Competition and the Growth of Advertising in the U.S. and Britain, 1800-1914*

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Although the core of the present article is a study of advertising in Britain, it seems worth drawing comparisons with what was happening in the United States in order to put the British experience into perspective. In both countries the pressure of competition influenced the amount and forms of advertising. Before looking at the empirical evidence, therefore, we need to discuss the concept of competition and the part it may have played in the evolution of advertising practices.

Competition and its Relation to Advertising

Most present-day economists, following Chamberlin and Robinson [1, 22], see competition as a structure. If the individual firm's demand/average revenue curve is horizontal, that represents perfect competition; if it is sloping, less than perfect competition prevails. The structural framework is helpful for studying such abuses of market power as monopolistic discrimination but has limited value for economic and business historians seeking to analyse past corporate strategies. As some of these historians have pointed out, perfect competition-- defined as an infinite number of price-taking firms all manufacturing a homogeneous product under conditions of perfect knowledge-- is rarely if ever found in practice [10, p. 11; 19, p. 354]. Indeed, in both the US and Britain since about the 1880s the commonest market form has been oligopoly with some product variation, and oligopoly is not easily fitted into the structural analysis because rivals' responses to any firm's actions cannot be predicted.

Some economists, in the interests of greater realism, have attempted to modify the structural analysis. John Maurice Clark, for instance, developed his concept of workable (or effective) competition and William J. Baumol that of contestable markets. Others increasingly have been looking behind Chamberlin and Robinson to the more down-to-earth treatment of Alfred Marshall. To

*I would like to thank those who attended the Business History Seminar at the Polytechnic of Central London in May 1984 for comments on an earlier version of this paper, and Larry E. Schweikart, George David Smith, and other participants who made many helpful comments at the Business History Conference at Atlanta.

BUSINESS AND ECONOMIC HISTORY, Second Series, Volume Seventeen, 1988. ISSN 0849-6825.

Marshall, as to his mainstream predecessors from Adam Smith onwards, competition was not structurally determined but was a process or activity. Thus open competition rested not on the number of firms but on whether free entry was possible, the latter helping to ensure more or less uniform prices for comparable but not homogeneous goods; namely, acceptable rather than perfect substitutes. While some reputable firms did have sloping demand curves for their products, these resulted from consumer goodwill rather than from artificial product variation.

Such differing views on competition have clearly influenced the ways in which advertising has been treated. Chamberlin and Robinson speak of advertising (or selling costs) as designed to shift the firm's sloping demand curve outwards and to make it more elastic. Chamberlin reverted several times after 1933 to this topic, but was never entirely happy with his analysis of it. By contrast, Marshall had clear notions of marketing and advertising, of a kind which would appeal to management teachers of today. In 1890 he wrote that "a characteristic task of the modern manufacturer is creating new wants." That necessitated plentiful publicity to try to gain for new products rapid consumer acceptance. Hence a firm's cost of production normally could be expected to include some portion of marketing costs.

On advertising, Marshall distinguished between the constructive (information-imparting) and the combative (largely repetitious) kinds. The latter he admitted to be somewhat wasteful but in the long run doing little harm, as no amount of advertising outlay would gain for a product any permanent hold on consumers unless it yielded reasonable value in relation to the price; significantly, he excepted patent "medicines which claim to be appropriate to subtle diseases" [9, pp. 327-72; 17, p. 280; 18, p. 306]. To be sure, his efforts to combine analytical rigour with realistic observations gave his discussion of the firm a lack of clarity, and until recently he has been out of fashion. However, he does provide a framework for studying American and British advertising trends to 1914.

Since Marshall's time, advertising has been defined as "any activity designed to spread information with a view to promoting the sales of marketable goods and services" [14, p. 2]. This activity can take two forms. The British Advertising Association distinguishes between "above the line" or media expenditure and "below the line" or sales promotion expenditure: in Harvard Business School terminology, "pull" and "push" respectively. If the production and distribution process is seen as a vertical sequence, the producer can either appeal directly (through the media) to consumers and get them to pull the goods down the line, or else push them down by incentives to retailers and point-of-sale displays. A further important distinction is between consumer and industrial marketing, each requiring different techniques. Only the former will be considered here.

Developments in the United States

Although trends over such a long period in a country as large as the US are very difficult to summarise adequately, certain broad developments are highlighted here [21, esp. pp. 1-12]. Between 1800 and 1914 the American economy progressed from an essentially mercantile and agrarian one into a leading industrial power, being transformed as much by changes in distribution as by those in production. In the first half of this period transportation was far from easy over long distances and communications generally were slow. Manufacturers therefore had few direct links with distant customers and little knowledge of their needs; goods were broadly undifferentiated. Hence the logical form of distribution was through wholesalers, who provided vital information about customers' wants, collected outstanding accounts, and sometimes supplied much needed capital. Wholesalers often sold rivals' goods as well and any advertising by producers would necessarily publicise the generic good itself, except very near to home.

Not unexpectedly, the first really large-scale advertisers in the US were patent medicine manufacturers. The pioneers were Thomas Dyott in Philadelphia and Benjamin Brandreth in New York from the 1830s onwards, especially in setting up sales agencies and supporting freshly established newspapers in frontier communities. Then after about 1870 a series of interlocking developments gave manufacturers the opportunity to achieve regional (rather than local) and national status, to take on distribution themselves, and hence to advertise massively on their own account. Although some firms had begun this process earlier, it gathered momentum as the types of markets, products, and marketing techniques were all transformed.

As to markets, the growth of cities and conurbations allowed these firms to create suitably large sales forces to cater for the new mass demand and to exert head-office control through the telegraphic and postal services. Products were becoming more elaborate, so that many of them needed to be demonstrated to customers and after-sales service provided, including repairs and maintenance. "The old economy of simple, uncomplicated products was joined by the many new scientifically and technologically oriented industries that were to become the backbone of the modern American economic system" [21, p. 230]. Marketing, too, became more sophisticated with firms realising that they would have to produce what the consumer wanted and also making efforts to influence tastes. As these corporations grew larger they interacted more closely with rivals. Hence wholesalers had a relatively declining role.

In *The Visible Hand* Alfred Chandler has discussed very fully "the coming of the modern [American] industrial corporation, in which mass production was integrated with mass distribution" from the 1880s onwards. By the end of that decade a number of such corporations were beginning to be truly national. By 1917 "the integrated industrial enterprise had become the most powerful institution in American business and, indeed, in the entire American economy" [2, p. 286]. To enlarge and maintain their markets they mounted massive advertising campaigns, helped by the increasingly professional advertising agencies. The resulting corporate expansion, achieved by both internal growth and heavy merger activity, created conditions of oligopoly in the leading industries, or what Marshall called "giant agglomerations of business" [18, p. 514].

Marshall had very well-informed views on American industrial trusts. While aware of the excessive market power which trusts could secure, he believed that they were beneficial in achieving considerable economies of scale; nearly all the principal trusts which he examined "owe more to the economies of marketing on a vast scale than to those of production on a vast scale." Moreover, "each great industrial trust has owed its origin to the exceptional business genius of its founders," who in general enjoyed "a notable power of visualizing the future," especially in "anticipating future relations between productive resources and market requirements." Even when warning the British reader (in 1919) of the dangers caused by trusts of "any contraction of the field for the creative enterprise of young businesses," he felt that "combinations" which involved "constructive cooperation" yielded such great material advantages as almost to outweigh what we would now call barriers to entry [18, pp. 507-43].

After this brief survey of the American scene, we now discuss what was happening in Britain.

Britain: Marketing in the Industrial Revolution

From the marketing viewpoint conditions in early nineteenth-century Britain were fundamentally different from those in the US. A small country, she had a geographically concentrated market, well served by canals, especially when the speedy fly-boats were used, and coastal shipping. By then the trunk roads were being improved, so that fragile cargoes such as pottery and bottled drinks were regularly on the move over long distances. A relatively sophisticated middle-class market existed in London and the main towns and cities of Britain. Perhaps too restricted to support a claim that a "consumer revolution" had occurred before 1800 [16, p. 1], it was developed enough to allow a number of firms to operate on quite a large scale.

Precisely how goods were marketed during that era still remains to be systematically investigated. Whereas the "heavy variables" of capital, population, technology, and organisation have been endlessly discussed in the literature [11, pp. 262-310], a rare study on the marketing side is Elizabeth W. Gilboy's study of demand in the industrial revolution [8]. This usefully identifies macroeconomic factors such as rising incomes and consumption standards and also social mobility, all of which helped to boost demand. Hence, she concluded, demand was "in the van of production," a powerful enough stimulus to bring forth the goods and services required. At the micro level, however, only patchy evidence exists on how individual entrepreneurs successfully channelled such a rising tide of demand towards their products. Some evidence is given below.

In the staple industry of cotton, manufacturers sold their wares through merchants, commission agents, and warehousemen. For largely undifferentiated cotton goods it mattered little that merchants sold rivals' products at the same time. However, where product variation evolved, some distributors did pursue active marketing policies and also provided important feedback to manufacturers on specifications, quality, and so on. An authority on the subject has suggested that if evidence such as pattern books of calico printers had only survived, the makers themselves would be seen to have had a far greater commercial and design flair than is currently recognised [3, pp. 70-1].

As to more specialised or luxury goods, the more enterprising Staffordshire pottery manufacturers "opened business communications with London and other large towns, either taking their ware in person or consigning it directly to general dealers who acted as middlemen" [12, pp. 301ff]. Wedgwood in 1765 set up a warehouse in London which received daily crates of pottery by wagon. The warehouse was both a show-place, where visitors provided feedback on changing tastes, and a depot from which retail shops, even in the north of England, were supplied. Direct advertising took place in newspapers and from the late 1770s Wedgwoods used its own travellers. The firm both paid outward carriage on its goods and offered refunds (less inward carriage) if visitors were not satisfied.

As yet incompletely sifted evidence suggests that very early in the nineteenth century branded goods were being widely distributed throughout Britain. Two necessary, but not sufficient, conditions for such market enlargement were the growth of shops on fixed sites (as against itinerant vendors or open-air markets) in provincial towns and the spread of the waterway network. London was linked by canal with the midlands and the north of England indirectly through the Oxford canal after 1790 and more directly by the Grand Junction Canal, open to barge traffic from 1805 onwards. Much of southern England, South Wales, and the Severn valley were opened up by the Kennet and Avon canal, completed in 1810.

The sufficient condition for nation-wide marketing was entrepreneurial initiative. In contrast with the US, archives of the period reveal how much businessmen (and women) knew of market trends quite far afield. As early as 1807 Elizabeth Lazenby was advertising how her Harvey's sauce could be bought in "one or more respectable houses in all the principal towns of the United Kingdom," then including southern Ireland. In 1809 Schweppes had as many "respectable" agents, supplied by canal or coasting vessel or by a well-developed network of wagoners. In 1810 Samuel Solomon claimed to be spending £5,000 annually on pushing his Balm of Gilead, a nostrum said to comprise fine brandy laced with rich herbs; his turnover of £50,000 accounted for nearly one-sixth of total patent medicine sales in Britain. Two years later James Cocks of Reading announced his fish sauce as being sold in most cities and market towns of Britain.

Besides advertising in the national and local press, some had wholesale agents and others had sales representatives touring the country. Packaging was important, such as distinctive coloured labels and (notably in Schweppes' case) shapes of bottles. Only the fancy biscuit, such as Francis Lemann's York biscuit of 1791, had to await extensive marketing until Huntley of Reading introduced the airtight tin in the 1830s.

Even at the turn of the century there were some large advertisers in the press. George Packwood, of razor strop fame, used various complementary techniques later widely imitated, such as puffing in verse and issuing pamphlets. Although he seems to have faded out in the 1820s his name lived on for decades. A journal in 1855 stated, with only the lightest of feline touches, that he had succeeded in "impressing the razor strop indelibly in the mind of every bearded member of the [British] empire" [16, part 1; 25, p. 211].

Other and far more widely marketed goods included shoe blacking. Day & Martin, partners from 1801 onwards, were claimed to be the pioneers of national advertising. So was Robert Warren, who started blacking manufacture about the same time. When Charles Day died in 1836 his estate was worth £340,000. Another well advertised good was macassar oil for the hair, publicised by Alexander Rowland from about 1793 onwards: he later added Odonto tooth paste and Kalydor, a skin lotion. From 1816 to 1853 he issued a number of pamphlets on the human hair, which not surprisingly recommended the use of his oil. An 1861 pamphlet was Rowland's *Guide to the Toilet and Personal Adornment.* Warren, on the other hand, could scarcely bring out any pseudo-scientific treatise on blacking and his *Warreniana* (1824) was intended to entertain, with laudatory verses which parodied the styles of contemporary poetic celebrities.

In 1830 the historian and essayist Thomas B. Macaulay included Rowland and Day & Martin among the foremost advertisers of his day. He also mentioned Packwood as well as Dr. Eady, who dispensed pills for the pox, products not unexpectedly sold at premium prices. A separate article of 1830 added Warren and Henry Colburn, a publisher notorious as the literary puffer *par excellence* [15, p. 507; 23, p. 54]. An entrepreneur who reached his zenith a few years later, when his annual turnover was £75-80,000, was James Morison (1770-1840). His advertising outlay then totalled several thousand pounds annually. He, too, wrote quasi-scientific pamphlets and also set up several so-called "Colleges of Health" designed to publicise his pills [6, p. 115].

To sum up on advertising in the early decades of the industrial revolution, many businessmen were earning enough gross profits to permit massive advertising, should they choose. The products mentioned above were cheap to make, in both labour and ingredients, and were sold dear. Although middle-class markets were relatively limited ones, and many of these firms still used wholesalers, for them advertising was highly lucrative. Then, as the following section will show, British advertising really began to "take off" in the second half of the century.

The Great Leap Forward: Causes

Thanks to the efforts of the aforementioned pioneers and of many followers the growth of advertising in Britain during the first half of the nineteenth century was quite marked. National expenditure on newspaper advertising is estimated to have increased from £160,000 in 1800 to an average of £500,000 annually in the late 1840s. The latter figure should probably be doubled to comprise all media including untaxed newspapers and posters. Relatively speaking, however, the figures were small, in 1848 representing less than 0.2 percent of GNP [20, pp. 27-8].

To this expenditure needs to be added the considerable amount of "push" marketing, especially by prestige firms supplying expensive luxury items such as Huntley & Palmers' fancy biscuits and John Knight's soap [7; 24, pp. 15-16]. George Palmer, co-founder in 1841 of Huntley & Palmers, soon turned his firm into an integrated one. He achieved large-scale production by innovating biscuit mechanisation; similarly, he built up marketing by ceasing to use commission agents and forming a crack team of well-paid travellers. As early as 1847 he had over 700 retail outlets, mostly family grocers, who had exclusive dealing in their neighbourhood. Palmer offered far from generous discounts and enforced resale price maintenance. The "push" devices featured distinctive packaging and labels and subsequently posters and showcards for display in every outlet. After the early days he used little or no paid advertising. Once the second generation began to enter from the 1870s onwards, however, the firm became departmentalised and lost its former integrated structure.

John Knight, maker of the prizewinning Royal Primrose Soap, had an equally select market. The firm's outlets were again high-class family grocers and its customers were described as substantial professional men and gentlewomen with entries in the *Ladies' Court Book*. It placed a few discreet advertisements in *The Times* but again relied on "push" marketing. In the 1850s and 1860s it was Britain's leading soap manufacturer, just as in the 1870s Huntley & Palmers justifiably claimed to be the world's largest biscuit firm.

Such select leaders as these were soon having to face the development of mass markets which-- partly because of the high prices they charged-- they would have a limited chance of entering. In these new markets the road to brand leadership was through "pull" advertising, which in Britain grew impressively from mid-century onwards. The aggregate outlay of perhaps £1 million in 1850 had risen to £15 million by 1912: that represented an increase from 0.2 percent to nearly 0.7 percent of GNP over the period [20, pp. 29, 71].

In the 1850s the largest advertiser in Britain was Thomas Holloway, pill and ointment manufacturer, whose annual advertising outlay rose from £30,000 in 1855 to £50,000 by his death in 1883. Holloway, who like Palmer integrated production and marketing activities, was the true pioneer of nineteenth-century mass advertising. From the outset of his career in 1837 he had resolved to spend all the money he could spare on publicity. Being frugally minded, wedded to a long-suffering spouse, and also childless, he achieved his goal, claiming to advertise in all British papers except *The Times* [6, p. 116].

Holloway and his imitators were well able to exploit the opportunities created in the 1850s and 1860s by the abolition of three taxes which had borne hard on the press: the advertisement duty in 1853, the newspaper stamp duty in 1855, and the paper duty in 1861. Many new national and local papers sprang up while existing ones grew larger and more informative. The cost of newsgathering rose proportionately and the development of improved machinery pushed up printing costs; hence newspapers became more and more dependent on advertising. The number of advertising agents increased, who both gave clients professional advice and placed their notices in the press. Although Holloway refused to employ agents and carried out all the routine (including checking) work within the firm, he has been called the father of the newspaper industry in Britain, as through his mass advertising he helped to make cheap newspapers possible.

Aggressive advertising of branded goods on a large scale paid off handsomely once average real wages in Britain began to soar from the early 1860s onwards. In 1863 wages were only 7 percent above the 1850 level but by 1865 were no less than 20 percent up, and by 1913 70 percent up [6, p. 113]. Falling price levels from 1873 onwards also helped to boost working-class expenditure. A study of advertising in the more popular newspapers of the 1870s has shown how poorer peoples' choice of consumer goods was then widening appreciably and how reasonably priced furniture, men's ready made suits, sewing machines, and so on became widespread in the 1880s [20, p. 68]. Among the most intensively demanded goods were patent medicines, sales of which increased almost eightfold between 1850 and 1913, as against the 70 percent rise in real wages.

Unlike prestige firms which relied on "push" methods, the publicity-minded manufacturers sought to put their products into all possible outlets, both wholesale and retail, and to spread knowledge of new varieties and other developments. Some continued to rely on travellers, but others advertised intensively in the trade press through which distributors could be informed both cheaply and efficiently. At the more "industrial" end of the market were such journals as the *Engineer* (1856) and the *Ironmonger and Metal Trades' Advertiser* (1859). Consumer trends were well chronicled in, for example, *Chemist and Druggist* (1859) and *The Grocer* (1862) which in 1864 ran a supplement, the *Oil Trade Review*, to deal with kerosene as well as vegetable oils. It can be no coincidence that all these important journals first appeared in the late 1850s and early 1860s.

Thus the second half of the nineteenth century saw a mutually reinforcing upward cycle of increasing income, demand, profits, and advertising in Britain. What were the effects of these developments on advertising techniques? This topic will be discussed in the next section.

The Great Leap Forward: Consequences

A steady increase in British citizens' purchasing power from the 1860s onwards does not appear to have spurred on the creation of giant integrated firms-- of the kind described by Chandler as "modern industrial corporations"-- to produce the goods in growing demand. Although limited liability was by then available under British law, it was for decades shunned by the family firms which tended to dominate many industries: these firms by then tended to be run by a second entrepreneurial generation that was noticeably less thrusting than the first had been. In any case, Britain's home population was far smaller in numbers than in the US and the progress of its exports was being held back by tariffs and other barriers overseas. Hence marketing developments were to some extent inhibited.

The extent to which intermediaries between producer and retailer were eliminated in this period varied greatly between industries. As to textiles, some elimination took place in ready-made clothing firms. Henry Hollins, the maker of Viyella garments, from the 1890s onwards followed its rival Horrockses in setting up warehouses and establishing direct contact with retailers [13, Vol. 3, pp. 318ff]. In other industries large manufacturers followed the pioneers (such as Huntley & Palmers in foodstuffs) by establishing agencies in the main towns and cities of Britain. At the same time, many undifferentiated goods remained in the hands of wholesalers [4, Vol. II, pp. 305-6].

While, therefore, mass markets were evolving in Britain, where population rose from 30 to 40 million between 1861 and 1901, advertising did not increase as fast as in the US. Perhaps Britain's relatively small area made the dissemination of knowledge easier. At any rate, in the early twentieth century advertising expenditure in Britain was 0.7 percent of GNP; in the US the equivalent figure was 3.4 percent. Much research is still needed on the <u>directions</u> of British advertising, and here we look at American views on its <u>content</u>. One of the first informed Americans to discuss this subject was John Morgan Richards (1841-1918), who in 1867 settled in Britain to run a branch of a US commercial agency [6, pp. 118ff]. Most of his later work was in imported patent medicines and by 1901 he was spending £250,000 annually in printing and advertising.

In 1885 he stated that the best British advertisers used methods as good as, and often superior to, those of their American counterparts. However, on the whole they spent too much and were indiscriminate rather than specific in their targets. Their copy was frequently over-repetitive instead of ringing the changes in a number of strikingly displayed notices.

Thomas Holloway, who had spent some £1.25 million on advertising between 1837 and 1883, in his later years allowed his publicity to become unmemorable and repetitive. When his successors sharply scaled down its press advertising after his death, the firm soon paid the penalty and by 1887 suffered a fall of over 60 percent in its net profit. It was left to his rival Thomas Beecham (1820-

1907) to employ advertising techniques that must have earned Richards's admiration [5]. Beecham had a winning slogan ("Worth A Guinea A Box") and could write punchy and frequently changed copy which stood re-reading in a way that Holloway's did not. Far from advertising at random, he deliberately aimed his market at working people and the poorer middle class by concentrating on newspapers and magazines that cost 2d (1p) or less. He reckoned to secure a 20 percent profit on his advertising and regularly reviewed publicity in each paper to judge whether or not they were earning their keep.

Then his son (Sir) Joseph Beecham (1848-1916), aided by an Anglo-American general manager, Charles Rowed, took the firm's advertising to new heights of expense and ingenuity. In 1891 it spent £120,000, with advertisements in some 3,000 newspapers. In addition, they followed the long tradition of puffing literature and issued *Music Folios*, *Helps to Scholars* and other free or cheaply printed works that kept the firm's name before the public. As noteworthy as the Beechams was Thomas Barratt (1841-1914) who ran Pears the soap firm [13, Vol. 1, pp. 189-91]. In the 1890s his advertising topped £126,000 annually, and he had a catch-phrase: "Good Morning! Have You Used Pears Soap?" Richards commended Barratt as the world's most accomplished advertiser of proprietary articles, with "magnificent" publicity methods, although spending too lavishly and not selectively enough.

Barratt's rival in the soap industry, William Lever (1851-1925), had an even more innovative mind and tried out certain American methods, such as some very controversial prize schemes [24, pp. 43-4, 79]. Between 1885 and 1901 he spent some £2 million on advertising, which he claimed to see "as near bringing the manufacturing conditions of repetition to the selling side of the business as possible." To him the "pull" process of informing and motivating potential buyers helped to economise on the expensive "push" outlay, since "the consumer of an article goes into a shop with full knowledge of the article wanted." At the same time, he strove to create a soap thrust that he reckoned would save about £200,000 annually on "pull" and a further £100,000 on "push": a policy that incurred the enmity of those who stood to lose, the press barons. When Barratt died in 1914 and left an entrepreneurial vacuum in Pears as large as had occurred in Holloway's firm, Lever quietly stepped in and added Pears to his empire.

These very intensive competitive efforts did much to break down the old exclusive order in consumer markets. As producers became more powerful, so they were faced by the countervailing power of the by then increasingly assertive distributors, for instance the multiple shops, from grocers to chemists, and pressure groups such as the Grocers' Federation. The old-fashioned manufacturers continued to gratify the rearguard of well-to-do consumers, one of whom once stated, "Most of our best people [prestige manufacturers] never, or very rarely, advertise." The "push" of attractive showcards and well-turned-out sales representatives was inevitably losing ground. John Knight had to give very serious thought to advertising but failed to beat off Lever, who in 1913 bought a partial interest and in 1920 made a full take-over.

Huntley & Palmers similarly failed to follow an active marketing policy, resisting change in the types of biscuit it offered. Hence certain Scottish rivals with more up-to-date ideas were able to move south for a direct assault on its still impressive market. Only when its main prestige competitor, Peek Frean, in the 1900s accepted the need for massive publicity, especially in the new halfpenny newspapers, did Huntley & Palmers wake up to the new threat. Like John Knight, it had left its entry into mass advertising too late and it never recaptured its earlier brand leadership.

Another name from the past likewise omitted to learn the lesson that competition necessitated constant updating of products and of publicity methods. The blacking firm Day & Martin, a limited company from 1896 onwards, found its trade disappearing with new technology: shoes now required a wax polish rather than the old blacking. The leading polishes were Cherry Blossom and Nugget, made by the newer Chiswick Soap (later Polish) Company. Day & Martin sought to diversify into other products but with little success. Having no coherent marketing policy it went into liquidation in 1925 [20, p. 152].

American firms which began producing in Britain took some time to exert a widespread effect on marketing there. Singer from 1864 onwards publicised its sewing machines by means of some "push" devices, including the novel network of branch sales offices and door-to-door canvassers; the latter were not copied much by other firms until after 1914. A more bizarre import, the medicine show, fell quite flat in Britain: attempts to use highly decorated vehicles, from which to offer travelling entertainments and then sell patent medicines, were complete failures. However, when novelty and technologically advanced products such as hand cameras or typewriters were brought to Britain, they used very extensive "pull" advertising: the man who in 1898 introduced the gramophone to Britain was one of the first to take an entire page in a London newspaper for his advertisement. Thus the impact of US advertising in Britain seems to have depended broadly on the degree of competition there: highly successful with new products, but less effective when indigenous substitutes existed, such as patent medicines. As to sales promotion schemes, a number of advertising experts came from the US in the early 1900s and obtained commissions from British firms to prepare copy and publicity designs.

Conclusion

This article has sought to explore, with reference to two countries in a specific time-period, the relationship between competition and advertising. Once competition is seen as a dynamic process, then advertising has a somewhat more constructive role than it has often enjoyed among economists since 1933. This dynamic view fits in with Marshall's statement that, despite the value of static models to furnish provisional approximations, the "central idea of economics ... must be that of living force and movement" [17, p. xv].

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