

INSTITUTIONAL CHOICES AND THE THEORY
OF CONSUMER BEHAVIOR

by

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B.A. (honours), Simon Fraser University, 1970

A THESIS SUBMITTED IN PARTIAL FULFILMENT OF
THE REQUIREMENTS FOR THE DEGREE OF

MASTER OF ARTS

in the Department

of

Economics and Commerce



GEOFFREY NEWMAN 1972
SIMON FRASER UNIVERSITY

April 1972

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ABSTRACT

Thesis Title: Institutional Choices and the Theory
of Consumer's Behavior

Throughout the modern history of economic analysis, there has always been a dispute between economists of the Neoclassical school and economists of the Marxist school on the matter of whether (or not) individuals within a developed capitalist society possess "freedom of choice" in consumption. Neoclassical thinkers, in particular, have traditionally defended the view that individual "freedom of choice" is, in fact, one of the most outstanding characteristics of developed capitalist consumption environments. On the other hand, Marxist thinkers have (often emphatically) denied this -- stressing instead, the widespread influence of economic institutions and social conventions on the character of individual consumption.

In this paper, however, it is argued that neither view provides an adequate picture of individual consumption within a developed capitalist society. In this respect, it is suggested that most advanced capitalist consumption environments normally contain both elements of "free choice" and of "institutional determination", and, as a rule, a

consumer must take both elements systematically into account when constructing his consumption choice program.

In particular, it is suggested that, as a rule, a consumer's establishment of his "tastes with respect to goods" is not a matter of his "free choice". "Tastes with respect to goods" are, it is argued, normally established in conjunction with a large number of institutional prescriptions (i.e. concerning what is "socially-acceptable" or "socially desirable" consumption behavior for a society or class). A consumer's actual "freedom of choice" lies instead in his ability to choose a method of "rationally" dealing with a consumption environment which contains such institutional prescriptions. A consumer may choose, for the most part, to conform to such socially-dictated prescriptions, or he may choose, for the most part, to deviate from them, or in the last instance, he may choose to ignore them altogether. The individual's choice of particular strategy depends in all cases on his view of what is the most appropriate ("rational") way for him to act in a socially-constrained environment, given his own aims and interests.

The view presented here represents a qualitatively different way of looking at individual consumption in a developed capitalist society. In particular, a consumer's actual "goods decision" is to be explained largely as a

solution to the consumer's problem of establishing the most appropriate way of behaving in a socially-constrained environment (i.e. his choice of standards of "rational action"). Furthermore, a consumer's actual "goods decision" is seen to be only an indirect one -- in as much as it rests on the consumer's prior decision to deal with his consumption environment in a very particular way.

Although the framework presented here will be presented as an essentially "static" model, the framework can be seen to be premised on largely "dynamic" considerations. In this respect, the consumer's view of what constitutes "rational action" in a socially-constrained environment cannot be taken as a matter independent of his view of the "optimality" of the present consumption environment and the possibilities inherent in future consumption environments. Moreover, individual consumption behavior is interpreted here as being, for the most part, an attempt to "test" a particular theory of "rational action" in society (and relatedly, of social change).

"Any engine of analysis which embodies both the tenable elements of Marxism and the assimilable components of non-Marxist theories of relevant change, and of interindividual and intergroup socio-economic relations will necessarily prove vastly more useful than will modern economic theory, however much refined."

- J.J. Spengler, Sociological Pre-Suppositions of Economic Theory, (1940)

ACKNOWLEDGMENTS

In writing this paper, I am especially indebted to Dr. L. Boland, whose help in constructing the view proposed here has been consistently invaluable. I am also indebted to Dr. C. Lloyd, Dr. P. Kennedy, Dr. J. Tietz, Prof. J. Dean, and Mr. J. Rowcroft for their helpful comments on earlier drafts of this paper.

TABLE OF CONTENTS

Preliminary pages..... i
(includes Title page, Approval, Abstract, Quotation,
Acknowledgment, Table of Contents)

Chapter One: Introduction..... 1

Chapter Two: Consumption: Orthodox Versus Marxist.....7

Chapter Three: The Explanatory Deficiencies of.....22
Neoclassical and Marxist Views of Consumption

Chapter Four: Freedom of Choice and Problems of.....30
Explanation

Chapter Five: A New Avenue: Individualist.....38
Rationality as a Vehicle for Freedom of Choice

Chapter Six: Traditional Orthodox Approaches and.....56
Suggestions

Chapter Seven: A New Framework for Consumer's.....66
Choice

Bibliography.....99

CHAPTER ONE

INTRODUCTION

Throughout the history of modern economic analysis, there has always been intensive dispute between economists of the Neoclassical school and economists of the Marxist school over whether the most appropriate portrayal of modern consumer behavior is one which endows consumers with freedom of choice, or, alternatively, one which denies them such freedom. Thinkers of the Neoclassical school, in particular, have long defended the view that individual freedom of choice -- the possibility for an individual to independently control or determine important aspects of his choice problem -- is, in fact, one of the most fundamental characteristics of modern capitalist consumption activity, and have premised almost all of their models of consumer behavior on such a view.¹ Thinkers of the Marxist school, however, have generally regarded this view as unrealistic; arguing instead that one of the most evident features of an advanced capitalist society is the existence of very specific types of institutional control which influence and constrain the consumption decisions of individuals, and which thus impose severe limitations on their freedom.² On this account, Marxist thinkers have consistently implied (though not

clearly formulated) models of consumer behavior which take into account these influences and constraints (e.g. advertising, "class" consumption pressures, institutional income determination), and have contrasted them, in principle, with orthodox Neoclassical models.

Historically, the dispute between Neoclassical thinkers and Marxists over freedom of choice has always remained a most interesting and topical one. This is not only because the dispute has always embodied matters fundamental to theoretical inquiry into consumer behavior, and not only because discussion of such fundamental matters has seldom been approached directly or openly by either school,³ but also, most important, because the dispute has consistently been seen by its participants from one simple, yet highly-influential perspective. This is that the ultimate solution to the dispute lies in either the triumph of some extreme Neoclassical position -- which incorporates into analysis virtually no aspects of institutional control --, or some extreme Marxist position -- which incorporates into analysis virtually no aspects of individual free choice-- , and not in the construction of some viable third alternative which incorporates relevant aspects of both positions.

The primary purpose of this paper is to challenge

this highly-influential perspective. The central contention of the paper is, in fact, that if the dispute between Neoclassical and Marxist thinkers is perpetuated along the lines of this perspective, then the dispute simply does not possess a satisfactory outcome. The reason for this, it is argued, is that while both an extreme Neoclassical free choice position and an extreme Marxist institutional control position do provide possible avenues for isolating, in a loose sense, certain relevant features and tendencies within modern capitalist consumption activity, neither of the views (in themselves) provide a sufficiently general or explanatory framework to examine modern consumer behavior. Neither view can systematically account for the consumption behavior cited by its counterpart. Neither view can account for that type of consumption behavior which goes on, in particular, in an environment characterized by both an aspect of free choice and an aspect of institutional control.

What this paper argues specifically is that the only satisfactory solution to the dispute is the construction of an alternative conception of modern capitalist consumption activity; one which incorporates certain of the undeniably valuable aspects of both standpoints without incorporating their traditional weaknesses. To the end of

constructing such an alternative, what this paper focuses on especially are the explanatory deficiencies of both Neoclassical and Marxian views. This is because it is felt that the explanatory deficiencies of both views arise precisely because neither of the views grant consumers any effective freedom in choosing their behavioral strategies. Both views, in particular, lock consumers into a specific mechanism of rational choice; one, which among other things, is based on a specification of decision variables in a model of choice which is pre-determined and beyond the consumer's control.

What this paper attempts to show is that if we remove the constraint imposed on consumers by such mechanisms, and permit consumers the freedom to choose their own principles of rational action (based, in particular, on their freedom to choose a most appropriate specification of variables entering their utility and cost functions), then the explanatory deficiencies of both traditional viewpoints can be largely overcome. As will be seen, the advantages of this modification are most noteworthy. Not only does it allow almost all of the aspects of institutional control that Marxists have traditionally cited in connection with modern consumption to be incorporated into a setting compatible with Neoclassical free choice, but it also permits

the construction of an analytic framework which, in addition to being able to account for the standard choice implications of both traditional views, is able to explicate a number of hitherto-unnoticed cases of rational choice.

The paper is divided into six sections. Chapter Two concerns itself with the presentation of the methodological and analytic conflicts which have traditionally arisen between Neoclassical thinkers and Marxists over the characteristics of modern consumption. Chapter Three concerns itself with outlining the explanatory deficiencies inherent in the respective views. Chapter Four explains the relationship between these explanatory problems and the absence of free choice in either doctrine. Chapter Five discusses the features of the alternative view to be presented here, and its general methodological significance. Chapter Six is fundamentally bibliographical. It attempts to briefly outline where and in what fashion elements of the proposed view have been anticipated within orthodox Neoclassical thought. And in Chapter Seven, a model of consumer's choice based on a synthesis of Neoclassical free choice and Marxist institutional control is presented.

In connection with the last section, in particular, it is emphasized that the model presented here is presented

mainly on an exploratory basis. It tries, in essence, to outline the types of characteristics which would be desirable in any formulation aiming to fuse Neoclassical and Marxian assumptions. However, in no respect does it represent a finished product. It attempts to outline only one set of possible guide-lines in dealing with a doubtlessly most serious void in economic thought.

Footnotes to Chapter One

1. We refer here to a view of consumer behavior based primarily on the perspectives laid down by J. Hicks (Value and Capital, London, Oxford, 1939) and P.A. Samuelson (Foundations of Economic Analysis, Cambridge, Mass., Harvard University Press, 1947) and the methodological cum political position propounded (especially in recent years by M. Friedman (Capitalism and Freedom, Chicago, University of Chicago Press, 1962, and Essays in Positive Economics, Chicago, University of Chicago Press, 1953))
2. We refer to the Marxist school in a very general sense here. We include within it variously Institutionalists, modern Radical economic theorists, as well as most major critics of orthodox Neoclassical enterprise. The best representative of the modern Institutional school is probably J.K. Galbraith. See his The New Industrial State (Boston, Houghton-Mifflin, 1967) and The Affluent Society (Boston, Houghton-Mifflin, 1964). On recent developments in Radical thought, see M. Brofenbrenner, Radical Economics in America, JEL (8), September 1970, pp. 747-760. It is noted in this paper that we are not concerned with the many writings on the economics of the socialist state or on modern Marxian capital theory.
3. See H. Albert, A Critical Approach to the Value Problem in the Social Sciences; in The Critical Approach to Science and Philosophy, ed. M. Bunge, London, Free Press, 1964, pp. 385-409, and K. Klappholz and J. Agassi, Methodological Prescriptions in Economics, Economica N.S. (26), February 1959, pp. 60-74

CHAPTER TWO

CONSUMPTION: ORTHODOX VERSUS MARXIST

Historically the conflict between Neoclassical thinkers and Marxists over the nature of modern consumption has extended to many areas. It has included almost all questions concerning the appropriate assumptions and characteristics of variables within a modern theory of consumer's choice, as well as many fundamental questions concerning methodology. In this section we attempt to briefly review the general characteristics of the dispute.

A. The General Methodological Conflict

Methodological disputes between Neoclassical thinkers and Marxists have always been most wide-reaching in nature. They have emerged as disputes over politics,¹ over ethics,² not to mention epistemology.³ Usually, however, almost all disputes rotate around one central issue: whether an analysis of modern consumer behavior requires the inclusion of socio-institutional variables, or whether it does not.⁴ In this regard, Neoclassical thinkers have long sought to defend the analysis of modern consumer behavior in a setting which does not explicitly take into account the many socio-institutional features of modern capitalist social structures, whereas Marxists have consistently defended the view that analysis which is not primarily

social or institutional in character must ultimately be unrealistic and barren.⁵

In essence, the reason why Marxists have always stressed their particular position is because, according to their basic views, the consumption of individuals within a developed capitalist society is more a reflection of the specific characteristics of such a society, than it is of the specific characteristics of the individuals consuming within it. According to this viewpoint, the explanation of an individual's consumption behavior can only be successfully achieved if the explanation includes reference to prevalent features of the institutional setting; if the "mode of production", the "infrastructure" of the society in which the individual consumes, is successfully explicated and defined, and its laws of motion laid bare.⁶

In contrast, Neoclassical thinkers have long stressed their anti-institutional position on the grounds that there need not necessarily be any one-to-one correspondence between the specific institutional structure of a society and the specific behavioral responses of consumers (as Marxists suggest). What stands out about any modern institutional structure, Neoclassicists argue, is that there exists a diversity of possible tastes (or preferences) consumers may hold regarding items of consumption.⁷

On this basis, Neoclassical thinkers have propounded two important methodological views. The first, and skeptical view, is that since there is no necessary one-to-one correspondence between social structure and individual response, there is no reason whatsoever to include institutional structures as part of the explanation of a consumer's behavior. Instead, one can start from the ultimate response of the consumer to his environment (i.e. his tastes), since there is simply no logical point in dragging analysis indeterminately back to the institutional structure itself.⁸ The second, and positive view, is that even though there is no correspondence between the characteristics of consumer response and the characteristics of the institutional structure -- hence denying the possibility of general explanatory principles of an institutional variety -- there do exist general (explanatory) principles of individual response which can be defined quite independently of any social structure. These principles, in essence, transcend all social environments, yet are witnessed in all (e.g. maximization).⁹ As such, according to this second Neoclassical position, it is the (institutionally-transcending) "principles of choice" which represent the chief explanatory variables in consumer theory, and not, as Marxists suggest, the specific structural characteristics and features of the institutional environment in which the general principle is expressed (i.e.

modern capitalist society).

Historically, the Neoclassical argument has raised two interesting general questions. The first is whether the denial of a one-to-one correspondence between the characteristics of individual response, in fact justifies (as the Neoclassicists imply) the complete exclusion of institutional aspects from consumer theory. In this respect it could be argued that excluding institutional variables from a theory of consumer choice is not justified on any grounds, if there exists a possibility at all of a correspondence between institutional characteristics and consumer response, albeit perhaps not one of the one-to-one variety. The second question is simply whether or not the general principles of individual response which Neoclassical thinkers refer to are, in fact, truly independent of the institutional structure of society. Marxists in this regard, have consistently felt that the principles behind (and characteristics of) maximizing behavior -- whether in terms of profit or utility -- emerge directly from the development of the institutional structure of a bourgeois capitalist society, thus denying the independence traditionally bestowed on them by Neoclassical thinkers. Moreover, from the Marxist perspective, the fact the Neoclassicists did find a behavioral principle of fairly

general application would seem to only testify to the fact that, within modern capitalism, there does exist institutionally-learned or dictated principles; thus verifying the existence of some correspondence.

To take the Marxist criticism seriously leads to the traditional dilemma for Neoclassical thinkers. If the usage of these general principles is not independent of specific characteristics and influences of a social structure, then the structure must, at least in part, explain the usage of a principle by any individual within that structure. To explain consumer behavior based on these principles without reference to their institutional basis can clearly, in these circumstances, only lead to an explanation of behavior which is tenuous. This is a genuine problem, and it is this problem which has often forced Neoclassical thinkers to adopt the view that the use of the principles such as maximization, cannot be institutionally given, that, instead, it must be imbedded in the laws of individual psychology or some other non-institutional area.¹⁰ This position, it is acknowledged, has long been a target for Marxists, since it a priori excorciates all discussion of institutional features, while evading all relevant problems.¹¹

Thus far, the above questions have been discussed from the perspective that they lead to very great difficulties

for Neoclassical explanation. This does not mean, however, that the Marxist position is trouble-free in any sense. In fact, the main traditional difficulty for Marxists in this regard is justifying to Neoclassical thinkers that the one-to-one correspondence between the characteristics of institutional structure and the characteristics of individual actions does in fact exist. If it does not, as Neoclassical thinkers suggest, then the problem for the Marxist is of the same genre as for the Neoclassicists, only we find that it is inverted.

Whereas the chief problem for Neoclassical thinkers was not finding principles to explain the diversity of individual consumer behavior, but finding (institutionally-independent) principles to explain the unity of (i.e. conformity within) consumer behavior -- the problem for the Marxist is not finding institutionally-based principles to explain the unity of behavior, but in finding some (individualist) principle to explain the diversity of it. In short, this would mean a principle which could explain different individual responses to the same institutional structure.¹² Marxists have generally dealt with this issue in a manner equally as unfortunate as the Neoclassicists, by assuming a priori (and thus inconsistently, if one remembers their criticisms of Neoclassical consumer theory) that there is a one-to-one correspondence, i.e. that

institutional structures completely straight-jacket an individual's action.

Thus, in summary, we have two symmetrical problems here. For Marxists, if they relax their insistence on a one-to-one correspondence between the characteristics of institutional structures and the characteristics of consumer behavior (i.e. which implies complete conformity), must they then take the view that no correspondence exists at all (which implies complete subjectivism)? And for Neoclassical thinkers, if they admit to some correspondence, (i.e. partial conformity) must they then espouse the very rigid view of one-to-one correspondence (i.e. complete conformity)? The question we pose here, however, is that if we settle for either extreme position do we not then give up the explanation of most of the relevant aspects of modern consumption behavior?

We shall discuss this dilemma further in Chapter Three in connection with the explanatory problems of both views. At this point, however, we turn to the disagreements that Neoclassical thinkers and Marxists have had on the characteristics of the explanatory components of models of consumer choice.

B. The Analytic Conflicts

In this part of the paper we briefly review certain analytic conflicts which have traditionally arisen between

Neoclassical thinkers and Marxists. These mainly involve the particular characteristics of explanatory variables in models of consumer's choice, and will be dealt with in terms of the four traditional conflicts over:

- (1) the structure of the consumption environment
- (2) the characteristics of consumer tastes (or preferences)
- (3) the specification of decision variables with models of consumer's choice
- (4) the characteristics of incomes and prices.

Needless to say, the conflicts all stem from the basic methodological conflict discussed earlier. Whereas Marxists have consistently examined all these items from the perspective that they had a definite institutional quality to them, Neoclassical thinkers have generally dealt with them on an institutionally-neutral basis.¹³ *} redundant.*

1. The Structure of Modern Consumption Environments

Throughout the history of Neoclassical consumer theory, it has always been customary for Neoclassical theorists to assume a great many things about the characteristics of goods available within a consumption environment. The most important of these (and perhaps the least often noted), however, is that all available goods within a consumption environment can be defined in a setting which is quite uninfluenced by, and quite independent of, the institutional structure of the

consumption environment. Goods, according to Neoclassical analysis, are consumed because of their functional properties (their objective characteristics), and not because of institutional prescriptions (of, for example, a class) which say they "ought to be consumed", and not because, within a developed capitalist society, there are great social costs in not consuming (for institutional reasons) at least certain classes of goods.

Marxists, and modern Marxian sociologists, however, have opposed this view consistently, stressing the specifically institutional quality of goods within modern capitalist environments. Goods, according to Marxists, are intimately tied to the dictates of the institutional environment in which they are offered. They have the moral and political precepts of the environment -- of what is acceptable or institutionally-desirable consumption -- imposed upon them. Moreover, they represent an integral vehicle for preserving class relations in a society.

The essential conflict which grows out of the above views is fairly straightforward. Given an institutional structure which specifies definite institutional and normative prescriptions on goods, whereas Neoclassical thinkers see individual consumption taking place in terms quite independent of these prescriptions (i.e. all that counts is the functional properties), Marxists do not.

And, given this structure once again, Neoclassical thinkers see not conforming to the norm structure of the consumption environment as costless for the consumer, while Marxists see it as being most costly, leading to social alienation and perhaps to limitations on their earning power.

2. Tastes (or preferences) on Goods

Essentially, both the Neoclassical and Marxist standpoints on tastes are related to their respective views of the structure of modern consumption environments. To Neoclassical thinkers, tastes on goods are, first, tastes on the functional properties (or objective characteristics) of goods. Second, the consumption tastes of a consumer can be expressed by way of the consumer's own pre-established utility function (i.e. independent of institutional influences and constraints). To Marxist thinkers, in contrast, tastes are expressed by an individual, first and foremost, on the institutional properties of goods (and not primarily on their functional characteristics). *(this has not been defined)*. Second of all, moreover, they are not generally expressed by individuals themselves. In fact, according to Marxists, the tastes of individuals on objects of consumption are, as a rule, expressed through certain controlling institutions of a society -- which impose institutionally-desirable preference patterns or a social welfare function upon individuals.

Hence, we have a direct conflict here. In Neoclassical theory, we have pre-established individually-determined tastes on the functional properties of goods. In Marxist theory, we have pre-established institutionally-determined tastes on the institutional characteristics of goods. And it may be added, we have a common agreement: that the tastes of a consumer are pre-established.

3. The Specification of Decision Variables Within Models of Consumer's Choice

Historically, the chief conflict between Neoclassicists and Marxists over specification reduced to the question of whether economic utilities and costs, or alternatively, social utilities and costs are the primary variables in consumer decision-making. Neoclassical thinkers, in particular, have always stressed the "economic man" specification of utility functions (exclusively defined in terms of economic utility) and cost functions (exclusively defined in terms of economic prices), and have only on an ad hoc basis considered specifications in terms of social variables. Marxists, on the other hand, have long considered social utilities and social costs (with or without economic utilities and costs) as being the predominant variables within a consumer's decision problem.

In essence, the conflict over specification really reduces to the previously-discussed matter of the institu-

tional structure of the consumption environment. In this sense, since Neoclassical thinkers do not see the institutional structure of a consumption environment as having a systematic bearing on an individual's consumption choices, the possibility of a consumer obtaining social utilities from conforming to norms, or sustaining social costs from not conforming to them are largely ruled out as part of Neoclassical explanation. For Marxists, however, these variables play a largely important role, since the institutional and normative structure of a consumption environment is the pivot of all consumer behavior.

4. Prices and Income

Traditionally, Neoclassical thinkers have seen market prices within a modern capitalist society as being (at least in part) controlled by an individual's registering his particular preferences on goods (and ultimately, his demands and supplies) in the market. Marxists, however, have generally denied any sort of price determination through individual preferences. Prices in modern capitalist society, according to Marxists, are set by controlling institutions in that society ("big business", government), and, it seems, by everything other than the individual.

The conflict over income is much the same. According to Neoclassical thinkers, income is a variable for a consumer in as much as the consumer is free to express

(and change) his preferences between income and leisure. Marxists, however, argue that in most advanced capitalist societies this trade-off is fixed; thus fixing a consumer's income. This is not only because the work week is institutionally-set, and not only because there is so little flexibility and mobility in or between occupations, but also perhaps because workers (who lose surplus value) cannot become managers (who gain surplus value) in any case.

Often this conflict does not manifest itself in static models of choice, since Neoclassicists hold prices and income fixed. In the intermediate run the conflict expresses itself directly, however.

In reviewing the above four analytic considerations, it is evident that there exists major differences between Neoclassical and Marxist conceptions of the "appropriate" characteristics of a model of consumer's choice. The basic difference, clearly, is that Marxists wish to see almost all of consumption behavior as institutionally-controlled, and, in the extreme, as choice-less, whereas Neoclassical thinkers wish to view it as a setting largely autonomous from such institutional matters. While this difference in opinion has expressed itself in various analytic forms, depending both upon the time-span considered in analysis, and the particular analytic problems under

examination, nonetheless, the fundamental conflict has always remained the one over tastes on goods. Behind it lies all the traditional arguments about "freedom of choice", and all the fundamental arguments over the "appropriate" analytic orientation for consumer theory. We discuss this fundamental matter more specifically in Chapter Four, and in particular, Part C. At this point, however, we turn to a review of the general types of explanatory problems which emerge from the foundations of both views.

Footnotes to Chapter Two

1. See especially G. Myrdal, The Political Element in the Development of Economic Theory, translated by P. Streetan, Cambridge, Mass., Harvard University Press, 1967, and A.P. Lerner, The Economics and Politics of Consumer's Sovereignty, AER (62), May 1972, pp. 258-266
2. See H. Albert, A Critical Approach to the Value Problem in the Social Sciences, op. cit., pp. 396ff., and J. Robinson, Economic Philosophy, Middlesex, Penguin, 1962, ch.1.
3. The epistemological problem has especially rotated around Milton Friedman's views as expressed in his Essays In Positive Economics, op. cit. Writings on the "Friedman methodological position" have been voluminous. Two recent contributions, however, of interest are that of A. Coddington, Positive Economics, CJE (5), February 1972, pp. 1-15, and L. Boland, Conventionalism and Economic Theory, Philosophy of Science (37-J), June 1970, pp.239-247.
4. On the traditional history of this dispute, see H.H. Price, Political Economy in England, London, Methuen, Ch. 5, and Essays on the Economic Method, 1860-1911, ed. by R.L. Smyth, London, Gerald Duckworth and Sons, 1962. Also see Lord Robbins, Nature and Significance of Economic Science, London, MacMillan, 1962.

5. On the "unrealism" and the "barrenness" of non-institutional theory, see for example, Ben B. Seligman, Main Currents in Modern Economics: Economic Thought since 1870, New York Free Press, 1962, Ch. 9.
6. On this position, see C.J. Ayers, The Co-ordinates of Institutionalism, AER (41), May 1951, pp. 47-55, and J.S. Gams, Beyond Supply and Demand, A Re-appraisal of Institutional Economics, New York, Columbia University Press, 1946, p.47ff.
7. On this view, "classical individualism", see F. A. Von Hayek, Individualism and the Economic Order, London, University of Chicago Press, 1948, Ch. 1, and J. Agassi, Methodological Individualism, British Journal of Sociology (11), March 1960, pp. 244-270
8. An equivalent argument has been used by P.A. Samuelson and H.H. Houthakker with respect to incorporating tastes (or utility functions) into consumer theory, rather than just simply starting with observed choices. See H. Houthakker, The Present State of Consumption Theory, Em (29), October 1961, p.706ff.
9. On the general view of the "transcending Principle", see K.R. Popper, Open Society and Its Enemies, London, Routledge and Kegan Paul, 1945.
10. On "psychologism", see K. Popper, op. cit., Ch. 5 and 14.
11. See H. Albert, op. cit., p. 404.
12. See J. Agassi, op. cit., p. 250ff.
13. On the general characteristics of this dispute, see M. Blaug, Economic Theory in Retrospect, Homewood, Ill., Irwin, pp. 356-59; H. Ginfis, Consumer Behavior and the Concept of Sovereignty: Explanation of Social Decay, AER (62) May 1972, pp. 267-278; T. Parsons, Sociological Elements in Economic Theory, QJE (49), May-August 1935, pp. 414-53, 646-69; S. Gordon, The Close of the Galbraithian System, JPE (76) August 1968, pp. 635-44; J. K. Galbraith, Professor Gordon on the Close of the Galbraithian System, JPE (77), August 1969, pp. 494-503.

CHAPTER THREETHE EXPLANATORY DEFICIENCIES OF NEOCLASSICAL
AND MARXIST VIEWS OF CONSUMPTION

The dispute between Neoclassical thinkers and Marxists over the nature of consumption within a developed capitalist society is, without doubt, both very substantial in content and very far-reaching in its implications. The views of both parties make pretenses to being, in some sense, vehicles for the comprehensive explanation of a broad class of phenomenon (modern capitalist consumption behavior), and indeed, both parties have made substantial efforts historically to claim universal validity (and applicability) for their respective views, and, as such, to condemn all other competing ideas outright.¹

However, much as the dispute has often been viewed by its respective participants as a dispute between two a priori successful views, it has always remained somewhat evident, nonetheless, that both views possess certain types of deficiencies. This is especially evident precisely in those instances where the respective views are taken (at face value) to be comprehensive sorts of explanations of modern capitalist consumption behavior.

Whereas, for example, the Marxist view can be seen to provide a systematic enough sort of explanation for indiv-

idual consumption behavior which is premised on strict conformity to the various social norms and institutional prescriptions of a society, its treatment of instances where individuals do not conform is, at best, quite unsystematic and ad hoc. This is because the view does not, in principle, allow for non-conformist behavior, i.e. the worker, who possibly suffering from "false consciousness" does not defend "proletariat" consumption norms and ideals, or the capitalist, also suffering from "false consciousness" who turns over all his profits (savings, surplus value) to labourers.

Similarly, whereas the Neoclassical view can be seen to provide some type of account of individual consumption behavior which goes on, for the most part, independently of the influences of social norms and conventions, it can only be described as quite inadequate when it comes to items like conspicuous or emulative consumption (or as in so-called various Veblen, Snob, or Bandwagon effects²) -- instances of consumption where explicit social norms and explicit characteristics of social interaction do enter the picture.

Although it is acknowledged that certain theorists have thought that the explanatory deficiencies noted here are not problematic -- for one can simply apply one theory

to one area, and the other theory to the area where the former is deficient³ --it is also acknowledged, nonetheless, that such a procedure is of interest only if it presumed that (i) both theories do provide informative (general) accounts of their respective areas, and (ii) both theories (when combined in this fashion) do not leave certain relevant aspects of modern capitalist consumption unexplained.

In general, on both of these specific grounds, the views would appear to fail.

Whereas the Marxist view may provide certain parts of an explanation of individual consumer behavior under the burden of widely-influencing social and institutional constraints, i.e. an account of the institutional structure of society, its norms, standards, etc., plus certain loose theories of group or class behavior, it does not provide any general principles of specifically individual behavior which are necessary for the view to become a general theory of individual behavior within socially-constrained consumption environments. In this respect, in as much as the Marxian view does not specify clearly any principle of specifically individual response to a socially-constrained environment, it is impossible to explain within the view why an individual could ever deviate from the dictates of his society or class. In short, the view shuts off the

possibility of explaining diverse responses to a specific institutional structure.

On the other hand, whereas the Neoclassical view may provide certain components of an explanation of individual consumption choices within an environment where there is minimal social constraint (i.e. general principles of choice behavior which are couched in terms independent of any institutional environment), it does not provide the types of initial conditions or application rules which will allow the principles to become the basis for an account of individual choice behavior in any particular instance of consumption within such an environment. Two individuals within an environment may, it is acknowledged, employ the same rule in quite different contexts. For example, some individuals may use some standard maximization principle under one specification of decision variables; others may use the same principle under different specifications. Then again, some individuals may even use some standard maximization principle in establishing what (possible) consumption norms or standards they could conform to -- even though within the traditional Neo-classical consumption environment, there is minimal pressure on any individual to do this. In so far then as the Neoclassical view does not provide any legislation on such items, the Neoclassical view can only be regarded as providing

somewhat ad hoc explanations of individual behavior within the types of consumption environments where there exists minimal social constraint. It must treat all the above cases of consumption behavior as being based on (equally unexplanatory) a priori decisions of the consumer. Moreover, it is precisely the ad hoc characteristic of Neoclassical views which has led to the supreme difficulties in refuting and, for that matter, systematically testing the views.⁴

In addition to these problems, both views would not appear to be able to account for arguably the most obvious consumption phenomena of modern capitalism -- namely, that which takes place in an environment characterized simultaneously by an aspect of free choice and an aspect of socio-institutional constraint, and where a consumer must concern himself with both aspects at the same time. In this sense, neither theory can account for those cases where an individual, while confronted with widespread institutional constraints on his consumption behavior, still possesses the (minimal) freedom to choose between three options -- to ignore the choice implications of the constraints, to accept the choice implications of the constraints, or to reject the choice implications of the constraints. The Marxist view cannot explain how a consumer could choose between these options { with free

choice); in reverse, the Neoclassical view cannot explain how a consumer could choose between these options (with institutional constraint).

The explanatory deficiencies described here are doubtless of a very serious order, and the fundamental problem, it seems, lies with the metaphysical views espoused by either side. *explain*

In this respect, Marxist thinkers are frequently prone to view the normal capitalist consumption environment as that which is of the highly-influenced and highly-constraining (and perhaps loosely concentration-camp) variety, and one which, like the rest of society is just preparing for social revolution. Neoclassical thinkers, on the other hand, are frequently prone to view the normal capitalist consumption environment as one which, along with the rest of society, has just laid down its first (and perhaps only) social and economic institutions -- the ultimate social contract -- and is just preparing to open factories, start bidding, etc.

The difficulties of these metaphysical views are two-fold. The first difficulty is that both views are views of a purportedly "normal" state of capitalism, and not of abnormal states which may arise in a so-called "normal" capitalism. The second difficulty is that, as far as choices of the normal state of capitalism are

concerned, neither the Neoclassical choice or the Marxist choice would appear to be optimal. In fact, normal, everyday capitalism -- as far as it can be understood as normal -- would appear to sit somewhere in the middle of these two extreme views. It is a somewhat ambiguous, yet simultaneous mixture of individual freedom and traditional (or conventional) constraint. And furthermore, it simply cannot be explained by way of analogy to consumption environments where such freedom and constraint do appear together.⁵

Footnotes to Chapter Three

1. This historical phenomenon has understandably brought with it a host of problems in assessing either side's position critically.

One problem has been, of course, that of ambiguity over simply what the respective positions are. Neoclassical theorists have often, for example, fused the notion of "freedom of choice" with the quite independent notion of "consumer's sovereignty" (see J. Rothenberg, Consumer's Sovereignty Revisited and the Hospitability of Freedom of Choice, AER (52) May 1962, pp. 269-290), and have often obscured much (if not all) of their work by the use of ceteris-paribus analytic devices (see J. Buttrick, The Neoclassical Contribution; in Theories of Economic Growth, New York, Free Press, 1960, pp. 155-192). Marxists have also frequently obscured their position by a host of uncritical "dialectical" strategies (see K.R. Popper, Conjectures and Refutations, London, Routledge and Kegan Paul, 1963).

An even greater problem has been that often the positive assertions of both Neoclassical thinkers and of Marxists have been fused with particular normative or ethical assertions -- namely, concerning how capitalism ultimately "ought to look". The appeal of presenting positive assertions about the freedom or liberty of individuals within modern capitalism along with a moral ideal

concerning what the optimum state of capitalism should be, and then showing that present society does (or does not) conform to such an ideal is, of course, undeniable. Almost all the appeal of full-scale social reform and of extreme social conservatism lie behind it.

2. See H. Leibenstein, Bandwagon, Snob and Veblen Effects in the Theory of Consumer's Demand, QJE (64), May 1950, pp. 183-207
3. This appears to be the implication of O. Lange in his Marxian Economics and Modern Economic Theory, RES (2), June 1935, p. 189ff.
4. On "testability" and "falsifiability", see K.R. Popper, The Logic of Scientific Discovery, London, Hutchison and Co., 1959, Ch. 4
5. See J. Agassi, Methodological Individualism, op. cit.

CHAPTER FOUR

FREEDOM OF CHOICE AND PROBLEMS OF EXPLANATION

The explanatory problems within the Neoclassical and Marxist views of modern consumption behavior (outlined earlier) are to be regarded in many respects as fundamental. Neither view can systematically account for the behavior patterns stressed by its counterpart. Neither view, moreover, is able to provide a systematic or informative account of the (perplexingly normal) type of consumer behavior which takes place in an environment characterized, in part, by both an aspect of free choice and an aspect of institutional constraint.

A. The Symmetry of the Explanatory Problems.

The feature which is perhaps of supreme interest in comparing the deficiencies of both the Neoclassical and Marxist views is that their deficiencies, as such, are quite symmetrical. This is notable largely because it suggests that there are a very similar set of problems lying at the bottom of both traditional theories.

It is the central point of this paper that both traditional Neoclassical and Marxian theories do face a precisely similar set of problems. And the most notable of these is that both theories lack the type of truly individualist principles which are a necessary requirement

of any explanation of individual consumer behavior. The Marxist view, in as much as it interprets all individual behavior as fundamentally institutionally-determined behavior -- and thus admits only to that type of individual behavior which does not conflict with the norms of "acceptable" consumption of an institutional structure, certainly lacks such individualist principles (almost by definition). However, so too does the Neoclassical stance. Even though Neoclassical theory appears prima facie an individualist theory, since it permits the consumer the ability to express his own aims and interests via his subjective tastes (or preferences), its essential flavour may still be seen to be non-individualist. This is because, quite simply, the Neoclassical view admits only to that type of consumer behavior which arises in instances where (a) a consumer employs a maximization principle and (b) he chooses the same specification of his utility and cost function as the view objectively posits. A consumer is bound by these conditions and he is not free to oppose either.

B. The Symmetry and Freedom of Choice

The particular interest in the non-individualist characteristics of both Neoclassical and Marxist theories of consumer behavior here is specifically that it relates to the matter of freedom of choice. That the existence of

any form of freedom of choice for consumers within developed capitalist societies is an issue precisely connected with the possibilities for a consumer to base his consumption decisions on fundamental criteria of his own choosing, and thus not of the externally-imposed or non-individualist variety is evident. As such, it is argued here that insofar as both traditional views premiss their explanation of individual consumer behavior fundamentally upon non-individualist principles of choice, they are also fundamentally founded on the denial of "freedom of choice" for consumers. They are both "deterministic", to employ the fashionable term.

To illustrate, in the Marxian scheme, the worker who rationally decides that revolution is not the answer, and that to follow capitalist norms and ideals is perhaps significantly more in line with his own aims and interest simply cannot act out his role qua worker and still fall within the domain of Marxian explanation. So too, with the worker (or capitalist) who freely decides to ignore the progress of (or decay of) capitalism. Precisely the same can be said of the Neoclassical consumer who chooses a criterion of maximum satisfaction which is not solely defined in terms of utility derived from goods, and who does not maximize in the specified Neoclassical manner. Or the Neoclassical consumer who bases all his consumption

decisions on the utility he derives from adopting an humanitarian attitude towards his contractors, rather than on upon the utility he may derive from acting in his own self-interest. The point is simply that consumers of the types traditionally examined by both the Neoclassical and Marxian theories of behavior are not free to adopt such strategies. They are free to choose only after they have accepted some fundamental and universally-prescribed mechanism of rational choice. And inasmuch as they are not free to oppose such a principle, they are not free to accept it either.

It is evident that what is required to mitigate the general deficiency noted here is that consumers must be permitted to express their own aims and interests in individualist terms; to choose their own principles of rational action on the basis of the circumstances they face. It is stressed that it is only this which removes the ever-noticeable element of determinism from consumer theory, and which permits consumers freedom of choice in any substantial or general sense. Moreover, it is only the possibility of allowing consumers the choice of their own principles of rational action which allows a solution to the age-old conundrum for economists -- namely, the "problem of irrational behavior." In this respect the "problem of irrational behavior" is only a problem if

truly individualist principles of individual action are absent from accounts of consumer behavior -- since all consumers who wish to choose principles other than those specified by the theory are excluded from explanation. But it is not only the solution to a logical problem of explanation which is of importance here. The history of modern capitalist consumption behavior is indeed a history of many different rationality principles, used by individuals in many different contexts, and breeding a multiplicity of types of individual consumer behavior.

C. Free Tastes and Free Choices -- The Family Dispute

The argument presented above -- that freedom of choice for consumers is a matter fundamentally tied to the possibilities for a consumer to choose his own standards and principles of rational behavior -- is an important argument. It is important largely because it suggests that, inasmuch as both Neoclassical and Marxist thinkers have defended theories in which consumers were bound by non-individualist principles of rational behavior, both camps agree on this fundamental matter.

However, the history of interaction between the two camps has, it is acknowledged, not been a history of noticeable agreement on fundamental matters, but rather a history of noticeable conflict over fundamental matters. The question arises: Why the conflict?

One may answer this question prima facie by reference to the conflict over the type of non-individualist principle one should employ in explanations of consumer behavior -- a matter upon which both camps have, of course, disagreed. Marxists have always suggested institutional principles, whereas Neoclassicists have always suggested non-institutional or psychologicistic ones. However, the most penetrating answer to this question may be put as follows: Both Neoclassical thinkers and Marxists have traditionally adopted the position that freedom of choice for an individual was not an issue connected with his ability to choose (freely) his own standards or principles of rational action, but an issue exclusively connected with the possibilities for an individual to express his tastes or preferences on goods independently of external social influence. Neoclassical theorists and Marxists have, of course, traditionally disagreed on virtually everything when the issue of "freedom of choice" is put this way. Neoclassical theorists have consistently cited all the non-constraining aspects of preference formation in capitalist societies, and concluded that this implies "freedom of choice" for consumers. Marxists, on the other hand, have consistently cited all the institutionally-constraining aspects of preference-formation in capitalist societies (from Madison Avenue and General Motors on down),

and have concluded that this implies an absence of "freedom of choice" for consumers. Hence, the traditional conflict.

However, this conflict between Neoclassical thinkers and Marxists cannot be interpreted as a conflict over freedom of choice as such. It can only be interpreted as a family dispute over whether (or not) consumers within developed capitalist consumption environments have the ability to express their tastes or preferences on goods freely -- and, as a matter of logic, such considerations have no genuine bearing on the matter of "freedom of choice" for consumers. The reason for this is simply that "tastes with respect to goods" are only one kind of tastes, and in so far as they are not all "tastes", a specified freedom (or want of freedom) in their establishment has no specific bearing on the general question of "freedom of choice" for consumers. As argued above, if a consumer is to possess "freedom of choice" in any substantial or general sense, he must be guaranteed the minimal freedom to choose (independent of external prescription) a mechanism by which he can rationally transform his "tastes with respect to goods" into actual consumption choices. In other words, the consumer must possess the freedom to express his own tastes on some sort of rationality principle.

The logic of this position is quite obvious. If

"consumption tastes" are in fact actual "consumption choices", then the freedom to establish such tastes independent of external influences would, of course, guarantee "freedom of choice" in consumption. However, if "consumption tastes" are not equivalent to "consumption choices" (as they are not), and a principle is required which can effectively translate "tastes" into "choices", then it is the freedom for an individual to choose such a transformation rule which is of paramount importance in guaranteeing an individual "freedom of choice" in consumption. If the individual cannot choose such a rule within the environment in which he consumes, then in general, it does not matter whether his "tastes on goods" are freely-established from the outset -- since he is still bound by an externally-established choice mechanism in any case. In contrast, however, if a consumer does possess the freedom to choose such a rule (as embodied in a rationality principle), then it does not fundamentally matter if his "tastes on goods" are externally established from the outset -- since he always possesses the minimal freedom to change the prescribed choice-implications of these imposed preferences by way of an appropriate choice of principles of rational behavior. It is the recognition of this latter point which provides the essential philosophical basis for the view of consumer's choice presented here.

CHAPTER FIVEA NEW AVENUE: INDIVIDUALIST RATIONALITY AS
THE VEHICLE FOR FREEDOM OF CHOICE

It has often been felt, especially with respect to Neoclassical theories of choice, that the introduction of a subjective element into the determination of rationality principles for individual consumers is severely problematic. The theory loses most of its explanatory power and its generality, and, what is more, it fails to keep most of its "optimality" properties. In this paper, however, it is precisely this subjective element which will be introduced. It is introduced not only because it appears to be the only possible way to avoid the uncomfortable element of determinism which consistently hovers over both traditional theories, and not only because it represents perhaps the only way to make sense out of the traditional "freedom of choice" dilemma, but also because the introduction of the idea of individualist rationality brings with it, in fact, one major avenue for obtaining a richer and more explanatory consumer theory. In particular, it allows the possibility of accounting for those consumers who do choose, as a special case, to accept Neoclassical or Marxist principles of rational action, as well as for the general class of consumers who adopt

alternative principles.

A. The Question of Generality and the Consumer's Choice of Principles

The introduction of individualistically-determined rationality principles into the explanation of individual consumer behavior cannot, it is evident, be done on an arbitrary or ad hoc basis. To introduce the notion only to account for, let us say, a consumer who does not maximize his utility in the orthodox Neoclassical sense can only effectively compound the difficulties of Neoclassical theory, as well as obscure its basic mechanics. What is required in introducing subjectively-established rationality principles into consumer theory is, in particular, a (general) explanation for why a consumer chooses the principles of "rational" consumption behavior he does. The explanation, it is stressed, must be general in character; it cannot account for a few consumers only, and it cannot, for all intents and purposes, admit to special cases.

It is the major point of this paper that in order to provide such an explanation, a modification of both traditional Neoclassical and Marxian views of the nature of modern capitalist consumption environments is required. In this respect, it is suggested that neither traditional theory, given their respective views of the characteristics

of modern capitalist consumption environments, can provide the requisite foundations for the production of such an explanation.

In particular, to talk of the "choice" of a rationality postulate within the traditional Neoclassical setting where there is effectively no constraint on a consumer's actions, except (in a technical sense) his budget, where the environment in which he consumes is quite neutral to any and all of his consumption acts, borders on vacuity -- since there is simply nothing for a consumer to be "rational" (or irrational?) about. Moreover, there is absolutely nothing within a consumption environment of the Neoclassical variety which provides the basis for an (non-arbitrary) explanation of a consumer's choice of principles of rational action. In short, within such an environment, a consumer has simply nothing to respond rationally to. He has no institutional constraints or institutional feedback attached to his consumption acts. And, in essence, any choice he makes must be beyond explanation, i.e. a priori.

Similarly, to talk of an individual's choice of these principles within the traditional Marxist setting where consumers are locked into some sort of "class rationality" or "social rationality" in any case, can only be at bottom, pointless. Granted that, within the Marxist environment, consumers do have a great deal to respond to; still, insofar

as they are denied an independent individualist principle of response to their consumption environment, they simply cannot be rational on their own terms.

What is specifically required in any explanation of a consumer's choice of principles of rational action is the specification of a consumption environment which allows an individual the minimum freedom to choose his own principles of rational action, but which contains sufficient institutional and normative constraint to allow the choice of principles to be viewed directly as a "rational" response to the constraints of the consumption environment. Given an environment of this type, the idea of a consumer's "choice" of principles of rational action becomes palatable. The "problem of rational action" for an individual becomes a problem of how, given his own aims and interests, and given his view of the institutional structure he consumes under, he can best employ the type of freedom he possesses to variously avoid, circumvent, or rationalize the social and institutional constraints he faces.

B. The Mechanics of Choice

In the model presented here, a consumer is presumed to face a consumption environment which meets the above specifications. It permits him the required freedom to choose his own principles of rational behavior, yet which, at the same time, subjects him to very definite types of social and

institutional constraint. The social and institutional constraint, it is suggested, lies fundamentally in the existence of a large number of normative prescriptions concerning what, and in what fashion, one ought to consume within the environment. These prescriptions are seen to be attached directly to certain available goods within the environment. (See Chapter Two, B.1.)

Those goods which possess such prescriptions are denoted as "socially-relevant" goods. Some must be consumed in definite quantities; others consumed minimally. Certain of them, moreover, possess socially-determined utilities, and thus preclude any sort of individual valuation. "Socially-relevant" goods, furthermore, are the subject of institutionally-specified penalty schemes if they are not consumed in the socially-prescribed fashion. Hence, for any consumer there are specific "social costs" in not adhering or conforming to such institutionally-given consumption strictures. (See Ch. I, B.2.)

Within the consumption environment, there are, it is noted also those goods which are not "socially-relevant" -- and these are regarded as "socially-neutral" goods. They are for all intents and purposes, the standard Neoclassical good, which any individual can value (and consume) quite independent of institutional influence or feedback.

The specification of a consumption environment which contains explicit norms and prescriptions concerning consumption behavior -- as embodied in the existence of "socially-relevant" goods -- represents an essential pivot of the view presented here. This is because such a specification changes both the scope and character of the consumer's general choice problem. A consumer not only chooses goods in an environment which possesses defined constraints on prices and money income, but he chooses goods in an environment which possesses defined institutional and normative constraints on socially-acceptable consumption. Furthermore, a consumer's decision to consume certain goods (and in particular quantities) is seen to be premised fundamentally on his prior decision to adopt his own "rational strategy" by which to handle the institutional aspects of his consumption environment.

The consumer's choice of principles of "rational" action within this environment will be seen, in general, to depend on the consumer's assessment of the logic of consuming within an institutionally-constrained environment, and, in particular, to depend upon an (exogenous) theory the consumer holds about the relationship between his own consumption decisions and the institutional structure of the consumption environment he faces. In all cases, most importantly, this will be seen to manifest itself in

the consumer's choice of a particular specification of variables within his utility function and his cost function -- a choice which he holds to be most appropriate within the institutional environment he faces.

With respect to this choice, there are, in principle, only a finite number of options a consumer can choose from. At bottom, a consumer has essentially two options (or two possible theories) he can choose from. One is that his own consumption decisions bear no significant relationship to aspects of the social environment in which he consumes -- and thus, that all his consumption decisions may be undertaken on grounds quite independent of the institutional characteristics of the environment he faces. The other is the opposite: that his consumption decisions bear a significant relationship to the characteristics of the environment in which he consumes, and in fact represent a planned response to these characteristics. In the first case, the norms and prescriptions of a consumption environment are not an explicit consideration for the consumer. (He takes only economic utilities and economic cost into account in his choice problem.) In the second case, they are the explicit basis for his consumption strategy. (He considers social utilities and/or social costs -- with or without economic utilities and costs -- in his choice problem.)

The second case is regarded as the "normal" modern capitalist case. In particular, it is suggested, as an empirical hypothesis, that most consumers do hold the theory that their consumption decisions cannot be undertaken in terms which exclude the concentration of norms, prescriptions, and penalty-schemes of modern capitalist consumption environments. In short, most consumers are seen to be specifically sensitive to these institutional features of their consumption environment, and to largely plan their consumption in these terms.

By this theory, it may be said that a consumer who holds the basic theory that his consumption acts bear a significant relationship to the characteristics of the consumption environment in which he consumes will, in general, define his standards of rational action in these terms (terms which differ, it is noted, from those consumers who oppose this theory). In particular, what will constitute rational consumption behavior for the individual will depend on his assessment of the precise relationship between his consumption decisions and the norms, prescriptions, and penalty schemes of the consumption environment he faces.

The further options for such a consumer are again finite. At bottom, he has the option of endorsing the theory that the consumption environment which he presently

faces is an "optimal" environment (i.e. he agrees completely with the norms and institutional strictures of the environment) or, minimally, the best "sub-optimal" environment he can (ever) expect (i.e. he agrees with most of the important norms.). Or he has the option of adopting an opposing theory -- that the environment he presently faces is "sub-optimal" by all standards, and requires changes of some order.

Those consumers who adopt the former theory will be seen to view the present consumption environment favourably. Specifically, they will be seen to receive positive social utilities from conforming to the norms and prescriptions of their consumption environment. Moreover, their interest in consumption will be in consolidating the strength and position of existing norms -- by conforming to them. In no way will their interest be in reforming the existing institutional structure.

Those consumers who view the present consumption environment as "sub-optimal" (and reformable) will, in a symmetrical fashion, be seen to view consumption within the environment as unfavourable. In particular, they will be seen to receive positive social utilities from deviating from existing norms and prescriptions of their environment. Consumers of this type, moreover, are seen to value deviance in consumption in as much as it can possibly

have influences on the theories of consumption behavior held by other individuals, and in a dynamic setting, upon the institutional structure of the consumption environment itself. The possibilities of reform are, as a rule, also seen to be of greater importance to this type of consumer than the penalties he may incur from his deviant behavior.

In general, it is suggested that the above classification of theories of "rational" consumption is exhaustive. The aim of the final chapter of the paper is to outline in some depth the mechanics of consumption for consumers who hold such theories. It is stressed that all of the above views of consumption within a socially-constraining environment lead to rational consumer behavior -- since, in this paper "rational" behavior is not viewed as some essential underlying property of all economic universes, or of some all-encompassing "mode of production", but rather, as an implication only of an individual holding a particular view of "appropriate" behavior, given a general theory of economic action within a very specific institutional environment. Moreover, the only sense in which "irrationality" will be employed in this paper is when a consumer posits a particular theory of rational action for himself (i.e. a particular specification of variables entering his cost and utility function), and then does not hold to this

theory (and its logical implications) throughout his whole choice problem.

C. Summary of the Proposed View

In summary, the view presented here rests on the following five fundamental principles:

- (1) All explanations of individual consumer behavior must contain reference to an individual consumer's view of the consumption environment in which he consumes -- and, in particular, to the theory he holds about the relationship of his consumption decisions to the institutional environment he consumes in.
- (2) All consumption decisions of the consumers must be explained with reference to the (qualitatively-different) decisions consumers make with respect to the norms, prescriptions, and constraints which characterize the environment in which they consume.
- (3) All explanations of consumer behavior in terms of utility-maximization must include the possibility of an individual obtaining utility from adhering (or not adhering) to various social norms concerning consumption -- as well as from the "good" objects of consumption themselves.

- (4) The principles of rational action for a consumer are subjectively-established, and are based on the consumer's own assessment of how he should consume, given his norm-filled and prescription-filled environment.
- (5) The consumer's choice of principles of rationality manifests itself directly in the consumer's choice of an "appropriate" specification of utility and cost functions to employ in his consumption environment.
- (6) It is the subjective establishment of these principles of rational action which guarantees the consumer's "freedom of choice" in any environment where there exists large varieties of social influences and constraints.

We develop these notions specifically in Chapter Seven when we present the formal statement of our alternative model. To complete this chapter, however, we briefly turn to a consideration of the methodological significance of the above views.

D. The Methodological Significance of the View

The methodological significance of the view of consumer behavior presented above is, it is suggested, very substantial and wide-reaching. Most importantly, the view provides a logical synthesis of both Neoclassical and Marxian theories

of consumption -- a synthesis which yields a theory of consumption which is considerably more explanatory and considerably more general than either traditional theory, and one which, in fact, makes traditional Neoclassical theory and traditional Marxian theory rather extreme special cases of a more general viewpoint.

I. Individualistically-determined Principles of Rational Action

The primary vehicle of the analysis is the idea that consumers may pick their own principles of rational behavior, given their assessment of the institutional structure of the environment they consume in. The introduction of this notion is of integral methodological significance in as much as it allows the construction of a theoretical framework where the free choice assumption of Neoclassical theory and institutional control assumptions of Marxian theory can be made compatible with each other. In particular, it allows most of the "institutional elements" of Marxian theory to be introduced into the analysis of individual consumer behavior without the implication, as traditionally, that such a procedure denies consumers freedom to choose in all possible domains. In this respect, it is argued that while consumers within modern capitalist environments often do not have the freedom to escape the many influences and constraints imposed upon the (available)

goods of the environment, they generally have the (indirect) freedom to choose a method to rationally deal with any and all institutional constraints on (available) goods.

The introduction of subjectively-determined rationality principles into analysis is also of significance insofar as it opposes the tradition which suggests that in order to have any sort of general explanation of economic phenomena (and of consumer behavior, in particular), it is necessary to posit some type of "objective" or universally-binding principle of rational choice for economic agents. In contrast to this methodological position, it is suggested here that it is possible to introduce an individualist element into the determination of principles of rational action -- under the restriction, of course, that the individual's choice of particular principles of rational behavior can be explained as part of a general framework. What is argued here even more strenuously, however, is that not introducing these principles (i.e. keeping objectively-determined principles) must, in fact, lead to grave limitations of the possibility of informative and general theoretical explanations of consumer behavior. Moreover, it is stressed that the failure to see the logic of introducing subjectively-determined rationality principles into explanations of consumer's choice has resulted traditionally in the perpetuation of a conflict between Neoclassical and

Marxist thinkers which is, at best, a quasi-conflict, and in the last instance, perhaps not even a conflict at all.

2. A Consumer's Theory of Appropriate Action

The idea that the fundamental item lying behind all individual consumption decisions is some type of self-consciously held theory of appropriate action with a socially-constraining environment is a notion of substantial methodological significance as well. The introduction of a theory of consumption is significant not only because it represents the vehicle by which a consumer's choice of a rational consumption strategy is explained, but also because it represents a foundation of choice which a consumer can internally criticize and test by his consumption choices. The fact that a consumer may view his consumption acts as a critical test of some theory of consumption he presently holds is of integral importance, moreover, in understanding why some consumer may hold to some theory consistently in his dynamic program (i.e. he believes that the theory is consistently verified), or why some consumer may switch theories or rationality principles over a period of time (i.e. his original theory was refuted).

The specification of such a theory as the basis for individual consumption decisions contrasts, it is noted, with the tradition of using either "consumption tastes"

(orthodox theorists) or "social conventions concerning consumption" (Marxists) as the fundamental explanatory variables in the analysis of consumer behavior. The reason this is done is because both of these traditional variables are not criticizable or testable internally by a consumer, and thus shut off the possibilities for explaining his dynamic behavior. "Changes in tastes", at least in the orthodox domain, cannot be seen to be other than arbitrarily effected by a consumer, and constituting behavior which is strictly rationale-less. "Changes in social conventions" are beyond the consumer's control in any case, at least in the traditional Marxist scheme.¹

3. The Distinction Between the Economics of Consumption and the Sociology of Consumption

Another important feature of the view presented here is that the view specifies an, in principle, separation between the pure economics of consumption (that connected with the choice of goods) and the sociology of consumption (that connected with the institutional norms and prescriptions concerning the consumption of goods). In general, it is suggested that such a separation is important in as much as it permits a clear-cut distinction between the purely economic effects and purely sociological effects of some economic action on a consumer's behavior. This would appear to be especially important in all dynamic

analysis, when both prices and norms change.

4. An "Inverted" Welfare Economics

The view presented here is also of great methodological significance for the final reason that it allows consumption norms and prescriptions to be incorporated into the "positive" analysis of consumer behavior.² In particular, the view suggests that fundamental decisions all consumers make are decisions on norms and prescriptions, and that, as a matter of "positive" analysis, all actual consumption choices reflect these decisions.

Inasmuch as norms and other institutional features of a consumption environment are the basis for all consumer behavior, and enter, from the very outset, into a consumer's assessment of what constitutes appropriate (or rational) action within a defined consumption environment, the view here is also founded on the general methodological notion that norms and related institutional features of a consumption environment must be the concern of "positive" analysis, from the outset of the analysis. In this respect, it is suggested that there is simply no point in conducting all analysis in a socially-neutral vacuum -- as is the propensity of modern orthodox Welfare Economics -- and then introducing norms or a social welfare function after every individual has acted out their respective scripts. After all, the basis for every individual's decisions is, in one way or

another, a social welfare function. It is posited, and then everybody responds to it in the way they think is most appropriate.

Footnotes to Chapter Five

1. See K.R. Popper, Open Society and Its Enemies, op. cit.
2. See C. G. Archibald, Welfare Economics, Ethics and Essentialism, Economica N.S. (26), November 1959. pp. 316-327

CHAPTER SIXTRADITIONAL ORTHODOX APPROACHES
AND SUGGESTIONS

Although it has been common in fairly recent times for orthodox Neoclassical theorists to defend the view that "external consumption effects" are not part of consumer inquiry proper, or the view that phenomena such as advertising are "hardly important to those interested in the basic patterns of consumption, which is the proper concern of the economics of consumption"¹, and for Marxist-Institutional thinkers to argue, in the same connection, that "the business of devising graphs to represent various price patterns has become an enterprise of such magnitude that one can easily devote one's life to it without ever pausing to reflect that the whole significance of the enterprise derives from assumptions which all other scholars judge to be highly questionable"², neither of these stands can be taken to imply that orthodox consumer theorists have traditionally shown little interest in the broad socio-institutional features of consumption.³

As Parsons points out,⁴ right from Marshall (and certainly too from Bentham and John Stuart Mill), we have an interest in such basic matters as taste change, social change, and the possibilities for developing an "optimum" institutional environment for individuals to produce and

consume in.⁵ Furthermore, this spirit has arguably infused "orthodox" thought not only from its beginnings, but also throughout its traditional history.

Nonetheless, much as these broad issues have been consistently recognized within the Neoclassical domain, it is perhaps an obvious point that such recognition has not yielded much in the way of systematic or general theory in the area. Most orthodox Neoclassical attempts to incorporate various social or institutional aspects of modern consumption have remained noticeably unsystematic and ad hoc to this day, and have thus added little to our general understanding of consumer behavior. This is not to say, however, that all of the ideas behind these traditional attempts were essentially misguided or simply incorrect (though, doubtless some were). It is more to say that such ideas were not developed sufficiently well to be judged very critically.

In the following, a review of a number of these attempts will be provided.

A. Socio-Institutional Features of Consumption

One of the most interesting early attempts to grapple with some of the broad socio-institutional features of consumption is provided by Pigou in his Some Remarks on Utility.⁶ In this article, Pigou regards it as an obvious point that individuals obtain utility not only from objects

of consumption themselves, but also from the "commonness" or "un-commonness" of such objects within the social sphere of the individual. As such, he suggests that an individual's consumption behavior must be explained (at least in part) by reference to the individual's "desire for the un-common", or alternatively, by his "desire to be in the swim".

In this connection, he posits a utility function of the form: $U_j = f(q_1 \dots q_n, k(a_i, b_i))$, where $k(a_i, b_i)$ is a "social distance function", and where, in particular, a_i is the quantity possessed of an arbitrary good by the i -th neighbour of j , and where b_i is his "social distance" from j . Pigou also points out the explanatory importance of this "social distance" function, and that to exclude it from general analysis (on other than simply "ceteris paribus" grounds) is quite illegitimate.

Ideas akin to that of Pigou have, it is acknowledged, remained consistently close to the surface especially in traditional welfare economics, and particularly in connection with the matter of interdependent preferences. "Interaction elements" within consumption behavior have also been noted in a macro-sphere by Dusenberry,⁷ in a micro-sphere by Clower,⁸ and in connection with theories of income distribution, by, for example, James and Beckerman.⁹

In a similar fashion, Morgenstern¹⁰ and Liebenstein¹¹ have considered the topic from the perspective of the problem of additivity in the theory of consumer's demand. Liebenstein, in particular, introduces the notion of a diminishing marginal external consumption effect, and the idea that for every individual (since he has a finite income), there exists a point at which this marginal external consumption effect will be zero (i.e. a consumer will not heed the demands of other individuals).

B. The Rationality of Irrationality, and the Irrationality of Rationality

The idea that within a consumption environment which contains so-called "externalities", it is often "rational" for a consumer to be "irrational" (in the standard "orthodox" sense) has also had a long history. Traditionally, it has been stated most cogently by Robbins,¹² in terms of the simple utility and cost attributes of the process of maximizing itself. In particular, a consumer may gain utility from engaging in maximizing sorts of activities -- or alternatively, he may have to endure the costs (time and effort) of going through the maximization procedure -- or perhaps both.

The general idea which stems from this notion -- namely, that with external factors present in a choice environment, it may be quite irrational for a consumer not

to take such factors into account when making his consumption decisions -- has been suggested more recently by Anspach,¹³ Baumol and Quandt,¹⁴ Radner,¹⁵ and by Van Praag.¹⁶

The standard difficulties which may be found in applying the traditional Neoclassical notion of economic rationality to many types of known consumer behavior (e.g. non-maximizing behavior, impulse buying) have been noted by Baudin,¹⁷ among others.¹⁸

Becker,¹⁹ in an interesting article, argues the view that the rationality of individual agents in an economy has no significant bearing on the rationality of an economic process as a whole. In short, Becker suggests that the rationality of the market mechanism still can exist, with or without the assumption of rationality for individual agents. However, in his argument, he glosses over the question of whether or not it is possible to justify the existence of (and moreover, to explain informatively) the workings of an aggregate mechanism without reference to the behavioral principles of individuals -- as Kirzner²⁰ points out.

Further still, a very interesting attempt to look at rational consumption decisions in a dynamic setting has been provided by Strotz.²¹ The implication of the argument forwarded by Strotz is, it would appear, that the rational

behavior of traditional static models of choice has no meaning when time-periods themselves enter into a consumer's decision problem. In particular, it implies that what appears to be irrational behavior in a static sense is often no more than a particular method of rationally solving a dynamic consumption problem.

This idea has also influenced Becker,²² and in general the idea seems to suggest that the traditional difficulties with the presence of external factors within a consumption environment is not that they lead to essentially irrational (and unexplainable) types of behavior, but that they lead to behavior which is essentially subtle and complex -- yet of a type which is eminently rational (and explainable).

C. The Inclusion of Socio-Institutional Variables

The idea that external factors (including those of a specifically social and institutional flavour) are always present in the environment in which consumers make decisions, and that they must be facilitated by way of some modification of the classical formulations of the consumer's choice problem has understandably always been a notion which has accompanied proposals of the above kind. Very recently, the idea has become somewhat of a popular fetish. It has led recently to repeated attempts to introduce some new and relevant factor into the formulation of the consumer's choice problem. It may be remarked, nonetheless, that often the

inclusion of these new and relevant factors appears to be quite arbitrary and distinctly rationale-less. However, three recent attempts appear to be of interest -- largely because they suggest that, in principle, a consumer's decisions with respect to goods are of a "dependent" or "indirect" variety (i.e. they rest on prior decisions and considerations).

The first of these is the approach of Strotz,²³ who introduces the idea that a consumer's utility decisions on goods are actually part of a hierarchy of utility decisions -- a concept which he denotes a "utility tree". In particular, Strotz argues that a consumer's actual decision to consume a particular bundle of goods is largely premissed on the considerations of which "class" (perhaps institutionally-given) specific goods of the bundle belong, and the allocation of money income to these classes of goods.

The second recent approach of interest is that suggested by Lancaster.²⁴ Lancaster suggests that consumption is largely a socio-technological activity, and that the consumption of goods as such is only a technical method for a consumer to obtain access to a number of "characteristics" which lie behind goods. In this regard, Lancaster views the source or all consumer's utility as being "characteristics", where the consumption of goods is only an indirect way of obtaining utility from certain "character-

istics" of goods.

Although different in approach, much the same principle is suggested, finally, by Buttrick and Brownlee.²⁵ They suggest that a consumer's utility is not directly a function of goods themselves, but rather a function of "needs" (which are a product of individual life-experiences). As such, they express utility first as a function of "needs": $U_i = n_i(q_1, \dots, q_m)$, where m goods are defined.

Although all of these "new approaches" are, by all standards, interesting "new approaches", it may be remarked nonetheless, that often the approaches are presented with a minimum of philosophical or sociological analysis. This has made it difficult, in some respects, to isolate the fundamental problems the approaches were intended to solve, and moreover, to establish what parts of these approaches were of substantial theoretical interest, and what were, on the other hand, only of arbitrary content.

The model presented here, it is stressed, not only tries to resolve the general conflict between Neoclassical theorists and Marxists over the nature of consumption, but also attempts to incorporate, at least in spirit, most of the essential ideas of the proposals outlined here.

Footnotes to Chapter Six

1. H. Houthakker, *op. cit.*, p. 734.
2. C. J. Ayers, *op. cit.*, p. 49.
3. On the characteristics of these opposing stands, the Galbraith-Gordon exchange referred to above is typical. See Ch. 2, footnote 13.
4. T. Parsons, Wants and Activities in Marshall, QJE (46), May 1931, pp.101-140.
5. J.J. Spengler, Sociological Presuppositions in Economic Theory, SEJ (7), October 1940, pp. 131-57; and H. Albert, *op. cit.*, p. 396ff.
6. A.C. Pigou, Some Remarks on Utility, EJ (13), March 1903, pp. 58-68.
7. J. S. Duesenberry, Income, Saving, and the Theory of Consumer Behavior, Cambridge, Mass., Harvard University Press, 1949.
8. R. Clower, Professor Duesenberry and Traditional Theory, RES (20) January 1952, pp. 165-178.
9. S. James and W. Beckerman, Interdependence of Consumer Preferences in the Theory of Income Redistribution, EJ (63), March 1953, pp. 71-83.
10. O. Morgenstern, Demand Theory Reconsidered, QJE (62), February 1948, pp. 165-201.
11. H. Leibenstein, *op. cit.*
12. Lord Robbins, Nature and Significance of Economic Science, London, Macmillan, 1962, p. 92.
13. R. Anspach, The General Incompatibility of Traditional Consumer Equilibrium with Economic Rationality, OEP N.S. (18), March 1966, pp. 72-82.
14. W. J. Baumol and R.E. Quandt, Rules of Thumb and Optimally-Imperfect Decisions, AER (54), March 1964, pp. 23-46.

15. R. Radner, New Ideas in Pure Theory, AER (60), May 1970, pp. 456-60
16. B. Van Praag, Individual Welfare Functions and Consumer Behavior; A Theory of Rational Irrationality, Amsterdam, North-Holland Publishing Co., 1968
17. L. Baudin, Irrationality in Economics, QJE (68), November 1954, pp. 487-502.
18. See, for example, J. Margolis, The Analysis of the Firm: Rationalism, Conventionalism and Behaviorism, Journal of Business (31), June 1958, pp. 187-99.
19. G. Becker, Irrational Behavior and Economic Theory, JPE (70), February 1962, pp. 136-47.
20. I. Kirzner, Rational Action and Economic Theory, JPE (70), August 1962, pp. 380-85
21. R. H. Strotz, Myopia and Inconsistency in Dynamic Utility Maximization, RES (23), 1955-56, pp. 165-80
22. G. Becker, A Theory of the Allocation of Time, EJ (75), September 1965, pp. 493-517.
23. R. H. Strotz, Empirical Implications of a Utility Tree, EM (25), April 1957, pp. 269-80.
24. K.J. Lancaster, Consumer Demand, A New Approach, New York, Columbia University Press, 1972.
25. J. Buttrick and O. Brownlee, Consumer, Producer, and Social Choice, New York, McGraw-Hill, 1968, p. 204.

CHAPTER SEVEN

A NEW FRAMEWORK FOR CONSUMER'S CHOICE

In this section, we suggest a revised framework for the analysis of consumer's choice based on the theoretical considerations discussed earlier. The section consists of three parts. Part A will concern itself with a concise description of the characteristics of a consumption environment which contains significant institutional constraints on consumption behavior. Part B will concern itself with a general outline of the possible strategies individuals may employ to "rationally" handle their consumption within such an environment. Part C will consider some of the implications of the framework proposed, and especially its implications for further research in economic theory.

A. Characteristics of the Consumption EnvironmentI. Goods and Institutional Prescriptions

(a) It is presumed that all consumers confront a consumption environment which contains specific rules and prescriptions concerning "socially-acceptable" or "socially-desirable" consumption behavior within the environment.

In a general sense, these rules and prescriptions may be seen to apply to many diverse aspects of consumer

behavior, and over many different levels of aggregation. They may be seen to apply, on one level, to the general types of "economic activities" (or economic "life-styles") individuals pursue, or "ought to pursue", given their income or class status. On an alternative and more specific level, they may be seen to apply directly to the manner in which individuals consume "goods" within a defined environment. In the analysis at hand, the latter perspective will be used: the normative rules and prescriptions of a defined environment will be taken to be attached specifically to the consumption of certain (available) goods within the environment.¹

In general, it is assumed that the number of institutional prescriptions upon goods and the number of available goods are themselves both finite. Moreover, it is assumed that institutional prescription does not extend to all available goods. This logically implies the existence of a class of goods to which no such prescriptions apply.

Those goods which are the subject of institutional prescription within a defined environment are termed "socially-relevant" goods; those which are not are termed "socially-neutral" goods. "Socially-relevant" goods, in particular, are goods which "ought to be consumed" by an individual in order for him to meet the standards of socially-acceptable or socially-desirable consumption

behavior within the environment.² Socially-relevant goods, moreover, may be of two types: weak or strong -- depending on the character of the prescriptions attached to them.³

Weak SR-goods are defined simply as those goods which, as a matter of institutional prescription, should be consumed at least minimally by all individuals within the environment. In short, for socially-acceptable consumption behavior within the environment, it is required for all individuals that their consumption of each weak SR-good be greater than, but not equal to, zero.⁴

Although minimal positive consumption of these goods is seen to be specified independently of an individual's budget considerations (i.e. a consumer ought to consume a positive amount of each weak SR-good, irrespective of his available income), they are subject to no further implicit or explicit restrictions. Weak SR-goods are, it is stressed, subject to no actual quantity restrictions. Furthermore, they may be valued by an individual on the basis of his own preference or ranking scheme, and the individual can thus define his own (private) marginal rate of substitution between any one weak SR-good and any other (except, as will be seen, strong SR-goods).

Strong SR-goods are subject to a qualitatively-different type of institutional prescription. They need not be consumed as such. However, if they are consumed

positively, then, as a matter of socially-acceptable consumption behavior, they should be consumed in very particular quantities -- depending upon an individual's "effective" income constraint.⁵

The quantity-stipulation on the consumption of strong SR-goods may be understood chiefly in terms of a further characteristic of these goods -- namely, that for all strong SR-goods, a consumer's tastes or preferences are institutionally prescribed (as are the respective marginal rates of substitution between any one strong SR-good and any other strong SR-good). Given institutionally-determined preferences, and given, furthermore, prices and an "effective" income constraint, a particular socially-acceptable consumption spot for an individual is then seen to be implied.⁶

The final category of goods, socially-neutral goods (SN-goods), are simply all goods which are not socially-relevant, and which do not have institutional prescriptions attached to them. They may be valued by an individual in any fashion he pleases -- quite independent of normative influences. Furthermore, they may be consumed (not at all or in any quantity) without institutional implication or consequence.

Given the above, we thus define a partition of the goods space, X , as follows:

$$X_{SN} = (X_1 \dots X_i \dots X_n), \text{ for all } i = 1, 2, \dots, n$$

$$X_{WSR} = (X_{n+1} \dots X_i \dots X_N), \text{ such that } X_i \geq b_i, \text{ for all } i = n+1, n+2, \dots, N$$

$$X_{SSR} = (X_{N+1} \dots X_i \dots X_{\bar{N}}), \text{ such that } X_i = X_i^* \text{ or } 0 \text{ for all } i = N+1, N+2, \dots, \bar{N}.$$

(where b_i is the institutionally-acceptable minimum level for the consumption of weak SR-goods and X_i^* is the institutionally-acceptable consumption quantity for strong SR-goods)

As will be discussed below, the assignment of any good to any specific category of the three is to be regarded as institutionally decided.

(b) Socially-relevant Goods

The introduction of socially-relevant goods into the specification of modern capitalist consumption environments is advocated here on the basis of the theory that all modern capitalist consumption environments are characterized (and often emphatically) by the existence of very definite strictures on "institutionally-acceptable" consumption within the environment. In particular, it is suggested that all modern capitalist societies do contain

norm or value structures, and that all modern capitalist societies do contain systems for expressing or enforcing their norm or value structures in specifically economic (consumption) terms.

One vital pivot of the above is undeniably advertising -- which is not only a system for making the normative or value-founded aspects of consumption explicit and for variously consolidating (or reforming) the existing norm or value structure of a society, but also for making almost all goods at least weakly socially-relevant (or at least appear so). Indeed one of the chief aims of advertising is to make all goods "needed" in some sense.

Product competition, one of the most obvious phenomena of modern capitalist consumption environments, would also appear to be founded in the existence of such well-developed norm and value structures. In this respect, most competition between products can be seen to be competition over whether (or not) a given product best satisfies some stipulated normative principle (or set of principles) of the consumption environment (e.g. luxury, convenience, comfort, the young-look, the old-look, etc.). In the extreme, it might even be said that the basis for product competition in contemporary times is only the norm-structure of society, and, in this sense, not at all the so-called functional properties which goods possess.

(c) Types of Norms

The idea that there exists two qualitatively-different types of socially-relevant goods within modern capitalist consumption environments -- weak and strong -- is fundamentally based on the theory that all well-developed capitalist societies possess at least two qualitatively-different types of norms.

The two different types referred to are what will be termed respectively, "basic norms" and "peripheral norms". In this regard, "basic norms" are the type of norm which weak SR-goods are subject to. Correspondingly, "peripheral norms" are what strong SR-goods are subject to.

The difference between the two types of norms is not fundamentally a matter relating to the stipulative strengths of the respective norms. Rather, it is essentially a matter of whether adherence to the specified norm is mandatory for all individuals of an environment, or whether, alternatively, adherence is a matter of individual choice.

Basic norms are fundamentally characterized by the property that adherence to them is universally-mandatory within a defined environment. Within most Western consumption environments, for example, such basic norms may be seen to be embodied in the prescriptions to the effect that one should have within his living-quarter, heat, electricity, some sort of furniture, a refrigeration device, and

and perhaps a telephone. According to social convention, such items are necessary for everyone in some unspecified minimum quantity.

Peripheral norms, in contrast to basic norms, are not of the universally-mandatory type. Rather the adherence of an individual to peripheral norms is strictly a matter of his choice. An individual, as such, may choose to define his consumption program in a way which avoids all peripheral norms. Nonetheless, if an individual regards peripheral norms (e.g. those concerning status, achievement, success failure) as a significant or important basis for his consumption decisions, or if, for independent reasons, he regards the consumption of strong SR-goods (which are tied to these norms) as integral to his consumption program, then, as a rule, the individual will choose to enter the domain of peripheral norms.

Once an individual does declare his hand on this matter, and in particular, once he chooses to define his consumption behavior within the domain of such peripheral norms, he is seen to enter into a very special area of consumption -- one where he must, as a matter of socially-acceptable consumption behavior, follow considerably detailed and specific normative prescriptions. These prescriptions, it is noted, are significantly more binding on the consumer than those attached to basic norms.

Strong SR-goods which are subject to such peripheral norms are not difficult to find. The "two-car family" and "stereophonic (two-speaker) sound" are perhaps two clear examples of this type of stipulation. The consumer does not have to consume these items as a requirement for entrance into at least a number of classes in modern capitalist society. Nonetheless, if he does decide to consume the items, he is bound by a definite and absolute quantity stipulation.

Often, too, it would seem that strong SR-goods are defined in relative quantity terms, rather than absolute quantity terms. In this respect, the quantity stipulation emerges as a matter contingent upon (relative to) the consumption of other goods. For example, one need not buy a house with three separate floors, but if one does, then it is perhaps institutionally-acceptable only if there are two or three bathrooms and two or three telephones within the house.

Many other examples of the two different types of normative prescription can be found, as logically can examples of weak and strong SR-goods. Even in considering the consumption of literary works by the community of orthodox economists, the proposed distinctions may be applied. Paul Samuelson's introductory textbook, Economics, can be viewed as a weak SR-good in as much as it is

mandatory reading for any student minimally concerned with the ideas of orthodox economics, yet one can acceptably read only parts of it (or even more acceptably, skip parts of it), one need not be responsible for detailed references, etc. John Hick's Value and Capital, on the other hand, would appear to be a strong SR-good in so far as it need only be read by those who aspire to be professional orthodox economists, yet if it is read, in general, all of it must be read -- perhaps x number of times, and perhaps with detailed references.

Writings on the Methodology of Microeconomic Theory (with perhaps the exception of Milton Friedman's Essays on Positive Economics), and writings on the sociology of consumption, however, would appear to be socially-neutral in this context. Given the norms and standards of modern "positive" economics, it is generally not of integral importance whether such writings are examined at all -- or, if they are in what specific fashion they are examined.

(d) The Specific Character of the Consumption Environment

In the "static" analysis presented here, individuals are presumed to face a consumption environment in which there exists three-fold sets of strong SR-goods, weak SR-goods, and socially-neutral goods, and in which the prices of all goods are given.

On the latter characteristic, it is presumed that all prices are, in general, administered by institutions, and, in particular, by controlling organizations such as government "big business", and, at least to some extent, unions. In the static set-up specified here, it is presumed furthermore, that no individual (or set of individuals) can influence existing prices by his (or their) actions.⁷

On the former characteristic, it is presumed that the assignment of goods to the threefold specified categories is a matter of institutional decision. As such, the partitioning of the goods space in some defined fashion is taken to be a major reflection of the given structure of values of a society (or class).

It is stressed, furthermore, that the assignment of a particular good to a particular category does not, except coincidentally, reflect upon some universal underlying property of the good in question. It reflects only upon the character of the institutions and values of the present (or immediate past) consumption environment, and the character of the institutional decisions made within these environments.

In the same vein, it is not suggested that goods which are strong SR-goods under some present value-scheme may not become weak SR-goods or socially-neutral goods under a changed (future) institutional structure. Similarly, it

is not suggested that certain goods which were socially-neutral at some point in history cannot be other than socially-neutral in the present.

Historical experience actually provides a whole host of interesting examples of the above. The history of institutional prescriptions on the consumption of automobiles would appear to show that (at least in the United States) the automobile has appeared in all three categories in its history. Another interesting history is the history of institutional views on the consumption of butter and margarine. In this connection, both butter and margarine were traditionally seen to be SR-goods in as much as one was an "inferior substitute" for the other (as standard orthodox texts tried to impress upon us). This designation of socially-relevant status to both goods was apparently bound up with all sorts of class norms, and other matters related to socially-acceptable consumption behavior. In the present, however, with the consolidation of the institutions of "dieting" and "health foods", it is perhaps difficult to view either good as socially relevant. The traditionally-cited "upper-class" can justify not using butter on dieting or health food grounds, and hence the social relevance of the consumption of butter or margarine is now quite minimal.

Other examples may be cited. The history of views on

cigarette smoking appears to a topic worth mentioning in this regard.

2. Penalty Schemes of the Environment

In the previous section, we discussed the various ways in which the norms and prescriptions of a consumption environment put constraints upon the individual's consumption of goods within the environment. In particular, we have suggested that for the general category of socially-relevant goods, socially-acceptable consumption behavior for an individual means: (a) the minimal positive consumption of each weak socially-relevant good, and (b) the defined positive consumption (in specific quantity terms) of each strong socially-relevant good, if it is consumed.

In this section, we discuss the specific penalty-schemes which an institutional structure is seen to employ if the prescribed maxims of socially-acceptable consumption behavior are not followed. Specifically, we are concerned with the penalty schemes which apply in those cases where, for weak SR-goods, at least one weak SR-good is consumed in a quantity less than the socially-acceptable minimum (b_i), and where, for strong SR-goods, at least one strong SR-good is consumed positively, but not consumed in the socially-acceptable quantity.

(a) The basic idea that modern capitalist consumption

environments do contain such penalty-schemes for deviant consumption behavior is grounded in the well-known view that all modern capitalist societies have built into them certain mechanisms which explicitly aim to reinforce or consolidate the existing norm or value structure of the society (i.e. mechanisms of social control). These mechanisms, in particular, are seen to work both through the imposition of substantial pressures on individuals to conform to existing norms, and through the imposition of penalties on those individuals who do not respond to such pressures.⁸

(b) The types of penalty-schemes which capitalist societies use to discourage deviance in consumption would appear to be two-fold. They may be, first, of the implicit type whereby the deviant individual is subjected to constant criticism and denigration by other members of his group, and is excluded from certain social activities of the group (i.e. classical "social alienation"). However, penalties may also be of the explicit variety, whereby the deviant individual is penalized in money terms (i.e. not offered opportunities for getting certain jobs or types of jobs; for promotions; for fringe benefits, etc.).⁹ In the analysis presented here, all penalties will be seen as of the types expressible in money terms, and in a sense

to be defined, represented as decrements in the institutionally-prescribed money income of the individual.

(c) Penalties for deviating from specified consumption norms of an environment is seen here to be premised initially upon a "deviation function" on goods, $D(X)$ -- a function which is mapped into the real numbers. Given this, we thus have, by definition:

(i) For socially-neutral goods: $D(x_i) = 0$ for all $i = 1, 2, \dots, n$

(ii). For weak socially-relevant goods:

$D(x_i) = 0$ if $x_i \geq b_i$, for all $i = n+1, n+2, \dots, N$

$D(x_i) > 0$ if $x_i < b_i$, for all $i = n+1, n+2, \dots, N$

(iii) For strong socially-relevant goods:

$D(x_i) = 0$ if $x_i = 0$ or $x_i = x_i^*$

$D(x_i) > 0$ if $x_i \neq x_i^*$ and $x_i \neq 0$

(d) The "income penalty function" as applying to deviance in consumption will be defined in terms of the general identity: $M_e = M^* - M_d$, where M_e is "effectively-realized income", M^* is institutionally-prescribed income, and M_d is the total income decrement resulting from deviation with respect to the consumption of SR-goods.

M^* , it is noted, is seen to be an institutional estimate (based on institutional principles of valuation) of how much money income an individual should receive at a defined point in time, given his present occupation and future job and earning prospects, if he follows a (presently-deemed) socially-acceptable consumption pattern. Needless to say, it is only in the case where a consumer chooses to reject a socially-acceptable consumption strategy where M^* will not equal M_e .

(e) $M_d = M_d^{wsr} + M_d^{ssr}$, where M_d^{wsr} is the total income decrement from deviance with respect to weak SR-goods and where M_d^{ssr} is the total income decrement from deviance with respect to strong SR-goods. By the nature of weak SR-goods, $M_d^{wsr} = \sum_{i=n+1}^N k_i$ where $k_i = 0$ when $x_i \geq b_i$ (i.e. $D(x_i) = 0$), or $k_i = a_i$ (some defined positive amount) when $x_i < b_i$ (i.e. $D(x_i) > 0$), for all $i = n+1, n+2, \dots, N$. Likewise, by the nature of strong SR-goods, $M_d^{ssr} = \sum_{i=N+1}^{\bar{N}} B_i D_i(x_i)$ for all $i = N+1, N+2, \dots, \bar{N}$ (where B_i is a weighting factor inter-strong SR-goods).

(f) In the above analysis, it is noted that for both weak and strong SR-goods, income penalty functions are assigned to each individual good. This procedure is not

to be taken to suggest that income penalty functions cannot be expressed in terms of aggregates of goods. For example, specifying a finite set of weak SR-goods, it would be easily possible to express penalties for deviance simply in terms of the number of weak SR-goods which were not consumed in a quantity $\geq b_i$ -- an aggregate measure. Also with respect to strong SR-goods, an aggregate measure could be constructed, in particular, under the assumption that controlling social institutions employed some type of Social Welfare Function as a basis for computing penalty functions for individual goods. The use of a social welfare function in this regard would provide the type objective measure to calculate the penalty trade-off rates between all strong SR-goods (except, of course, one). Moreover, we could express the income penalty function of all SR-goods, $m_d = \sum_{i=n+1}^N \sigma_i D_i(x_i)$, where σ_i would be a weighting factor inter-category and inter-individual goods.

As to the specification of income-penalty functions in particular, it is evident that there are a great number of interesting specifications. One could perhaps see the d-function for strong SR-goods as characterized by increasing marginal income decrements, for example. The particular specifications of these functions are not of immediate interest, however. The chief interest in the existence of income penalty schemes is that they represent a characteris-

tic of the consumption environment which all consumers face in modern capitalism, and as that, they represent something which is of integral significance in shaping the character of an individual's choice of an appropriate consumption strategy within such an environment.

(g) Summary

In this section, we have attempted to outline a conception of the characteristics of a modern capitalist consumption environment which, above all, incorporates both aspects of the traditional Neoclassical free choice view and the traditional Marxist institutional control view into analysis. The free choice features manifest themselves, in particular, in the stipulation of (a) a class of goods which has no normative or institutional prescriptions attached to it, and can be consumed costlessly (i.e. SN-goods); (b) subjectively-determined preferences for SN and weak SR-goods and (c) the option for a consumer to not consume strong SR-goods. On the other hand, the institutional control features manifest themselves in the stipulation of (a) two classes of goods which are intimately-attached to institutional and normative precepts of the environment, and which are subject to income penalties if they are not consumed acceptably (i.e. socially-relevant goods); and (b) institutionally-determined preferences

for strong SR-goods; and (c) the characteristic that prices of all goods are fixed exogenously. As can be seen, the chief advantage of this particular view of the consumption environment, is that even though it, in principle, binds a consumer to the dictates of a social structure, it still permits him the freedom to choose alternative methods of dealing with the structure. This is the essential pivot of the framework proposed. As such, in what follows, we concern ourselves specifically with outlining these alternatives and examining the most important question of why a consumer might rationally pick one alternative over another within this specified environment.

A. The Structure of Consumer Response

In Chapter Five, we argued that the method by which we could successfully overcome the explanatory deficiencies of both traditional Neoclassical theory and traditional Marxist theory was by allowing consumers to pick their own principles of (mechanism of) rational choice. In order to explain the characteristics of a consumer's choice of a particular set of principles (mechanism), however, it was seen that we were required to modify both the traditional Neoclassical and traditional Marxist conceptions of the nature of modern consumption environments. In the previous

part of this chapter, we attempted to fulfill this latter aim. Here we turn directly to the consideration of the choice options open to a consumer within an environment so specified, and, the consumer's logic in choosing between competing options.

1. Freedom of Choice and Rational Action

Given the environment specified in Part A, two specific implications for freedom of choice come forth. The first is that a consumer, although confronted by very definite constraints on his consumption of socially-relevant goods, always had the possibility of obtaining substantial freedom of choice by consuming (to the greatest possible extent) socially neutral goods. The second is that he could never possess complete "freedom of choice" (in the classical sense) since he always had to deal with the problems of (a) how he was to consume required goods (i.e. weak SR-goods) and (b) how he was to consume strong SR-goods, if he indeed wanted these goods in his bundle.

In this paper, the freedom we are interested in, as such, is not the type of freedom suggested by the first implication (i.e. the consumption of SN-goods). Rather, our interest focusses on the possibilities of a consumer possessing freedom of choice with respect to the second

implication. In particular, what we focus upon here are the possibilities for a consumer to choose between alternative strategies in handling his consumption of socially-relevant goods -- strategies, in particular which may all be viewed as rational strategies, given the environmental circumstances.

In this regard, it is the central (empirical) proposition of the paper that even if most modern capitalist consumption environments do not grant consumers the freedom to choose between alternatives in many important areas (e.g. which goods are SR-goods and which are not), they always do permit consumers the freedom to choose between alternative mechanisms of response in dealing with the institutional stipulations of their environment. In particular, a consumer always has at least three very definite options. The first is to ignore the institutional stipulations (and pay the penalties). The second is to take them seriously, and conform to them. And the third is to take them seriously, and to criticize (deviate from) them. Moreover, it is argued that the way this freedom is manifested is through the ability of a consumer, given his own aims and interests, to rationally choose (out of a set of alternative specifications), a most appropriate specification of a utility function (to maximize) and a cost function (to minimize) within the environment.

2. The Choice of Specifications

The consumer's choice of an appropriate specification of utility and cost functions essentially reduces to a question for the consumer of whether certain decision variables (or combinations of decision variables) should be included (excluded) in the construction of his overall choice model. Within the environment specified here, the question is defined in terms of the inclusion (or exclusion) of each of the following four variables in his total utility and total cost functions: (1) economic utility, (2) social utility, (3) economic costs, and (4) social costs.

According to the view proposed, the consumer is thought to answer this question by reference to particular types of theories he holds about the relationship of his own consumption decisions to the institutional environment he faces. Although it is possible to say, prima facie, that a consumer may hold many different particular theories about his consumption within a defined environment, or profess to hold no theories at all, here we are concerned with explicating only those logical categories of theories which must have a direct bearing on a consumer's choice of specifications.

The first concerns the nature of the consumer's view

of the characteristics of his consumption decisions within the environment he consumes in. In particular, it is suggested that if a consumer holds some theory to the effect that (1) his consumption decisions are based on criteria which are exogenous to the institutional structure he faces, (2) that his consumption decisions will not affect the views (or decisions) of other members of his society (class) and (3) that his consumption can be undertaken without institutional feedback of any sort (i.e. no one will notice his personal deviance from norms), then, as a rule, the consumer will consider only economic variables in his decision functions. Conversely, if any of (1), (2), (3) are denied by the consumer, then he will include, as a rule, social variables in his specification of these functions.

The second concern is with those consumers who adopt the latter option above. In particular, if a consumer is of the latter variety above, he has two further theoretical options -- which leads to two further assertions. The first is: If a consumer holds some theory to the effect that the consumption environment which he presently faces is an "optimal" environment, or the best "sub-optimal" environment he can ever expect, then he will aim to obtain positive social utility from conforming to existing norms. Contrastingly, the second is: if he holds some theory to the effect that the present existing consumption environment

is sub-optimal by some or all standards, and need reform, then he will attempt to obtain positive social utility from deviating from social norms. This then leads to the third category of theories. In particular, if consumers hold theories of the latter variety above and adopts the view that reform can be accomplished "through the system", then he will take both economic and social costs into his utility function. Contrastingly, if he views reform of the institutional structure as a revolutionary undertaking, then his concern will not be with social costs (since they will be immaterial after the revolution), but only with economic costs (i.e. financing the revolution).

The existence of the three theoretical categories for consumer decision-making within the environment specified is of fundamental importance. Not only does the theoretical option picked by any consumer dictate his principles of rational action in the environment, but also the existence of such theoretical options in themselves directly indicate the limits to which a consumer can logically pick alternative specifications of variables entering his choice problem within the specified consumption environment.

3. The Utility Function on Conformance to and Deviance from Norms of the Environment

As we suggested above, all social utilities which

arise in the framework proposed here arise because of a consumer's view of the institutional and normative structure he consumes under. If he is a socially-conscious consumer (as outlined above), then obtaining positive utilities in particular from conforming to (or deviating from) existing institutional prescriptions will form an integral part of the consumer's choice problem.

The way we represent these social utilities here is by a deviance function: $U^D = f\left[\sum_{i=n+1}^N \Pi_i D(x_i)\right]$ (where Π_i is weighting factor). This then implies three relevant cases:

- (i) $\frac{\sigma U^D}{\sigma D(x_i)} > 0$ for a deviant (he gets positive utility from deviating)
- (ii) $\frac{\sigma U^D}{\sigma D(x_i)} < 0$ for a conformist (he gets positive utility from not deviating)
- (iii) $\frac{\sigma U^D}{\sigma D(x_i)} = 0$ for a socially-disinterested consumer (he gets positive utility neither from deviating or conforming, since the institutional and normative structure of the consumption environment is irrelevant to his decision-making).

The properties of the function U^D are fairly easy to

understand. It is, of course, logically defined only for socially-relevant goods. For weak SR-goods, it is defined for any quantity $< b_j$; for strong SR-goods, it is defined at all quantities greater than, but not equal to zero. It is noted also that the particular specification of the social utility (deviance function) is seen here to be a matter of the consumer's own "tastes", and along with his ability to pick his own theories of the consumption environment is seen to represent a touchstone of individual freedom of choice.

4. Behavioral Options Within the Environment

On the basis of the above groundwork, it is possible to outline the behavioral options logically possible within the defined consumption environment. These follow directly from the types of theories consumers hold with respect to the consumption environment they consume in, and are all seen as (potentially) rational consumption strategies within the environment. Let the symbols denote:

- (i) $U_{(x)}^G = (g_I(x_1, \dots, x_N) + g_S(x_{n+1}, \dots, x_N))$: utility from functional properties of goods.

(ii) $(+)U_{(x)}^D = (+)d[\sum_{i=n+1}^{\bar{N}} \Pi_i D(x_i)]$: utility from deviating from norms

(iii) $(-)U_{(x)}^D = (-)d[\sum_{i=n+1}^{-\bar{N}} \Pi_i D(x_i)]$: utility from conforming to norms.

(iv) $C^e = \sum_{i=1}^N P_i x_i$: economic costs of goods

(v) $C^S = M_d = [\sum_{i=n+1}^{\bar{N}} \sigma_i D(x_i)]$: social costs from deviating

We may portray the behavioral options logically possible within the environment by the following schema:

Case No.	Utility factors considered	Cost factors considered
1.	$U_{(x)}^G$	C^E
2.	$U_{(x)}^G$	C^S
3.	$U_{(x)}^G$	C^E, C^S
4.	$(+)U_{(x)}^D$	C^E
5.	$(+)U_{(x)}^D$	C^S
6.	$(+)U_{(x)}^D$	C^E, C^S
7.	$(-)U_{(x)}^D$	C^E
8.	$(-)U_{(x)}^D$	C^S
9.	$(-)U_{(x)}^D$	C^E, C^S

(continued)

10.	$U_{(x)}^G, (+)U_{(x)}^D$	C^E
11.	$U_{(x)}^G, (+)U_{(x)}^D$	C^S
12.	$U_{(x)}^G, (+)U_{(x)}^D$	C^E, C^S
13.	$U_{(x)}^G, (-)U_{(x)}^D$	C^E
14.	$U_{(x)}^G, (-)U_{(x)}^D$	C^S
15.	$U_{(x)}^G, (-)U_{(x)}^D$	C^E, C^S

The Implications for Analysis

It is not the purpose of this paper to work out the straightforward maximization mathematics for consumers who hold specifications of the type outlined above. What we aim to do here is simply to bring attention to certain important characteristics which stand out in connection with any analysis along the path proposed. Four items are of particular importance.

The first is that out of the fifteen possible cases outlined above, only eight are of genuine empirical importance. We delete cases 2, 5, 8, 11, and 14 on the grounds that they are only interesting consumption strategies in the cases (i) when an individual income is infinite or (ii) when prices of all goods are effectively zero. We delete cases 9 and 15 on the grounds that, since C^S for a conformist must, by definition, be zero, they reduce

to cases 7 and 13 respectively.

The second feature to be noted is that, within the framework proposed, the precise character of a consumer's consumption choices will depend upon, among other things, the particular specification of the deviance function the consumer uses, the particular specification of the income-penalty function which the institutional structure employs for deviant behavior (i.e. its severity), and the relative distribution of SN, weak SR, and Strong SR-goods within the total universe of goods available in a consumption environment.

A third feature is that all choice outcomes in the framework will be seen to depend very heavily upon the institutionally-established M^* (income) for an individual. This is clear simply by citing the simple case of a conformist who cannot afford all weak SR-goods. Or by citing the individual who has such a great I^* that he can afford any deviance (penalties). As such, it is clear that what we are concerned with here is sort of a middle-class choice problem. We assume, in general, that all individuals can afford all weak SR-goods, but no individual can afford to endure all income penalties.

Fourth, and finally, it is noted that all strategies which do not take into account social costs (except, by definition, the conformist strategy) will be, as a rule,

unstable. In short, it will only be by co-incidence, that a consumer manages to choose a consumption strategy which avoids the penalty-schemes of the environment. If he does not, and, if the penalties do enter the scene, however, it is evident that (at least over time) the consumer will not be able to maintain his proposed consumption schedule. Either he will have to settle for less income (i.e. less goods), or he will have to change his strategy.

C. General Implications

The most important feature of the view of consumption presented here is that it does permit both the explication of the standard Neoclassical positions (cases 1 through 3) and the (possibly) standard Marxist positions (cases 4 through 9), along with a variety of mixed cases (10 through 15) -- all within one explanatory framework. To produce such a framework was a major aim of the paper. What the view also provides in accomplishing the above is arguably a far more realistic framework to examine both the empirical and dynamic aspects of consumption. In particular, it permits the isolation of very particular cases of consumption behavior which have very specific empirical choice implications. Moreover, these can be tested in a

context which is far richer than those traditionally suggested. We not only have the choice implications of changes in economic variables (prices) to test but changes in the institutional structure as well (specification of income penalty function).

As for dynamics, the chief advantage of the formulation presented is that it takes into account the idea that consumers hold very definite theories about the consumption environment. These theories consumers are seen to test by the success of the consumption strategy in the period in question (and accept or reject accordingly). Changes over time in a consumption strategy are to be explained, ceteris paribus, by his rejecting a particular theory about the consumption environment.

In general, future research along the lines proposed here, clearly must be concerned with the dynamics of the framework. In particular, the focus must be upon (1) changes in the institutional and normative structures of the consumption environment, (2) changes in the theories of the consumption environment which individuals hold, and (3) changes in choice strategies by individuals. Furthermore, the aim of such research must be to draw concrete relationships between these three items -- relationships which lead, in part, to specific empirical conclusions about the nature of modern consumption.

Footnotes to Chapter Seven

1. By "goods", however, we mean, in a broad sense, both individual items of consumption and classes of functionally-related items. We shall thus not be immediately concerned with the problems of relationships between various individual items of consumption. It is also noted that the level of aggregation used to define "the consumption environment" is taken here to be immaterial. The analysis is seen to apply equally well to a society, a class of society, or smaller sub-group.

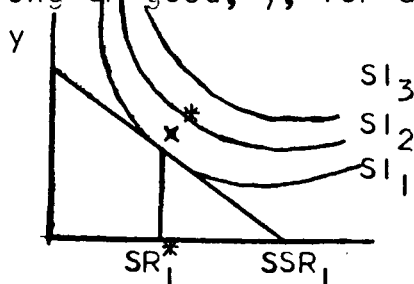
2. We shall not be concerned here with the many possible types of "negative prescription" (i.e. concerning what "ought not" to be consumed within the environment). Although this may be incorporated into analysis easily, all prescription will be taken here to be of the "positive" variety.

3. Henceforth, "socially-relevant goods" will be noted SR-goods. When necessary, weak socially-relevant goods will be symbolized WSR; strong socially-relevant goods, SSR.

4. The stipulation of a set of weak-SR goods within a consumption environment can be seen to be an institutional way of ruling out the possibilities of "corner solutions".

5. The term "effective income constraint" will be clarified below. In essence, the "effective" income of an individual and the normally-prescribed income of an individual only differ in those cases where the individual does not conform to the institutional prescriptions concerning the consumption of socially-relevant goods, and is thus subjected to income penalties by institutions of his environment.

6. This may be illustrated simply in terms of the standard maximization analysis involving, in particular, some sort of institutionally-prescribed (and "well-behaved") set of social indifference curves. (SSR₁ stands for the particular strong SR-good, y , for all other strong SR-goods)



6. (cont.) Here X^* represents the socially prescribed consumption spot for the individual, given his "effective" income and prices. This corresponds to the consumption of SSR^* . It is noted in the analysis here that the traditional orthodox rationality principle is used. The principle is seen here to represent an institutionally-prescribed convention for picking socially-acceptable consumption points for strong SR-goods.

7. The only way an individual can influence prices is in a dynamic context, if he becomes part of (or the embodiment of) some controlling institution (e.g. Ralph Nader).

8. In the analysis presented here, we view the individual's employer (manager, "boss") as the enforcer of currently-existing social norms. If the individual is himself an employer, it is assumed that he conforms to the existing norms of society; or, within the defined environment of the business establishment, he sets the normative standards himself.

It is also noted that the introduction of explicit forms of social control into the environment conflicts with the classical (orthodox) independence assumption.

9. For an obvious example from contemporary (U.S.) society -- the upper class youth with upper-class education and training who refuses to cut his hair to gain appropriate employment.

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