"Advertising"*

by

Israel Kirzner

<u>Introduction</u> by George Roche:

Good evening. I see some unfamiliar faces in the audience who usually do not attend these lectures. At least they don't attend mine, and I want to know why.

Our speaker this evening is one of the distinguished students of Professor Ludwig von Mises. He is a member of the Mont Pelerin Society. He is the author of three books and about to become the author of a fourth. He's the author of many, many articles. All of these books and articles in a variety of distinguished forms have demonstrated one facet or another of Misesian economics. He's a distinguished teacher, one of the most distinguished libertarian economists in the country today and, currently, Professor of Economics at New York University. Professor Israel Kirzner. Israel.

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My talk was billed as "Information, Persuasion, Deception: The Role of Advertising in the Market Economy." As I heard George's kind words, his advertising message, I was wondering how much of what. There was enough in the message.

Advertising has been badly treated by many scholars who should know better. Not only Marxists, not only liberals, but even conservatives have given advertising a bad press. I think that this is wrong.

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*Talk (August 5, 1971) before summer seminar participants, at The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York.

While there's lots in advertising that can be condemned it is my opinion that advertising is an integral element in the market economy that we have. It would be an integral element in a pure laissez faire market economy. It would be helpful, I think, for us to examine what the criticisms of advertising are and why, in my opinion, these criticisms are quite weak.

Advertising is attacked on many grounds, it is attacked on esthetic, moral grounds. Many advertising messages are offensive -- by esthetic or ethical standards and moral standards. There's no question about it. Unfettered, unhampered capitalism, laissez faire capitalism, it is contended, would propagate messages of these kinds in a way that could very well demoralize and offend the tastes and morals of members of society.

Number 2: Advertising, it is argued, is deceitful, fraudulent. It is full of lies. Misinformation is spread by the advertised methods, in print, on the airwaves, and this does harm to the members of society. For that reason advertsing should be controlled, limited, taxed away. It was Ernst van den Haag, the conservative, who argued that advertising should be taxed.

It is argued that where advertising is not deceitful, it is at best persuasive. That is, it attempts to change people's taste. It attempts not to fulfill the desires of man but to change the desires of man to fit that which has been produced. The claim of the market economist has always been that the free market engenerates the flow of production along the linesthat satisfy consumer tastes. Tastes are the given and tastes determine that which shall be produced. Briefly, consumer sovereignty. On the contrary, the critics of advertising argue, capitalism has developed into a system where producers produce and then mold men's minds to buy that which has been produced. So that so far from production being governed by consumer sovereignty, quite the reverse. The consumer is governed by producer sovereignty.

A fourth criticism of advertising has been that advertising propagates monopoly. Advertising is antithetical to competition. In a competitive economy it is pointed out there would be no advertising. In a purely competing competitive world each seller would sell as much as he would like to sell. Without having to convince consumers to buy that which they would not otherwise have bought. So advertising is made possible by imperfections in the market. More seriously, it is contended, advertising leads towards monopoly by building up a wall of good will, a protective wall of loyalty among consumers, which renders a particular product immune to outside competition. The advertising message wins consumers so that consumers buy particular brands. They have been persuaded, educated, to know this brand, to recognize this brand and this brand they will buy even if its price is higher than it might otherwise be. Competing products which do not have this particular brand name, which do not share in the fruits of the advertising campaign, find themselves on the outside and this represents a formidable barrier to entry, in technical terms. This barrier to entry may gradually lead a particular producer to control a share of the market which is rendered invulnerable to the winds of outside competition. It was again a conservative, Henry Simons, who argued that advertising leads away from competition towards monopoly.

Finally -- and this in a way sums up all of these criticisms--

advertising is condemned as wasteful. The consumer pays a price for a product which covers a very large sum of money spent on advertising. Advertising does not change the commodity that has been purchased. The commodity purchased could have been produced and sold at a much lower price without the advertising. Consequently the consumer is paying for something which he could do without. What he receives in return for what he paid is something which could have been provided to him at a much lower cost without advertising costs.

These are serious criticisms. As I say, they are expounded by liberal economists. The contemporary liberal label of economists expound these criticisms steadily. To Marxist thinkers advertising is expressant of capitalism, made necessary in order to get the surplus utilized. They see no positive elements in advertising at all. But as I mentioned even conservative thinkers and economists have pointed out some apparent limitations, weaknesses, criticisms that can be pointed out in the advertising sector of the economy. As I mentioned earlier, it is not my interest to defend each and every advertising message. I would like to talk about a free economy, a laissez faire economy, pure capitalism. I would like to show that in such a world, advertising would emerge, that it would emerge with a positive role to play, that it would be useful, that it would add to the efficiency with which consumer wants are satisfied, and that while the real world is far from perfect a large volume of the criticism would fade away, were it understood what role advertising, in fact, has to play in a pure market economy.

Let me imagine a world, a free market, in which there are no deceitful men at all. So that will take care of the problem of deceit!

We'll imagine that there will be no deliberate attempts at all to deceive members of the market, the participants in the market. All the messages projected, beamed to consumers, to prospective consumers, would be, as far as the advertisers themselves believe, the strict truth. We will consider later the implications of the fact that men are imperfect and that men succumb to the temptations in selling something to say a little bit less, a little bit more, than the exact truth. In the meantime, let us talk about a world of honest men, men who do not try to deceive. And we will be imagining a pure market economy with government intervention kept to the absolute minimum, the night watchman role. The government stands to the sidelines and ensures the protection of private property rights, the enforcement of contracts, freely entered into, and the market then proceeds to play the game of the free market economy with producers producing that which they believe can be sold to the consumers at the highest possible money price. Factors of production, resources, selling their services to entrepreneurs, entrepreneur producers who detect where resources are currently being used in the less than optimum fashion, take these resources and transfer them to other uses in the economy where they will serve consumer wants which the entrepreneurs believe are more urgently desired, more urgently desired as measured by the amounts of money that consumers are willing to sacrifice to pay, for these various consumer products. We will assume that there is freedom of entry into all industries. No entrepreneur has control over any resource that is necessary, uniquely necessary for the production of a given product. No government licenses are required in order to enter into the practice of a given profession, or the introduction of a particular product. All entrepreneurs are free to produce what they believe to be profitable. All resource owners are free to sell their resources, be it labor, natural resources, capital goods. They are free to sell or rent these resources to the highest bidder and in this way the agitation of the market gradually shuffles resources around until resources begin to be used to produce those products which consumers value most urgently, most highly. Consumers arrange their spending to buy the commodities they believe to be most urgently needed by themselves. And the market flows on in the way that we understand it.

We say this is a free market, a competitive market. They describe this as a competitivist, laissez faire, competitivist system. In what sense do we describe this as a competitivist system?

In the first place, we do not mean a perfectly competitive market, as this notion has been developed by the neo-classical economists. In a perfectly competitive market, each seller faces a demand curve which is perfectly horizontal. That is to say, each seller believes that he can sell as much as he would like to sell without having to lower the price. Each buyer faces a perfectly horizontal supply curve and each buyer believes that he can buy as much as he would like to buy of anything without having to offer a higher price. In such a world of "perfect competition," we have what we call an "equilibrium" situation, that is a situation where all things have already been fully adjusted to one another. All activities, all decisions have been fully merged -- I should not say merged -- all decisions have been dovetailed. All decisions have been coordinated by the market already so that there are no disappointments. No participant in the economy discovers that he could have done something better. No participant in the economy discovers that he has made plans to do something which it turns out he cannot do. In this model of the perfectly competitive economy, there would be no competition in the sense in which the layman, or the businessman, understands the term. The term "competition" to the businessman, the layman, means an activity designed to outstrip one's competitors, a rivalrous activity designed to get ahead of one's colleagues, or those with whom one is competing. In a world of equilibrium, a world of "perfect competition," there would be no room for further rivalry. There will be no room for any attempt to do something better than what is currently being done. There would, in fact, be no competition in the everyday sense of the term.

When we describe the laissez faire economy as competitive, we mean something quite different. We mean that we are dealing with an economy in which there is complete freedom of entry, in which if anyone believes that he can produce something that can serve consumers' wants more faithfully, he can try to do it. If anyone believes that the current producers are producing at a price which is too high, then I, with freedom of entry, can go out and try and produce and sell at a lower price. This is what competition means. It does not mean that the market has already attained the "equilibrium" situation, which goes under the very embarrassing technical name of "perfectly competitive economy."

Now economists and others understand competition and understand generally that competition means price competition. That is, competition means competition in the form of offering to sell at a lower price than your competitors are, or offering to buy at a higher price than your competitors are bidding. Entrepreneurs will offer higher prices than others are for scarce labor. They will offer to sell a product at lower prices than the competing store is doing. This is what price competition means. This is the most obvious form in which competition manifests itself. However, we must remember that there is another kind of competition, sometimes called "non-price competion," sometimes called "quality competition." Competition takes the form not only of producing the identical product which your competitors are producing and selling it at a lower price, not only in buying the identical resource which your competitors are buying and offering a higher price. Competition means sometimes offering a better product or perhaps an inferior product than more effective ones. It means offering a product which is more in line with what you believe, what the entrepreneur believes, consumers are in fact desirous of purchasing. It means producing a different model of a product, a different quality, putting it in a different package, selling it in a store with a different kind of lighting. It means selling it along with an offer of free parking. It means selling it with the help of sales help which smiles more genuinely, more sincerely. It means competing in many, many ways beside the pure price which is asked of the consumer in monetary terms. With freedom of entry, every entrepreneur is free to choose the exact package, the exact opportunity which he will lay before the public. Each opportunity, each package has many dimensions. He can choose the specifications for his package by changing many, many of these variables. The precise opportunity that he will lay before the public will be that which, in his opinion, is more urgently desired by the consumer as compared with that which happens to be produced by the other fellows. So long as there's freedom of entry the fact that my product is different from his does not mean that I am a monopolist.

The late Professor Chamberlin of Harvard did economics a great disservice in believing that because a producer is producing a unique product, slightly different from what the fellow across the street was producing, in some sense he is a monopolist, a monopolist competitor. So long as there's freedom of entry, so long as the man across the road can do exactly what I'm doing, the fact that he is <u>not</u> doing exactly what I'm doing, is simply the result of his different entrepreneurial judgment. He believes that he can do better with <u>his</u> model. I believe I can do better with <u>mine</u>. I believe that free parking is more important to consumers than fancy lighting in the store. He gives a different package than I do. Not because he couldn't do what I'm doing, not because I couldn't do what he's doing, but because we each believe that we know better what the consumer is most anxious to acquire. This is what we mean by competition in the broadest sense, not merely price competition, but quality competition in its very many, manifold possible manifestations.

Now, I mention the name of the late Professor Chamberlin. Mr. Chamberlin popularized a distinction which was not original to him but which owes its present widely circulated popularity primarily because of Professor Chamberlin's work. That is a distinction between "production expenditures" and "selling expenditures," "production costs" and "selling costs." In his book of almost 40 years ago, Chamberlin argued that there are two kinds of costs which manfacturers, producers, sellers, suppliers, incur. First, they incur the fabrication costs, the costs of producing what it is that they want to sell. Second, they incur additional expenditures that do not produce the product, do not change the product one bit, do not improve it one bit, that merely get it sold. Advertising, of course, is the most obvious example which Chamberlin cited. But "selling costs" of all kinds were considered by Chamberlin to be sharply different from "production costs." In his original formulation, Chamberlin argued that if you imagine a typical Demand Curve for a product, then "production costs" are costs incurred to produce the product for a given Demand Curve while "selling costs" simply shift the Demand Curve -- over to the right. That is to say the same product is now purchased in greater quantities at a given price but the product is the same.

The fallacy in the distinction between production costs and selling costs is fairly easy to notice. In fact, it is impossible for the outside observer, without arbitrary judgments of value, to distinguish between expenditures which do, and expenditures which do not, alter the product. We know as economists that a product is not an objective quantity of steel or paper. A product is that which is perceived, understood, desired by a consumer. If they are two products otherwise similar to the outside eye, which happen to be considered to be different products by the consumer, then to the economist these <u>are</u> different products.

Von Mises always gives his example, which cannot be improved upon, of eating in a restaurant. A man has a choice of two restaurants, serving identical meals, identical food. But in one restaurant they have swept the floor. In the other restaurant they haven't swept the floor for six weeks. The meals are the same. The food is the same. How shall we describe the money spent by this first restaurant in sweeping out the floor? "Production costs" or "selling costs!" Does that change the food? No. Surely then it should be argued, it could be argued that this is a strictly "selling cost." It is like advertising. The food remains the same except, because you have a man sweeping out the floor, more people come to this restaurant than to that. But this is nonsense. What you buy when you enter a restaurant is not food. What you buy is a meal and a certain type of surroundings. If the surroundings are more desirable, it's a different meal, it's a different package. That which has been spent to change the package is as much production cost as the salary paid to the cook. No difference.

Another example that I recall was the case of the coal being run out of Newcastle and travelling along the railroad down to London. Every mile that coal travels nearer the London drawing room, the Demand Curve shifts over to the right. How shall we describe that transportation cost? "Production cost" or "selling cost?" Of course, it's "production cost." In fact, it's "selling cost" too. All "production costs" are selling costs." All costs of production are incurred in order to produce something which will be more desirable than the raw materials.

You take raw meat and you turn it into steak, cooked steak. The act of changing the raw meat into cooked steak is to make the consumer desire it more eagerly. Does this simply shift the Demand Curve over to the right? Of course, it does that. It does that by changing the product. Without exercising arbitrary judgments of value, it is impossible for the observer to pronounce the one type of expenditure to be"production costs" as distinct from another kind of expenditure termed "selling costs."

Another example, supposing there are two identical pieces of steel. And the one piece of steel has been blessed, while the other piece of steel has been tainted by a spiritual taint, which to the scientist is not there but which is very, very vivid and vital to the consumer. How shall we describe the expenditure on the commodities? Shall we describe the difference between them as non-existent? Or should we not recognize that, if something which is spiritually tainted to the consumer -- in his view, not necessarily in mine or yours or the economist's or anybody, but in the mind of the consumer -- the consumer believes that this particular bar of steel is tainted somehow spiritually, and he will not buy it, even though to the objective laboratory scientist there's no difference between them. The economist has recognized these are two different commodities. There'll be two Demand Curves. The fact that the scientist doesn't see any difference -- they look the same, they smell the same, if you touch them they feel the same -- is irrelevant. We know that, as economists, what we find in a commodity is not the objective matter that is inside it, but how it is received by the consumer. Clearly then the distinction between a so-called "selling cost" and "production cost" is quite arbitrary. It depends on the value judgments of the consumers. It depends, I should say, on the value judgments of the outside observer. Someone who is the outside observer can say that this particular selling effort does not change the product but in that situation he is arrogating to himself the prerogative of pronouncing what is and what is not a product. That is something which violates our fundamental notions of individual consumer freedom, which considers that a consumer's needs are defined by no one else other than himself. This may seem quite a detour from advertising and yet it is all extremely relevant to the question of what role advertising has to play.

Let us consider for a moment before applying some of the notions, the insight we have garnered. Let us consider the notion of information.

One of the standard defenses for advertising is that advertising provides information. Advertising provides a service which consumers value. That service consists of the provision of knowledge, the provision of information. People buy books. People go to college. People enroll in all kinds of courses. Advertising is simply another way of providing information. To be sure, it would seem to be that the information provided by suppliers comes from a tainted source, but don't forget that we are imagining for the meantime a world without deceitful people. But we can even relax that assumption for a moment. It should be easy to realize that it may be cheaper for the consumer to get his information from the supplier, from the producer, than to get it from an outside source. In other words, if you, a consumer, have the choice of acquiring information about a particular product and you can get it in two ways -- either more cheaply from the producer or more expensively from an outside, "objective" source -- it may very well be that in your opinion the higher price of the outside source may lead you to believe that, on balance, you're likely to get a better deal, penny-for-penny, information-wise, by reading the information of the producer, scanning it perhaps with some skepticism, but nonetheless relying on that rather than buying it from an outside source. Technically this is known as the problem of transactions costs. It may be more economical for the information to be packaged together with the product, but at least to be produced jointly with the product, than to have the information produced and communicated by an outside source. This is a possibility not to be ignored.

Let us consider information. Advertising, it is pointed out, provides information. This is quite true. And this goes a long way to explain the role which advertising and other kinds of selling efforts must play. Does this not seem to contradict the point just made, that there is no distinction between "production costs" and "selling costs"? Surely information about a product is distinct from the product. Surely the costs incurred to provide information are a different kind of costs than the costs incurred to produce the product. Thenthe answer is clearly no. Really, information is produced; it is desired; it is a product; it is purchased jointly with the product itself; it's a part of the package; and it is something which consumers value. Its provision is not something performed on the outside that makes people consume something which they would not have consumed before. It is something for which people pay. It is something for which people are willing to pay, it is a service. You can distinguish different parts of a service. You can distinguish four wheels and a car. But the four wheels are complimentary commodities. That is to say, the usefulness of the one is virtually nil without the availability of the other. The car and gasoline are two separate products, to be sure, and yet they are purchased jointly, perhaps from different producers, different suppliers, but they are nonetheless parts of a total package, a total product. If it happens that the information is produced and sold jointly with the product itself, then we have no reason to question the characteristics of the cost providing information as true "production costs," not producing necessarily the physical commodity about which information is produced, but producing information which is independently desired by consumers, independently but jointly demanded, complimentarily used together with the "product" itself. In other words, the service of providing information is the service of providing something which is needed just as importantly as the "product" itself.

But there is another aspect of advertising which is often overlooked. Information is exceedingly important. But surely it is argued, information can be provided without the characteristics of advertising that we know, without the color, without the emotion, without the offensive aspects of advertising. Surely information can be provided in simple straightforward terms. The address of this and this store is this and this place. These and these qualities of commodities are available at these and these prices. Why do illustrated advertising messages have to projected? Why do all kinds of obviously uninformative matter have to be introduced into advertising messages? This is what renders the information aspects of advertising so suspect. The Marxists simply laugh it away. They say it is ridiculous to contend that advertising provides any kind of genuine information. If one rests the defense of advertising on its informative role, then one has a lot of explaining to do. One has to explain why information that could be provided in clear cut, straightforward terms is provided in such offensive, in such garish and loud forms, in the way that we know it.

The answer I think is that advertising does much more than provide information which the consumer wishes to have. This is something which is often overlooked, even by economists. Supposing I set up a gas station. I buy gasoline and I have gasoline poured into my cellar, my basement, my tanks. I do not put out a sign saying that I have gas. I have the gas. I have a pump carefully hidden behind some bushes and cars that come down the road can buy gas if they know that I'm here. But I don't go to the effort to let them know I'm here. I don't put out a sign. Now we usually say, well gas without information is one thing, like a car without gas, gas without information. Information is a service required complimentarily with the gas. Now, that's fine. Supposing then I take a piece of paper. I type very neatly, in capital letters, "GAS" and I stick it on my door. Cars come barrelling down the road and in need of gas, but they don't stop. They don't stop to read my sign. What is missing here? Information is missing, yes. Don't people want information? Yes. They would like to know where the gas station is. "Anybody know where the gas station is?" Nobody knows where the gas station is. It's a well kept secret. Nobody knows it's a gas station. But people are looking for that information. It's my task as an entrepreneur, not only to have gas available, but to have gas available in a form which is known to consumers. It is not my task to provide gas and to provide information. It is my task to supply gas-which-is-known-about, not to provide gas <u>and</u> information. It is to provide known-gas. I have not only to produce opportunities which are available to consumers. I have to make consumers aware of these opportunities, because an opportunity of which the consumer is unaware is not an opportunity. This is a point which is often overlooked. An opportunity which is not known -- the word "known" is not really the best word to use here -- an opportunity to which a consumer is not fully awakened, of which he is aware not with the necessary vitality, is not an opportunity. I am not fulfilling my entrepreneurial task. My opportunity is to project to the consumer the awareness of the opportunity. How do I do that?

I do that by tearing down my little sign on my door, by putting up a big neon sign, saying GAS and better than that I chalk up the price, and better than that I make sure that the price is lower than the price of the man across the road and I do all the other things that are necessary to make the consumer fully aware of the opportunity that I am in fact prepared to put before him. In other words, the final package consists not only of abstract academic information. It consists in having the final product placed in front of the consumer in such a form that he cannot miss it.

The strange thing about the world in which we live is that it is a world in which $10 bills are floating around, free $10 bills are floating around. Now very few people, if they are aware of a $10 bill, free for the taking, nobody else's, available, just has to be taken and put in the pocket, very few people would not be interested in free $10 bills. The problem is that very few of us notice these $10 bills. It is the role of the entrepreneur to notice the existence of $10 bills. An entrepreneur buys resources for $10 and he sells the produce for $20. He is aware that resources are currently being used in less than optimum fashion, that commodities that could be produced for which consumers are willing to pay $20, are not being produced, and he puts these things together. He sees the $10 bill and makes the combination which other people do not see. Anybody can do it -- freedom of entry. The entrepreneur notices the $10 bill, gets it for himself by placing in front of the consumer something which he himself did not see. Were he to know, were the consumer to know, where he could buy resources for $10 and get the product he needs urgently enough to pay $20 for, he wouldn't buy from the entrepreneur. He would do it himself. And he doesn't know, he is unaware. I am aware, I am the entrepreneur, so I have to create this opportunity and make the consumer aware.

It is not enough to create the opportunity to know where to buy gas and put it in the ground. You have to put it in the ground in a form that the consumer recognizes. To do this requires much more than fabrication. It requires communication. It requires more than simple information. It requires more than writing a book, publishing it and having it on a library shelf. That is information. It requires more than putting something in a newspaper in a little line ad, in a classified ad, and expecting the consumer to see it. You have to put it in front of the consumer in a form that he will see it. Otherwise you're not performing your entrepreneurial task.

Advertising as we know it is simply the expression of this part of the entrepreneur's responsibility. To distinguish between selling costs and production costs is to make arbitrary judgments of them, to assume that an opportunity that exists in the ground is in fact a consumer opportunity. An opportunity that exists in the ground, of which nobody is aware, is not an opportunity. An entrepreneur must do more than that. To do more than that, you communicate the desirability of that gas to the consumer. That is part of the entrepreneurial production task. The money that he spends in order to communicate the knowledge of that gas in that hole is part of the cost of production.

Advertising has grown. Compare the volume of advertising today with the volume of 100 years ago and it has grown tremendously. More! Consider the price of a commodity that you buy in a drug store or in a supermarket. Find out what portion of that price can be attributed to advertising costs and it turns out that a much larger percentage of the final cost to the consumer can be attributed to advertising today than it could have been contributed 50 years ago, 70 years ago, 100 years ago. Why? Why is this? Why has advertising expenditure grown in proportion to total value of output? Why has advertising expenditure grown in proportion to the price of a finished commodity? Why has advertising apparently grown more offensive, more loud, more shrill? It's fairly easy to understand. An example that I give is the lobby at Washington Square College down at New York University where I teach. At one time it was a handsome lobby with walls of thick marble and you would walk down from one end of the building to the other and the walls would be clear. Some years ago an enterprising entrepreneur decided to use some free advertising space. He pasted up a sign. It was the only sign on the wall, everybody looked at it. Everybody saw the message. I don't remember what the message was. I don't remember whether it was torn down, but I do remember that soon afterwards those walls became full of signs. As you walked down the passage, as you walked down through the lobby you could read all kinds of messages, all kinds of student activities, non student activities, student non-activities, all kinds of activities. And it was fairly easy to learn about what was going on. Simply by reading the signs. And the signs did not have to be too big. But as advertisers saw the opportunity, the free space gradually became filled up. The Ricardian rent theory came into play. All the free land was used up. And as the free land, as the free space became used up, of course, it became more and more important to get up early to paste up your sign. That was the "rent," the high price, getting up early. But more than that, it became necessary now to arouse all kinds of interest in me, in order to get me to read these signs. In other words, the variety, the multiplicity of messages make it harder and harder to get a hearing.

We live in a world which is often described as an "affluent society." An affluent society is one in which there are many, many opportunities placed before consumers and the consumer has a big job. He has a task. The consumer opens a supermarket and if he or she is going to make a sensible, intelligent decision, he is going to have to spend several hours calculating very carefully, reading, rereading everything that's on the packages and doing a complete research job before going home to feed the impulse into the computer and wait for the optimum package to be read off. It's a tough job to be a consumer. And the multiplicity of opportunities that are being made available make it necessary for advertisers, for producers to project more and more provocative messages, if they want to be heard. This is a cost of affluence. It is a cost, certainly, something that we'd much rather do without, if we could, but we can't. So the number of products, the number of commodities that have been produced, are so great that in order for any one particular product to be brought to the attention of the consumer a much larger volume of advertising is necessary and we can expect to get more and more. Is it part of production costs? Very definitely, yes. It is completely arbitrary for anyone to argue that the commodity about which the consumer does not know is there anyway, so that when the pays the price which includes the advertising communication he is paying <u>more</u> than is necessary for the opportunity made available. For an opportunity to be made available it must be made available in a form which it is impossible to miss. And this is what advertising is all about.

One more word about the offensiveness of advertising. Ultimately in a free market, consumers get what they want. The kinds of products produced will reflect the desires of the consumer. A society which wants moral objects will get moral objects. A society which wants immoral objects will tend to get immoral objects. Advertised communication is part of the total package produced and made available to consumers. The kinds of advertising that we get, I'm afraid to say, is what we deserve. The kind of advertising that we get reflects the kind of people that we are. No doubt, a different kind of advertising would be better, more moral, more ethical, in many respects, but I'm afraid we have no one to blame but ourselves, as in all cases where one deplores that which is produced by a market society. If a market society produces, that's what the consumer wants.

A final word about deceit. So far we've tried to steer clear of deceitful consumers. I'm against it frankly. But we have to put it in perspective. Let me read from one very eminent economist who writes as follows:

> The formation of wants is a complex process. No doubt wants are modified by Madison Avenue. They are modified by Washington, by the university faculties and by churches. And it is not at all clear that Madison Avenue has the advantage when it comes to false claims and exaggerations.

In other words, we live in a world where you have to be careful what you read, who you listen to, who to believe. And it's perfectly true, it's true of everything, every aspect of life. If one were to believe everything which is projected at one, one would be in a mess.

It is very easy to pick out the wrong messages to believe. Now this doesn't in any way condone or justify deceitful messages of any kind. We have to recognize, however, that while particular producers may have an interest, a short-run interest in projecting a message to consumers of a particular kind, we have to remember that so long as there's freedom of competition the consumer has his choice. He has his choice not only of which product to buy, but who to believe. And notice what is the alternative. We live in a world of imperfect human beings. What is the alternative? The alternative, of course, is government control. Now who is government but again imperfect human beings. So it is impossible to render oneself invulnerable to the possibility of false, fraudulent, deceitful messages. That is the kind of world in which we live.

It would be nice to live in a world where no deceitful men were present. It would be cheaper. You wouldn't have to read all the messages. You could believe the first one that came. You wouldn't have to check out the credentials of every advertiser. But that is not the world in which we live. There are necessary costs. You check out the credit standing of individuals with which you deal. You check out the credentials of the character of people with whom you deal and this is an unavoidable necessary cost. To blame advertisers for the imperfections and weaknesses of mankind is unfair. Advertising would exist, I declare, under any type of free market system. It would be less deceitful if men were less deceitful. It would be more ethical, less offensive, if men were less offensive and more ethical. But advertising itself is an integral, inescapable aspect of the market economy.

Thank you.