

## Mediated Preferences—How Institutions Affect Consumption

**Wilfred Dolfsma**

Even though Adam Smith claimed that “consumption is the sole end of production,” economists have not given it much attention. Institutional economics has done better than the average strand of thought in the economics discipline, however, starting with Thorstein Veblen. It has provided useful theoretical insights into the phenomenon of consumption (Ackerman 1997). In this article, I will draw on institutional and social economic literature to analyze the mediating role of preferences for consumption behavior. I will develop the Social Value Nexus, introducing a distinction between socio-cultural values that “live” in society and the value that people may give to a particular good. This argument will be illustrated by studying one of the most interesting examples of a relatively rapid change in people’s preferences of the recent century: the advent of pop music in the 1950s and 1960s.

### ***Institutional Economic Thought on Consumption***

The late Kevin Lancaster (1998) edited a volume on “consumer theory.” While the title seems to claim that a complete overview of the most important contributions to consumer theory was compiled, in actual fact only neoclassical economic articles that presented “a representative coverage of the most important ideas in the field . . . with a reference to the history of those ideas and their more recent developments [while further considering that] diversity of authors and representation of major contributors and contributions, with *consideration* of size and technical complexity” (italics added) played a role in selecting articles for inclusion (Lancaster 1998, xi). F. Ackerman has also noted

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*The author is at Erasmus University Rotterdam–FBK–and University Maastricht–International Institute of Infonomics. This paper was presented at the annual meeting of the Association for Evolutionary Economics in Atlanta, Georgia, USA, January 4–6, 2002. The author would like to thank participants of the session and particularly Anthony Maynard for comments and suggestions.*

“economists’ lack of interest in new approaches to consumption” (1997, 651). He rightly pointed out that this is due to “the rigidity of the conventional economic theory of consumer behavior.” In actual fact, earlier institutional economic contributions prove to be very valuable as well, not in the least contributions by Veblen (Mason 1998). His contributions, even when restricted only to his analysis of consumption behavior, are not done justice when summarized under the heading of the “Veblen effect” as has been summarily done since Leibenstein 1950. For one, Veblen’s analysis of consumption is an integral part of his economic theory generally (Dolfsma 2000).

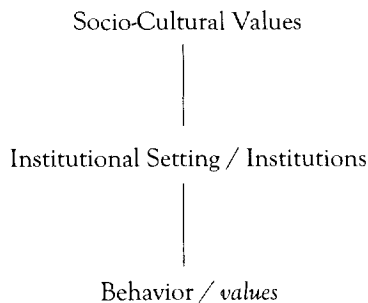
Human beings are best conceived as essentially social and habitual. Human nature is, according to Veblen (1898, 74), “a coherent structure of propensities and habits which seeks realization and expression in an unfolding activity” (see also Hodgson 1997). Institutions, such as those involved in consumption behavior, are “settled habits of thought common to the generality of men,” “associated with people interacting in groups or larger collectivities.”<sup>1</sup> Ackerman (1997, 653) referred to James Duessenberry (1949), who has emphasized the element of emulation in his analysis of the social element in consumption behavior, explaining why a good in a particular period of time is “in the swim” or not.<sup>2</sup> Veblen (1899) stressed the aspect of people craving for status and thus seeking to consume products that tend to be consumed by (groups of) people that they perceive to have higher status. These latter people, in turn, will change their consumption behavior in order that they may continue to distinguish themselves. Veblen argued that any specific consumption behavior needs to be analyzed as something that is dependent on the situation; it is (can be) time and place specific (Hamilton 1987). While believing Veblen’s argument provides very valuable elements for the study of consumption, it has been criticized for being too restrictive in only allowing for tastes to trickle down from upper classes to the lower ones, for lacking sophistication and subtlety in allowing for the kinds of ways in which to consume conspicuously, and for being too restrictive to address the multifarious lifestyles in contemporary capitalism (Campbell 1987; Trigg 2001). These points of criticism do, of course, not negate the general theoretical thrust of Veblen’s argument of (consumption) behavior as institutionally structured (Trigg 2001, Dolfsma 1999). Andrew Trigg (2001) has suggested that Veblen’s insights can be combined with those of the French sociologist Pierre Bourdieu (1984) to provide a theory about consumption behavior that can overcome the problems mentioned above. Bourdieu provides, however, a perspective that is highly imbued with neoclassical economic (Beckerian) thought—a perspective that seems difficult if not impossible to marry to an institutional perspective. Instead, I will elaborate on the notion of value and how it relates to institutions in a way that allows for empirical research.<sup>3</sup>

### **Consumption, Institutions, and Values: The Social Value Nexus**

As David Hamilton (1987, 1531) succinctly observed, noting the centrality to economics of value theory yet the almost complete absence from discussion of that theory: “All economic theories of value have consumption implications . . . [b]ut these are often only implicit, rather than explicit, and hence obscured.”<sup>4</sup> I will try to add to the rich insights on consumption provided in this literature by, first, relating the theory of institutional change (see most prominently Bush 1987) to consumption behavior. Secondly, I distinguish between two concepts of “value.” I will do so by developing the Social Value Nexus (figure 1) that links the socio-cultural values that “live” in a society or community to institutions and institutional change (Dolfsma 1999). Such institutions, in their turn, largely determine individual behavior and what *concrete* objects, or situations, are valued as well *how* these are valued.<sup>5</sup> Preferences are, thus, “mediated” by institutions grounded in socio-cultural values (Wildavsky 1987). Making these relations explicit proves to be illuminating.

An institutional setting, one may say, invokes what could be called *we-intentions* and *we-preferences* (Davis 2001 and Tuomela 1992, but also Bush 1987). Needless to say, of course, socio-cultural values do not strictly determine what institutions or institutional setting (or “institutional furniture” in Veblen’s terms [Veblen 1909, 236]) will arise, and, similarly, institutions do not strictly determine people’s behavior (Davis 2001). The individual who has *we-preferences* believes that they are widely if not universally held by other members of the group to which he (wants to) belong(s). *We-intentions* and *we-preferences* are not (necessarily) supra-individual, separate from the individuals. Thus, individuals who may be said to have *we-preferences* and are members of a group can also have their own preferences. Nevertheless, any departure in the behavior of peo-

**Figure 1. The Social Value Nexus**



ple from what institutions permit or require may or will become a cause for changes of the institutional furniture. In that sense, as Paul Bush (1987, 1077) has argued, values when institutionalized “correlate” human behavior.<sup>6</sup> Thus, while institutions influence individual action by altering the scope of action and individual decision making, socio-cultural values do so by altering its content and basis (Davis 2001).

Especially to understand the link between institutions and preferences, or behavior more generally, two additional ideas need to be introduced—the concepts of interpretation (perception) and tension.<sup>7</sup> When, for instance, consumers perceive a tension between the values that they subscribe to on one hand and the institutional “furniture” that mediates consumption behavior on the other, there will be pressure for changes. In case of such perceived tension, either the institutional setting or the values subscribed to will have to change. Socio-cultural values change much less quickly than institutions do. Changes in the former may take decades or even centuries (cf. Campbell 1987), even when changes in the latter (usually) are not overnight as well; for one because institutions are interrelated.<sup>8</sup> What does happen is that, for particular situations, the socio-cultural values most prominently emphasized or subscribed to may change rather sooner, and we will see a shift in emphasis. The Nexus, then, suggests three sources for institutional changes, arising from different tensions:

1. Value tensions.
2. Institution tensions.
3. Value-institution tensions.

The three different forms of tension are, of course, ideal typical forms. In reality, one will often find them to be interwoven. I will briefly explain the differences between these three kinds of tensions and how they might explain institutional change and stability. At any given moment, socio-cultural values that live in a community but had been associated with differing practices may come to clash, giving rise to value tensions. Institutional tensions arise when related institutions or institutional settings that build on the same socio-cultural values, but in a different way (are) (suddenly) (perceived to) clash and pressure for institutional change emerges. The third kind of tension arises when a particular institution or institutional setting that had emerged or been set up with reference to a particular (combination of) socio-cultural values drifts away from these. Institutions may, over time, come to represent different socio-cultural values from what they had originally; they may thus be hollowed out, or re-valued (Böröcz 1995). The resulting tension may only be perceived after some time has passed. In all cases, it is asserted here, a process of institutional change will start to the effect that tensions disappear.

Rather than further developing these different tensions theoretically at this point, however, I will discuss them in the context of the central case of this article: that of the advent of pop music in the 1950s and 1960s.<sup>9</sup> Pop music is a good with an important symbolic meaning for many people, and therefore socio-cultural values can be more clearly associated with it.

### ***Consuming a Symbolic Good: Pop Music***

The rise of pop music<sup>10</sup> is an important example of how preferences change, mediated by institutions and socio-cultural values. For many people, pop music is an important part of the identity that they (want to) have; it is of high symbolic value to them (e.g., Frith 1996 and Dolfsma 1999). Although pop music is more of a symbolic good than many other goods, it is by no means an exceptional one in this respect.<sup>11</sup> The advent of pop music is best explained as a process whereby people started to subscribe to a different set of values, mediated by a specific set of institutions, from before (Dolfsma 1999b). In the course of time, tensions of the kinds discussed earlier arose, giving rise to a protracted process of institutional change. The process of institutional change, in its turn, affected people's preferences for music on a more concrete level. A systematic account of the advent of pop music as a process of changing preferences and valuation is not available, with the possible exception of Simon Frith (1996). Frith, however, adopts an introspective methodology to try to answer the question of why pop music appeals to many people. In contrast, I will draw on more systematically collected empirical material, analyzed in greater detail elsewhere, to provide an account of why and how people came to consume pop music, mainly in Western Europe (Dolfsma 1999, 1999b). More specifically, I analyze how the institutions of radio and the music press were involved in this "system of provision" (Fine and Leopold 1993). In the following, I will focus on the instances of institutional change that are best suited to explain and further develop the three different tensions elaborated upon above.

Pop music alludes to socio-cultural values that are highly modernist in nature. Novelty, speed, autonomy, independence, pleasure, success, and youth are important among those (Frith 1996, Dolfsma 1999). Up to the 1950s such values had not been extensively associated with music. This changed when contacts between Europe and the United States became closer and the direction of emulation started to be from the latter to the former. The Second World War, as well as the use of modern communication technology (radio), are important explanations of this. It appeared to an audience consuming music mainly through the radio and the music press that institutional changes were necessary. Rather than having to rely on the music that is selected by "experts" (i.e., outsiders, not part of the peer group), there is pressure for the institution of the chart to emerge. The chart points to the songs and artists that are successful and therefore deserve attention. Charts seem objective: the audience is now allowed to autonomously, independent from older people who want to teach it the right taste and manners, see their own choices reflected. Hence, a process of institutional change started to resolve this value tension by forming institutions that reflect the modernist socio-cultural values as associated with pop music. As suggested by Bush's principle of minimal dislocation, the process was gradual as parties tried to limit the (effects of the) changes as much as possible.

In the process in which pop music came to be the most important kind of music played on the radio, the role of the person presenting music to an audience changed

from a “presenter” to a “disc jockey.” A presenter for music programs on the radio would choose the music to be played, in an attempt to educate the audience. He or she would also have reverence for the music; shortening a song and talking through its introduction were offenses. Commercial influence was not allowed—this could take extreme forms. Playing songs from a chart constructed on the basis of sales figures therefore was not an option. Increasingly, the institutional context that allowed for programs to be produced without taking into account the concerns of their audiences came under pressure. Versions of the chart with not so obvious commercial overtones were experimented with, and the presenter gradually transformed into a disc jockey. Disc jockeys present themselves as part of the audience. They are *primus inter pares* in the sense that they will be heralded when they are able to be the first to play a song that has just been released—playing into the modernist socio-cultural values that are tightly associated with pop music. Criticizing songs that are played because they do not meet the modernist ideals for pop music was allowed. Disc jockeys thus proved their knowledge about the fast developments in the field, and their autonomy and independence in making judgments on them. They should, however, not move too far afield, losing their relations with their “peers.” The content of the institution of the presenter of a radio program featuring (pop) music changes—to the extent that this is the case, one may talk of value institutions tension arising. During a transition period, different types of institutions co-exist, referring to (partly) the same socio-cultural values. Their co-existence does, however, create tensions. In the case of the presenter/DJ of radio programs these tensions were felt by the presenters/DJs, the organizations for which they worked (i.e., broadcasters) as well as by the audiences.

In actual fact, this example of the DJ is a mixed case of institutions tensions and institution-value tensions. On one hand, the DJ had to do the same things in similar ways, referring to the same values as the presenter, and thus the changes were due to institution tensions that arose. On the other, the socio-cultural values all of the people *directly* involved in playing or consuming pop music in or through radio programs believed the disc jockey had to be referring to were different, modernist values associated with pop music, and thus the institution presenter/DJ itself was re-valued.

N. Anand and R. A. Peterson (2000) analyzed changes in the institutions through which information about the music market in the form of charts in the United States are compiled. Their analysis shows that institutions in this market are important for participants to make sense of the market, creating a shared focus of attention. To indicate how strong they believe the influence of these institutions is, they use the term “market information regime.” A change from a “chart position” type of chart as championed for a long time by Billboard to a “unit sales” one as introduced by Soundscape had a number of important effects for the music industry. It made comparisons across genres possible, it strengthened the position of the larger record labels/companies, and it created more possibilities for segmentation of the market. In addition, country music came to be represented stronger in the charts, while the charts themselves grew more volatile. Most importantly from the perspective of the argument developed here, however, is that

it was no longer possible to hide behind the known shortcomings of the previous Billboard system. When an artist was successful, he or she would invoke the Billboard chart to prove so; when not, he or she would point to its known faults. Most market information regimes have political overtones such as these attached to them and are subject to interpretation. Anand & Peterson (2000) described a pure case of institutions tension in the US music market, as socio-cultural values associated with the institution of the chart did not change. Changes only relate to the different way charts were being compiled, shaking up the instituted information regime of this market. In its purity as an institution tension, it is a rare case.

### ***Markets as—Instituted—Information Systems***

Institutions shape individuals' preferences and behavior, but only when they are seen to be legitimate. Institutions gain legitimacy when they relate to underlying socio-cultural values that are shared in a society. Theoretically, the Social Value Nexus develops the relation between institutions and the socio-cultural values that underlie them. The Nexus points to three kinds of tensions that are a source for institutional change. I analyzed the advent of pop music in terms of institutional changes to show that institutions mediate people's behavior and preferences. In this light, markets should be seen as instituted information fields. The way in which information is collected, disseminated, and interpreted is necessarily institutionalized. These institutions shape the behavior of individuals to a large degree but need to be perceived by participants as neutral and objective, even though participants may know about their political nature (Anand & Peterson 2000, 272). The Social Value Nexus developed here points to the inevitable role of socio-cultural values legitimizing institutions.

### **Notes**

1. See Geoffrey Hodgson (1993, 125, 253), who follows Veblen closely.
2. This is an expression from Pigou (1903) in a period when direct predecessors of what now is neoclassical economics did study consumption more, and study it more in social terms.
3. This touches on the ceremonial-instrumental valuation discussion in the institutional economics literature (e.g., Bush 1987) but does not relate to this element in the institutional economics discussion of institutions and institutional change explicitly. The result is that the close connection between values and institutions that is suggested in the institutionalist literature on ceremonial-instrumental valuation is loosened.
4. On the centrality of theories of value, yet the neglect in recent times of discussing, for economics see also Mirowski 1990 and Dolfsma 1997.
5. Valuation of concrete objects or situations may thus be in terms of money, too (see also Tool 1991), despite the admonitions of Hamilton (1987, 1549) that "no institutional theory of consumption would attempt to link value and price." As all institutionalists know, however, money and its use in a society are institutions as well, deriving its value from the social environment it is used in (e.g., Zelizer 1997). In the terms suggested by both Veblen (1909) and John Searle (1995): money is thus not a "brute" fact, but an "institutional" fact.

6. These elements provide one means by which to come to grips with the sometimes highly ephemeral phenomenon of culture (see also Mayhew 1987 and Wildavsky 1987).
7. "Interpretation" relates to discussions on such issues as knowledge, cognition, and learning. It would necessitate relating economic thought to the field of (social) psychology and, within sociology, symbolic interactionism particularly (Berger and Luckmann 1966); see works by Dolfsma (2001 and forthcoming). The concept of tension has not been developed to date, to the best of my knowledge. In this contribution I will not do so either. In lieu of "tension," Aaron Wildavsky (1987, 12) used the related concept of "distance."
8. Bush (1987, 1106) suggested a "principle of minimal dislocation," suggesting that institutions that are under pressure for change will change such that the effects of the change on the setting as a whole are minimized.
9. For lack of space, I will need to focus less on changing preferences and more on the mediating role of institutions. For a fuller analysis, see Dolfsma 1999.
10. I do not define pop music here as the kind of music that is most popular but as the fusion of black rhythm and blues and white folk music—as well as the sub-genres that sprang from this music afterward (Denisoff 1975).
11. To indicate the symbolic meaning of music: it is the form of culture that is most censored (*The Economist*, November 28, 1998, p.110). As Robert Lane (1987) argued, even a human activity that economists customarily perceive to yield disutility—work—does give people a sense of value, identity

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