Bibliography (New York: Council of Better Business Bureaus, 1980) p.v. This is an 87-page bibliography with citations on cognitive development, consumer groups, consumer socialization, content analysis and viewing patterns, creative and marketing techniques, food and health, government, industry, instructional television, opinion surveys on children's television, parent-child relationships, print advertising, research, television as a socializing agent, toys, vitamins, drugs, and society.