

October 2005

# The Socioeconomics of Consumption: Solutions to the Problems of Interest, Knowledge, and Identity

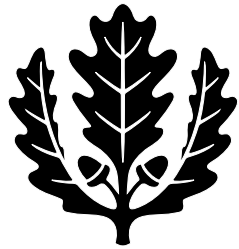
Metin Cosgel  
*University of Connecticut*

Follow this and additional works at: [https://opencommons.uconn.edu/econ\\_wpapers](https://opencommons.uconn.edu/econ_wpapers)

---

## Recommended Citation

Cosgel, Metin, "The Socioeconomics of Consumption: Solutions to the Problems of Interest, Knowledge, and Identity" (2005).  
*Economics Working Papers*. 200546.  
[https://opencommons.uconn.edu/econ\\_wpapers/200546](https://opencommons.uconn.edu/econ_wpapers/200546)



University of  
Connecticut

*Department of Economics Working Paper Series*

**The Socioeconomics of Consumption: Solutions to the Problems  
of Interest, Knowledge, and Identity**

Metin Coşgel  
University of Connecticut

Working Paper 2005-46

October 2005

---

341 Mansfield Road, Unit 1063  
Storrs, CT 06269-1063  
Phone: (860) 486-3022  
Fax: (860) 486-4463  
<http://www.econ.uconn.edu/>

This working paper is indexed on RePEc, <http://repec.org/>

## **Abstract**

This paper is a review of the socio-economic literature on consumption. Considering consumption as a social activity, it examines how consumption solves the problems of interest, knowledge, and identity. It also discusses the main themes and important contributions in each category and offers suggestions for further research.

**Journal of Economic Literature Classification:** A12, A13, A14, D1, D8

**Keywords:** consumption, socio-economics, interest, knowledge, identity

# **The Socioeconomics of Consumption: Solutions to the Problems of Interest, Knowledge, and Identity**

Consumption is a social activity. Although economics textbooks typically portray the choice of a consumption bundle simply as the solution to a constrained maximization problem with given preferences, social economists have variously expanded the basic theory of choice and offered alternatives to it based on insights from heterodox approaches and other disciplines. They have shown that consumption choices not only maximize utility but also display wealth, express beliefs, and maintain identity.

There are numerous comprehensive reviews of the enormous multidisciplinary literature on consumption.<sup>1</sup> Rather than aim a similar standard review of this literature, it would be more appropriate for this volume to adopt a distinct approach in evaluating socio-economic contributions. An approach that has been useful in studying various economic phenomena, helping to shed new light on old problems and to discover new problems for further exploration, is to view the economy as conversation. To sustain a coherent line of thought throughout the review, I adopt this approach in studying consumption and interpret previous socio-economic studies of consumption as investigations of behavior and institutions that contribute to these conversations. I organize these studies into a coherent whole and distinguish between conversations according to the type of problem they aim to solve. Identifying three types of conversations relevant to the study of consumption--solving the problems of interest,

---

<sup>1</sup> See, for example, Aldridge (2003), Deaton and Muellbauer (1980), Fine (2002), Kasser and Kanner, ed. (2004), Roth (1989).

knowledge, and identity-- I discuss the main themes and important contributions in each category and offer suggestions for further research.

## **CONSUMPTION AS CONVERSATION**

A productive line of research based on the rhetorical approach has been to adopt the metaphor of conversation in studying the economists and the economy. This approach has been useful to understand the literary character of economics and to show how economists use metaphors, stories, analogies, and various other rhetorical devices in scholarly discourse.<sup>2</sup> As a simple extension of this approach from the world of economists to the economy itself, the metaphor of conversation has also been adopted in studying various economic phenomena, including entrepreneurship, strategic communication, domestic economy, and herd behavior.<sup>3</sup> As McCloskey (1994: 367) has put it, “the economy, like economics itself, is a conversation.”

The metaphor of conversation has also been used explicitly in studying consumption.<sup>4</sup> Just as individuals engage in verbal conversations in the economy while bargaining for a price or negotiating a contract, they engage in nonverbal conversations while consuming goods and services. They map colors with gender by purchasing blue clothes for boys and pink for girls, tell stories about themselves by their choices of music and books, and project characters based on the use of cigarettes, alcohol, and drugs.

---

<sup>2</sup> Klamer (1983), McCloskey (1985), Klamer, McCloskey and Solow (1988).

<sup>3</sup> Coşgel and Klamer (1990), Farrel (1995), Gudeman and Rivera (1990), McCloskey and Klamer (1995), Shiller (1995).

<sup>4</sup> See, for example, Coşgel (1992, 1994, 1997), Douglas and Isherwood (1979), Fine (2002).

Conversations in the economy and culture include both verbal and non-verbal forms of communication.

The metaphor of conversation is sufficiently broad to encompass the socio-economic literature on consumption. Contributions to this literature may be viewed as efforts to understand different aspects of this conversation, though they may not have been labeled as such. Although significant differences exist among the studies of consumption, these differences reflect the types of conversations they study. By identifying the categories of these conversations, we can construct a coherent analytical framework to examine the literature systematically.

To identify conversations in the economy that share distinct features, let us classify them according to their purpose, the type of problem they aim to solve. Although not all conversations may aim to solve a problem, considering them as purposeful activities solving problems helps to construct an analytical procedure to distinguish between different types of contributions to the literature on consumption.

Conversations involving consumption can be categorized into three types.<sup>5</sup> Those in the first type aim to solve the problem of interest, how to align the incentives of the participants. The problem arises because people have their own interests, which often conflict with the interests of others. Conversations may resolve the conflict by allowing participants to talk about their motivations, recognize mutual interests, or reach agreements that will ensure mutually beneficial behavior.

Conversations of the second type deal with the problem of knowledge, how to align localized, dispersed information. Our actions often depend on information about

---

<sup>5</sup> See Coşgel (2005) for a similar classification used to understand differences between economics and anthropology.

the preferences, beliefs, plans, and behavior of others, information about how they will act and what they know or care about. The problem of knowledge arises because this information may not be readily available to everyone. Although the unavailability of information may be a problem in both types of conversations, the nature of the problem is categorically distinct between them. In the problem of interest the availability of information becomes a problem when individuals may withhold it strategically or reveal inaccurate information because of conflicting interests. The focus in the problem of knowledge is not on the desire to withhold the information but on the inability to obtain it easily. The problem remains even if interests do not conflict and individuals are willing to share the information voluntarily, because the information is dispersed and needs to be acquired through conversation.

Conversations of the third type deal with the problem of identity--how to align discrepancies between commitment and behavior. These conversations are different from others in that they may also take place within one's self. The problem arises because people may fail to deliver on their implicit or explicit commitments to various dimensions of their identity. A father may forget about his daughter's piano recital, a student may prepare insufficiently for an exam, or a religious person may miss the weekly service. Conversations with self or others may help to prevent these failures by reinforcing or reminding us of our commitments.

To see the difference between the three types, suppose you were able to hear some of the conversations taking place in a restaurant. In one table you might hear a conversation of the first type between a job candidate and the head of the search committee for an academic position discussing the qualifications of the candidate or the

match between their interests. A second type of conversation could be taking place in the next table between a group of old friends catching up with each other by talking about their families, new hobbies, or changing worldviews. Yet another table might witness a conversation of the third type while a devout Muslim explains to a friend his choice of orange juice over wine based on his religious beliefs.

Consumption is clearly an integral part of these conversations. Just as an individual would say something to join one of these conversations, his or her clothing, food, drink, jewelry, ornaments, make-up, hair style, and so on, also contribute to the conversation. The job candidate may wear a suit and tie, shave or trim his beard, and refrain from heavy alcohol during dinner. In catching up with each other, old friends learn new things from each other not only from their jokes and stories but also from their clothing, hairstyle, make-up, and recent choices of books, music, and movies. Similarly, given Islamic prohibitions on pork and alcohol and strict guidelines for some items of clothing, a Muslim's consumption patterns of food, alcohol, and clothing would make clear statements about the level of his or her religious commitment.

### **HOW CONSUMPTION SOLVES THE PROBLEMS OF INCENTIVES, KNOWLEDGE, AND COMMITMENT**

A common element of socioeconomic studies of consumption is their desire to escape the narrow confines of the standard neoclassical theory of choice. A well-known criticism of this parsimonious theory is that it strips analysis from its social dimension (Hirschman, 1985; Sen, 1977). It focuses on the moment of choice, the final outcome of a sequence that follows the preference - utility - demand path. Unsatisfied by this approach, social



economists have developed a significant body of research to broaden the standard theory by probing deeper into social influences on preferences and choice. Viewing the standard theory as void of social content, they have also developed alternatives informed by other disciplines and heterodox approaches.

The typology of conversations developed above can also be used to categorize the socioeconomic approaches to consumption. These studies have variously contributed to our understanding of how consumption contributes to a conversation. Because they have emerged from a variety of concerns, approaches, and disciplinary backgrounds, they have naturally focused on different types of conversations. By grouping them according to the types of conversations they study, we can examine their place in a coherent whole, view old ideas under a new light, and identify their strengths and weaknesses.

### **1. The Problem of Interest:**

The first set of socioeconomic approaches study how consumption contributes to conversations solving the problem of interest. The basic problem here is that someone may possess private information that might be of interest to others but there may be no easy way to reveal it to them. The most obvious case is when an individual has information which he has no incentive to share freely and truthfully with others. But the problem may persist even when the informed would gain from making the information known to others and the uninformed would gain from learning it. This would be the case when there is no cost to revealing incorrect, misleading information. In particular, verbal self-serving claims may not be credible (Farrel, 1995).

Although uttering words may be cheap, transitory, and unverifiable, consuming goods is usually costly, lasting, and directly observable. Social economists have

identified various types of consumption behavior and institutions that provide solutions to the problem of interest by allowing individuals to find more credible ways to convey the information. There are two general ways in which consumption can help to solve the problem of interest, depending on whether the speaker or the listener takes the lead for the revelation of private information. It can either help the informed party to talk credibly to the uninformed, or help the uninformed to elicit verifiable statements from the informed. The former is called signaling in the general literature on incentives, and the latter is called screening.

In the signaling type of solutions to the problem of interest, the privately informed individuals take the lead by choosing observable consumption items that reveal the information to others. A wealthy person may buy an expensive car, live in an outwardly expensive-looking home, and wear expensive clothing and jewelry, not necessarily because he has a preference for them but because these items credibly signal his wealth. In his classic analysis of the “leisure class” in the late nineteenth century, Veblen (1899) introduced the term “conspicuous consumption” to describe this type of behavior, insisting that “an expenditure to be reputable it must be wasteful.” (Veblen, 1899: 97) Systematic analysis of this phenomenon has a long and distinguished history, including early contributions by Smith (1776) and Rae (1834).<sup>6</sup> Extensions and implications of the behavior have also been discussed in formal models of status signaling (Spence, 1974: chapter 8; Ireland, 1994), consumption externalities (Leibenstein, 1950), and positional goods (Hirsch, 1976; Frank, 1985).

---

<sup>6</sup> For the history of conspicuous consumption in economic and social thought, See Mason (1981: chapter 1).

The second set of solutions to the problem of interest, called screening, refer to the activities taken by an uninformed individual to elicit reactions from informed individuals that will cause them to separate themselves into categories or reveal private information. A modest or socially conservative individual trying to decide whether to go out on a blind date may ask the potential mate if he would rather meet in a bar or a coffee shop to determine his type from his consumption habits. Some of the consumption norms prescribed by religions may be interpreted as screening mechanisms. Viewing religion as providing various benefits subject to free-rider problems and noting the difficulty of separating devout believers from imitators, Iannaccone (1992) has argued that various dietary restrictions and consumption guidelines that might seem bizarre to an outsider actually serve the function of screening out imitators. Although there may be various other circumstances where consumption may cause individuals to separate themselves into groups along some revealing dimension, the nature and consequences of this type of phenomena have not been systematically studied to my knowledge.

## **2. The Problem of Knowledge:**

Economists are generally familiar with the problem of knowledge through Hayek's pioneering work on the properties of the market system (Hayek, 1948). All economies face the basic problem of how to coordinate activities, how to determine who should use which resources and technology to produce what and for whom. A fundamental component of achieving effective coordination is that the required information on tastes, technology, resources, and so on, is not freely available to everyone. The cost varies according to the type of mechanism used to solve the problem. Whereas in a command economy the dispersed information must somehow be transmitted to the central authority

through a costly process, the market system can solve the coordination problem more effectively by economizing on information demands, because prices summarize all the relevant information. In an ideal market system individuals need to know only their own tastes, skills, and the prevailing prices.

The problem of knowledge exists in a broader sense than the coordination of production because in a changing world various constraints on the human capacity to learn, reason, and remember make it difficult for us to acquire the localized, dispersed knowledge that we need even for ordinary decisions. As a typical example, consider the problem of deciding which side of the road to drive. To avoid a head-on collision, you need to know the lane preferences of the cars coming from the other direction. The problem in this type of a situation is not that individuals have an incentive to withhold the required information or state it inaccurately but that it can be extremely costly for others to acquire it.

The solution to the problem in the driving example is for everyone going in one direction to drive on the same side of the road and those going in the other direction to drive on the opposite side, a convention that cheaply substitutes for the required knowledge. One of the significant accomplishments of social economists has been to show how various similar norms, conventions, and other formal and informal institutions such as the law, money, price system, and property rights, provide solutions to the problem of knowledge.<sup>7</sup>

---

<sup>7</sup> For further discussion and examples in various disciplines, see Geertz (1983), Knudsen (2004), Langlois (1986, 1993), North (1990), Sowell (1980), and Sugden (1989).

Consumption institutions also help to solve the problem of knowledge. They do this by fulfilling a dual function. They provide knowledge not only to the consumer but also to the audience about the meanings of goods, knowledge they need to encode and decode messages. Consumption institutions regulate communication by constraining and facilitating consumption. As constraints, they restrict the range of choices for the consumer in encoding a message and the range of interpretations of the message by the audience. As facilitators, they substitute for extensive reasoning and deliberation, thus abbreviating the knowledge required for decisions and interpretations (Coşgel, 1997).

Clothing and grooming conventions, for example, provide knowledge. Males and females typically follow different patterns in most societies, reducing the difficulty of determining the gender of others. Mapping colors with gender (e.g., blue for boys and pink for girls) in children's clothing, for example, makes it easier to differentiate between boys and girls. Similar dress codes, such as to wear formal attire for certain occasions and casual for others, also solve the problem of knowledge by providing the shared categories of communication. These norms and conventions work by constraining the range of choices available to consumers and economizing on their knowledge requirements by reducing the need for extensive information, reasoning, and memory.

The problem of knowledge has been an important theme in consumer studies and the sociological and anthropological studies of consumption. A common starting point in these studies is to view goods as a system of communication. As Douglas and Isherwood (1979: 95) argue, "Man needs goods for communicating for others and for making sense of what is going on around him." Similar to words, items of personal consumption make statements. A consumer's emotions, personality, ideas, beliefs, and so on find expression

in a consumption bundle. Combining insights from a variety of disciplines, McCracken (1990) considers the mobile quality of meaning and provides a theoretical account of the structure and movement of the cultural meaning of consumer goods. Applying some of these insights to economics, Coşgel and Minkler (2004b) discuss how religious consumption norms help to solve the problem of knowledge.

### **3. Problem of Identity:**

Standard economic theory is an exception among social sciences in its longstanding neglect of the concept of identity. Consistent with its central role in contemporary society, identity is a fundamental concept in sociology, psychology, anthropology, and other social sciences. It has been shown to affect various social outcomes, such as ethnic conflicts, sports team loyalty, gender discrimination, and religious behavior. Standard economic models of behavior, however, have generally ignored the influence of identity on behavior and outcomes. These models have typically considered individuals as represented by preferences, assumed to be given, smooth, independent, and unproblematic. The determinants of preferences and their relationship to identity are left outside of analysis.

Although standard economic models have historically failed to consider the influence of identity, some of the recent studies have sought to incorporate identity explicitly into economic models of behavior by using insights from other disciplines (Akerlof and Kranton, 2000, 2002). Identity has also been the focus of attention in some

methodological debates and heterodox approaches to economic behavior. These studies share a concern with the sources, dimensions, and implications of identity, considering it in relation to conceptions of individual, commitment, and integrity. In philosophical discussions of integrity, for example, having integrity is typically conceptualized as having commitments that define an individual's identity, sense of self (Coşgel and Minkler, 2004a).

The problem of identity arises when there is a discrepancy between the committed and displayed behavior. An individual may violate a commitment for a variety of reasons, including errors of judgment and weakness of will. One may be committed to a cause or person or a moral or religious principle, but find him or herself do things that conflict with the commitment and sense of self.

To solve the problem of identity, individuals engage in conversations with self and others that help to prevent or remove the conflict. Consumption, of course, is an important part of these conversations, helping to maintain identity by telling others and reminding ourselves of our commitments. The consumption of ornaments and religious symbols, for example, serve this function. Patterns of consumption based on age, ethnicity, gender, and other dimensions of identity also help to align commitment and behavior. The problem of identity suggests that individuals choose items of consumption not just to align interests or to communicate dispersed information, but also to maintain a sense of self.

Consistent with the absence of the concept of identity in mainstream economics, the problem of identity is also typically ignored in standard theories of consumption, where

the individual is represented by his or her subjective preferences and single utility. Recognizing the limitations of the standard theory, a significant body of research has developed over time that has studied the concept of the individual and the relationship between identity and consumption choices from a variety of perspectives. This literature can be divided into two groups: those maintaining the basic framework and revising conceptions of preferences and utility, and others going beyond the basic framework and considering the individual as socially embedded.<sup>8</sup>

Studies in the first group preserve the basic framework of the independent individual in standard theory of choice but complicate analysis by considering multiple selves. The starting point in this type of analysis is to consider identity as consisting of a collection of selves. The problem is formalized in terms of the internal structure of preferences and by asking how this collection can be treated as a single unity.

The relationship between the subsets of preferences has been formalized in various ways. Perhaps the oldest way of thinking about the problem of multiple selves, dating back at least to the ideas of Plato and Aristotle, is to formulate the problem as the weakness of will. This refers to a situation when an individual somehow chooses the less desired of the available options. More recently, the weakness of will has been explained by Elster (1979) as the time inconsistency of preferences and by Davidson (2001) as having competing actions that the individual ought to perform.<sup>9</sup>

---

<sup>8</sup> This division parallels Davis' (2003) excellent review of the literature on the individual in economics.

<sup>9</sup> See also Elster (1986) for a collection of different perspectives on multiple self.



The problem has also been formalized in terms of a hierarchical organization of preferences. In a pioneering work that links identity with intentionality, Frankfurt (1971) has viewed the ability to form a ranking of intentions and being able to detachedly evaluate first order intentions (e.g., beliefs and desires) as the distinguishing characteristic of us as individuals. Sen (1977) has similarly used the concept of metapreference to solve the problem, arguing that individuals have higher order preferences (metapreferences) over the first-order preferences used in ranking bundles of goods. More recently, George (2001) has used the concept of second order preference to examine preference pollution, the struggle against market influence on unpreferred preferences.

The literature on multiple selves is voluminous, including various other interesting, creative ways of dealing with the problem. These include Harsanyi's (1955) "subjective" and "ethical" preferences, Thaler and Shefrin's (1981) principal-agent view of the internal structure of the individual (based on an analogy to the internal structure of the firm), Schelling's (1984) concept of "self-command," and Khalil's (2004) view of the self as a "complex entity".

There are, however, well documented problems with the preference-based models of multiple selves as revisions of the standard theory of choice. The most important is that by preserving the basic framework, these studies leave open the question of how exactly to aggregate choice across the collection of selves. The problem of a conflict within self is essentially an intrapersonal choice problem, analogous to the problem of collective choice involving a collection of separate individuals. This, of course, makes this

framework subject to the same type of problems identified in Arrow's impossibility theorem.<sup>10</sup>

The second group of studies dealing with the problem of identity rejects the atomistic view of individuals and considers the interdependence and social relationship between them. Although mainstream economists have recently taken important steps in this direction, much of the literature on the socially embedded individual in economics has come from heterodox approaches. Various ideas have been proposed to explain how being in a society would influence an individual's identity and consumption choices. Kuran (1995) has argued that individuals may display different behavior in public than in private because of reputational concerns faced in society. An influential perspective has been to add a social dimension to the hierarchical dual-self view by considering individuals as possessing first and second-order preferences that can be reflexive and socially constructed. Etzioni (1988) has proposed an "I&We" paradigm for the study of economic behavior based on the assumption that people have two sources of valuation: pleasure and morality. He assumes that humans are able to pass moral judgments over their urges, choosing primarily on the basis of emotions and value judgments and rendering decisions not as independent individuals but as members of collectivities. Lutz and Lux (1987) have similarly developed a paradigm of humanistic economics based on the dual-self theory of human personality, aiming for a more complete image of the person that posits the presence of mutual interest in addition to self-interest. Institutional economists have long maintained the view of the individual as socially constituted, generally maintaining closer links with methodological holism in explaining behavior.

---

<sup>10</sup> For details, see Davis (2003: Chapter 4).

There have been numerous other approaches to social embeddedness, variously showing how identity and choice are influenced by such phenomena as gender (Folbre, 1994), religiosity (Coşgel and Minkler, 2004a), socio-cultural values (Dolfsma, 2004), and reflexive capacities (Hargreaves Heap, 2001).

Although explanations based on the narrow, extreme variants of the atomistic and embedded views of individuals have been biased and unsatisfactory, the literature has evolved toward a more sophisticated view of the individual identity by combining insights from both variants.<sup>11</sup> While trying to escape the limitations of the concept of atomistic individual, some of the earlier studies of social embeddedness may have made the mistake of going to the other extreme by committing the equally narrow and problematic perspective of social determinism and leaving out the individual altogether. More recent studies, however, have consciously sought to maintain a desirable balance between these views, examining individual actions within social constraints but without making those constraints the sole determinant of behavior. In parallel methodological terms, this has meant to steer away from narrow variants of both holism and individualism. Consistent with other pluralistic developments recently observed in social sciences (e.g., the spread of New Institutionalism in mainstream economics and also across other disciplines), successful explanations have been grounded in not just atomistic individuals and universal forces but also politics, culture, history, and society.

---

<sup>11</sup> Davis (2003: 189-90) argues that the evolution of ideas in the two traditions have gone in different directions.

## NEW DIRECTIONS

It will not have escaped the reader's attention that some of the leading contributions to the literature on consumption have an interdisciplinary flavor. Consumption is a subject that cuts across various disciplines, each bringing its own perspective and capabilities that have been developed over time through the division of labor. These contributions show how the benefits of specialization reach beyond a discipline, as new ideas and methods are cross fertilized into other disciplines. Such cross fertilizations have recently been the genesis of some of the most innovative recent developments in the social sciences. As Dogan and Pahre (1990: 1) argue, "innovation in the social sciences occurs more often and with more important results at the intersections of disciplines." Scholars have spread the benefits of specialization across disciplinary boundaries by exporting their own refined ideas, methods, and perspectives to other disciplines and by importing useful developments from others. I believe successful developments in the study of consumption will also come increasingly from cross fertilizations between economics, sociology, anthropology, social psychology, marketing, and other disciplines.

Economists have variously borrowed the products and technologies of other disciplines for cross-fertilization. They have followed developments in mathematics and statistics closely, borrowing freely to improve their own techniques of mathematical proofs and quantitative analysis. They have also borrowed from business and social sciences, developing such subfields as financial economics, demographic economics, and political economy. Specialization has also led to various sorts of lending from economics to other disciplines, economists crossing disciplinary boundaries to contribute

to developments in other disciplines or to create new subspecialties at the cross-sections of two or more disciplines (Dogan and Pahre, 1990). This type of cross fertilization has allowed disciplines to extend their conventional boundaries by identifying fertile areas where narrow applications of the traditional tools and concepts of other disciplines have proven inadequate or incomplete. Economics has extended into law, history, and sociology, leading to the establishment and development of various subdisciplines, such as economics of the law, economic history, and rational choice sociology.

Although it is of course difficult to forecast the future of intellectual developments, the interdisciplinary nature of consumption studies and recent patterns in this and other fields of economics suggests that significant developments will be in the form of cross-fertilizations. This can happen in at least two ways. The first is to strengthen established trade links between disciplines that have proven particularly suitable for cross-fertilization. There are various established trade flows in the socio-economic studies of how consumption contributes to the three categories of conversations, as can be seen from the origins of the leading contributions to each literature. Based on their comparative advantage, economists have dominated the study of conversation of the first type. Specialized in the study of incentives, they have focused on the problem of interest, exporting their ever improving products to other disciplines. Researchers in anthropology, sociology, and consumer studies have excelled in studying conversation of the second type. Following the pioneering contribution of Mary Douglas and others, they have produced and exported various new theoretical insights and applied field research on how consumption contributes to solving the problem of knowledge. Leadership in studying the third type of conversations has come primarily from

philosophy, sociology, and social psychology. Traditionally specialized in studying how morality, commitment, community, and similar phenomena affect behavior, they have exported various tools, concepts, and ideas to the study of how consumption solves the problem of identity.

Analogous to importers and exporters of consumer goods and production technologies, economists would do well to invest in trade relationships to improve their products and the well-being of their discipline. This means to improve their own products not only for their own consumption but also for better marketability and applicability to the demands of other disciplines. Specialization, after all, makes sense only if it aims trade, and specialization for its own sake without due regard for others' use risks losing market share. Investing in trade relationships also means to keep abreast of new developments in other disciplines in order to identify better imports. By identifying a new theoretical development or finding a more suitable technique in another discipline, an economist would be better able to improve existing socio-economic studies of consumption.

The second type of significant development in socio-economic study of consumption can be in the form of establishing new trade routes with other disciplines by identifying underdeveloped or entirely new areas for cross fertilization. Insights from other disciplines can be used in numerous ways to push the boundaries of our knowledge of the economy as a whole. Possibilities include the extension of the coverage of previous path breaking studies to other topics and the use of new tools, concepts, and theories recently developed in other disciplines. This may mean to go beyond the old-fashioned ideas that have failed to sustain productive cross-fertilizations for the socio-

economic study of consumption and to look for new developments in other disciplines for inspiration. Given continual changes in social sciences, emergence of new specializations and subdisciplines, and the growth and development of new research tools and techniques, opportunities for trade are always changing as well. Another possibility is to look for opportunities for interdisciplinary collaboration. Rather than import or export ideas (indirectly and through an intermediary), one way to gain the benefits of specialization and cross-fertilization more directly is for economists to collaborate with scholars in other disciplines.

The categorization used here in reviewing the literature should itself help to identify new lines of research or to provide novel perspectives on old questions. For example, viewing consumption as conversation suggests a new approach in studying preference change. Notwithstanding the well-known argument of Stigler and Becker (1977) urging economists to consider preferences as given and avoid preference-based explanations, economists have variously joined the effort to explain how and why preferences change. The recent literature on the subject includes the contributions of Dolfsma (2004), George (2001), and Karni and Schmeidler (1990). Viewing consumption as conversation, we can approach preference change in relation to changes in the topic, audience, or the setting of the conversation, forcing a change in statements and arguments.

Viewing consumption as conversation also provides a novel way to examine the relationships between disciplines and suggests new forms of interdisciplinary interaction. There are interesting parallels between some types of conversations, pointing toward potential areas of common research. Conversations dealing with the problems of

knowledge and identity, for example, intersect when the conversation is about the communication of identities. By exploring such commonalities, it may be possible to identify areas for collaboration or cross fertilization between disciplines.

Identifying commonalities and differences in the conversations of interest should also help to understand the relationship between the mainstream and heterodox approaches to economics. These approaches need not be in conflict with each other if their primary focus is on different types of conversations. Heterodox approaches have historically shown a greater interest in studying conversations dealing with the problems of knowledge and identity than those dealing with the problem of interest. Austrian economists, for example, have been more interested in the problem of knowledge than others, while mainstream economists have shown little interest in the problem (either assuming it away based on the assumption of perfect information or restricting it to informational asymmetries related to the problem of interest). Differences between the orthodox and heterodox approaches to economics may have more to do with their ranking of the importance of conversations than different ways of studying these conversations. This can be seen in the recent success of New Institutional Economics, whose leading proponents have borrowed selectively from the tools and concepts of orthodox economics to study their own, often different, conversations and at the same time maintained a pluralistic attitude toward other approaches that have proven better suited to the study of some phenomena. The socio-economic studies of consumption might benefit more from approaches that seek out areas of potential complementarity and cross-fertilization between the orthodox and heterodox approaches to economics, rather than those that



merely highlight areas of fierce competition. There is much here for future researchers to explore and expand.

## REFERENCES

- Akerlof, George A. and Rachel E. Kranton. 2000. "Economics and Identity," *Quarterly Journal of Economics* 105(3): 715-53.
- Akerlof, George A. and Rachel E. Kranton. 2002. "Identity and Schooling: Some Lessons for the Economics of Education," *Journal of Economic Literature* 40: 1167-1201.
- Aldridge, Alan. 2003. *Consumption*. Cambridge, UK: Polity Press.
- Coşgel, Metin M. 2005. "Conversations between Anthropologists and Economists," paper presented at the Rhetoric Culture Conference in Mainz, Germany, July, 2005.
- Coşgel, Metin M. 1992. "Rhetoric in the Economy: Consumption and Audience," *Journal of Socio-Economics* 21: 363-77.
- Coşgel, Metin M. 1994. "Audience Effects in Consumption," *Economics and Philosophy* 10: 19-30.
- Coşgel, Metin M. 1997. "Consumption Institutions," *Review of Social Economy*, 55(2): 153-71.
- Coşgel, Metin M. and Arjo Klamer. 1990. "Entrepreneurship as Discourse," Unpublished Manuscript.
- Coşgel, Metin M. and Lanse Minkler. 2004a. "Rationality, Integrity, and Religious Behavior," *Journal of Socio-Economics* 33: 329-41.
- Coşgel, Metin M. and Lanse Minkler. 2004b. "Religious Identity and Consumption," *Review of Social Economy*, 33(3): 329-341.
- Davidson, Donald. 2001. *Essays on Actions and Events*. Oxford: Clarendon Press.
- Davis, John. 2003. *Theory of the Individual in Economics* NY: Routledge.
- Deaton, Angus and John Muellbauer. 1980. *Economics and Consumer Behavior*. New York: Cambridge University Press.
- Dogan, Mattei and Robert Pahre. 1990. *Creative Marginality: Innovation at the Intersections of Social Sciences*. Bouldre: Westview Press.
- Dolfsma, Wilfred. 2004. *Institutional Economics and the Formation of Preferences*. Northampton, MA: Edward Elgar.
- Douglas, Mary and Baron Isherwood. 1979. *The World of Goods*. New York: Basic Books.
- Elster, Jon, ed. 1986. *The Multiple Self*. New York: Cambridge University Press.
- Elster, Jon. 1979. *Ulysses and the Sirens*. New York: Cambridge University Press.
- Etzioni, Amitai. 1988. *The Moral Dimension*. New York: The Free Press.
- Farrell, Joseph 1995. "Talk is Cheap," *The American Economic Review*, 85(2): 186-190.
- Fine, Ben. 2002. *The World of Consumption*. Second Editon. New York: Routledge.

- Folbre, Nancy. 1994. *Who Pays for the Kids?: Gender and the Structures of Constraint* New York: Routledge
- Frank, Robert H. 1985. *Choosing the Right Pond: Human Behavior and the Quest for Status*. Oxford: Oxford University Press.
- Frankfurt, Harry G. 1971. "Freedom of the Will and the Concept of a Person," *Journal of Philosophy* 68: 5-20.
- Geertz, Clifford. 1983. *Local Knowledge*. New York: Basic Books.
- George, David. 2001. *Preference Pollution*. Ann Arbor: The University of Michigan Press.
- Gudeman, Stephen and Alberto Rivera. 1990. *Conversations in Colombia : The Domestic Economy in Life and Text*. New York: Cambridge University Press.
- Gudeman, Stephen and Alberto Rivera. 1990. *Conversations in Colombia : The Domestic Economy in Life and Text*. New York: Cambridge University Press.
- Hargreaves Heap, Shaun. 2001. "Expressive Rationality: Is Self-Worth Just Another Kind of Preference?" in Uskali Mäki, ed. *The Economic World View*. Cambridge: Cambridge University Press, pp. 98-113.
- Harsanyi, John C. 1955. "Cardinal Welfare, Individualistic Ethics, and Interpersonal Comparisons of Utility," *Journal of Political Economy* 63: 309-21.
- Hayek, Friedrich. A. 1948. *Individualism and Economic Order*. Chicago: University of Chicago Press.
- Hirsch, Fred. 1976. *Social Limits to Growth*. Cambridge: Harvard University Press
- Hirschman, Albert O. 1985. "Against Parsimony," *Economics and Philosophy* 1: 7-21.
- Iannaccone, Laurence R. 1992. "Sacrifice and Stigma: Reducing Free-Riding in Cults, Communes, and other Collectives." *Journal of Political Economy* 100 (2): 271-292.
- Ireland, N.J., 1994. "On Limiting the Market for Status Signals," *Journal of Public Economics* 53, 91-110.
- Karni, Edi and David Schmeidler. 1990. "Fixed Preferences and Changing Tastes," *American Economic Review* 80(2): 262-67.
- Kasser, Tim and Allen D. Kanner, eds. 2004. *Psychology and Consumer Culture*. Washington, DC: American Psychological Association.
- Khalil, Elias. 2004. "The Gift Paradox: Complex Selves and Symbolic Good," *Review of Social Economy* 33(3): 379-92.
- Klamer, Arjo, Deirdre N. McCloskey and Robert Solow, editors. 1988. *The Consequences of Economic Rhetoric*, New York: Cambridge University Press.
- Klamer, Arjo. 1983. *Conversations with Economists*, Totowa: Rowman and Allanheld.
- Knudsen, Christian. 2004. "Alfred Schutz, Austrian Economists and the Knowledge Problem," *Rationality and Society* 16(1): 45-89.
- Kuran, Timur. 1995. *Private Truths, Public Lies*. Cambridge, MA: Harvard University Press.
- Langlois, Richard N. 1986. *Economics as a Process*. New York: Cambridge University Press.

- Langlois, Richard N. 1993. "Orders and Organizations: Toward an Austrian Theory of Social Institutions," in B. Caldwell and S. Böhm, (eds) *Austrian Economics: Tensions and new Directions*, Dordrecht: Kluwer Academic Publishers.
- Leibenstein, Harvey. 1950. "Bandwagon, Snob, and Veblen Effects in the Theory of Consumers' Demand," *Quarterly Journal of Economics* 64: 183-207.
- Lutz, Mark A. and Kenneth Lux. 1988. *Humanistic Economics*. New York: The Boostrap Press.
- Mason, Roger S. 1981. *Conspicuous Consumption: A Study of Exceptional Consumption Behavior*, New York: St. Martin's Press.
- McCloskey, D. N. 1985. *The Rhetoric of Economics*, Madison: The University of Wisconsin Press.
- McCloskey, Deirdre and Arjo Klamer. 1995. "One Quarter of GDP Is Persuasion" *American Economic Review* 85(2): 191-95.
- McCloskey, Deirdre N. 1994. *Knowledge and Persuasion in Economics*, Cambridge: Cambridge University Press.
- McCracken, Grant. 1990. *Culture and Consumption*. Bloomington: Indiana University Press.
- Rae, John. 1834. *Statement of Some New Principles on the Subject of Political Economy: Exposing the Fallacies of the System of Free Trade, and of Some Other Doctrines Maintained in the "Wealth of Nations"*. Boston : Hillard, Gray, and Co.
- Roth, Timothy. 1989. *The Present State of Consumer Theory*. New York: University Press of America.
- Schelling, Thomas C. 1984. *Choice and Consequence*. Cambridge, MA: Harvard University Press.
- Sen, Amartya. 1977. "Rational Fools, A Critique of the Behavioral Foundations of Economic Theory," *Philosophy and Public Affairs* 6: 317-344.
- Shiller, Robert J. 1995. "Conversation, Information, and Herd Behavior," *The American Economic Review*, 85(2): 181-185.
- Smith, Adam. 1976. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Originally published in 1776. Oxford: Oxford University Press.
- Sowell, Thomas. 1980. *Knowledge and Decisions*. New York: Basic Books.
- Spence, A. Michael. 1974. *Market Signaling, Information Transfer in Hiring and Related Processes*. Cambridge: Harvard University Press.
- Stigler, George. J. and Gary S. Becker. 1977. "De Gustibus Non Est Disputandum," *The American Economic Review* 67: 76-90.
- Sugden, Robert. 1989. "Spontaneous Order," *The Journal of Economic Perspectives* 3(4): 85-97.
- Thaler, Richard and H. M. Shefrin. 1981. "An Economic Theory of Self-Control," *Journl of Political economy* 89: 392-406.
- Veblen, Thorstein. 1899. *The Theory of The Leisure Class*. London: Allen and Unwin.