ECONOMIC THEORIES OF CONSUMPTION

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Summary

In classical economics, concern with consumption was peripheral with respect to concern with production and the formation and growth of surplus. Marxist economics also has a purely derivative notion of consumption, seen as something which, in the capitalist order, is manipulated by productive interests. It was with the Marginalist Revolution in the second half of the nineteenth century, that the consumer was put into shape and that the accent was placed on both consumption and production as separated but interrelated domains reaching equilibrium through the mediation of the market. Here the consumer was abstract and universal, characterized by instrumentally rational choices developed in order to gain the maximum satisfaction, the maximum utility from purchases. However, the introduction of the utility theory of value tended itself to leave the foundations of the model unexplained given that tastes, desires and wants were assured to be individual and given. This situation did not improve with the attempt to purify utility theory from its psychological and utilitarian origins with the notion of revealed preferences. Contemporary mainstream economic theory of demand thereby deploys a relatively simple model: the consumer, conceived of as a *black box* of *given preferences* constrained by a given budgetary level is linked to the environment, defined as the goods available and their relative prices, through his/her actions aiming at maximizing the utility function, defined as the satisfaction associated with the bundles of goods matching his/her preferences. Two fundamental elements are thus neglected: the process of preference formation and change, as linked to problems of interdependence, and the relevance of product innovation and quality. These two elements have been addressed respectively by G. Becker and K. Lancaster, the former putting forward an economic theory of taste, the latter offering a theory of demand which, taking into account characteristics of goods, tries to address qualitative variations.

1. The Consumer in the Classical Economic Thought

The development of classical economic thought in eighteenth century England marks the birth of an explicit reflection upon consumption. In his *An inquiry into the Nature and Causes of the Wealth of the Nations,* Adam Smith declared that consumption was the sole end and purpose of production. Despite the foundational place occupied by consumption in Smith's vision, he did not develop a comprehensive economic theory of consumption. His interest lay, instead, in the moral legitimatization of a particular kind of consumer. The traditional moral concern with debaucheries and luxuries was translated into prudent appreciation as consumption was tamed into a rational, self-interested, long-term pursuit of personal gratification. Consumption was modeled onto production: the drive towards pleasure was tempered by the uniform, constant and uninterrupted effort of each individual of bettering his or her condition. Smith portrayed the marketplace as an institution where subjects develop the capacity to reflect upon themselves as social actors, to excel by the pursuit of a decent, commodious and well-ordered life. Merchants—as we all become under market conditions—are not pictured as ascetic monks; they do not disdain the decencies of life, they are indeed good, well-behaved, rational consumers as opposed to the immoral, irrational, whimsical wasters impersonated by the old, declining nobility. Under these conditions, the consumer-merchant becomes the foundation of a new social and political order: the sovereign whose desires the market shall respond to and the sovereign of his own desires.

All in all, in classical economics concern with consumption was still peripheral with respect to the concern with production and the formation and growth of surplus. These are the preoccupations which dominate the work of Ricardo and Malthus. Even Malthus, who developed an elaborated theory of demand, does it having in mind the needs of capitalist production. He thus defines effective demand, i.e. demand which is high enough to ensure a continuous process of production. Production, he reckons, depends on the existence of effective demand which enables the producer to cover the cost of production plus profit. Effective demand cannot rely solely on the capitalists—who have a strong propensity to save and invest rather than consume—and on the laborers—whose salaries are less than the prices of their products. Malthus' idea was that no power of consumption on the part of the working class could ever alone provide an encouragement to the employment of capital; therefore, every country with great productive capacity should possess an equally great measure of unproductive consumers. The latter are thought to be servants, statesmen, soldiers, judges, physicians, clergymen, etc., whose unproductive consumption enables the capitalists to get the profits without which they would cease producing.

Malthus' notion of unproductive consumption allows consideration of production and consumption as being interdependent rather than directly corresponding. Sismondi develops this idea, proposing a view of the modern economic system as far from self-adjusting: economic crises, in that periodic excess of production and disequilibrium between demand and supply are features of modern economy and they derive from the fact that capital, not want, determines production. Still focusing on production and capital, Karl Marx brings this view to its extreme consequences: he proposes a view of the consumer diametrically opposed to that suggested by the notion of consumer sovereignty. The consumer, as a product of the modern division of labor and of the capitalist mode of production, is a slave of the market whose desires are forever to be expanded in order for production to grow untainted.

2. The Marxian View: Fetishism and Use Values

Marx operated within an epistemological grammar which conceived the deep value of a commodity as use value, which is defined by the physical properties of the commodity. As with Smith, objects act prior to subjects, value is generated from them and the notion of value employed is constantly drawn back to the contribution of labor. The value of objects derives from their material relationship with the human body and it is through human productivity that these values can be enhanced. All in all, utility is an objective property of things and is objectively realized by labor.

The subjectivity involved in Marx's labor theory of value is not one which produces value through perspective, it is rather one involved in making objects materially available in an economic way. Labor is the source of value both as its concrete measure and as its normative foundation. On the one hand, molded by the economic conditions of production normal for a given society and with the average degree of skill and intensity of labor prevalent in that society, it directly quantifies the value of each commodity. For Marx, the greater the productivity of labor, the less the labor-time required to produce an article, the less the mass of labor crystallized in that article, and the less its value. The primacy of labor is evident also in the fact that it is labor and not money which makes commodities commensurable. On the other hand, as the universal condition for the metabolic interaction between man and nature, labor ought to testify to the determination of man as a man, his talents and his striving for self-realization.

In Marx's analysis it is the primacy assigned to man's labor as universal and objective foundation of values which opens the theoretical space for a notion of alienation. Only what is essentially proper to mankind can estrange itself and then alienate itself from people. Despite his appreciation of the predicament of the idea of human nature contained in the critique of Feuerbach, Marx retains the assumption of a determination of mankind as striving towards an ideal of fraternal self-realization in diverse, productive labor whereby human talents can be truly expressed. This essential element is chiefly defined by production and, as the creative transformation of the world, it is an end in itself amounting to the absolute working-out of human creative potentiality. Postulating a certain notion of what is—and ought to be—a human being, the labor theory of value ultimately yields to the warning that modern people are alienated from their humanity.

Modern value construction within money exchange circuits thereby results in abominations of personality. The latter is the space which the modern consumer seems to occupy. For capitalism to work people's needs must conform to the requirements of the production system. Capital search for ever expanding pools of surplus value requires the expansive manipulation of consumers' needs to the point that consumers can no longer be considered free choosers. Marx also proposes the notion of commodity **fetishism**. Since under capitalism humans are alienated from the products of their labor, they cannot see that commodities embody socially necessary abstract labor time. Exchange value is nothing but a relation between persons, yet it is a relation which is concealed behind things. Products become fetish, they appear to have lives of their own, rather than being an expression of the social relations amongst people and as such they became false gods.

3. The Marginalist Revolution: from a Subjective Theory of Value to Revealed Preferences

Marx's theory dismisses consumer practices that go beyond a supposed essential or normative utility or which are serviceable to capital accumulation as a mystification of real needs. At the turn of the nineteenth century, in opposition to Marx's normativist, critical stance, a number of voices proposed a different theory of value. Georg Simmel's relativist theory of value aimed to show that an absolute is not required as the conceptual counterpart to the relativity of things. Just as each description depends on aprioristic assumptions working as to make description possible, so values have no universal, objective foundation. For Simmel, the specific value of a thing rests on subjective judgment. Value as valuation concerns a wanted item and remains inherent in the subject. The emerging Marginalist—or neo-classical—economic thought, Carl Menger's theory of needs in particular, have developed on similar premises. However, once recognized that it is the interpretive status of the objects that confers them value (i.e. not that useful things are desired but that desired things are useful), Marginalist economists have departed from Simmel's sociological emphasis on the construction of valuation conditions and subjectivity forms as well as from classical economics'interest in the social embeddedness of economic action.

The Marginalist Revolution—usually associated with William Jevons, Carl Menger and Léon Walras—introduced the utility theory of value in economics. The value of a thing was to be reckoned entirely in terms of the enjoyment which it procures to the consumer. Subjectivism was mitigated only by the fact that enjoyment was seen as related to the quantity of the item consumed: the consumer will enjoy the same thing marginally less and less as s/he proceeds with consuming it; beyond a certain quantity the same thing will cease to have value at all. Utility was understood on psychological and ultimately utilitarian basis as a pleasure, which was individual, and at the same time comparable and to a certain extent universal. However, while Jevons and Walras were still deeply rooted in Bentham's hedonistic and utilitarian views, with pleasure and pain as the "great springs" of human action, Menger tried to give his individualistic views a pragmatic twist. In his *Grundsatze der Volkswirtschaftlehre*, Menger reckons that economic value can be considered, so to speak, at face value, i.e. as arising from the scarcity of goods in relation to wants. Exchange, in its turn, is featured as due to the existence of differences in relative subjective valuations of the same goods by different individuals, rather than as dependent on a human propensity to trade of Smithian memory. For Menger, thus, the atomistic approach was a methodological necessity which did not require the philosophical and ethical ground provided by hedonism.

Whatever their epistemological assumptions, the Marginalists put into shape an instrumentally rational consumer. The consumer was conceived as an abstract and universal actor, characterized by instrumentally rational choices developed in order to gain the maximum satisfaction, the maximum utility from purchases. The interest however, did not lie in consumer practices themselves. Marginalists began to model the variety of the myriad of mundane consumer practices as an abstract demand function, coupled with supply. Accent was placed on both consumption and production as separated but interrelated domains reaching equilibrium through the mediation of the market. Indeed, the key interest laid precisely in equilibrium analysis. While consumer practices became fundamental to reach market equilibrium, for the purposes of economic modeling, tastes, desires and wants were assumed to be individual and given. Again consumption was conceived as an end, but, precisely because it was an end, it was not investigated in its own right.

The tendency to set tastes and the reasons why people wanted particular goods as residual with respect to the economic modeling was later to be fostered by the determination of purifying utility theory from its psychological and utilitarian origins. Alfred Marshall further shifted the focus of the analysis to equilibrium, stressing the importance of introducing a time element in the demand-supply model and of dealing with the many implications of a gap between marginal and total utility. Vilfredo Pareto's formulation of ordinal utility in his *Manuale di Economia Politica* also goes in the direction of a purely formal theory of value. Utility is said as needing not to be measured. On the contrary an economic theory of choice only needs a purely ordinal conception of utility, i.e. that preferences be organized in scales rather than specifying the nature or quality of satisfaction. Pareto's views have laid the basis for the mainstream neoclassical approach to consumer theory. The standard notion of *Homo oeconomicus* indeed reflects the purification of utility theory insofar as utility, with Allen and Hicks and subsequently with Samuelson, becomes a numerical representation of revealed preferences. Samuelson's model is theoretically simple: the consumer, conceived of as a *black box* of *given preferences* constrained by a given budgetary level is linked to the environment, defined as the goods available and their relative prices, through his/her actions aiming at maximizing the total utility function, defined as the satisfaction associated with the bundles of goods matching his/her preferences. Marginal utility which derives from each good is negatively correlated to the quantity consumed of the same good. Consumer reactions to variations in price and quantities of goods are therefore crucial as they define the function of demand for different goods.

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Biographical Sketch

Roberta Sassatelli teaches sociology, cultural sociology and consumer studies at the University of East Anglia (Norwich, UK) and the University of Bologna (Italy). Her research focuses on the historical development of consumer societies and the theory of consumer action, with a particular interest in the contested development of the notion of the consumer as against notions such as citizen or person. She has done research on the commercialization of sport and in particular on the way the fitness movement has been variously appropriated as a leisure pursuit. She is currently the Italian Scientist in Charge of an EU project on trust in food and she continues her work on how European consumers are responding to the food crisis and articulating notions of typicality and quality. Besides her two monograph “Anatomy of the Gym”, il Mulino, 2000 and “Consumption, Culture and Society”, il Mulino 2004) she is the author of numerous articles in books and international journals such as Acta Sociologica, Body and Society, Journal of Material Culture, European Societies, etc.