Institut für Regional- und Umweltwirtschaft
Institute for the Environment and Regional Development

Wolfgang Fellner, Clive L. Spash

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INTRODUCTION

In today's market economy the politics of neoliberalism dominate. A central weapon in the formidable armoury of economists sympathetic to the neoliberal agenda is that of the sovereign consumer. This encapsulates in one simple analogy the idea that individual's can command the organisations composing an exchange market to do what they want, as a monarch might command their troops in the field of battle. On the simple expression of demand by the consumer the mechanism of the market will respond, resources will be reallocated and goods and services will be supplied.

In this consumer driven world of mainstream economists there are only two actors, firms and consumers, who operate in a market which is idealised as being free of government (by state or any other authority). The political economy of the real world is a little more complex than that. Markets themselves are constructed in many different ways involving various institutional arrangements (conventions, norms and rules). Markets are constituted of formally sanctioned rules that are enforced and maintained by government. The rules are manipulated and changed by national vested interest groups and authorities (e.g. union, employers federation, city council, health and safety, advertising and trading standards) and international organisations (e.g., The World Bank, World Trade Organisation, multi-national corporations) in accord with their own interests and their power to enforce those interests. The economy is inseparable from this world of power, so there is only a political economy.

Behind the power game lies the supportive discourse of academic economists providing the rhetoric, concepts and formal arguments that power players use to assure others that free market institutions are the best means of operating human society. Government, as a major potential player, then needs to be made subservient to the interests of the market players, primarily corporations. This is the new industrial state of Galbraith (2007 [1967]) that today has been realised in a new form. For now we have both his technostructure empowered and the neoliberal coupe of a hollowed out state (Rhodes, 1996).

In order to explore the role of consumer sovereignty in this complex we take a critical and analytical history of thought approach to tracing the development of the concept. This allows us to gain a better understanding of how the initial analogy has been reinterpreted over time and used for different purposes to support alternative ideological positions. More specifically we trace out three arguments (political instrumental, market ideal and economic instrumental) that have been used to support the importance of maintaining that consumers are sovereigns in the market economy. These arguments are associated with three forms of political economy namely, those of classical liberalism, Austrian and Neoclassical economics. The development of consumer sovereignty in a classical liberal political tradition have facilitated a close association with Austrian economics encouraging some merging of positions. Neoclassical economists hold a somewhat distinct role for consumer sovereignty as a desirable instrumental means for achieving economic efficiency backed by rational choice theory.[1] This allows for government intervention in the neoclassical economics tradition, i.e. as guarantor of consumer rights and the smooth operation of the price mechanism, often contra corporate power. However, despite some fundamental differences, all three arguments can be seen as combining to support neoliberalism and the current economic faith in a corporate capitalist market system. Internal contradictions merely obscure meaning and provide a shield rather than a weakness. Neoliberalism then creates a mist of self belief through which criticism cannot easily penetrate. This position is maintained in spite of, and in fact has been bolstered by, the recent financial crisis (Mirowski, 2013).

In the following section we start by sketching out the historical context of economic thought from which consumer sovereignty arose. Next we explore the three positions mentioned above. These are explained as involving three distinct roles for consumer sovereignty: as a political instrument, a market ideal, and an instrument of economic efficiency. Neoliberalism is noted as having combined aspects of all three positions gaining allegiance from members of all three camps. Next we investigate arguments as to why consumers are not sovereign in a capitalist market economy. This raises the need to distinguish between choices and preferences, the place of consumers in the structure of real modern economies, and the power others (e.g. producers, state) have over consumer preferences. We conclude by drawing out some lessons for the needed transformation of society away from the capitalist market

[1] Rational choice theory basically reduces all decisions down to the individual regarded as a consequential calculating machine that judges the best action on the sole basis of personal interest, i.e. homo œconomicus.

exchange model of political economy and towards a socially just, environmentally harmonious political economy.

THE DEVELOPMENT OF MODERN POLTICAL ECONOMY

Classical economists recognised the production of goods and services was not an end in itself, although producers might seek to profit at the consumers expense (e.g. via protectionism under a mercantilist system). Thus Adam Smith (1976 [1776] p.877) wrote:

> "Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer. The maxim is so perfectly self evident that it would be absurd to attempt to prove it. But in the mercantile system the interest of the consumer is almost constantly sacrificed to that of the producer; and it seems to consider production, and not consumption, as the ultimate end and object of all industry and commerce."

However, Smith's theoretical exploration did not revolve around a the fulfilment of the unlimited interests of consumers, utilitarianism or maximising hedonic pleasures. For him, the legitimacy of a liberal market economy was based on providing superior results under conditions where people's behaviour is fundamentally subject to moral constraints (Smith, 1982 [1759]). Economic policy analysis could then be seen as a search for a system that could provide the material basis for a moral society. In contrast modern economics moved to supporting the unquestioned individual preference-based desire to consume ever more. That later position appeals to the hedonism of David Hume which became encapsulate in the utilitarianism of Bentham that then was adopted and adapted by Neoclassical economists.

Nevertheless, the predominant focus of classical economics was to expand production. In the real world capital accumulation and the spread of the market was causing major transformations (Polanyi, 1944). The second half of the 19th Century was characterised by serious social and political struggles. Class conflict became a direct battle between capitalist factory owners and workers unions (Screpanti and Zamagni, 2001). Political economy in general and the labour theory of value in particular were under heavy attack of liberal economists who could point to the writings of Marx (1867), and Romantic socialist thinkers such as Morris (1993 [1890]) and Ruskin (1907 [1862]), as providing the fuel for political discontent and social tensions.

In this context one group of economists wanted to free the profession from politics and ethics and instead make it into a scientific objective theory. As a result, during the marginalist revolution of the 1870s, the way in which power was conceived within economics became substantially altered. Utility theory replaced the labour theory of value and made consumerism a core concept of Neoclassical economics. The new Neoclassical economists formulated their models as direct analogies of classical mechanics (Mirowski, 1989), and converted economics from an ethical to an engineering profession (Sen, 1987). They employed Rene Descarte's philosophy of science, his deductive epistemology and belief in universal mechanistic laws. Firms were conceived as isolated mechanical profit maximizing devices. Consumers were now the atomistic utility maximising elements to which all else could be reduced and of which all else was merely an aggregate.

Neoclassical economists wanted to claim for their subject the status of physics as an objective truth revealing science. Mirowski (1989) documents how this was carried out in a crude fashion by substituting economic variables directly into mechanical equations. Perhaps this is not surprising given that a key founder, William Stanley Jevons, was an engineer. Such an approach clearly paid little attention to any distinguishing features of economic or social reality which became analogous to a man-made machine. Marginal utility theory and homo œconomicus averted attention from unpleasant social problems. The new economics appeared as factual rather than a set of contentious and ideologically loaded metaphysical presuppositions and inappropriate metaphors. This allowed the deletion of concepts like social class, labour power, exploitation and surplus in the interests of proprietors (Screpanti and Zamagni, 2001). Economics was now on the road to becoming a value-free science.

While Smith's political economy was deeply rooted in the moral philosophy of the Stoics (Raphael and Macfie, 1982 pp.5-10), the marginalist revolution soon led to the divorce of economics from politics and power and also any affiliation with moral or ethical questions. Here the British empiricists approach to science was adopted with its belief in a naive objectivism denying the need for conceptual interpretation and ontology. This was facilitated by adopting David Hume's fact-value dichotomy now encapsulated in the split between positive and normative economics. The success of this transition is then linked to the asserted ability of consumers to enforce their interests on producers via the price mechanism.

THE ROLE OF CONSUMER SOVEREIGNTY IN ECONOMIC THOUGHT

In the economic literature the analogy of the consumer as sovereign has been developed by those favouring capitalism and market exchange as the primary means of social organisation. Those economists sympathetic to the concept of consumer sovereignty have attributed to it three different interpretations. These we identify as being associated with distinct uses made of the concept, namely: a political instrumental use by classical liberals, a market idealist role in Austrian economics, and an economic instrumental function in Neoclassical economics. Each interpretation has its own implications for the characterisation of the political economy of the modern market system. Key aspects of that characterisation are the legitimacy attributed to the role of government in economic policy, the need for intervention in the market system, and the extent to which society is reduced to a sum of individual actors.

The Political Instrumental Argument

The origins of the term consumer sovereignty are usually traced to William H. Hutt (1899-1988), an English born economist who classified himself as a classical liberal. He is also often closely identified with Austrian economics. In *Economists and the Public: A Study of Competition and Opinion* he explores the features of consumer sovereignty. This is defined as follows (Hutt, 1936 p.257):

> "The consumer is sovereign when, in his role of citizen, he has not delegated to political institutions for authoritarian use the power which he can exercise socially through his power to demand (or refrain from demanding)"

This implies that individuals have two options for the exercise of power in society. First, they may delegate their authority and transfer power to political institutions, in accord with the traditional classical liberal arguments of Hobbes and Locke. Second, they might exercise their power directly as consumers via their purchasing decisions over goods and services.

Exploring the way in which consumers determine production, Hutt argues that there is a direct parallel between choices in the market place and at the ballot box. This “voting analogy” fits nicely with the desire to claim market economies are naturally democratic and so supportive of a liberal democratic ideal. However, the analogy proves far from obviously appropriate. For example, unlike consumer preferences, political preferences in a democracy are weighted equally because one person gets one vote. In the market place the richest get millions, or even billions, of votes compared to the poorest. Neither do consumers require the majority of others to agree with their preferences to get what they want. Indeed, Hutt realises there are problems with claiming the voting analogy could exist in reality. Consequently he argues in favour of changing reality to match his model, i.e. the need to create equality of opportunities in the market place so consumers could get an equal vote. He advocates public education, progressive income taxes and heavy inheritance taxes as necessary preconditions for consumer sovereignty to operate as he desires. This places state government in the role of guarantor of a fair and level playing field for citizens in their active participation as consumers.

For Hutt consumer sovereignty is not then an end in itself. The crucial argument for consumer sovereignty is that people will appreciate living in a society which allows them the fullest possible expression of liberty and the society to achieve this is a capitalist exchange economy. Consumer sovereignty is therefore regarded as instrumental to social stability. Thus, Persky (1993 p.188) claims that:

> "The reason behind liberty and tolerance and hence consumer sovereignty lies in the useful role they play in allowing people to live constructively together. It is this productive social peace that Hutt really advances as the ultimate good".

Division of labour in a specialized industrial economy implies that production and consumption become separated spheres in everyday life. The majority of people are regarded as having the ability to exercise power in their role as consumers and this is deemed sufficient to assuage any doubt about the system. That individuals then suppress any questions concerning social or class relations, or the conduct of the system, is regarded as successfully creating social stability. Put quite simply, people are consumers who accept the need to adhere to market institutions to get what they want. Similarly, producers accept the need to comply with consumer's wishes in this Panglossian world. [2]

Hutt treats as separate issues questioning what consumers actually do and whether they act in their own best interest. Persky (1993 p.190) notes that: "Hutt's defense of consumer sovereignty, appealing as it does to a broad commitment to a tolerant society, requires no assumptions concerning the self-knowledge and rationality of consumers". Hutt had grave doubts about the ability of consumers to know their best interests. Like many other economists of his time, he was convinced that tastes and desires are acquired and imposed on people, whose behaviour is largely

[2] The problem with power as described in this context is that consumers are expected to have power over producers. However, simultaneously, economists argue that exchange is entered into by individuals of their own free will and entails a conceptualisation of freedom to act. Buyers and sellers are free agents entering into a contract without coercion. If this is so then producers would be under no compulsion to meet consumers demands. So there is a logical contradiction here.

based on habits (Hutt, 1936 p.283). As nobody can legitimately pretend to know about people's preferences, nobody can claim that increases in efficiency provide a rationale for interventionist measures. Hutt explicitly deals with questions about the formation and evolution of preferences and is interested in exploring the limitations of the concept of consumer sovereignty and obstacles to achieving it. This approach to consumer sovereignty claims validity for it as an analogy but also involves promoting it as politically desirable and requiring empirical investigation to help make it fully operational.

Hutt's argument in favour of an extensive government framework to guarantee equitable participation of people in the economy raised doubts in the liberal camp. For example, Jacob Viner has been cited as fearing that Hutt's book would provide the enemies of consumer sovereignty too much ammunition (Persky, 1993 p.186). This criticism points towards the desire for a more dogmatic formulation of consumer sovereignty, as developed by Austrian economists.

The Market Ideal Argument

Based on Ludwig von Mises' book "Human Action", the Austrian economist Gunning (2009 p.3) proposes the following definition of consumer sovereignty:

> "Under the conditions of the pure market economy, the entrepreneur role always and exclusively acts in the interests of individuals in the role of the consumer."

This definition does not make any direct reference to power. Instead it refers to the pure market economy as an idealised unrestricted set of exchange relations between consumers and ‘entrepreneurs’. This notion of consumer sovereignty provides the underpinning of major theorems in Austrian economics.

Claiming that there is such an object in the world as a pure market economy is then employed to substantiate an objective value free role for the economic analyst. The facts about the purity of the market being contaminated are all that is necessary for analysis. Thus Gunning (2009 p.1) believes economists can make: “value-free evaluations of arguments in favour of or against government intervention in otherwise free markets”.

Such Austrian economists use this as a prescriptive means of defining who is a legitimate economist, in their opinion. Gunning argues that the general acceptance and tradition of the criteria of value-free analysis (or positivism) in economics renders economists who reject it non-economists. Furthermore he appeals to Mises’ claim that this would also be a rejection of ‘science’ (Gunning, 2009 p.3). Austrian economists in this vein advocate science as a value free domain of research in which they include economics. This naive objectivism assumes the world is a bunch of facts that require no interpretation or conceptualisation but can merely be observed and noted by the scientific investigator (for more on the fallacy of such a position see Sayer, 1992).

In Austrian economics market power does not pose a threat to consumer sovereignty. Instead of describing behaviour of firms, Mises deals with behaviour of individuals in three distinct roles: as consumers, factor owners (rentiers) and entrepreneurs. Monopoly-gains result from the fact that people in their role as owners of a factor of production are able to charge a monopoly price. Entrepreneurs are regarded as separate actors whose profits have nothing to do with power. They depend on the entrepreneur’s ability to understand consumers’ desires and meet them through the products they supply. Consequently, there are no conflicts of interest between buyers and sellers (Mises, 1949). “Individuals acting in the entrepreneur role always act in the rightly understood interests of individuals acting in the role of consumer-saver.” (Gunning, 2009 p.14f).

Austrian economics does not consider market power a reason for interventionist measures to establish consumer sovereignty. The dogma of consumer sovereignty provides no space for any intervention in a pure market economy at all. All challenges associated with production and the allocation of resources can be assigned to markets. The only remaining question is whether all necessary preconditions for markets are met to enable a pure market economy to exist? [3] The only remaining legitimate purpose for state action and the exercise of political power is to establish a pure market economy. Markets become ends in themselves.

Consumer sovereignty in Austrian economics implies an ex ante equal distribution of opportunities that renders an ex post comparison of individuals unnecessary and misleading (i.e., what people start with is just and what they end-up with irrelevant). Individuals are assumed to be rewarded according to their marginal productivity, or that of factors they own if rentiers. As rewards determine ability to pay for goods and services there is no need for questioning income distribution. The hypothesis that a specific allocation of resources can exclusively be explained in terms of consumer’s expressed interests is meant to be empirically testable. In

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[3] Gunning (2009 p.13) specifies the conditions for this existence as being: the division of labour, a complete private property system, completely free enterprise, neutral money, absence of fraud and deception, and an absence of coercion (except for that employed by the government to enforce private property rights and laws against fraud).

practice this is impossible, not least because of the inability to know individual preferences ex ante.

Consumer sovereignty then becomes a dogma requiring that people behave in specific ways. Any behaviour implying that outcomes are not entirely determined by the interests of consumers has to be ruled out as non-economic. Thus Mises' approach to human action is entirely devoted to that objective. His "Praxiology" is about discrediting any kind of behaviour failing to conform with the principle of consumer sovereignty. For example, he distinguishes between ascetic and non-ascetic world views. If an actor is a hermit or an ascetic he or she is not considered part of a market economy (Gunning, 2009 p.12).

The endeavour of the classical liberal argument for exploring the conditions that allow consumers to exercise power in the economy is replaced in Austrian economics by the imperative statement that 'consumers are the only ones who can legitimately exercise power in the economy'. This notion of consumer sovereignty as a doctrine of economic dogma is fundamental to understanding Austrian economics. It is a necessary precondition for their concepts and axioms.

The Instrumental Efficiency Argument

The primary focus of Neoclassical economics is on allocation. It aims to derive from first principles a logical argument for the existence of a market exchange economy and how it can best operate. Evaluating whether an economy is acting successfully in the allocation of resources requires a criterion of assessment. Neoclassical economists employ a concept of efficiency defined by the Pareto criterion. That is, resources are efficiently allocated when there is no longer any ability to make at least one person better-off and none worse-off by a reallocation. This criterion is entirely defined in terms of the preferences of consumers.

As no comprehensive empirical mapping of consumer's preferences is possible, the assessment of efficiency is exclusively based on behavioural assumptions. Those assumptions are necessary for a general market equilibrium to exist and supposed to imply consumer sovereignty (Thomasberger, 2002). Neoclassical analysis and the resulting theorems relying on those assumptions are consequently restricted to circumstances where all economic agents behave in accordance with rational choice theory i.e., conceptualisation of humans as homo œconomicus. On this basis, Torre (1998 pp.23-4) describes the Neoclassical conceptualization of consumer sovereignty in terms of four attributes: (i) pursuit of self-interest, (ii) individualism, (iii) consumers' wants as determinants of the quantity and quality of products, (iv) consumers' power largely determining market prices. These are essential features of rational choice theory or derived from it. In a dogmatic vein, Becker has argued that rational choice theory is the only reasonable way of describing and understanding human behaviour (Becker, 1976).

The branch of Neoclassical economics which deals with assessments of allocations is (new) welfare economics. This is the only branch of mainstream economics that explicitly admits the need for and legitimacy of value judgements. It is therefore segregated off as being 'normative economics' as opposed to the rest of economics which is meant to be 'positive' i.e. value free. Comparing allocations at the social level requires a social welfare function. The first theorem of welfare economics states that irrespective of the initial distribution of endowments competitive market exchange will lead to an efficient allocation of resources. Market power decreases efficiency and poses a threat to consumer sovereignty. Therefore, market power provides a rationale for state intervention to establish competitive markets. This highlights the notion of consumer sovereignty in Neoclassical economics as an ethical imperative: 'consumers should be able to impose their interests on producers'.[4] Consumer sovereignty is then the means by which the goal of efficiency is to be achieved. For the Neoclassical economist, the main obstacle that might prevent the consumer from exercising their sovereignty power is the countervailing force posed by uncompetitive firms (i.e., monopoly, oligopoly). They therefore favour strong state government to intervene on behalf of the consumer.

The Neoliberal Synthesis

Neoliberalism often appears a vague, imprecise and contested term. However, as a social movement backed by various economists it is currently a real political force in society. The historical rise of this social movement, and its increasing influence over the world political economy, has been explored in detail by several authors in the edited volume of Mirowski and Plehwe (2009). The hegemony of neoliberalism since the financial crisis is documented by Mirowski (2013). What these works explain is the broad alliance of liberal, Austrian economic and Neoclassical economic thought in support of a neoliberal political economy that empowers banking, finance and corporate interests at the national and multi-national levels. This alliance of

[4] New welfare economics provides a vague argument for state intervention beyond potential Pareto improvements on the basis of interpersonal comparisons. Despite being unable to construct a social welfare function, it theoretically legitimizes interventions that redistribute income to improve social welfare. This qualifies the role of consumer sovereignty as leading to the best welfare outcome.

economists exists despite the internal contradictions and incoherence of a united position. The link between Neoclassical economics and the neoliberal is sometimes denied, not least because of apparent differences over the role of government. However, this relationship has actually become stronger since the recent financial crisis. In a book length thesis, Mirowski (2013) makes an extensive well documented argument to substantiate his observation that: “Neoclassical economics was not intrinsically neoliberal over its entire one-and-a-half-century history; but it sure looks like they are working in tandem now” (Mirowski, 2013 p.13).

Neoliberalism, in the present form, can be traced back as an elitist social movement to the 1940s and the foundation of the Mont Pelerin Society. Although clear definitions of a common position have largely been avoided, there was an attempt in 1947 which produce a draft unifying statement. Point 2 of the 10 positions then drafted runs as follows:

> “The freedom of the consumer in choosing what he shall buy, the freedom of the producer in choosing what he shall make, and the freedom of the worker in choosing his occupation and his place of employment, are essential not merely for the sake of freedom itself, but for efficiency in production. Such a system of freedom is essential if we are to maximize output in terms of individual satisfactions. Departure from these individual liberties leads to the production not only of fewer goods and services but of the wrong goods and services. We cannot enrich ourselves merely by consenting to be slaves.” (Plehwe, 2009: p.23)

As Plehwe (2009) makes clear, the Mont Pelerin Society has acted as a unifying organisation bringing together key neoliberal thinkers and thought. Amongst its

Presidents have been both Austrian economists, including von Hayek who helped produce the above draft statement, and a range of neoclassical economists, including both Stigler and Becker. These three are high profile economists representing a core set of ideals supporting a market capitalist political economy and a specific conceptualisation of freedom based upon the individual. All three have been awarded The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.

CONSUMERS ARE NOT SOVEREIGNS

The notion of consumer sovereignty has been criticised for various reasons. In this section we explain three objections. First, consumer sovereignty relies upon a specific conceptualisation of individual rationality and an associated interpretation of what choice means. This theory is then open to criticism as an unrealistic, inadequate and inappropriate explanation of both human behaviour and choice. Second, the structure of the modern industrial state is such that the role of the consumer in determining resource allocation is highly circumscribed. Third, the real power in an affluent society resides with the producer who exercises it over the consumer, as opposed to vice versa.

(i) Individual Choice and Preferences

The mainstream economic approach describes the consumer as having stable and given preferences, being able to compare and choose between any two given bundles of goods, and possessing all the required information about those bundles, their constituents and the choices involved. Rationality in this model is the ability to make such choices and trade-off more of one thing for less of another. The approach is strictly consequentialist and individuals assumed to look after their own best interests which can be summarised as maximizing their own preference based utility.

Behaviour in accordance with this rationalisation of choice is a crucial precondition for consumer sovereignty because it guarantees an exact correspondence between consumer choices expressed in the market place and individual preferences. Without this correspondence market prices would be deemed to convey misleading information. They would fail to depict the ‘true’ desires of individuals, and this would affect how scarce resources were allocated and so prices as a measure of relative scarcity. There is then a foundational presupposition that consumers have ‘true’ preferences, which are preformed or a priori, and these drive the whole economic system. Preferences have come to form a core metaphysical concept in mainstream economics, and one which goes unexplained and unquestioned. Choices in the market place are observed; preferences can only be inferred.

The direct link between individual preferences and choice in markets can be questioned on several grounds. Problems include issues of preference formation and the role of knowledge (Spash, 2002), lexicographic preferences and the resulting refusals to make trade-offs (Spash, 1998, 2000; Spash and Hanley, 1995), incommensurability (Aldred, 2006; Chang, 1997; O'Neill, 1997) and the difference between choosing as opposed to preferring something (Holland, 2002; Spash, 2008). A range of questions confront the economic logic, such as: Do people have well formed preferences? Do preferences reflect an individual’s own best interests? Do people choose in accordance to their preferences?

Once the idea of perfect information is dropped the provision of information becomes a crucial precondition for consumer sovereignty. Information here is regarded as some neutral conveyance of factual knowledge. This allows the maintenance of a model where preferences are informed rather than formed by new information. In reality the same piece of new information will inform some and be crucial to forming the preferences of others (Spash, 2002). Yet the belief remains prevalent that neutral factual information can be provided to make markets function according to the model.[5]

The idea in mainstream microeconomics that there is a state of 'imperfect information' leads to a major justification for policy intervention. For example, the concept of asymmetric information is used to describe one party to a transaction (buyer or seller) having an information advantage over the other, and so power for a transaction to be completed which would otherwise not occur. Mainstream economists discuss problems of moral hazard and adverse selection. Information here hides other factors which mainstream economist have tried to remove from their subject, such as ethics and power. The dominant belief is that consumers remain sovereign and government can act to correct market failures but leave the individual in control.

Economists supporting the idea that consumers can be informed to make choices then regard government as merely acting to perfect flows of factual information to achieve optimal consumer choices. Yet the reality is somewhat different. As Rothenberg (1968) states:

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[5] Austrian economics tries to avoid the problem by claiming the entrepreneur aims to fulfil the desires of the consumer and is rewarded with profits for doing so. However, any information flow from producer to consumer will impact upon consumers preferences. The only way it cannot is to maintain the fiction that all information is neutral factual and objective.

> "In fact, most public intervention arose not out of theoretical analyses of subtle consumer suboptimization but as a response to concrete national traumas—dramatic scandals concerning damage from specific foods and drugs, scandals concerning massive fraud and irregularity in financial markets, etc. Thus, laissez-faire was cast aside not on theoretical grounds but on the evidence of acute malfunctioning of markets."

Yet accepting that there is no such thing as a fully informed human being with perfect information means undermining the very foundations for believing consumers can be sovereign. Government intervention may then be recommended to say maintain quality standards of traded goods and services not because consumers are unable to acquire information but because they cannot assimilate it or judge for themselves what is best. The decisions here involve judgment as to what is toxic, harmful, polluting, exploitative in production and damaging socially and environmentally. Markets may then be regarded as the wrong institutions for addressing these problems and the appeal to preferences and self-interested individuals as totally misguided.

In addition, the whole premise of price distortion due to 'externalities' is that they will mislead consumers in their optimal choice behaviour. That is, where prices are absent too much undesired activity occurs (e.g. pollution) and not enough desired activity (e.g. wildlife provision). Things that are regarded by mainstream economists as external to the market pricing mechanism do not, according to them, get taken into account.[6] The Coase theorem is then used to justify allocation of private property rights and consumer sovereignty is used to justify the outcome. For example, common property should be privatised along with wildlife, atmosphere and water in order that they can be optimally allocated to consumers on the basis of their preferences. That consumers may not have any preferences for essential aspects of ecosystem function and structure (even after being 'informed' about them) merely means they have no value and are dispensable. Nature is not valued in itself but only instrumentally and then only via individuals preferences. There is no room for judgement or thoughtful reflection only selection on the basis of what is preferred (or not) for whatever reason (Spash, 2008). Choosing to preserve ecosystems' function and structure, stop loss of endangered species or take action to control human induced climate change is just the same for the mainstream economist or neoliberal as choosing a flavour of ice cream.

(ii) The Structure of the Economy

The earlier sections have outlined how modern mainstream economics has attempted to divorce economics from politics. This diverts attention away from the influence of various vested interest groups in society, who do not passively respond to or reflect consumers' interests. Galbraith famously described the threat to American democracy posed by the professional corporate managers whom he termed the technostructure

[6] Kapp (1978a) describes the actions behind the creation of social and environmental harms as relating to 'cost shifting' rather than being something external to the market or its actors. As such they are deliberate acts consciously undertaken to avoid costs. They are an integral part of the market system with its utility and profit maximising agents purposefully creating 'externalities' for their own advantage. They are not external to such market systems or matters of the wrong prices misleading well intentioned agents.

(Galbraith, 2007 [1967]). The technostructure is able to capture those elements of government which are meant to regulate its activities or rather regulate the activities of the organisations in which the technostructure resides. This creates a power block which serves the corporate interest.

That the power structure of modern economies brings into question the idea of resource allocation on the basis of consumer preferences can quickly be exemplified. Consider military expenditure in the USA. A permanent peace time arms industry arose after World War II for the first time and was soon dominating the economy. In 1960, this led President Eisenhower to state, in his last address to the nation, that:

> "In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist."

His term "military-industrial complex" referred to a major power block connected to corporate interests (such as aerospace and arms manufacture). This potential threat to democracy has nothing to do with consumer sovereignty, but is responsible for on-going innovation and product placement e.g., satellites, jet aircraft, the internet, nuclear power. This produces spin-off products and services for civil society; products that have been heavily supported by government in their development and promotion. Basic military expenditure in the USA in recent years has been running at around a quarter to a third of tax revenues, [7] and according to the Fiscal Year 2013 Budget

[7] Such figures may underestimate full costs by excluding various categories of expenditure, such as 'homeland security' and when war is on there will typically be some overseas forces and their budget are separated out (e.g. Iran, Iraq, Afghanistan).

accounts for fifth of Federal Budget spend. So a major aspect of production and consumption in the political economy is just ignored by mainstream economic theory and analysis.

Interestingly Eisenhower pointed in the same speech to the dangers arsing from science and technology. He noted that public policy could itself become the captive of a scientific-technological elite. What we observe today is not just public policy domination but also domination of the consumer by the latest gadgets, digital machinery, telecommunications devices, computer technology, home entertainment systems, cars, heating systems, cooling systems, 3D cinema, domestic electric convenience devices, drugs, beautifying chemicals and so on. New things to do old jobs does not necessarily improve life but they certainly change it. Old products are therefore removed regardless of consumer preferences and soon become unsupported and unavailable. This is clearest in the ‘information technology’ modern world where both hardware (computers, phones, printers, scanners, entertainment devices) and software (computer programmes) are regularly ‘updated’.

The structure of the economy is heavily interwoven with the need for capital accumulation and economic growth. The promotion of mass consumption is not something that can be left for individuals to reject. They must consume and consume more all the time because that is the imperative of the material and energy throughput economy. Once again we can borrow from Eisenhower’s speech where he notes we: “must avoid the impulse to live only for today, plundering, for our own ease and convenience, the precious resources of tomorrow”. In fact humanity is doing the exact opposite and, according to mainstream economists and neoliberals, this is simply the right result based on consumer preferences being expressed in a free society.

(iii) Power Over Preferences

The previous section has already raised some aspects of the need for the capitalist market economy to promote material and energy throughput. Whilst Neoclassical economics deals with power over prices (i.e. market power) it ignores power over preferences (i.e. pervasive persuasion). Galbraith (2001) points out that rather than consumers being sovereign they are subject to manipulation.[8] He notes that, rather than consumer choice, producer manipulation of consumer response is the determining factor in production. As he states: "Salesmanship, design and innovation are all utilized to attract and capture the consumer" (Galbraith, 2001 p.31). Similarly, Kapp (1978b) details practices such as the use of sales promotion, planned obsolescence and cut throat competition in his book on the social costs of business enterprise.

For Galbraith, the ability of producers to influence consumers (i.e. producer sovereignty) is crucial to understanding the dynamics of industrial economies (Galbraith, 1969 [1958]). The requirement to persuade consumers and manage demand arises at different levels: individual firms, industries and on the macroeconomic level. At the firm level demand management is in many cases a

[8] Galbraith (2001 p.31) actually thought that, due to his attacks on the concept, the role of consumer sovereignty had declined in economics. As he states: "In the end, however, circumstance, fact, had their effect: the established belief was undermined; perhaps it could even be said that consumer sovereignty was set aside as a dominant factor in the economic system. From my reading of the literature, including the textbooks, it no longer enjoys its old role as the center of truth in shaping the economy." However he seems totally incorrect on this count and died before the full scale dominance of neoliberalism of recent times had occurred, along with the resurgence of the powerful myth.

precondition for investment and technical progress. It aims at avoiding sunk costs and putting established industrial organizations into jeopardy. The risk associated with investments in sophisticated technology, large commitments of capital, long-time horizons in product-development and production has to be mitigated (Galbraith, 1970). To achieve those targets sometimes firms have to cooperate at the industry level to bring the state to the support of their efforts in creating and managing consumer preferences. For example the automobile companies get the highways that are essential for a consumer preference for automobile transportation. Airline and aircraft manufacturing companies can win public financing for the development of new types of aircraft, in the past under military guise (Galbraith, 1970). At the macroeconomic level persuasion of consumers to buy more of anything and everything is a necessary precondition for 'sustained' economic growth.

The collective effort of producers and the state imposes cultural developments that perpetuate scarcity of resources and market products—unrecognized by mainstream economics.

> "The concept of consumer sovereignty acts with marked force to inhibit questions concerning the cultural achievements of the system. It will surely be agreed that whatever the effects of advertising its ultimate effect is an extremely powerful and sustained propaganda on the importance of goods. No similar case is made on behalf of artistic, educational, or other humane achievement. The notion of consumer sovereignty suppresses the response." (Galbraith, 1970 p.476).

Galbraith regarded the interrelatedness of consumer wants and production as a problem for the affluent society. This he saw as worsening with the acceleration of economic growth. Greater affluence leads to more superfluous consumption and more manipulation of demand (e.g. fashion, throwaway products).

> “The fact that wants can be synthesized by advertising, catalyzed by salesmanship, and shaped by discreet manipulations of the persuaders shows that they are not very urgent. A man who is hungry need never be told of his need for food. ... Increases in consumption, the counterpart of increases in production, act by suggestion or emulation to create wants. Or producers may proceed actively to create preferences through advertising and salesmanship. Wants thus come to depend on output.” (Galbraith, 1969 [1958] p.158).

He termed this the “dependence effect”. A qualification to Galbraith’s argument is perhaps necessary because even at very low incomes specific products may be heavily marketed e.g. cheap fast food lacking nutrition, drinks like Coca Cola heavily consumed in less developed countries, cigarettes and alcohol. However, the key point from Galbraith is that higher levels of production require higher levels of want creation. The satisfaction of these wants has nothing to do with addressing preformed consumer preferences or improving human well-being; they are necessary for the growth economy to continue.

The policy implications of power over preferences go far beyond a mere regulation of advertising and sales promotion. Economic policy needs a new foundation upon which to analyse the allocation of resources and must reopen a fundamental question: ‘what is the purpose of economic activity?’. The concept of consumer sovereignty denies the legitimacy of questioning industrial practice and cultural criticism of consumption practices in general (Schor, 2007). Once consumers’ sovereignty is rejected the social and cultural aims of production and consumption are subject to scrutiny and can clearly be found wanting socially, environmentally and economically.

CONSLUSIONS

The claim that consumers are sovereign reigning over what is produced in a capitalist market economy remains an item of faith in economic doctrine. This belief is upheld by classical liberals, Austrian and Neoclassical economists. Their arguments combine to support an ideological position that claims individual freedom is the highest ideal, that freedom is only achievable via a market economy, and such an economy must have as its primary goal the efficient allocation of resources. From this viewpoint a generally accepted provision for a successful market economy is minimal government. Every state action beyond establishing a pure market economy has to be understood as an illegitimate intervention causing a deterioration of people's ability to meet their interests. This is the basic foundation of the neoliberal political economy that today dominates.

One implication of claiming consumers are sovereign is to lay the blame for the state of the world at their feet. After all they command what is produced and where resources should be allocated. This position requires that consumers are fully informed about their choices. As we have been at pains to explain the fully informed individual is a concept divorced from reality, akin to being fully enlightened. However, let us assume the concept of 'being informed' makes sense and consumers might be able to be pretty well informed in today's society. Further, assume there existed a country where everyone is literate and has access to readily available meaningful information at little or no cost, so that they can actually achieve 'ebing informed'. The argument still places the preferences of such (potentially) well informed individuals above all else, and those preferences are to remain unquestioned. In addition, society is to be run by the expression of those preferences on the basis of disposable income.

If consumers do not buy 'Green' products then they are not wanted. If they demand plastic trees instead of real ones they should be provided. If they dislike certain species, and are not prepared to pay for their survival, then they should go extinct. The sovereign consumer lives in the best of all possible worlds and pollution or environmental disruption is optimal. There is no judgement here as to what is right or wrong on any grounds beyond the fulfilment of hedonic pleasures whether they be egoistic, sadist, masochist, sociopath, psychopath or whatever. The world is an instrument provided for maximising personal utility on the basis of what is preferred by the individual regardless of why.

This raises questions over the role and meaning of individual choice. Choice over which flavour of ice cream to consume may be considered a matter of preferences. Choice over luxury items in a modern consumer market of an affluent society might also be deemed a matter of the rich consumers preference. However, generalising this approach to taking decisions about everything in the world reduces everything down to being as trivial as selecting flavours of ice cream or unnecessary luxuries. Life goes on without such things and as trivia they may add little or nothing to the meaningfulness of a person's life. Indeed the consumer framing removes much that is important for being human and humane, or living a good or meaningful life in the Aristotelian sense.

There is indeed too much that is important that is missing from this world view. For example, consider what most humans in developed market economies spend much of their lives doing, that is working for a wage. Work itself has no meaning except as a means to obtain goods and services. Work is a necessary ill rather than a potentially meaningful role. Choice over consumer goods is emphasised while that over work life is ignored. Yet the lack of choice an individual has over their work life and its conditions has major impacts on health and well-being. The value of a person is as a worker (i.e., labour) and that value is their productive output that can be sold in the market place. Those who do not work in the market place cannot command consumption goods and have no value, e.g. housewives, unemployed, students. Regarding the primary goal of humanity as consumption excludes other more important roles individuals play in society.

That consumers are not in fact in command of the economy or their role in it, although they may be complicit in its operation, is something consumer sovereignty denies or sees as correctible through appropriate policy measures. What it also denies is that perceived wants are socially and culturally constructed, and can easily be changed through legislation given the political will to do so. Who 'wanted' let alone demanded the car, air flights, the computer, a mobile phone? A considerable political will lay behind the provision of all these things and a massive infrastructure investment has supported them all and still does. The same is true of genetically modified crops, nanotechnology, fracking, or any number of developments trying to maintain the growth society.

That this is true also means a different society is possible. However, such an alternative will not be achieved by waiting for the mythical sovereign consumer to be nudged into doing the right thing by a new behavioural economics or forced to buy the right products by old fashioned price incentives. The problems go much deeper than that and concern the very foundations of what is the purpose of human society. Indeed, why would anyone want to sustain the modern consumer society? Modernity has conceptualized development as technological change and economics has become a corporate capitalist market system trapped in the need for ever more energy and material consumption. The sovereign consumer is a myth employed to divert attention away from reality and the need for personal and social development in harmony with the biophysical world.

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Institut für Regional- und Umweltwirtschaft
Wirtschaftsuniversität Wien
Institutsvorstand : ao.Univ.Prof. Dr. Gunther Maier
Nordbergstraße 15
A-1090 Wien, Austria
Tel.: +43-1-31336/4777 Fax: +43-1-31336/705 E-Mail: ruw@wu.ac.at
http://www.wu.ac.at/ruw