jei JOURNAL OF ECONOMIC ISSUES
Vol. XXXI No. 3 September 1997

Consumed in Theory: Alternative Perspectives on the Economics of Consumption

Frank Ackerman

In many disciplines, the study of consumption has become a dynamic, changing field. A new interdisciplinary area of research on consumption has emerged in the last 10-15 years, drawing contributions and participants from sociology, anthropology, history, philosophy, literature, and marketing—even, on occasion, from economics. (See Miller [1995] for a collection of bibliographic essays and surveys from each of the relevant disciplines.) Yet despite the central role that consumption plays in economic theory, economics has been one of the least important contributors to the new wave of research—and one of the disciplines least affected by new approaches to consumption of any variety. A recent review of innovations in neoclassical economic theory simply asserts that "the microeconomic theory of consumer choice under conditions of certainty is well developed, and has not been the subject of any significant advances in recent years" [Darnell 1992].

Economists' lack of interest in new approaches to consumption largely reflects the rigidity of the conventional economic theory of consumer behavior. That theory, of course, assumes that consumers come to the market with well-defined, insatiable desires for private goods and services; those desires are not affected by social interactions, culture, economic institutions, or the consumption choices or well-being of others. Only prices, incomes, and personal tastes affect consumption—and since tastes are exogenous to neoclassical economics, there is little point in talking about anything but prices and incomes.

The correspondence between this theory and the visible facts of economic life is tenuous at best. If there have been no recent advances in the microeconomics of consumer behavior, it is not because of a lack of room for improvement. Nor has

The author is Senior Research Associate of the Global Development and Environment Institute, Tufts University.

there been any scarcity of good critiques and suggestions of alternative theories in the economics literature. The problem is that the alternatives have been too quickly fragmented and/or forgotten.

This article reviews the history of dissenting economic perspectives on consumption and argues that the perspectives provide ample material for the construction of an alternative—especially if the dissenting views are combined into a comprehensive new theory. However, the academic development of alternatives has often gone in the opposite direction, toward narrow, single-issue models. Viewed in isolation, such fragmentary alternatives have little power to transform economic thinking; the best-known one, Gary Becker's implausible extension of the standard analysis of consumer choice, appears to reinforce much of what is wrong with neoclassical theory. A synthesis of the various available critiques would have a very different meaning. (For a broader survey of the frontiers of the economics of consumer behavior, see Goodwin, Ackerman, and Kiron [1997].)

To present the alternative theories, it will be helpful to outline three fundamental assumptions of the neoclassical theory of consumption; these assumptions may be called asocial individualism, insatiability, and commodity orientation:

1. *Asocial individualism.* Consumer desires and preferences are exogenous; they are not affected by social or economic institutions, interactions with others, or observation of the behavior of others.
2. *Insatiability.* It is human nature to have a multiplicity of insatiable material desires; the only economically meaningful forms of individual satisfaction result from more consumption (or less work, a related point that will not be addressed here).
3. *Commodity orientation.* Consumer preferences consist of well-informed desires for specific goods and services available on the market.

The three assumptions are closely related; any comprehensive critique of neoclassical theory will include alternatives to all three. Veblen, for example, is famous for his alternative to the asocial individualism assumption—but he also mocked the hedonistic conception of a person as a "homogeneous globule of desire," arguing that far from an insatiable desire for pleasure, human nature is "a coherent structure of propensities and habits which seeks realization and expression in an unfolding activity" [Veblen 1948]. And he maintained that much of consumer behavior is fundamentally driven by desires for intangibles such as status, not just for the commodities that symbolize status at the moment.

Nonetheless, it seems safe to say that Veblen is best known for the critique of asocial individualism contained in his analysis of conspicuous consumption. Many other economists writing on consumption can also be viewed as developing alternatives to asocial individualism, as argued in the next section of this paper. Subsequent sections examine economists whose work provides alternatives to the second and third assumptions.

No Consumer Is an Island

Veblen's treatment of consumption has been well described by David Hamilton [1987] in this journal. Hamilton reminds us that in describing status-conscious conspicuous consumption, Veblen was developing a theory of consumption, not just presenting social commentary or satire. For Veblen, goods were both ceremonial and instrumental, yielding both status and use-value to their consumers. Over time, the ceremonial aspect of consumption could expand indefinitely without producing any net increase in satisfaction, as Veblen so effectively and satirically demonstrated; but at any point in time, there was an appropriate level of status-oriented consumption for each group in society.

The lull of some decades following Veblen's writings is noted in a more recent article in this journal by Roger Mason [1995]. The generation of institutionalists that followed Veblen concentrated on issues other than consumption; at the same time, neoclassical economics was engaged in codifying and formalizing its own approach. The next major contributions to an alternative theory of consumer behavior came in the work of James Duesenberry [1949], Harvey Leibenstein [1950], and John Kenneth Galbraith [1958]. Writing in the 1940s and 1950s, at a time when the success of Keynesian economics may have opened the profession to new perspectives, they suggested innovative ways of analyzing and modeling consumer behavior. A common theme in their work is the identification of social factors that influence consumer preferences; in our terms, they are all concerned with failures of the asocial individualism assumption.

Duesenberry began with an empirical puzzle—the decline over time in the amount of savings by households at any constant level of real income. Rejecting much of the neoclassical theoretical apparatus, he took it as self-evident that individual preferences are interdependent, in part socially determined, and subject to learning and habit formation. The result of social interdependence was the "demonstration effect": contact with superior consumption goods and higher standards of living leads to a desire to increase one's own consumption. As everyone else's consumption rises in a growing economy, therefore, a household at any given income level will consume more and save less.

Ragnar Nurkse [1953], drawing on Duesenberry's work, made the demonstration effect central to early debates in development economics. Nurkse suggested that the attempt to emulate developed-country consumption patterns could depress savings rates in developing nations. In development theory, as elsewhere in the discipline, the early interest in broader alternatives has now largely died out, and the economics of consumption in developing countries remains an underdeveloped area.

However, Jeffrey James [1993] has analyzed the implications for development economics of several of the alternative perspectives discussed here.

Another approach to modeling of alternative theories can be seen in Leibenstein's classic paper [1950]. His "bandwagon, snob, and Veblen effects" are simplified models of three different ways in which social interaction can alter consumer demand for a good. All three would have made sense to Veblen, despite the fact that his name appears on only one of them. Each of Leibenstein's models implies a socially determined relationship between price and demand that differs from the standard neoclassical model. Yet despite the clarity of their presentation and the analogy to more familiar models, Leibenstein's models have been pursued by only a handful of later writers.

One of the best-selling books of all times on the economics of consumption is surely *The Affluent Society*. In a discussion of economic policy that sounds remarkably current 40 years after it was written, Galbraith argues that it is no longer appropriate for affluent societies to place a priority on economic growth and maximization of output. Overemphasis on production for private consumption leads to too little spending on public goods and services and too little leisure and economic security, among other undesirable consequences. Galbraith considers it obvious that increasing affluence constantly threatens to make the further growth of private consumption less urgent. Something unnatural has to happen, therefore, to keep people spending. The villain is the all too visible hand of advertising, creating the demand for new products as part of the process of production. It cannot be considered of great social importance, Galbraith suggests, to satisfy desires for products if the desires result from their producers' advertising.

The nature of social influences on consumption was further elaborated by Fred Hirsch [1976], who introduced the concept of positional consumption. Positional goods are ones that are desirable because they are scarce; examples include paintings by old masters, antiques, and exclusive access to scenic land. Jobs at the top of a hierarchy have a similar positional value. Unlike ordinary goods, the supply of positional goods cannot be increased when demand rises. There is no way to create more Rembrandt originals, beachfront properties, or jobs in the top 10 percent of the labor force. While positional goods quickly become status symbols that play a role in conspicuous consumption, the two categories are not identical: some status symbols, such as fashions in cars or clothing, are manufactured goods that can be produced to satisfy rising demand.

Productivity increases occur in the production of ordinary, but not positional, goods. Over time, ordinary goods therefore become relatively cheaper. This leads both to consumption of increasing quantities of ordinary goods and (since the two categories are imperfect substitutes for each other) to expenditure of a growing share of income on positional goods. When demand for positional goods rises, there are three possible responses: congestion or crowding; increased screening and positional competition (e.g., greater educational credential requirements for top jobs); or price increases. The result for society is at best a zero-sum game, with one person's loss being another person's gain; nothing of value is created in response to the increased demand. Thus, if aggregate output grows and the income gains are spent on positional goods, there is no reason to believe that there has been a net increase in social welfare. (For this reason, Scitovsky [1995] has argued that in terms of macroeconomic effects, positional consumption is more like an unproductive form of savings than like ordinary consumption.)

Robert Frank [1985] draws on the work of Hirsch and Duesenberry to create a formal model of positional consumption and the demonstration effect. If people engage in positional competition, for example, striving to ensure that their children are better educated than anyone else's, the result is more work and less leisure than people would really prefer. A cooperative outcome, which the market alone cannot achieve, would yield greater satisfaction than unfettered competition. The bias in favor of visible, positional expenditures has exactly the same effect on savings as Duesenberry's demonstration effect [see also Kosicki 1988]. Frank shows that the existence of positional consumption and the related bias against both savings and leisure imply that people can be made better off by many forms of regulation, including pensions and other forced savings requirements, limits on hours and conditions of work, and taxes on positional expenditures.

Finally, for this section, it is almost but not quite accurate to say that the issue of social influences on consumption has vanished from the mainstream of neoclassical economics. Heroic attempts were made by Robert Pollak in the 1970s to develop elaborate mathematical models inspired by Duesenberry and Leibenstein [Pollak 1978; 1977; 1976; 1970], but his work had little effect on others. Most recently, Laurie Simon Bagwell and B. Douglas Bernheim [1996] have created a model updating Leibenstein's "Veblen effect." Laudable as the goal may be, it is remarkable how little of Veblen shines through the dense mathematical thickets of contemporary economics.

Bagwell and Bernheim show that if consumer indifference curves have an unusual but not impossible shape, an equilibrium may result in which some consumers buy luxury brands priced above marginal cost, while others buy ordinary brands of the same quality, priced at marginal cost. Potential reasons for the unusually shaped indifference curves (aside from a peculiar wrinkle in the tax structure) include the possibility that low-income consumers may be driven to the brink of bankruptcy by conspicuous consumption or may derive greater intrinsic satisfaction from conspicuous expenditure than rich people do. When indifference curves have the shape assumed under normal conditions, however, the latter-day "Veblen effect," i.e., persistent sales of overpriced luxury brands, is mathematically impossible. If Veblen's analysis is to be sliced up into pieces this small for modeling purposes, there will be enough left for many, many more models.

The focus on the social factors that affect consumer preferences is the best-developed strand of alternative economic theorizing on consumption. It is a coherent story that combines provocative satires, serious analyses, formal mathematical models, and policy recommendations that flow logically from the analysis. It cannot, however, provide an adequate new theory entirely on its own. Critiques and alternatives to the second and third assumptions are needed as well.

In fact, the very process of mathematical formalization of hypotheses seems to limit the scope of new theorizing. Works discussed in this section range from the sweeping critiques and systemic, non-mathematical analyses of Veblen, Galbraith, and Hirsch, to the creative tension between formal model and broader perspective seen in Duesenberry and Frank, to the purely formal and increasingly mathematical treatment of Leibenstein, Pollak, and Bagwell and Bernheim. One might argue about the relative merits and potential complementarity of the Veblen/Galbraith and Duesenberry/Frank levels of abstraction and formalism. But there can be little doubt that economists have gone overboard in acceptance of the third choice, the entirely mathematical mode of analysis.

Mathematical models may be essential status symbols, if one's peer group consists of economists; on occasion, they may even have instrumental as well as ceremonial value. Yet their hidden limitation is that they typically assume the rest of the mathematical apparatus of the neoclassical model; it is as if the established theory challenges the model-builder to a game of "what can you explain if you accept all of the standard assumptions except one?" There are economists who excel at this game; George Akerlof comes to mind as one of the most successful [see, e.g., Akerlof 1991]. But each round of the game begins anew; the results never accumulate into a comprehensive alternative framework.

Human Nature: Enough Is Enough

Turning to the second assumption, the view of human nature as an ensemble of insatiable desires for private consumption is as standard as it is silly. Many great economists of the past have known better. Here there are few if any mathematical models, but there is a distinguished history of alternative perspectives. Adam Smith is often quoted on the importance of motivations such as self-respect; John Stuart Mill is a treasure trove of quotations supporting a more complex understanding of human behavior. Alfred Marshall believed that it was possible to make a distinction between higher and lower desires; indeed, a hierarchy of more and less urgent wants is one basis for the declining marginal utility of consumption. Unfortunately, Marshall concluded that such subtleties could not easily be incorporated into economics, writing that

> The higher study of consumption must come after, and not before, the main body of economic analysis; and, though, it may have its beginning within the proper domain of economics, it cannot find its conclusion there, but must extend far beyond [Marshall 1920; see also Goodwin 1991 and Endres 1991 on Marshall's views of consumption].

Dissent from the neoclassical caricature of human nature was also shared by John Maynard Keynes. His "Economic Possibilities for our Grandchildren" [Keynes 1963], written in 1930, was a utopian speculation based on the premise that material wants must be satiable—and must be destined to reach the point of satiation within the 100 years after he wrote. Two-thirds of the way through that century, there is little evidence of impending satiation of material desires. Instead, such factors as advertising and the competitive pursuit of styles and status have postponed indefinitely the era of widespread agreement that enough is enough.

Although his views on this subject were rarely spelled out explicitly, Keynes emphatically rejected the neoclassical model of behavior and its philosophical foundations, as demonstrated by S. A. Drakopoulos [1992]. In some of his less well-known writings, Keynes referred to the "Benthamite tradition" as "the worm which has been gnawing at the insides of modern civilization and is responsible for its present moral decay," and he commented on early work in microeconomics: "How disappointing are the fruits, now that we have them, of the bright idea of reducing Economics to a mathematical application of the hedonistic calculus of Bentham" [Keynes 1972, as cited in Drakopoulos 1992]. Keynes's error lay only in the assumption that this disappointing tree had reached full fruition in his lifetime.

Unfortunately, Keynes offered only scattered comments about his preferred alternative; Drakopoulos argues that those comments are consistent with belief in a hierarchy of wants of differing urgency and importance. A formal model based on such a hierarchy provides a neat explanation of one of Keynes's more puzzling (but realistic) observations, the "stickiness" of prices and wages: in essence, the model shows that quantities and prices get temporarily stuck at the cusps between satisfaction of wants of differing levels of urgency. Thus, an alternative model of consumer behavior may be lurking behind the scenes of Keynesian macroeconomics.

At about the same time that Keynes was reshaping macroeconomics, Paul Samuelson introduced the theory of revealed preference, an important innovation in the microeconomics of consumption. It was, and often still is, claimed that revealed preference avoids the need for any hypotheses about utility or human nature. It is said to be enough for consumers to reveal their preferences via their actual choices in the marketplace. So long as the observed choices satisfy a few innocuous-sounding consistency conditions, the standard results of consumer theory can still be derived. In particular, since people reliably buy more when they have more income, the insatiability of material desires is apparently "revealed."

But Samuelson's sleight of hand only conceals, but does not remove, the restrictive and unrealistic neoclassical assumptions about the basis for consumer behavior, as both Amartya Sen [1973] and Mark Sagoff [1994] have persuasively argued. Since preferences cannot be directly observed, the assertion that behavior reveals preferences cannot be tested. Sen suggests that revealed preference is either a tautology or a controversial assertion about human motivation, depending on the meaning of "preferences." If preferences are defined as that which behavior reveals, then revealed preference is true by definition and utterly uninformative. Sagoff proposes that on this interpretation, the sun prefers to rise in the east, and in English the letter "i" prefers to come before "e" except after "c."

On the other hand, if your preferences are interpreted as "that which makes you more comfortable, all else being equal," as is often suggested in discussion of consumer choice, then behavior need not reveal preferences. Instead, behavior may also be based at times on empathy, ideals, commitments, moral and personal obligations, etc. Once the distinction between choices and preferences is recognized, Sagoff argues that there are good reasons to favor maximizing freedom of choice but no compelling grounds to support maximizing satisfaction of preferences.

One of the most extensive examinations of human nature and its implications for economic behavior is found in a study by Tibor Scitovsky [1976]. While economics assumes that there is a single thing called consumer satisfaction, psychology, according to Scitovsky, makes a sharp distinction between two different types of satisfaction—comfort and pleasure. Pain is not, as common figures of speech suggest, the opposite of pleasure; it is more properly speaking the opposite of comfort. The complex and sometimes surprising relationship between comfort and pleasure provides Scitovsky with a much richer and more specific theory of human wants than is normally seen in economics.

When he turns to the implications for economic theory, Scitovsky asks two principal questions. First, which desires are insatiable? And second, which satisfactions are necessarily obtained through purchases in the marketplace? His answer to the first question is that virtually all desires for comfort are satiable. Discomforts are specific things, and it is easy to tell when they have been eliminated; there is a limit to how "not-hungry" you can be. The one exception harks back to Veblen and conspicuous consumption. The comfort of belonging, of winning social acceptance, can require indefinitely rising consumer expenditure as the price of status. In addition, pleasure, which often results from novelty, can absorb ever-increasing expenditures. As yesterday's novel pleasures become today's habits and tomorrow's socially defined necessities, maintaining the same level of pleasure requires new levels of consumption.

This leads Scitovsky, like Galbraith and Hirsch, to skepticism about the urgency of incessant growth in production. That attitude is reinforced by Scitovsky's answer to the second question: many of life's most important satisfactions come from non-market activities or from the process of work, rather than from consumption of purchased goods and services.

A different but complementary perspective is provided by a feminist economist, Paula England, who suggests that basic economic assumptions about human nature reflect a male bias [England 1993]. In particular, the conventional economics of consumer choice assumes that interpersonal utility comparisons are impossible, that tastes are exogenous and unchanging, and that individuals are uniformly selfish in market interactions. Feminist theory, with roots in and respect for women's traditional roles, would lead to opposite assumptions in each case: those who are used to an empathic, emotionally supportive role would naturally assume that some types of interpersonal comparisons are the norm, that people are constantly shaped by social influences, and that altruism is common in public life. Yet the unempathic standard assumptions, which England ascribes to a traditionally male model of the "separative self," are fundamental to neoclassical theory. Feminist theory also leads to a different view of economic power within the household, about which more will be said below.

The authors discussed here have not produced formal models, with the exception of Drakopoulos's reinterpretation of Keynes. They have, however, raised important aspects of a critique of the neoclassical theory of consumption: human nature is much more complex than a bundle of insatiable consumer desires. It would be hard to construct an economic theory on these arguments alone—but they are an indispensable part of the broader project of developing a new understanding of consumption.

Characteristics and Homemade Commodities

Critiques of the third basic assumption, the commodity orientation of consumer desires, are implied in some of the economic alternatives discussed above. Such critiques are also commonplace in the treatment of consumption in fields such as sociology and anthropology. Marx's concept of "commodity fetishism" is relevant here and has been put to good use in a number of recent analyses of consumption [see the survey in Lee 1993].

A more formal, mathematical alternative to the commodity orientation assumption has also gained widespread recognition in the economics profession. Almost simultaneously, Kelvin Lancaster [1966a; 1966b], Richard Muth [1966], and Gary Becker [1965] each proposed very similar rethinkings of the theory of consumer behavior. Conventional theory posits a direct relationship between goods and consumer satisfaction; consumers know exactly how much they will enjoy each potential purchase. In contrast, the new approach holds that consumers want something—experiences, satisfactions, characteristics of goods—that results from their purchases. (Recent discussion of energy conservation makes use of similar concepts, though expressed in a different jargon: what consumers want is not, e.g., heating fuel, but rather "energy services" such as comfortable room temperatures—which can be produced by many different combinations of fuel and insulation.)

The motivation for the new approach can be seen in Lancaster's objections to one aspect of standard consumer theory: no one can possibly know exactly how satisfying each available good or combination of goods will be; when new goods appear, as they constantly do, there is no plausible way for consumers to revise their preference rankings to encompass the expanded set of possibilities. The alternative is to recognize that what consumers want are not goods per se, but characteristics that they obtain from goods: e.g., flavors, textures, and nutrition from food, or fuel-efficient transportation, comfortable seating, and visible status from cars.

Lancaster's version of the new approach is by far the most accessible [Lancaster 1966a; for the more mathematically rigorous presentation, see Lancaster 1966b] and imposes a specific structure on the supply and demand for characteristics. He assumes that consumer demand for characteristics resembles the conventional picture of demand for goods—consumers know exactly which characteristics they want, and they always want more. The relationship of characteristics to goods is strictly linear and determined by technology: twice as much of a good always produces twice as much of each of its characteristics.

Lancaster's model is in some ways a departure from neoclassical theory, but in other ways it is still closely connected to it. Insatiability is still assumed, though now at the level of characteristics. Interdependence is implicitly included, via Lancaster's discussion of status as a characteristic, but is not directly addressed. His idea that people consume characteristics rather than goods has been cited in a number of recent studies of consumption, particularly in other disciplines, but usually only as an image or metaphor; application of his model in any detail is much less common. (For a technical application of Lancaster's framework, see Jones [1988].)

Critics have questioned Lancaster's approach, challenging two assumptions in particular [Hendler 1975; Ratchford 1979]. First, do all characteristics of goods produce positive satisfactions? If some goods have negative characteristics, or if satiation sets in so that some characteristics can switch from positive to negative sources of satisfaction (if one glass of wine with dinner is pleasant, how about five?), the model as formulated by Lancaster can no longer be applied. The same is true of neoclassical theory, which must assume that all consumers obtain either positive or at worst zero satisfaction from each unit of each good.

Second, is the satisfaction obtained from characteristics independent of the goods that deliver them or the combinations in which they are experienced? Does one cup of tea with lots of sugar followed by another cup with none produce the same satisfaction as two cups of tea with a little sugar in each? If the satisfactions obtained from goods are inseparable package deals, then there are limits to the usefulness of the characteristics framework. Lancaster's work is more reasonably seen as a provocative starting point for the development of a new theory than as its final form.

The Muth and Becker variants of the new approach drop the assumption of a linear relationship between goods and characteristics. They use the language of a household production process: the household combines purchased inputs (groceries, cooking utensils, fuels) and household labor to produce desired outputs (meals). The image of the consumer as a firm allows the extensive mathematical apparatus used to analyze ordinary production to be applied to household production as well. (For an argument that the parallel between neoclassical analyses of production and consumption reflects the lack of understanding of consumption, see Fine and Leopold [1993, chap. 4].) Becker highlights the analogy with a uniquely obscure choice of terminology, referring to the outputs of household production as "commodities" analogous to those produced by businesses. The reader who lacks an English-to-Becker dictionary must remember that what Becker calls commodities are what others would call experiences or satisfactions, while the commodities visible to the rest of us are, for Becker, inputs purchased by households in order to produce commodities.

Of the three founders of the new approach, Muth went on to other pursuits almost immediately, as did Lancaster after a few years. Becker, however, has persisted; he won the Nobel Prize in Economics in 1992 in part for his far-reaching applications of the household production model. He has argued that the theoretical apparatus of selfish, rational maximization can produce explanations of education, discrimination, crime, marriage and divorce, childbearing, and many other behaviors, often through use of the household production model.

The dangers of overextension of this model can be seen in the argument by Stigler and Becker [1977] that it is rarely necessary to assume that consumers' tastes have changed. In cases where preferences appear to have shifted, Becker et al. prefer to say that the technology of household production has changed, while the satisfaction obtained from homemade "commodities" (i.e., experiences) may have remained constant. Thus, a growing appreciation of and desire for a particular style of music reflects a change in the technology of production of the commodity "music appreciation." Pursuit of new and changing styles means that a changing technique is needed to produce the commodity "distinction." Advertising, unfairly accused of manipulating consumer preferences by Galbraith and others, actually provides information about new technologies that have become available to produce commodities such as "prestige." Addiction to harmful drugs does not represent a change in tastes; it is merely a change in the technology that the household uses to produce the commodity "euphoria."

In each case, a story can be told about the change in the household production function that produces the apparent change in tastes. The household can then be described as acting rationally, meaning that it is engaging in utility maximization, with unchanging tastes for some hypothetical, unobservable commodities. In effect, this is mathematical deconstruction: pick a behavior and tell a story about what it might be maximizing. Even the beginning of lifelong addiction can be described as a rational choice, not a change in tastes. The addict, equipped with high-powered intertemporal maximizing capabilities, recognizes that use of an addictive substance today will make it more enjoyable to continue using the same substance in the future [Becker, Grossman, and Murphy 1991; for a more intuitively plausible model of addiction as a process akin to procrastination, see Akerlof 1991].

One might excuse all this if the household production model achieved great insights into consumer behavior. However, as England [1993] points out, Becker makes trivial and stereotypical assumptions about the dynamics within the household. There is a single head of household, repeatedly referred to as male, who is efficient at earning money and completely altruistic about sharing it within the family. England objects that it is unreasonable to expect the same person to be perfectly selfish in the market and perfectly unselfish at home. Either the external greed should affect family life, or the internal altruism should affect public life; in fact, spillovers do occur in both directions. Unfortunately, a model that begins with trivially stereotypical premises is in danger of ending with conclusions such as

> A person may be well-read (i.e., have read the recent books generally believed to be important), but if his time is valuable in the market place, it is much more likely that his spouse will be the well-read member of the family [Stigler and Becker 1977].

Although alternatives to the assumption of commodity orientation have been extensively developed and debated within economics, one can hardly say that an adequate new theory has been created. On the contrary, the overdevelopment of an isolated insight, in the work of Becker and his colleagues, simply takes narrow neoclassical themes on the road to perform in other arenas. As in the case of alternatives to the individualism assumption, mathematical formalization of one aspect of an alternative can prevent connection with other, equally essential aspects.

Toward a New Theory

It is beyond the scope of this paper to elaborate a full-blown new economic theory of consumption. Hopefully, the review of past contributions has identified some of the building blocks of such a new theory. Alternative views in all three areas discussed here need to be synthesized, including at least the following:

1. We are all social beings, not isolated autonomous individuals; our tastes are not exogenous to our interactions, but reflect long-standing customs, contemporary symbols of status, the demonstration effect of consump-

tion by our peers, overt pressures from advertisers, and the frustrating processes of positional competition. This is the most familiar aspect of the alternative, and it has been well addressed by Veblen, Galbraith, and others cited above.

2. Insatiable material desire is not the whole, nor even most, of human nature. There are differentiated wants of varying urgency—some of them social, many of them satiable. Economic theory needs to comprehend the sources of differing wants. People do not always act on selfish preferences for their own comfort, but are often motivated by empathic, altruistic, or principled feelings and beliefs. Far from human nature being inherently insatiable, it is possible that competition, emulation, and socially learned behavior in general may be the primary sources of apparently insatiable desires.
3. Consumers rarely want specific marketed goods per se. Rather, they want characteristics, experiences, or services obtainable from goods, some of which are based on technical performance of the goods (transportation, from a car), and others based on the social meanings ascribed to goods (status, perhaps from the same car). Lancaster's linear technological relationship between goods and desired characteristics is too rigid, but Becker's alternative of limitless flexibility explains everything and nothing. Development of an adequate theory of the real relationship between marketed goods and the characteristics desired by consumers is one of the remaining frontiers of the economics of consumption.

References

Akerlof, George A. "Procrastination and Obedience." *American Economic Review* 81 (1991): 1-19.

Bagwell, Laurie Simon, and B. Douglas Bernheim. "Veblen Effects in a Theory of Conspicuous Consumption." *American Economic Review* 86 (1996): 349-373.

Becker, Gary. "A Theory of the Allocation of Time." *Economic Journal* 75 (1965): 493-517.

Becker, Gary, Michael Grossman, and Kevin Murphy, "Rational Addiction and the Effect of Price on Consumption." *American Economic Review* 81 (1991): 237-241.

Darnell, Adrian. "Decision-making under Uncertainty." In *What's New in Economics?* edited by John Maloney. New York: Manchester University Press, 1992.

Drakopoulos, S. A. "Keynes' Economic Thought and the Theory of Consumer Behavior." *Scottish Journal of Political Economy* 39 (1992): 318-336.

Duesenberry, James S. *Income, Saving and the Theory of Consumer Behavior.* Cambridge: Harvard University Press, 1949.

Endres, A. M. "Marshall's Analysis of Economizing Behavior with Particular Reference to the Consumer." *European Economic Review* 35 (1991): 333-341.

England, Paula. "The Separative Self: Androcentric Bias in Neoclassical Assumptions." In *Beyond Economic Man: Feminist Theory and Economics*, edited by Marianne A. Ferber and Julie A. Nelson. Chicago: University of Chicago Press, 1993.

Fine, Ben, and Ellen Leopold. *The World of Consumption.* London: Routledge, 1993.

Frank, Robert H. "The Demand for Unobservable and Other Nonpositional Goods." *American Economic Review* 75 (1985): 101-116.

Galbraith, John Kenneth. *The Affluent Society*. Cambridge: The Riverside Press, 1958.

Goodwin, Neva. *Social Economics: An Alternative Theory. Volume 1: Building Anew on Marshall's Principles*. New York: St. Martin's Press, 1991.

Goodwin, Neva, Frank Ackerman, and David Kiron, eds. *The Consumer Society*. Washington, D.C.: Island Press, 1997.

Hamilton, David B. "Institutional Economics and Consumption." *Journal of Economic Issues* 21 (1987): 1531-1554.

Hendler, Reuven. "Lancaster's New Approach to Consumer Demand and its Limitations." *American Economic Review* 65 (1975): 194-199.

Hirsch, Fred. *Social Limits to Growth*. Cambridge: Harvard University Press, 1976.

James, Jeffrey. *Consumption and Development*. New York: St. Martin's Press, 1993.

Jones, Larry. "The Characteristics Model, Hedonic Prices, and the Clientele Effect." *Journal of Political Economy* 96 (1988): 551-67.

Keynes, John Maynard. "Economic Possibilities for Our Grandchildren." In *Essays in Persuasion*, by John Maynard Keynes. 1930. Reprint. New York: W.W. Norton, 1963.

________. *Essays in Biography*. London: Macmillan, 1972.

Kosicki, George. "A Note about Savings as a 'Nonpositional Good'." *Eastern Economic Journal* 14 (1988): 271-276.

Lancaster, Kelvin. "Change and Innovation in the Technology of Consumption." *American Economic Review* 56 (1966a): 14-23.

________. "A New Approach to Consumer Theory." *Journal of Political Economy* 74 (1966b): 132-157.

Lee, Martyn J. *Consumer Culture Reborn: The Cultural Politics of Consumption*. London: Routledge, 1993.

Leibenstein, Harvey. "Bandwagon, Snob, and Veblen Effects in the Theory of Consumers' Demand." *Quarterly Journal of Economics* 64 (1950): 198-207.

Marshall, Alfred. *Principles of Economics*. 8th ed. London: Macmillan, 1920.

Mason, Roger. "Interpersonal Effects on Consumer Demand in Economic Theory and Marketing Thought, 1890-1950." *Journal of Economic Issues* 29 (1995): 871-881.

Miller, Daniel, ed. *Acknowledging Consumption*. London: Routledge, 1995.

Muth, Richard. "Household Production and Consumer Demand Functions." *Econometrica* 34 (1966): 281-302

Nurkse, Ragnar. *Problems of Capital Formation in Underdeveloped Countries*. New York: Oxford University Press, 1953.

Pollak, Robert. "Habit Formation and Dynamic Demand Functions." *Journal of Political Economy* 78 (1970): 745-763.

________. "Interdependent Preferences." *American Economic Review* 66 (1976): 309-320.

________. "Price Dependent Preferences." *American Economic Review* 67 (1977): 64-75.

________. "Endogenous Tastes in Demand and Welfare Analysis." *American Economic Review* 68 (1978): 374-379.

Ratchford, Brian. "Operationalizing Economic Models of Demand for Product Characteristics." *Journal of Consumer Research* 6 (1979): 76-85

Sagoff, Mark. "Should Preferences Count?" *Land Economics* 70 (1994): 127-145.

Scitovsky, Tibor. *The Joyless Economy*. New York: Oxford University Press, 1976.

________. "Growth in the Affluent Society." In *Economic Theory and Reality: Selected Essays on their Disparity and Reconciliation*, by Tibor Scitovsky. Aldershot, UK: Edward Elgar, 1995.

Sen, Amartya. "Behavior and the Concept of Preference." *Economica* 40 (1973): 241-259.

Stigler, George, and Gary Becker. "De Gustibus non est Disputandum." *American Economic Review* 67 (1977): 76-90.

Veblen, Thorstein. "The Place of Science in Modern Civilization." In *The Portable Veblen*, edited by Max Lerner. New York: Viking Press, 1948.