The Operations and Activities of Better Business Bureaus with Special Emphasis on North Dakota

James K. Swenson

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THE OPERATIONS AND ACTIVITIES OF BETTER BUSINESS BUREAUS
WITH SPECIAL EMPHASIS ON NORTH DAKOTA

by

James K. Swenson

B. S. in Business, University of North Dakota

Grand Forks, 1965

A Thesis
Submitted to the Faculty
of the
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of the
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for the Degree of
Master of Science

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1966
This thesis submitted by James K. Swenson in partial fulfillment of the requirements for the Degree of Master of Science in the University of North Dakota, is hereby approved by the Committee under whom the work has been done.

D. D. Anderson  
Chairman

Courtney Crebbey

Donald M. Feger

Christopher Harms  
Dean of the Graduate School
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ABSTRACT

The thesis here abstracted was written under the direction of Dr. Donald G. Anderson, approved by Oswald M. Hager and Courtney F. Schley as members of the examining committee, of which Dr. Anderson was chairman.

This thesis describes the operations and activities of the Better Business Bureaus. Information was largely compiled from the bulletins and publications of the National Better Business Bureau. The data which pertained to North Dakota was obtained through a survey of local chambers of commerce.

The idea of a Better Business Bureau originated in a meeting at Boston in 1912, when a group of interested and dedicated businessmen established the National Vigilance Committee. The National Vigilance Committee, which later became the National Better Business Bureau, was formed to investigate cases of alleged misrepresentation in national advertising. Subsequently, local committees were formed to eliminate fraudulent business practices on the state and local level. Later, the Association of Better Business Bureaus was formed to co-ordinate the operations of the national and state organizations.
There were no local Better Business Bureaus operating in North Dakota in 1966. The citizens of North Dakota received a measure of protection against fraud and other unfair business practices through the National Better Business Bureau's Community Protection Program. The Community Protection Program has been conducted by local chambers of commerce who have paid dues to the National Better Business Bureau. In return the Community Protection Program has provided member chambers with bulletins which discuss fraudulent business practices. The local chambers have used this information to warn consumers and business firms about those undesirable activities which are believed to pose a local problem. This assistance to local residents represents the principal service of North Dakota chambers affiliated with the National Better Business Bureau.
CHAPTER I

INTRODUCTION

The development and functions of the national and local Better Business Bureaus is the focal point of this thesis. Better Business Bureaus benefit many business firms and consumers each year through their diligent efforts to eliminate fraudulent business practices. From its auspicious beginnings in the late nineteenth century to an organization which, in 1965 was comprised of more than 100 members throughout the United States, Canada, and foreign countries, the Better Business Bureau system has developed practical codes of ethical procedures to guide business practices.

OBJECTIVE

The objective of this thesis was to trace the development and expansion of the Better Business Bureau from 1880 to 1966. Particular emphasis was placed on activities of Better Business Bureaus in North Dakota as an extension of local chambers of commerce. It was hoped that this account of the Better Business Bureau could be used by persons who wished to gain insight into the nature of the attempts of Bureaus to eliminate unethical business practices.

APPROACH

The reading and analysis of books, magazine articles, and the bulletins and publications of the Better Business Bureau, provided
the data for the greater part of this study. The information concerning the data on the activities of the Better Business Bureau in North Dakota, was obtained through the use of a mail questionnaire and personal interview. The questionnaire, together with an accompanying letter and a stamped self-addressed envelope was mailed to ten North Dakota Chambers of Commerce. The writer contacted personally the manager of the Grand Forks Chamber of Commerce obtaining information on its Better Business Bureau activities.

**ORGANIZATION OF STUDY**

Using the approaches listed above, certain parts of the study were divided into chapters comprising this report. Chapter II is a historical account of the Better Business Bureau from its beginnings in the 1880's to the year 1966. Chapter III presents the organizational structure of present tri-level Better Business Bureau. This chapter elaborates on the development and function of the national, state, and local branches. Chapter IV is concerned with North Dakota statutes and laws that provide the legal support for Bureau activity. Chapter V covers the activities and services performed by the eleven Chambers of Commerce-Bureau affiliates in North Dakota. Chapter VI contains the conclusions of the paper.
CHAPTER II

THE HISTORICAL BACKGROUND OF THE BETTER BUSINESS BUREAU

Early Activity in the Formulation of the Better Business Bureau System

The first apparent need for an organization to curb unethical business practices occurred during the last decade of the nineteenth century. The rapid growth of mass production had increased the complexity as well as the variety of goods produced outside the home. Consumers discovered that they could not rely solely on their own limited knowledge to acquire a satisfactory assortment of products. At the same time they were reluctant to trust the seller. Illegal trade practices were prevalent and the maxim of "let the buyer beware" was the accepted standard. Quack cures, swindles, and illegal promotional schemes flourished openly. Newspapers and magazines contained many dishonest advertising claims.\(^1\) As consumers reacted negatively to the dishonest practices, concerned businessmen realized that certain action had to be taken.

First, the public had to be protected from fraud, swindles, and illegal promotion schemes.

Second, businessmen had to adopt higher standards of honesty.\textsuperscript{2}

The first real efforts to instill consumer confidence in business practices were made in the early 1890's.\textsuperscript{3} During this period the farm papers commenced to guarantee their readers that the products advertised in their publications were as represented and were not fraudulent. These farm papers were the first publications to assume responsibility for the honesty of their advertising. They were followed closely by the general consumer magazines which instituted a similar advertising policy. At approximately the same time retail merchants began to undertake corrective action to eliminate false or misleading advertising at the retail level.

In 1896 the Sphinx Advertising Club was founded in New York City. The membership was composed of leaders in the advertising and publishing worlds. The stated motto of the Sphinx Club was: "Honesty in Advertising." The club informally evaluated advertising agencies and attempted to determine whether these agencies practiced honesty in advertising. The Sphinx Club became the first notable organized group to attempt to use persuasive power to improve the honesty, dependability, and usefulness of advertising.\textsuperscript{4} The club also led in efforts to determine acceptable promotional standards for advertising agencies.


\textsuperscript{4}Ibid., pp. 12-14.
Other than the work of the Sphinx Club, there was little progress made in establishing standards of good practice for advertising and advertising agencies until 1903. In 1903, John Adams Thayer, advertising manager of a large New York newspaper, launched an attack upon objectionable advertising practices. Mr. Thayer published in his paper examples of fraudulent and deceitful advertising prevalent in New York at that time. This action by one of the leaders of the publishing world attracted widespread attention. As a result of Mr. Thayer's action the movement for honest business promotion gained many new supporters.\(^5\)

An important contribution to the fight for truth in advertising was made in 1904 with the formation of the National Federation of Advertising Clubs in Chicago. A year later, at the St. Louis convention of the federation, the organization changed its name to the Associated Advertising Clubs of America. The organization adopted the slogan, "Honest Advertising", but lacked the ability to enforce this concept among firms engaged in advertising.\(^6\)

In 1907, the president of the Association of Advertising Clubs of America, W. N. Acheson, proposed the draft of a model state law to penalize false advertising. However, Mr. Acheson's proposal was not acted upon. Samuel C. Dobbs, who followed Acheson in the presidency of the Association of Advertising Clubs, continued Acheson's efforts to obtain legislation. Mr. Dobbs traveled throughout the country preaching that dishonest advertising was a disgrace to both business

\(^5\)Ibid., p. 12.

\(^6\)Ibid., p. 18.
and public morality. Mr. Dobb's efforts provided a great deal of impetus to the movement to eliminate deceptive advertising.  

**Beginning of the First Local Better Business Bureau**

The progress after 1908 to reduce deceitful advertising was minimal until the 1911 meeting of the Association of Advertising Clubs of America in Boston. There were two beneficial results of this conference. First, as a result of what he learned at the conference, John Irving Romer of the advertising journal *Printer's Ink* was prompted to feature the importance of truth in advertising in a series of articles. Mr. Romer with assistance from Harry D. Nims, a New York attorney and author, initiated a model statute designed to reduce false and misleading advertising. The proposed model statute was published in the November, 1911 *Printer's Ink*. This statute which was termed the "Printer's Ink Model Statute" has since been adopted by all states.

In the same issue of *Printer's Ink* Romer suggested that local advertising clubs organize vigilance committees to investigate fraudulent advertising. This suggestion was embraced by several advertising clubs and the first local vigilance committees, which later became local Better Business Bureaus, were established.

The second consequence of the Boston conference was that the Association of Advertising Clubs of America gained many new members.

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which increased their ability to promote honesty in advertising.\textsuperscript{10}

By 1913, the proponents of truth in advertising were able to point to the following landmarks:

1. A model statute against false advertising had been drawn up for enactment in New York State.

2. Local vigilance committees had been established by a sizeable number of advertising clubs.

3. A national vigilance committee had been appointed by Association of Advertising Clubs of America to investigate cases of alleged misrepresentation in national advertising.\textsuperscript{11}

4. An emblem had been created and the slogan "Truth in Advertising" coined. These were used for promotional purposes by the Advertising Clubs of America.

In Minneapolis, the local advertising club formed a vigilance bureau with money subscribed by local business firms. This bureau, which employed a full-time secretary, set an organizational pattern for vigilance bureaus throughout the United States.\textsuperscript{12}

As increased national attention was accorded to improving honesty in advertising it was discovered that such work could not be accomplished by volunteer workers. A national organization was needed with funds available to employ a full-time manager to work for the

\textsuperscript{10} Ibid., p. 27.

\textsuperscript{11} Ibid., p. 31.

\textsuperscript{12} Ibid., pp. 40-42.
establishment of truth in advertising. In 1915, Merle Sidener, chairman of the National Vigilance Committee, which was established in 1912 at Boston, obtained $15,000 from the National Advertising Association of America to establish an investigation committee. The purposes of this committee were to investigate fraudulent advertising practices, to assist local clubs in their vigilance activities, to develop more bureaus with full-time managers, and to enlarge the education functions of the National Vigilance Committee.¹³

In 1916, Arthur Sheldon, in an address to the Advertising Club of Indianapolis, coined the name the Better Business Bureau to refer to the local vigilance committees. These local Better Business Bureaus carried out investigations that concerned fraudulent advertising and business practices on the local level. In 1920 a report by the National Vigilance Committee related that scores of investigation had been made by local committees with favorable results. The National Vigilance Committee established a bulletin service to provide the local committees with data on companies which used misleading and fraudulent advertising. At this time more than fifty vigilance committees were at work checking on deceptive and fraudulent advertising practices. Harry D. Robbins, Chairman of the National Vigilance Committee, reported that vigilance activities were increasing and investigations often resulted in significant committee activity such as the production of a moving picture exposing Florida land frauds.¹⁴

¹³Ibid., pp. 55-56.
¹⁴Ibid., p. 36.
As the local Better Business Bureaus and the National Vigilance Committee (now known as the National Association of Better Business Bureaus) rapidly increased their activities, a problem of co-ordination between the two committee levels developed. Complicating the matter was the fact that the National Association of Better Business Bureaus held its annual meeting in the city where its president resided. Each year a new president was elected the organization was moved to the city of the new president. As the local bureaus expanded their activities the annual meeting of the National Association of Better Business Bureaus proved unsatisfactory for co-ordinating activities of the National and local Better Business Bureaus. In 1947, the Association of Better Business Bureaus was organized to serve as the co-ordinating agency for the activities of the National Association of Better Bureaus and the local Better Business Bureaus (See Appendix 2).\(^\text{15}\)

\(^{15}\text{Ibid., p. 140.}\)
CHAPTER III

ORGANIZATIONAL LEVELS OF THE BETTER BUSINESS BUREAU

Functions of the Association of Better Business Bureaus

The organizational structure of the Better Business Bureau in 1966 was built on three levels. Occupying the top level was the Association of Better Business Bureaus Inc. with headquarters in New York City. The Association was an international service organization whose main function was the co-ordination of national and local bureaus. Each local bureau was a member of the Association, which was composed of the National Better Business Bureau and 130 local bureaus throughout the United States, Canada, and foreign countries.¹

The National Better Business Bureau has served business and the public in matters "national in scope" while local bureaus have confined their activities to problems which involved one or several adjoining communities. There has been a great deal of interchange of communication between these two levels on matters of operation, organization, and financing of the bureaus. In addition, many cases of fraudulent advertising have been both national and local problems. The Association performed the role of stimulating cooperation in the exchange of information between these two levels.

The Association of Better Business Bureaus has also served as the agency for the establishment of general "bureau policy." In this capacity it has determined national bureau policies and procedures. The Association has also served as the agency that set the national standards for the accreditation of member bureaus. It also has been instrumental in providing a training program for the personnel of the local bureaus. The Association has been an important source of assistance for local bureaus experiencing problems of organization and finance. This has been especially true in the establishment and growth of new local bureaus.  

To assist local bureaus in maintaining and furthering the public's confidence in business, the Association has annually published *The Guide for Retail Advertising and Selling*, a booklet which consolidates the standards and recommendations adopted by advertisers in co-operation with local bureaus throughout the United States. These guidelines are based on legal decisions, laws, and government rulings, but most of all on experience. This guide contains definitions of improper advertising procedures, and instructions on the proper methods of retail advertising.  

The Association of Better Business Bureaus has formed the framework of the remaining two levels of bureau organization.

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3 Ibid., p. 10.
Functions of the National Better Business Bureau Inc.

The second level of the Better Business Bureau in 1966 was the National Better Business Bureau, Inc. This organization, established in 1912, has been the organization through which responsible business firms throughout the nation take action to gain public support and respect.\(^4\) The National Better Business Bureau Inc. has been an operating agency as opposed to the Association of Better Business Bureau which has been a co-ordinating agency. The National Better Business Bureau has been a non-profit organization supported through membership subscriptions of large business firms, and by contributions of more than 2,000 national advertisers, agencies, and media. No financial support for the National Better Business Bureau has been received from local bureaus. However, the National Bureau did receive some support from chambers of commerce in cities that had no local Better Business Bureau. These chambers of commerce received from the National Better Business Bureau a regular bulletin service and requested information on business firms.\(^5\)

The philosophy of the National Better Business Bureau has been that business can best avoid criticism and possible legal restraint through effective self-regulation. The National Better Business Bureau is the agency that made self-regulation a reality. The entire program of the National Better Business Bureau has been directed at developing practical codes of ethical procedures to guide advertising


\(^5\)Ibid.
and promotion by business firms.

The National Better Business Bureau has also assisted publishers and broadcasters in achieving effective self-regulation of their advertising. For example, in 1964 the National Better Business Bureau answered more than 16,000 inquiries from local bureaus that were made on behalf of advertising media in their local areas. Significantly, most inquiries as to the legality of the advertising by these media were made before the advertising in question was published or broadcast. Such co-operation between media and bureaus has prevented the appearance of a large amount of objectionable advertising.6

Another major task of the National Better Business Bureau has been to assist magazines having problems in determining standards of acceptability for their advertising copy. This bureau service originated in 1928 when periodical publishers designated the National Better Business Bureau as their agency for the determination of the acceptability of advertising copy. The major broadcast networks followed the publishers in using the National Better Business Bureau for establishing advertising standards. Moreover, an increasing number of newspapers have turned to the National Better Business Bureau for assistance in determining advertising standards.7

All major advertising media have taken advantage of the National Bureaus advertising investigation and reporting services.

6Ibid.
7Ibid., p. 4.
The National Better Business Bureau's looseleaf service called Do's and Don'ts in Advertising Copy has been a key element in its program to build knowledge of proper advertising practices among publishers. This reference work has provided quick, authoritative answers to questions dealing with correct methods of stating advertising material in print or broadcast media. It has been used by most advertising agencies and media in the preparation of proper advertising messages. As a companion service to Do's and Don'ts in Advertising Copy, the National Bureau has also published Advertising Topics. This monthly newsletter which has contained articles of current interest is sent to advertisers concerned with the preparation of correct advertising copy.8

Each year the National Better Business Bureau has sent out bulletins which outline national advertising to publishers and broadcasters. These advertising bulletins have assisted the publishers and broadcasters with problems of copy acceptance. The bulletins have also supplied up-to-date information on questionable advertisers and advertising practices. The effectiveness of these bulletins has been greatly increased through their distribution to newspapers and other advertising media by local bureaus. In addition, advertising agencies have successfully used these bulletins as an aid in the preparation of accurate copy.9

9Ibid.
Special Divisions and Programs of the National Better Business Bureau

In addition to its nation-wide services to advertisers and advertising media, the National Better Business Bureau has provided many additional services to various business enterprises through its special divisions.

The National Better Business Bureau's Divisions of Solicitations has handled more than one-third of all requests for bureau services. This division was founded in 1921 at the request of member firms to investigate and report on unethical practices in the area of fund raising. The Division of Solicitations has attempted to see that the approximately 500 million dollars given each year by business to charity is donated wisely. Each year the Solicitations Division processes almost 35,000 requests for information concerned with national organizations which solicit contributions or memberships. The division has also sent out special releases on matters of pertinent interest to members. For example, in the early 1960's a bulletin was issued in co-operation with the International Labor Press Association (AFL-CIO) warning of bogus "labor papers." The Solicitations Division has also worked closely with the National Health Council and National Social Welfare Assembly in the establishment of standards for uniform financial reporting by voluntary health and welfare agencies. In so doing, the Solicitations Division has

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11 Ibid.
been assisted by a group of specialists from business firms. This group has met regularly with bureau executives to suggest ways of improving and expanding the National Better Business Bureau's advice to business firms on solicitations.\textsuperscript{12}

The National Better Business Bureau's Food, Drugs, and Cosmetic Division has been in operation since 1951. It has been successful in developing cooperation programs with health agencies in two areas. First, through direct contacts with industry representatives, the Food, Drugs, and Cosmetic Division has been successful in promoting the concept of voluntary self-regulation of advertising of drugs and health products. Second, it has attempted to inform the general public of the hazards of certain cosmetic products.\textsuperscript{13}

The bulk of the Food, Drugs, and Cosmetic Divisions work has been the investigation of and reporting on products and companies that misrepresented their products. In 1964 this division processed nearly 6,500 requests for information or service. Most inquiries concerned advertising of drugs and nutritional products, many others dealt with cosmetics, professional services, and literature on health subjects.\textsuperscript{14} The Food, Drugs, and Cosmetic Division, utilizing cooperation between local medical societies and local Better Business Bureaus, has undertaken programs concerned with informing the public of health products that are fraudulent and misrepresentative. In

\textsuperscript{12}Ibid., p. 3.

\textsuperscript{13}Ibid., pp. 14-15.

\textsuperscript{14}Ibid.
providing this service the division has worked closely with the American Medical Association, American Dental Association, American Pharmaceutical Association, and with major federal agencies such as the Food and Drug Administration, Federal Trade Commission, and the Post Office Department. The success of the National Better Business Bureau in curtailing objectionable promotions has been largely due to the support given by the above mentioned associations and agencies.¹⁵

The National Better Business Bureau has established two special programs to protect the public from fraudulent selling schemes in the areas of magazine subscriptions and reference works. The first special program, the National Bureaus Central Registry Program, has regulated all the major magazines publishers and some 45 magazine agencies, who have been voluntary members of the Central Registry of Magazine Subscription Solicitors. The purpose of the program has been to correct selling practices which tend to impair public confidence in door-to-door selling of magazine subscriptions. The program has set standards for ethical selling practices and has called for the registration, of magazine salesmen with local Better Business Bureaus and chambers of commerce. Salesmen, who have failed to conform to the selling standards determined by the Central Registry Program, have been subject to disciplinary action by the industry-appointed Central Registry Board of Directors.¹⁶

The second special program has been the Subscription Book Program sponsored by 41 publishers and distributors of encyclopedias

¹⁵Ibid., p. 17.
¹⁶Ibid., p. 18.
and other reference works. This program has been aimed at correcting unethical practices in door-to-door selling. The National Better Business Bureau has been assisted in the operation of this program by an advisory committee of 12 publishers and distributors from the encyclopedia industry. This committee has met regularly and has developed procedures aimed at more effective self-discipline of encyclopedia selling.\textsuperscript{17}

The National Better Business Bureau's Community Protection Special Program completed its thirty-second year of operation in 1966 with participation by more than 850 chambers of commerce. This program was designed to furnish businessmen and other citizens of small communities without a local bureau with protection against fraud and other unfair business practices. Participating chambers of commerce received a monthly Service Bulletin which discussed a variety of unethical business propositions that were practical on a national scale and were likely to become a matter of local concern. Special bulletins and reports which warned on fraudulent or unethical business practices were sent to these chambers of commerce. In addition, chambers of commerce received information and assistance in handling inquiries and complaints directed to them. In 1965, the National Better Business Bureau processed more than 5,000 requests for information from participating chambers of commerce.\textsuperscript{18}

\textsuperscript{17}Ibid., p. 19.

Functions of the Local Better Business Bureaus

The local Better Business Bureaus have been the actual foundation of the entire Better Business Bureau system. They have served as the clearinghouse for factual information concerned with business practices on the community and state level. These local bureaus effectively attempted to strengthen their communities' business-consumer relations.

Local Better Business Bureaus have been independent non-profit agencies established by businessmen of the community. Each local bureau has been run within broad guidelines laid out by the Association of Better Business Bureaus. There were 130 local bureaus located throughout the United States, Canada, and foreign countries in 1966. Local bureaus have been autonomous in their financing and local operations, but have cooperated with the National Better Business Bureau on nationwide problems of selling and advertising.\(^1\)

The extent of the work and service of the local bureaus have been dependent upon their facilities. In turn, the nature and extent of their facilities have relied upon the support and finance provided by local business firms. Annually more than 150,000 business firms have shared the cost of the support of the local bureaus.\(^2\)

The local bureaus have also drawn heavily upon the time and energy of local businessmen for the performance of bureau activities. Thousands of businessmen have served as officers, directors, and


committee members. These members have had the responsibility of executing three bureau objectives: to persuade the business community to practice self-regulation to control misrepresentation and deception in advertising; to build and maintain public confidence in the ability of business firms to eliminate their own abuses of the consumer; to safeguard the communities' buying power by the provision of information on fraudulent schemes and promotions.21

Not all local bureaus have been equally effective in the achievement of these goals. In attempting to carry out these objectives, operating methods of the local bureaus have varied from city to city, but the general approach has been fairly constant. For example, when a dissatisfied consumer has called a local bureau with a complaint, he has generally been asked to put his complaint in writing—either in a letter, or a special form provided by the local bureau. If his complaint has concerned a problem which is national in scope, the local bureau has referred his case to the National Better Business Bureau. In the majority of the cases, however, the local bureau has reviewed his case and if the complaint has been found to be valid, the accused firm or individual has been asked to present the other side of the story. The local bureau has then attempted to negotiate a satisfactory adjustment between the firm or individual in question and the complaintant. However, in some cases the local bureau has been unable to bring about a settlement. If the local bureau believes that the seller was attempting to take unfair advantage of the consumer, the local bureau can employ several alternatives to prevent further injury to the public. The facts of the case may be presented to the

21 Ibid., p. 18.
advertising departments of local broadcasters and newspapers. If the local media believe that the seller is guilty of misrepresentation, they might refuse to handle his advertising. If this action fails to bring results there is the rarely invoked threat of full public disclosure of the case. If all else fails and actual fraud is involved the final step is to turn the case over to the city, state, or federal law enforcement agencies for possible legal action.22

There have been certain areas where the local Better Business Bureaus have not attempted to assist consumers. For example, the local bureaus have not provided consumers with legal advice, or helped them to break legally formed contracts. The local bureaus have not supplied consumers with credit information, acted as a reference, or recommended one product over another. The local bureaus have refused to appraise articles or pass judgment on their price, quality, efficiency, or workmanship. Furthermore, the local bureaus have not expressed opinions on the value of professional services or the price of a piece of merchandise. Also, the local bureaus have refused to become involved in disputes over price or quality where there has been no misrepresentation. As long as the item or price has not been misrepresented by an advertisement or by a sales clerk, the local bureaus have not attempted to take action.23

The local bureaus have performed a valuable service of educating the consuming public. They have attempted to teach the public the value of using the identification services of the local bureaus before doing business with unknown firms or individuals. "In the

22 Ibid.
23 Ibid., p. 19.
early days, of the Better Business Bureau," one local bureau official commented in 1966, "complaints outnumbered questions two to one. Now questions lead complaints ten to one, a shift mostly due to the Better Business Bureau's efforts to educate and warn the public." 24

In educating the consuming public, local bureaus have cooperated with educational authorities in the provision of guidance and materials relating to consumer economics and to a better understanding of the American Business system. The local bureaus have provided programs of consumer education, and everyday business relations, for special high school classes, local community groups, and interested adults.

The educational activities of local bureaus have also included the publication and distribution of Fact bulletins. These bulletins have provided the consumer with information on accident and health insurance, advertising, savings and securities, and commodity exchanges. 25 The local bureaus have also published and distributed special bureau bulletins and educational pamphlets warning consumers of unethical business practices and procedures. Local bureau members have given talks and have shown films to interested groups. Local bureaus have also cooperated with local organizations, government agencies, and educational institutions in supplying educational material for classroom use.

Other educational activities of local bureaus have included posters for employees in industrial plants, articles for employee publications, radio and television program, advertising messages,

24 Ibid.

Throughout the United States local bureaus have been busy attempting to protect consumers from misrepresentation and educating them to investigate unknown firms and individuals before doing business. The following cases were representative of activities provided by local bureaus in 1965.

1. In Detroit a daily newspaper phoned the Better Business Bureau to check an advertisement that had been placed by a Dallas firm advertising a "John F. Kennedy Memento Dollar...$2.95 each, two for $5.00." The advertisement made it seem as if Kennedy's picture was on the bill, described as a "genuine, new, uncirculated, ONE DOLLAR bill which includes in its design the name of the CITY and STATE in which the late president was assassinated, and the date of his DEATH..." Checking with the Dallas Better Business Bureau the Detroit office found that the "Memento Dollar" was an ordinary dollar bill issued by the Dallas Federal Reserve Bank. Such bills have markings that can be loosely interpreted as the description referred to in the advertisement. Kennedy's picture was on a cardboard folder which contained the bill. The Detroit paper subsequently refused to carry the ad.

2. The local Better Business Bureau of Oklahoma City, working with area libraries, sponsored a televised panel program called "Money and You." This program covered such topics as schemes to dupe unwary buyers, what to know before

26 Ibid.
buying an air-conditioner, how to avoid problems with the dry-cleaner, bargains and how to find them, home-improve-
ment swindles, and tips on buying clothing, insurance, and food.

3. A Hollywood record company ordered spot announcements on radio stations throughout the country. But the stations running the advertisements soon found themselves to be holding the bag. Payment had been stopped on the checks accompanying the orders. Working with postal authorities, the Los Angeles Better Business Bureau notified other bureaus which in turn alerted local stations and forwarded complaints to the postal inspector in charge of the case. The result was a 12-count mail fraud indictment against the record company.

4. The New York Better Business Bureau, through stories in newspapers, exposed a new outbreak of the old "talent scout" dodge. The "scout" claimed to be searching for youngsters to play roles in nonexistent productions of "The New Adventures of Pinocchio." Unwary parents were paying for fake lessons which were supposed to put their children on Broadway.

5. In Milwaukee, a local clothier asked city officials for a 30-day extension to his "Going Out of Business Sale" license. Local Better Business Bureau representatives examined the "bargain" goods and found that they were not the stores regular merchandise. The bureau's testimony blocked a continuance of the fake sale. In addition, city
officials were moved to plug loopholes in existing licensing ordinances. 27

In conclusion, the actual operations and activities of the Better Business Bureau system were carried on through the 130 local Better Business Bureaus throughout the United States, Canada and foreign countries. The local bureaus received a great deal of assistance in their operations from the National Better Business Bureau. The National Better Business Bureau, an actual operating agency, provided the local bureaus with a bulletin service, press releases, and requested information on business firms. Co-ordination of the National Better Business Bureau's activities with local bureau's activities was provided by the Association of Better Business Bureaus, and international service organization.

CHAPTER IV

THE RELATIONSHIP OF THE LAW TO THE ACTIVITIES OF THE BETTER BUSINESS BUREAU

Federal Laws

The National Better Business Bureau has not been a law enforcement agency. However, there has been a direct relationship between the National Better Business Bureau and the federal code of laws designed to protect the consuming public. Law has provided the backbone of all bureau concepts and policies and has formed the strict guidelines that have governed all National Better Business Bureaus services and advice. Among the federal laws which have provided legal backing for the National Better Business Bureau's activities have been the Wheeler Lea Act, the Food, Drugs, and Cosmetic Act, the Wool Products Labeling Act, Textile Fiber Products Identification Act, and the Fur Products Labeling Act.

The Wheeler Lea Act authorizes the Federal Trade Commission to safeguard the public by preventing the dissemination of false advertisements, with respect to foods, drugs, cosmetics, and therapeutic devices used in the diagnosis, prevention, or treatment of disease. The term "false advertisement" is defined by the act as "an advertisement other than labeling which is misleading in a material respect." For example, this act states that advertisements for oleomargarine cannot describe such oleomargarine as a dairy
Persons who falsely advertise with an intent to mislead, and where the product is injurious to health, may be fined up to $5,000 and sentenced to a prison term of not more than six months, or both. Succeeding convictions carry a penalty of not more than $10,000 and not more than one year in prison.  

The Food, Drug, and Cosmetic Act of 1938 is the basic law for protecting the consumer from the movement in interstate commerce of adulterated and misbranded food, drugs, devices, and cosmetics. The Food, Drug, and Cosmetic Act prohibits adulteration and misbranding of products. This complements the Federal Trade Commission Act which prohibits false advertising. Strictly speaking, the sale of untruthfully labeled food and drugs, is a form of unfair competition.

The stated purpose of the Wool Products Labeling Act of 1939 is to protect manufacturers, merchants, and consumers against deception and unfair competition in articles which are made in whole or in part of wool. Before the enactment of this legislation consumers were subjected to many abuses in the marketing of woolen items. For example, reused wool was sold as new wool; products sold as "all wool" often contained less than 5 per cent; and "part wool" garments frequently meant only that woolen thread was used for stitching buttonholes. The act provides that all products containing wool, except carpets, rugs, mats, and upholsteries, must disclose on a label attached to the merchandise the kind and percentage of each

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2Ibid.
fiber contained in the product. The name of the manufacturer and distributor must also appear on the label and the label must remain on the merchandise when it is delivered to the consumer.³

The Textile Fiber Products Identification Act of 1958, covers the labeling and advertising of all textile fibers not required to be labeled under the Wool Act. Its purpose is to protect purchasers by requiring a disclosure on the label of the exact fiber content of all textile fiber products. Products covered include wearing apparel, draperies, floor coverings, yard goods, blankets, and sheets. All such products must have a label that informs purchasers of the exact fiber content expressed in percentages.⁴

The purpose of the Fur Products Labeling Act of 1951 is to protect consumers and industry members against the misbranding, false advertising, and false invoicing of furs and fur products, moving in interstate commerce. Each fur or fur product must disclose to the consumer the type of animal which produced the fur, the country of origin, and whether the fur is bleached or dyed.⁵

Federal Agencies

In the area of consumer protection the Securities Exchange Commission and the Federal Trade Commission, created by Congress, deserve special mention. The Securities Exchange Commission has established requirements which deal with sales of stocks and securities. This commission has also acted as a watchdog to see that

³Ibid., p. 11.
⁴Ibid.
⁵Ibid.
officers and directors of corporations do not use their position of trust and confidence to aid them in unscrupulous market activities. The commission has also prevented use of inside information by large shareholders that would enable them to profit at the expense of other shareholders.\textsuperscript{6}

The Federal Trade Commission is an administrative agency charged with the duty of preventing "unfair methods of competition" and "unfair or deceptive acts or practices" in interstate commerce. Experience has demonstrated that competition in business gives rise to unfair trade practices, including deceptive advertising. Therefore, the enforcement of ground rules for competition has been the task of the Federal Trade Commission. In so doing, it has tried to protect and promote fair and effective competition in business. The rulings and regulations of the Federal Trade Commission have been the legal weapons most widely used by the Better Business Bureau system. The \textit{Guide for Retail Advertising and Selling} published by the Association of Better Business Bureaus was based primarily on Federal Trade Commission rulings, and has been used by the National and local Bureaus as a guide for their activities.\textsuperscript{7} After other measures have failed, violations of federal laws have often been reported by Better Business Bureaus to the Federal Trade Commission.

\textbf{State Laws}

The \textbf{North Dakota Securities Act} as passed and subsequently amended is an extension of the Blue Sky Law passed in North Dakota

\textsuperscript{6}Ibid., p. 269.

in 1923. Its purpose is to require a full disclosure of all material facts with respect to the issuance of new securities before they are offered for sale. The idea is to provide an investor with the information for making an intelligent of a security before he buys it. The act puts the emphasis on the seller to disclose all pertinent information on the securities to be sold. The provisions of the North Dakota Securities Act are the same as the Federal Securities Exchange Act. The chief difference is that the North Dakota law has applicability only to North Dakota corporations. As a rule all security selling in this state by unregistered corporations and agents has been considered unlawful. The principle in this instance is not "let the buyer beware," but "let the seller beware."

The North Dakota Solicitation for Benevolent Association Act has defined the restrictions on the solicitation of funds within the state. Anyone who solicits contributions for an orphanage, children's home, rescue home, or hospital, or similar charitable cause in any other state must obtain a license. The purpose of this law is to see that money is donated wisely. The law provides a legal framework for the investigate of fund raising organizations carried on by the National Better Business Bureaus Division of Solicitations. By making the investigation of fund raising organizations on behalf of the local chambers of commerce, the National Bureau provides a service whereby business and the public can effect substantial savings in time and money.

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The North Dakota Real Estate License Law has provided that:
"No person shall act as a real estate broker, or real estate sales­
men, or advertiser or assume to act as such a real estate broker, or
real estate salesman without a license issued by the Real Estate
Commission." The purpose of the law is to provide order and
regulation to the real estate industry and give the consumer confidence
that he is dealing with a reputable broker who will not misrepresent
himself or his goods. 10

The North Dakota Lottery Law has defines a lottery and states
that "every lottery is a common nuisance, and is unlawful."
Penalties for all violation are explicitly stated. The purpose of
this law is to protect the public by simply eliminating all
lotteries. The law declares that using or selling lottery devices--
such as punchboards and pushcards--in merchandising a product is
unlawful. 11

In conclusion, the backbone for the activities of the National
Better Business Bureau, carried on in North Dakota through local
chambers of commerce, has been provided by federal and state laws for
the conduct of business. The stated purpose of these laws has not
been to unduly restrict or control business but to provide the legal
framework for the promotion of fair and effective competition in
business.

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11 North Dakota Century Code, 12-24-00, 12-24-11, Vol. II,
pp. 631-635.
CHAPTER V

THE ACTIVITIES OF THE NATIONAL BETTER BUSINESS BUREAU
IN NORTH DAKOTA

Reasons for the Lack of Better Business Bureaus

There were no local Better Business Bureaus operating in North Dakota at the time of the writer's investigation. A number of reasons existed for the dearth of local Better Business Bureaus in the state. One requirement for a local Better Business Bureau has been that it be located in a city with a population of more than 100,000. This has been because the city had to be capable of supporting a full-time manager and a staff large enough to handle the necessary office work. North Dakota has not had a city that met these requirements.

In addition, the local Better Business Bureau must carry extensive libel insurance. For example, the Minneapolis Better Business Bureau has paid almost $1,000 for insurance coverage per year against libel and slander. A North Dakota Chamber of Commerce, limited in its budget, could not afford this type of insurance.¹

Moreover, North Dakota has not had enough business activity to support local Better Business Bureaus. The bulk of the complaints

¹Interview with Charles Searle, manager of the Grand Forks Chamber of Commerce, April 9, 1966.
handled by the Chamber of Commerce, who have been due-paying members to the National Better Business Bureau, are in regard to foreign rather than North Dakota based firms. Consequently, these Chambers of Commerce have not kept extensive files on their activities as would local Better Business Bureaus. The majority of the work of North Dakota Chambers has been handled on a personal basis. In most cases the inquiry or complaint has been handled over the telephone. A telephone call by the Chamber of Commerce manager has been usually all that is needed to follow a case to its conclusion.2

Activities of Chambers of Commerce

In a survey taken as to the activities of the Chambers of Commerce in the largest North Dakota cities, it was found that not all chambers were affiliated with the National Better Business Bureau in 1966. Only Mandan, Valley City, and Wahpeton were members, and the Grand Forks Chamber of Commerce terminated its membership in 1962. Mandan had the longest history of affiliation, beginning in 1956.

All eleven chambers have handled local consumer complaints and inquiries either by telephone or by mail. However, only two chambers indicated that they had not resorted to referring some consumer complaints or inquiries to neighboring chambers, or to the Minneapolis Better Business Bureau. Most of the cases referred to the Minneapolis Better Business Bureau by chambers were of a foreign or transient nature. The Grand Forks Chamber indicated that it has often been reluctant to divulge information received from other communities for fear of being sued for libel or slander. None of the North Dakota

2Ibid.
chambers has carried libel insurance as is carried by all local Better Business Bureaus. Consequently, chambers such as Grand Forks have been cautious about divulging information about business firms or individuals. To protect themselves from legal action the chambers have occasionally published the following statement to accompany data furnished to another chamber:

We do not recommend or approve any company or proposition. The information given herewith is confidential and for your personal use only. It is not guaranteed but is furnished in good faith upon information we believe to be reliable.\(^3\)

The National Better Business Bureaus Community Protection Program provided a measure of protection against fraud and other unfair practices to the businessmen and citizens of North Dakota. The Community Protection Program has been carried out by local chambers of commerce who have paid dues to the National Better Business Bureau. In return the National Better Business Bureau's program has provided the member chambers with Service Bulletins which discuss and explain fraudulent business operations which exist in the United States. The member chambers have also received special bulletins and reports on unethical business practices which are located in their areas. Furthermore, press releases on a variety of subjects have been supplied to the chambers for publication under their own name.\(^4\)

Through its extensive filing system the National Better Business Bureau has also provided the answers to many consumer

\(^3\)Ibid.

inquiries and complaints submitted through the local chambers of commerce. The following excerpts taken from the files of the Grand Forks Chamber of Commerce illustrate the services provided by the National Better Business Bureau.

1. A clergyman from Grand Forks asked the local chamber to evaluate the integrity of a school in Missouri that provided railway training for employees. The Grand Forks Chamber of Commerce wired the Better Business Bureau in a large Missouri city requesting information about the school. The Missouri Better Business Bureau immediately supplied the Grand Forks Chamber of Commerce with information which gave particulars on the school's curriculum and employment program.

2. In March 1961, the Grand Forks Chamber of Commerce received numerous complaints about a nation-wide furnace company which operated an outlet in Grand Forks. The chamber wired both the Minneapolis Better Business Bureau and the National Better Business Bureau requesting a report on operations of the furnace company. From Minneapolis a report came stating that the license to operate in Minneapolis, and in Albert Lea, Minnesota had been revoked for poor selling practices, the National Better Business Bureau reported that, even though the company had been in business for many years, the Federal Trade Commission had found it necessary to order the company to "cease and desist using sales practices" which the Commission found "deceptive." On the basis of these
two reports the Grand Forks Chamber of Commerce took steps to protect the consumers of Grand Forks by informing those who inquired about the status of the company elsewhere.

3. The Grand Forks Chamber of Commerce received inquiries about a vocational training school operating out of Chicago. In order to find out if the school was licensed in North Dakota the chamber wrote a letter to the office of the Department of Public Instruction. The Superintendent of Public Instruction requested that a letter on the operation and policies of the school be sent by the institution to the Chamber of Commerce in Grand Forks. In this letter the school listed all its qualifications and policies. The Chamber of Commerce was therefore able to inform those persons who had inquired about the school.

4. In August of 1961, the Chamber of Commerce in Grand Forks had reason to question the operations of a company which had sent a direct mail offer to Grand Forks residents. The Chamber sent a letter to the National Better Business Bureau and to the Minneapolis Better Business Bureau in which they asked for a check on the mail offer. The Grand Forks Chamber received a letter from the Minneapolis Better Business Bureau which explained how the company in question operated. As the Minneapolis Bureau reported that there had only been two complaints about this company since 1949, the chamber was able to inform the consumers that the company was apparently a reputable concern.
5. There are limits to the ability of a chamber-affiliate to assist consumers. In April a letter was received by the Grand Forks Chamber from a complainant who had signed a contract for the purchase of a home cleaning appliance. This person had to be informed that had she investigated the company before making the purchase the Grand Forks Chamber could have been of some help to her. However, since she had signed a contract to purchase the item, there was very little the Chamber could do to help her.

Since there are not active Better Business Bureaus in North Dakota it is important that the chambers of commerce act as the organizations through which bureau services are provided. To accomplish this function the chambers can pay $15.00 per annum to the National Better Business Bureau. In return they would receive a bulletin service which designates fraudulent business ventures. The chambers also can compile and retain data on complainants. By doing so, they could conceivably, maintain an information service to other local Chambers of Commerce.

Even though the chambers themselves are not Better Business Bureaus, they could inform the public that they could serve as a mediator in any dispute between the consumers and business. It is possible for the chambers, by telephone or wire, to refer any inquiry or complaint to the Better Business Bureau of Minneapolis, the nearest source of help.

The Chambers of Commerce in North Dakota can strive for better inter-chamber cooperation. Inadequate record-keeping and poor follow through technique has led to poor communication between the
local chambers and also the National Better Business Bureau and has seriously hampered the effectiveness of the National Bureau's Community Protection Program. By adopting joint standards for handling inquiries and complaints and by following standardized procedures, it would be possible for the chambers to improve their efficiency.

In conclusion, there were no local Better Business Bureaus operating in North Dakota in 1966. The National Better Business Bureau's Community Protection Program furnished the citizens of North Dakota with a measure of protection against fraud and other unfair practices. However, the scope of activities carried on by the North Dakota Chambers of Commerce were limited by their fear of being sued for libel or slander.
CHAPTER VI

CONCLUSIONS

Great strides have been made by the Better Business Bureaus to increase consumer protection against unethical business practices. Considered below are several possible methods of strengthening the operations of the local Better Business Bureaus.

Training for Employees

In order to increase their efficiency as employees, persons on bureau staffs must be encouraged to take advantage of the training course offered by the Association of Better Business Bureaus. Training of a bureau manager is also extremely important. A qualified and well trained manager is a definite asset to a bureau.

Enlarge the Membership

Once a bureau has been established, a principal objective should be to increase the size of its membership. Business firms who remain non-members should be the target of yearly membership drives. Attracting these firms will enable a bureau to increase its operating funds.

Use Data Effectively

The files of information compiled over the years of bureau operations should be used in statistical comparisons, not just mere
record keeping. Bureaus need to be encouraged to employ statistical techniques for analyzing the type of complaint, the percentage increase or decrease of each and the percentage of each type of complaint that is satisfactorily terminated.

Increase Publicity

As thousands of consumers migrate annually to areas where bureaus are located, it is necessary that these people be informed of the services performed by the bureaus. Many presently-held misconceptions about bureau operation are the product of poor public-education on the part of Better Business Bureaus. Present bureaus must strive to eliminate these misconceptions and keep the public informed of bureau activities.

Continuous Education Necessary

The major activity of the Better Business Bureau is consumer education. Increased emphasis must be placed on keeping the public informed of unethical business practices. The information of the bureau must be disseminated in an efficient manner to reach the vast majority of those persons who are potential victims of unethical practices. As in medicine an ounce of prevention is worth a pound of cure.

In summary, our present business system cannot function effectively without control. Self-regulation is one means of guaranteeing that business can survive with a minimum of public criticism and possible restraint. Therefore, it is essential that the Better
Business Bureaus continue their work of urging united action by all advertisers, agencies, and media, nationally and locally, in the recognition and implementation of voluntary self-regulation of business.
Interview with Charles Searle, Manager of Grand Forks Chamber of Commerce, April 9, 1966.
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