*World Development* Vol. 8, pp. 87–96
Pergamon Press Ltd. 1980. Printed in Great Britain

# Galbraith Revisited: Advertising in Non-Affluent Societies

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**Summary.** – The first part of the paper challenges J. K. Galbraith's view of advertising as: (i) a problem solely of affluent societies; and (ii) a close correlate of rising levels of income. It is shown that advertising is far from insignificant in poor countries and that it correlates only weakly with rising levels of national affluence. In the second part we suggest, furthermore, that advertising in poor countries is likely to have effects that are significantly different from those in rich countries, and that these warrant further research.

## 1. INTRODUCTION

Advertising has been debated by economists almost exclusively in the context of developed countries (DCs). We argue here the case for studying advertising in the specifically less-developed-country (LDC) context. Our view is that *both* sides in the DC debate have tended to presume that there is no 'problem' of advertising in LDCs. On the one hand, for those who hold that advertising is not a problem in DCs it is natural to assume by extension no such problem in LDCs either.[1] On the other hand, J. K. Galbraith, who is the leading proponent of the view that advertising is crucial to an explanation of the dynamics of advanced capitalist societies, has also implied that the problem is exclusively one for DCs. We show in part 2 of the paper that this aspect of the Galbraithian view is not supported by the facts. We go on in part 3 to consider the ways in which the practical effects and welfare implications of advertising may differ in degree or kind in the LDCs. It should be stressed that our aim is not to assess whether advertising is on balance desirable or not for LDCs – in any case an absurdly broad question – but to show with what data are available, that there is a strong case for further research on its specific effects.

## 2.

### (a) *The Galbraithian view*

Galbraith has consistently derided the traditional notion of consumers' sovereignty – the view that production is subordinate to exogenously determined demands. Producers, he argues, 'bring into being wants that previously did not exist'.[2] Galbraith however, is not particularly troubled by the welfare implications of abandoning consumer sovereignty since he believes that it is only in affluent societies that sovereignty is in fact transferred to producers. Thus, 'we should always be careful not to overlook the obvious. The fact that wants can be synthesized by advertising, catalyzed by salesmanship, and shaped by the discreet manipulations of the persuaders shows that they are not very urgent. A man who is hungry need never be told of his need for food. If he is inspired by his appetite, he is immune to the influence of Messrs. Batten, Barton, Durstine and Osborn. The latter are effective only with those who are so far removed from physical want that they do not already know what they want. *In this state alone men are open to persuasion.*'[3] Or again, 'the opportunity for product differentiation – for associating monopoly power with the brand or personality of a particular seller – *is almost uniquely the result of opulence*'[4] and 'the need and the opportunity to persuade people arise only as people have the income to satisfy relatively unimportant wants, of the urgency of which they are not automatically aware.'[5] Indeed, in lower-income societies, 'all the commercial advantages lie with the producers of plain bread, sidemeat and oatmeal'[6] where, furthermore, 'the tendency for other forms of commercial rivalries, as substitutes for price competition, to be channelled

* We are grateful to G. K. Helleiner and C. Medawar for comments on an earlier draft.

Table 1.

Expenditure on advertising, 1974

| | Country | Total ($m) | Print (%) | Cinema Radio TV (%) | Other (%) | National product (US dollars) | As % of GNP |
|---|---|---|---|---|---|---|---|
| 1. | Kuwait | 9.7 | 33 | 44 | 23 | 10,863 | 0.10 |
| 2. | Switzerland | 744.2 | 41 | 5 | 54 | 6790 | 1.70 |
| 3. | Sweden | 506.0 | 50 | 2 | 48 | 6153 | 1.01 |
| 4. | Australia | 864.3 | 49 | 39 | 12 | 5986 | 1.08 |
| 5. | Canada | 1703.7 | 41 | 24 | 35 | 5962 | 1.27 |
| 6. | USA | 26,750.0 | 40 | 25 | 35 | 5922 | 2.13 |
| 7. | Austria | 342.6 | 35 | 19 | 46 | 5892 | 1.17 |
| 8. | W. Germany | 2523.1 | 52 | 16 | 32 | 5470 | 0.74 |
| 9. | Denmark | 355.3 | 60 | 1 | 39 | 5357 | 1.31 |
| 10. | Belgium | 276.9 | 55 | 3 | 42 | 5028 | 0.56 |
| 11. | Norway | 178.2 | 78 | 2 | 20 | 4953 | 0.90 |
| 12. | Netherlands | 771.8 | 60 | 8 | 32 | 4786 | 1.19 |
| 13. | France | 1981.7 | 35 | 13 | 52 | 4510 | 0.84 |
| 14. | Finland | 256.9 | 53 | 11 | 36 | 4241 | 1.29 |
| 15. | New Zealand | 119.4 | 71 | 25 | 4 | 4058 | 0.97 |
| 16. | Israel | 65.0 | 78 | 9 | 13 | 3570 | 0.55 |
| 17. | Japan | 4163.4 | 39 | 38 | 23 | 3569 | 1.06 |
| 18. | UK | 2215.0 | 68 | 23 | 9 | 3116 | 1.27 |
| 19. | Italy | 942.0 | 50 | 25 | 25 | 2479 | 0.69 |
| 20. | Spain | 753.1 | 47 | 24 | 27 | 2276 | 0.94 |
| 21. | Ireland | 39.7 | 59 | 36 | 5 | 2047 | 0.63 |
| 22. | Venezuela | 124.3 | 39 | 55 | 6 | 2046 | 0.52 |
| 23. | Greece | 45.4 | 40 | 56 | 4 | 2019 | 0.25 |
| 24. | Argentina | 285.0 | 44 | 35 | 21 | 1876 | 0.60 |
| 25. | Portugal | 54.7 | 36 | 49 | 15 | 1442 | 0.43 |
| 26. | Iran | 47.6 | 43 | 43 | 14 | 1371 | 0.84 |
| 27. | Cyprus | 2.3 | 30 | 61 | 9 | 1293 | 0.28 |
| 28. | South Africa | 356.2 | 59 | 15 | 26 | 1147 | 1.25 |
| 29. | Malta | 1.6 | 44 | 56 | | 1132 | 0.44 |
| 30. | Jamaica | 17.6 | 49 | 42 | 9 | 1090 | 0.81 |
| 31. | Mexico | 353.4 | 26 | 70 | 4 | 1020 | 0.60 |
| 32. | Panama | 8.9 | 20 | 70 | 10 | 992 | 0.55 |
| 33. | Brazil | 941.9 | 23 | 34 | 43 | 958 | 0.94 |
| 34. | Surinam | 1.1 | 36 | 64 | | 910 | 0.29 |
| 35. | Costa Rica | 12.8 | 36 | 61 | 3 | 798 | 0.83 |
| 36. | Malaysia | 36.6 | 84 | 16 | | 715 | 0.44 |
| 37. | Mauritius | 1.4 | 43 | 43 | 14 | 632 | 0.25 |
| 38. | Dominican Republic | 9.1 | 15 | 85 | | 583 | 0.34 |
| 39. | Syria | 8.2 | 18 | 15 | 67 | 547 | 0.21 |
| 40. | Zambia | 9.8 | 42 | 19 | 39 | 524 | 0.39 |
| 41. | Rhodesia | 12.9 | 54 | 44 | 2 | 505 | 0.42 |
| 42. | Ecuador | 23.4 | 31 | 41 | 28 | 478 | 0.70 |
| 43. | Colombia | 81.7 | 20 | 53 | 27 | 477 | 0.71 |
| 44. | Peru | 59.5 | 14 | 60 | 26 | 468 | 0.83 |
| 45. | South Korea | 85.9 | 42 | 50 | 8 | 436 | 0.59 |
| 46. | Ghana | 2.4 | 58 | 21 | 21 | 394 | 0.06 |
| 47. | Philippines | 50.3 | 39 | 52 | 9 | 324 | 0.37 |
| 48. | Liberia | 0.6 | 17 | 67 | 16 | 321 | 0.11 |
| 49. | Thailand | 71.2 | 11 | 42 | 47 | 304 | 0.57 |
| 50. | Egypt | 39.4 | 77 | 8 | 15 | 263 | 0.20 |
| 51. | Sri Lanka | 2.2 | 59 | 36 | 5 | 228 | 0.07 |
| 52. | Kenya | 10.7 | 40 | 28 | 32 | 197 | 0.42 |
| 53. | Indonesia | 40.0 | 46 | 16 | 38 | 175 | 0.18 |
| 54. | Pakistan | 13.4 | 16 | 43 | 41 | 154 | 0.13 |
| 55. | India | 96.4 | 56 | 16 | 28 | 136 | 0.12 |
| 56. | Nepal | 0.6 | 50 | 17 | 33 | 98 | 0.05 |
| 57. | Ethiopia | 0.7 | 29 | 71 | | 91 | 0.03 |

Sources: *Advertising Age* (29 November 1976), p. 74; *UN Statistical Yearbook* (1977), Table 193.

into advertising and salesmanship would disappear'.[7]

In effect, therefore, Galbraith asserts: (a) that advertising is minimal in poor countries, and (b) that levels of advertising expenditure ought to be strongly correlated with levels of affluence.[8]

### (b) *The refutation*

We tested both these propositions using 1974 data for the 57 DCs and LDCs shown in Table 1. The countries are ranked according to *per capita* national incomes and the final column shows advertising as a percentage of national product.

It is immediately apparent that the proportion of national product represented by advertising is significant in many poor countries. Two of the poorest countries listed – Kenya and Thailand – devoted about half of 1% of national product to advertising (i.e. roughly half the average of the DCs). Moreover, many developing countries of Central and South America (viz. Brazil, Costa Rica, Peru, Jamaica, Ecuador and Colombia) spent at least as high a proportion of national product on advertising as several highly developed countries (Belgium, West Germany, Italy, Ireland and France).

Consequently, it is no surprise to find that regressing *per capita* national income on advertising as a percentage of national product yields a rather low positive correlation, with an $\bar{R}^2$ of only 0.31.[9]

Another way of viewing comparative levels of advertising expenditures is to express these as a proportion of manufacturing product. These estimates for a smaller group of LDCs and DCs in 1970, shown in Table 2, reveal that the average figure for the selected developing countries is well above half that shown for the DCs.

Evidently, advertising cannot be regarded merely as a product of affluence. Its absolute (and proportionate) levels in many poor countries are very significant. Almost certainly there is far more advertising expenditure in modern LDCs than there was in the now developed countries at comparable levels of affluence.[10]

### (c) *The explanation*

Why is advertising much more salient in the LDCs than the Galbraithian thesis would allow? Fundamentally, Galbraith is wrong in asserting that 'the need and the opportunity to persuade people arise only as people have the income to satisfy relatively unimportant wants'. Even when people are so poor that they have difficulty in achieving minimal living standards, they nonetheless may face important consumption choices, and what they choose may be influenced by advertising. There are two aspects to this. On the one hand even given and basic wants can be met in a variety of ways.[11] On the other hand the ordering of wants may itself be altered – 'psychological' wants, to use Galbraith's terminology, are substituted for physical ones. Moreover, the argument that the needs of the poor are directly revealed to them through their physiological senses overlooks the fact that the physical well-being of many depends on purchasing decisions made on their behalf by others.

Part of Galbraith's inability to see that the non-affluent *could* be subject to advertising can be attributed to his failure to foresee the markedly changed environment of today's, compared with yesterday's LDCs; in particular the rapid growth of transnational corporations

Table 2.

| Countries | 1970 advertising as per cent of manufacturing product |
|---|---|
| United States of America | 8.11 |
| Fed. Rep. of Germany | 3.63 |
| Japan | 3.17 |
| Canada | 6.32 |
| France | 1.99 |
| Italy | 1.75 |
| Australia | 6.26 |
| Spain | 3.70 |
| Turkey | 4.82 |
| Total (selected developed market-economy countries) | 6.03 |
| Brazil | 3.84 |
| Argentina | 4.86 |
| Mexico | 2.97 |
| Venezuela | 2.17 |
| Chile | 3.43 |
| Egypt | 2.62 |
| Israel | 2.95 |
| Thailand | 1.38 |
| Saudi Arabia | 1.92 |
| Guatemala | 1.37 |
| Ghana | 2.72 |
| Total (selected developing countries) | 3.60 |

Source: D. Chudnovsky, 'Foreign trade-marks in developing countries', *World Development*, Vol. 7, No. 7 (July 1979), pp. 663–682.

(TNCs) and the associated spread of media technology.

A major oligopolistic or monopolistic advantage of TNCs lies in their marketing expertise, of which advertising is an important component. While operating in LDC markets TNCs exploit this advantage to the full. Thus, Raymond Vernon's data for 187 American multinationals listed among the largest 500 industrial firms in 1967 showed that the former spent a higher proportion of sales on advertising than both the remainder of the 500 large producers and United States manufacturing enterprises in general.[12] Another study by Stopford and Wells of 87 multinational firms for which advertising data were available showed that the firms with relatively high percentages of total business conducted abroad also spent relatively large proportions of total sales on advertising.[13] When TNCs first launch a 'mature' product in foreign markets 'marketing is the principal competitive weapon available to managers of foreign subsidiaries'.[14] Not all goods however rely equally heavily on advertising expenditure to promote sales. Table 3 for example shows the most heavily advertised goods in the Indian case.

This result is confirmed by evidence from other LDCs which shows similar high rankings for cosmetics and pharmaceuticals.[15] Not surprisingly therefore advertising has been shown to play an especially significant role in those TNCs producing branded pharmaceutical goods, soaps, and detergents and toiletries.[16]

Accompanying, and indeed facilitating the rapid growth of TNCs has been the vastly increased availability of advertising media in the LDCs. The data in Table 1, column 4, strongly suggest that TV, cinema and radio are relatively more important advertising media in LDCs than in DCs. These have the obvious advantage over print of being accessible to the illiterate and the remote. There is also evidence that a greater proportion of broadcasting time is devoted to advertising in LDCs than in DCs. Table 4 illustrates.

Table 3. *India*, 1976–1977

| Category | Advertising as % of sales |
|---|---|
| Cosmetics, toiletries | 2.2 |
| Hotels | 2.1 |
| Pharmaceuticals | 1.9 |
| Entertainment goods | 1.6 |
| Vegetable products | 1.5 |
| Electrical goods | 1.5 |
| Paints, varnishes | 1.2 |
| Air conditioners and refrigerators | 0.7 |
| Food products | 0.5 |
| Man-made fibres | 0.4 |
| Cotton textiles | 0.4 |
| Autotyres and rubber goods | 0.4 |
| Cigarettes | 0.4 |
| Engineering goods | 0.4 |
| Chemicals and chemical goods | 0.4 |
| Glassware | 0.3 |
| Cement | 0.1 |

Source: *Economic and Political Weekly*, 'Review of management' (26 August 1978), p. 93.

Table 4. *Percentage share of advertising time in total hours of radio and television broacasting*

| Group of countries | Per cent in radio | Per cent in television |
|---|---|---|
| Developed market-economy countries | 5.80 | 4.91 |
| Socialist countries of Eastern Europe | 0.89 | 2.20 |
| Developing countries | 19.84 | 11.85 |

Source: D. Chudnovsky, 'Foreign trade-marks in developing countries', *World Development*, Vol. 7, No. 7 (July 1979), pp. 663–682.

The advertising industry which employs the media in LDCs is highly internationalized. The main reason for this is the close relationship between the TNCs and international advertising agencies, many of which established branches abroad specifically to service the operations of major clients. The relationship between the multinational producers and advertising agencies is one of mutual support in which 'a changed communications structure increasingly transmits and reinforces the attitudes that fit nicely with the requirements of the multinational goods producers that are financing the new system'.[17] The international advertising industry is very highly concentrated – 21 of the largest 25 agencies in the world are American owned or are strongly linked with US agencies. Data presented by Sauvant show that, in 44 out of the 73 countries included in the study, the largest advertising agency is foreign majority owned, and in 39 of these by American parent agencies or those with a high American participation.[18] In four countries of Latin America – Mexico, Brazil, Argentina and Venezuela – 54% of the largest advertising agencies were US owned or affiliated.[19]

Finally, we do not overlook the obvious point that the Galbraithian view, while substantially incorrect, is not wholly without foundation. Within non-affluent societies exist small minorities of wealthy individuals for whom a good deal of LDC advertising is undoubtedly intended. Obviously even advertising aimed at the rich may influence the poor both directly and via the effect it has on the behaviour of the rich. We examine this point further in part 3.

### (d) *The broader context*

Advertising is heterogeneous and, thus, somewhat resistant to definition. Moreover it constitutes merely a part of the general cultural environment and flows of information to which people are exposed. Indeed, one of the most striking features of the poor countries today is the extent to which their cultural environment is influenced and their information flows are dominated by the DCs.

We have already alluded to the domination of world advertising by international and especially US firms. This is only part of a more general trend however. In particular there has been a marked general trend towards concentration in world communications.[20] This can be seen in the case of films and television programmes as well as printed material.

In many cases imported films amount to 90% of those exhibited. Less than 12 large production and distribution companies (known collectively as 'Hollywood'), in fact, keep half the cinemas in the non-socialist world supplied with films.[21]

The pattern is similar in relation to the American share in programming of world television. For many developing countries the import (and American) component of programming is very high. In the Commonwealth Caribbean, for example, the proportion of imported programmes in prime viewing time is 88% (excluding the nightly news).[22] American influence via the radio is also marked – United

Table 5.

| | Television* (%) | Magazine† (%) |
|---|---|---|
| 1. Ads explicitly describing the overall work, value or goodness of the advocated product | 14 | 12 |
| 2. Ads explicitly asserting that the advocated product has certain attributes or causes certain outcomes (other than a global worth–type attribute) | 80 | 94 |
| 3. Ads explicitly asserting that the advocated product has certain attributes or causes certain outcomes which in turn cause certain outcomes | 45 | 72 |
| 4. Ads explicitly asserting that one evaluative dimension is the most important or is relatively more important than another in evaluating products like that advocated | 3 | 9 |
| 5. Ads making a (general) explicit comparative assertion about the advocated product on a particular dimension | 18 | 24 |
| 6. Ads explicitly positioning the advocated brand *vis-à-vis* identified competing products on a dimension and offering an assertion that this dimension should be the primary consideration | 7 | 5 |
| 7. Ads explicitly asserting that the advocated product has several features and that any product without these is unqualified | 4 | 1 |
| 8. Ads explicitly asserting that when all features are weighed or balanced or integrated, the advocated brand is superior | 1 | 4 |
| 9. Ads explicitly citing negative consequences of not adopting the advocated brand | 4 | 2 |
| 10. Ads making explicit assertions about the benefits or advantages of some choice procedure | 0 | 0 |

Source: M. L. Ray and S. Ward (eds.), *Communicating with consumers* (Sage, 1976), p. 68.
* $n = 120$.
† $n = 532$.

States sales of records and cassettes account for 70% of non-socialist country world sales.[23]

Finally, as far as printed material is concerned, it may be noted that although the share of the developing countries in the total school population was 63% in 1970, their share of global book production was only 19%.[24]

In short, the total flow of communication taking place between the industrialized part of the world and the LDCs is overwhelmingly towards rather than from the latter.[25] It is tempting to draw a distinction between 'ambient' and 'conscious' advertising. The pervasive influence of DC culture itself constitutes a powerful advertisement for the general and specific components of that culture and may be expected to have some of the same effects as advertising consciously directed at LDC markets.

We continue in part 3 with an explanation of the ways in which advertising may be expected to have effects in LDCs that are significantly different from those which typically obtain in DCs.

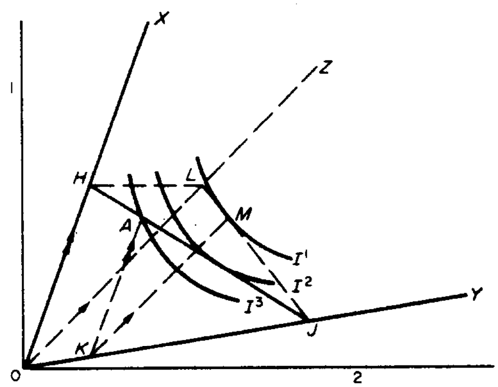
## 3.

### (a) *Differential effects of advertising in LDCs*

#### (i) *The differential nature of information*

While it would be naive to assert that advertising is predominantly informative, many advertisements do contain at least some information regarding the products being promoted. Some information (such as where and when sales are being held) is unambiguously helpful to consumers. Most of the information however, is of a different kind and is concerned to draw attention to one or more of the characteristics of the advertised goods. One study has attempted to classify advertisements according to the nature of their information content. The survey was based on advertisements on (prime time) television and in three mass-circulation magazines.[26] The results are shown in Table 5. Most advertising stressed *particular* characteristics of products and was rarely of a comparative kind. Though this data pertains to DCs there is little reason to suppose that it would differ in the developing-country context.

There is little doubt that consumers in general can be induced to pay more attention to one product characteristic (such as colour) rather than to another (such as texture) through advertising that stresses colour and its importance.[27] By the same token consumers may be made to pay no or little attention to the presence of undesirable or harmful characteristics of products. Either way, objective characteristics of goods are either under- or overstated to suit the aims of the marketer. That imperfect information of this kind transmitted through advertising lowers the welfare of consumers can be shown by a simple diagram.[28]




To begin with, there are two goods represented by $OX$ and $OY$, and two characteristics, 1 and 2. The efficiency frontier or budget line is given by $HJ$. Now assume that an advertising campaign exaggerates the extent of characteristic 2 contained in good $X$. As a result the ray $OX$ shifts to $OZ$. Thus, when the consumer is actually at point $H$ on $OX$ he thinks himself to be at $L$ on $OZ$. The 'notional' or imaginary efficiency frontier becomes $LJ$ and the consumer chooses his optimal position at $M$ on it. In this position he wants to consume $OK$ of $Y$ but given this expenditure and unchanged relative prices he can then only reach $A$ on the actual frontier $HJ$. Here he is on a lower indifference curve ($I^3$) than he would have been ($I^2$) given full information.

Given the welfare impact of misinformation, the question we are concerned with is whether there is any tendency for advertising to exaggerate positive and/or to understate negative product characteristics to a greater extent in developing than in DCs. In fact, there is evidence for both of these tendencies.

There is now growing documentation of advertising by the drug, food and tobacco industries which conveys a greater degree of misinformation than that provided in DCs.[29] The examples are too numerous to enumerate here but it seems clear that the practice is sufficiently widespread to warrant an examination of its underlying causal factors.

Perhaps the most obvious reason is that developing countries as a whole lack standards of advertising practice or at least have standards which are low relative to DCs. In recent years, in response to powerful consumer groups, important disclosure requirements have been introduced in the DCs. In the USA, for example, these include nutrition labelling, octane labelling, phosphate content of detergents, open dating of foods, cigarette health hazards etc.[30] Yet in the developing world perhaps the majority of countries have a total absence of consumer protection laws.[31] In India, for example, the lack of regulation of advertising has been deplored in a recent review of management where it is argued that 'what is required of advertising in India is a code of standards whose implementation is supervised by a statutory authority. Similarly, false and misleading claims, if they are made, must be punishable offences.'[32]

The situation of many of those living in developing countries can thus be likened in one way to that in the industrialized nations in the 1920s and 1930s when consumers were 'purchasing new and unfamiliar consumer durables and a growing array of other new products with little information to go on except that gleaned from the deluge of advertising to which they were subjected'.[33] In fact the situation is even more difficult in the modern developing countries in so far as products have grown in complexity and are less amenable to comprehension by consumers without much education.

(ii) *The differential perception of information*

Not only, as we have noted, does the information conveyed by advertising tend to differ for those in developing countries but it is also likely to be differently perceived.

In the DCs advertising operates within a particular ethos. That is, the consuming public accord business in general, and advertising in particular, a low rating for integrity. In a nationwide survey in the USA in 1972, 60% of consumers sampled felt that recent criticisms of advertising were totally justified while less than half of all advertisements were rated as honest and informative.[34] As a result of these attitudes, it is not surprising that many advertising claims are heavily discounted.[35] Moreover, a study which attempted to measure consumers' propensity to be deceived by the false claims of advertisers found that, 'Younger, less educated, lower income and lower status occupation consumers exhibited a greater tendency to be deceived.'[36] By extension one would expect this finding to apply to many, if not most, of those living in developing countries – only more so. These consumers have had insufficient time to develop the scepticism which as noted above has evolved on the part of those living in rich countries. In fact many in the Third World tend to regard those in rich countries as 'authority figures' so that advertising claims made on behalf of goods from these countries are at once invested with a high degree of credibility. There is unfortunately very little evidence concerning the comparative propensities for deception in rich and poor countries but the few pieces of information available for LDCs are supportive of the likelihood of marked differences.[37]

(b) *Advertising within different competitive structures*

We have already referred to Galbraith's view that in low-income societies 'all the commercial advantages' lie with the producers of simple goods (plain bread, sidemeat and oatmeal) as opposed to those producing sophisticated varieties of the same goods (sliced and wrapped bread, canned ham and processed breakfast foods). In fact, this is by no means generally true in developing countries.

The size and ownership structures of firms in developing countries are very different from those in the developed world. In particular there are very many more firms with only a small number of employees, many of which operate outside the wage–labour system. Far from possessing all the commercial advantages, these firms are often distinctly at a disadvantage when confronted by competing multinational subsidiaries. We noted above Vernon's finding that American multinationals spend a higher proportion of sales on advertising than other industrialists. There is also some evidence to support the claim that multinationals devote more expenditure to advertising than competing local firms in developing countries. Thus, for a variety of manufacturing industries in Malaysia, Chong concluded that on average foreign firms spent some 6.2% of sales on advertising compared with the figure of 1.6% for local firms.[38] Langdon reached similar conclusions in his study of soap manufacture in Kenya.[39] In the same country it is reported that among the 10 firms with the largest absolute expenditures on advertising in 1975 there were no locally owned firms.[40]

Therefore, while competition in modern developed societies takes place mainly on the basis of advertising and product differentiation between very large oligopolists, this is not the typical situation in developing countries. Through heavy advertising, multinationals in the latter are relatively easily able to secure market predominance for their particular branded goods.[41] An interesting manifestation of this difference emerged from a study in which a sample of 400 Kenyan and 400 English consumers were requested to identify four products which were shown to them merely as line drawings with no clues as to brands. The result was that 50% of the Kenyan sample described the four goods (toothpaste, cigarettes, aspirin tablets and a razor blade) in terms of their brand names as opposed to the 2% of the English sample that did so.[42]

### (c) *Advertising as a high-income characteristic*

The history of product developments reveals two related tendencies. First, new products developed almost exculsively in and for DC markets embody an increasingly large proportion of high-income characteristics to match the rising incomes in these markets.[43] Accompanying this trend has been a rise in the proportion of selling costs to total costs of production. Ever increasing sophistication and complexity of goods, that is to say, require as an essential concomitant an increasing emphasis on selling costs of which advertising is the major component. The problem is that 'the progressive substitution of non-price for price competition – tends increasingly to offer consumers a choice from among competing packages of goods, with no possibility to buy only part of the package and reject the rest'.[44] From the point of view of those with very low incomes this indivisibility is clearly more marked than it is for higher-income consumers.[45]

In other ways, too, advertising is likely to have an inegalitarian impact in LDCs. To the extent that it causes a switch from local to foreign brands, the result is likely to favour foreign owners at the expense of domestic employment and poor consumers, who are forced to consume the more expensive foreign brand.[46]

Advertising may also have an impact on the intergenerational distribution of incomes in LDCs. If it raises the aggregate marginal propensity to consume, thus reducing savings and investment, advertising will exert a constraint on the growth rate and, hence on the interests of future generations.

## 4. CONCLUSIONS

We have shown that, contrary to J. K. Galbraith's views, advertising is not merely a product of affluent societies and that for many poor countries it is indeed a significant phenomenon. Yet, as we showed in part 3, the effects of advertising in poor countries are likely to differ sharply in a number of important areas from those in DCs. In none of the areas, however, are data sufficient and there is a clear need for further research.

At no stage in the paper have we referred to the impact of advertising on taste formation in LDCs. This is not because we share the traditional disdain of economists for the subject, or because we think it unimportant. The problem is rather a notable lack of hard evidence on the impact of advertising. We believe that detailed research is required in order to establish how tastes are formed in LDCs. Such research might confirm what some have long suspected: that economists' traditional 'neutrality' towards consumers' tastes, far from being value-neutral, involves the acceptance of tastes which are: (a) based on a greater degree of misinformation than those in DCs; (b) based on a highly unequal quantity of advertising between competing varieties of goods meeting the same broad needs; (c) formed by consumers who are seldom able to process adequately the information conveyed to them by advertising.

## NOTES

1. For a brief statement of the view that advertising benefits LDCs, see A. Stridsberg, 'Can advertising benefit developing countriės?' *Business and Society Review* (Autumn 1974).

2. J. K. Galbraith, *The Affluent Society* Pelican Books, 1973), p. 150.

3. *ibid.*, p. 152 (emphasis added).

4. J. K. Galbraith, *American Capitalism* (Pelican Books, 1963), p. 114 (emphasis added).

5. *ibid.*, p. 111.

6. *ibid.*, p. 114.

7. *ibid.*, p. 114.

8. Galbraith comes very close to stating (b) explicitly when he argues that, 'The further a man is removed from physical need the more open he is to persuasion – or management – as to what he buys.' *The New Industrial State* (Pelican Books, 1969), p. 207.

9. The regression equation is:

$$y = \underset{(5.14)}{0.01x} + \underset{(6.04)}{41}, \qquad \bar{R}^2 = 0.31,$$

where $y$ is advertising as a percentage of national product and the independent variable is national product.

10. Roughly 100 yr ago advertising scarcely existed in the USA. See P. A. Baran and P. M. Sweezy, *Monopoly Capital* (Pelican Books, 1970).

11. In this case a necessary condition is that goods be advertisable in the sense that their true properties are obscure to a greater or lesser extent. For an attempt to differentiate between products on this basis, see Douglas Greer, 'The economic benefits and costs of trademarks: lessons for the developing countries', *World Development*, Vol. 7, No. 7 (July 1979), pp. 683–704.

12. R. Vernon, *Sovereignty at Bay* (Basic Books, 1971).

13. J. M. Stopford and L. T. Wells, *Managing The Multinational Enterprise* (Basic Books, 1972).

14. *ibid*., pp. 55–56.

15. In Colombia over 50% of television advertisements are devoted to cosmetics, non-essential foodstuffs and detergents, most of which are produced by US transnationals. See L. R. Bettran, 'TV etchings on the minds of Latin Americans: conservatism, conformism and other patterns', *International Development Review*, Vol. XIX (X) (1977). For Argentina and Mexico see, respectively, D. Chudnovsky, 'Foreign trade-marks in developing countries', *World Development* Vol. 7, No. 7 (July 1979), pp. 663–682, and Greer, *op. cit*., pp. 683–704.

16. See G. K. Helleiner, 'The role of multinational corporations in the less developed countries' trade in technology', *World Development*, Vol. 3, No. 4 (April 1975). Stopford and Wells also found that multinationals in the food, beverages, detergent and drug industries had the largest expenditures on advertising. These firms, with particular expertise in marketing were very reluctant to have anything other than wholly-owned foreign subsidiaries. Two factors were held to be responsible for this orientation; namely, the availability of marketing skills within the firms and the commitment to a given marketing strategy. See Stopford and Wells, *op. cit*.

17. Quoted in K. P. Sauvant, 'The potential of multinational enterprises as vehicles for the transmission of business culture', in K. P. Sauvant and F. O. Lavipour (eds.), *Controlling Multinational Enterprises: Problems, Strategies, Counterstrategies* (Westview Press, 1976), p. 58.

18. *ibid*.

19. R. J. Barnet and R. E. Muller, *Global Reach* (Simon & Schuster, 1974).

20. T. Varis, 'The impact of transnational corporations on communication', *International Social Science Journal*, Vol. XXVIII, No. 4 (1976).

21. *ibid*.

22. Everold N. Hosein, 'The problem of imported television content in the Commonwealth Caribbean', *Caribbean Quarterly*, Vol. 22, No. 4 (December 1976).

23. Varis, *op. cit*.

24. K. B. Smith, 'The impact of transnational book publishing on intellectual knowledge in less developed countries', UNESCO, Division for the Study of Development (1977).

25. Varis, *op. cit*.

26. P. Wright and F. Barbour, 'The relevance of decision process models in structuring persuasive messages', in M. L. Ray and S. Ward (eds.), *Communicating With Consumers* (Sage, 1976).

27. V. Stefflre, 'Market structure studies: new products for old markets and new markets (foreign) for old products', in F. M. Bass *et al*. (eds.), *Application of the Sciences in Marketing* (John Wiley, 1968).

28. See D. A. L. Auld, 'Imperfect knowledge and the new theory of demand', *Journal of Political Economy*, Vol. LXXX (November–December 1972).

29. See C. Medawar, *Insult or Injury? An Enquiry into the Marketing & Advertising of British Foods. Drug Products in The Third World* (London: Social Audit, 1979).

30. G. S. Day, 'Assessing the effects of disclosure requirements', in D. A. Aaker and G. S. Day (eds.), *Consumerism* (Free Press, 1978).

31. Medawar, *op. cit*.

32. *Economic and Political Weekly*, 'Review of management' (26 August 1978), p. 69.

33. R. O. Herrman, 'The consumer movement in historical perspective', in Aaker and Day, *op. cit*., p. 29.

34. R. E. Wilkes and J. B. Wilcox, 'Recent FTC actions: implications for the advertising strategist', in Aaker and Day, *op. cit*., p. 223.

35. For some evidence, see G. M. Armstrong, C. L. Kendall and F. A. Russ, 'Application of consumer information processing research to public policy issues', in Ray and Ward, *op. cit*.

36. *ibid*., p. 48.

37. A study of food purchasing in Calcutta for example found that 'in the lowest income groups, 61 per cent rated branded baby foods "good for the

health of the child" against 41 per cent in the highest income group'. Quoted in Medawar, *op. cit.*, p. 104. In Africa the average consumer has been described as 'susceptible, in fact, very receptive to advertising', *ibid.*, p. 38.

38. Quoted in Medawar, *op. cit.*

39. S. Langdon, 'Multinational corporations, taste transfer and underdevelopment: a case study from Kenya', *Review of African Political Economy* (January–April 1975).

40. Medawar, *op. cit.*

41. Thus in a developing country the marketer can 'economically create an almost unassailable position of strength in the market place, which would be unattainable in a more sophisticated environment'. Quoted in Medawar, *op. cit.*, p. 32.

42. *ibid.*

43. Frances Stewart, *Technology and Underdevelopment* (Macmillan, 1977).

44. See T. Scitovsky, *Papers on Welfare and Growth* (Allen & Unwin, 1964), p. 238.

45. See Jeffrey James and Frances Stewart, 'New products: a discussion of the welfare effects of the introduction of new products in developing countries', *Oxford Economic Papers* (forthcoming).

46. Langdon's study illustrates this particular scenario. See Langdon, *op. cit.*