Presidential Address  Are We the Good Guys?

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[to cite]:

Wes Hutchinson (2004), "Presidential Address  Are We the Good Guys?", in NA - Advances in Consumer Research Volume 31, eds. Barbara E. Kahn and Mary Frances Luce, Valdosta, GA : Association for Consumer Research, Pages: 1-5.

[url]:

http://www.acrwebsite.org/volumes/8825/volumes/v31/NA-31

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Most of the time, most of us in this room believe that most of what we do is well-intended and has positive effects. Nevertheless, many of the problems in the world today are blamed on consumers and/or the companies that supply them with goods and services. Implicitly, these criticisms apply to us, the people who observe, theorize, and collect knowledge about consumers. So, last year when I began thinking about my presidential address, I posed the question to myself, “Are we the good guys?” As you might imagine, I still do not have a definitive answer, but I would like to share with you the results of my inquiry.

Introduction

First, let me refer you to the Bibliography of this essay, which contains some of the resources I found most interesting and informative. I do not refer to all of these here, but they provided much of the “food of thought” that led to the ideas that follow.

Second, let me provide a little personal background on the origins of the ideas that follow. In 1981, I joined the marketing faculty of the University of Florida with a degree in cognitive psychology, never having even taken a course on any business-related topic. So I was pretty naive and uniformed. However, by the end of my first year two observations had impressed themselves upon me: Consumers belonged to things called “segments,” and companies worked very hard to market products that consumers want. More precisely,

1. consumers are heterogeneous in their preferences, knowledge, and decision processes, and

2. consumers are powerful (relative to governments and large corporations).

These observations led to the conclusion:

3. If our markets and mass media are filled with junk, or environmentally damaging products, or culturally vacuous entertainment, it’s because we (collectively) want that stuff.

Finally, let me be clear about who the “we” in “Are we the good guys?” is meant to include. There are two possible reference groups:

1. consumers in industrialized nations (particularly the U.S.), and

2. consumer researchers (i.e., ACR members, JCR authors, etc.).

Each of these definitions offers a distinct and informative perspective on the question, and each group could be a “good guy” or a “bad guy.” Reflecting this, my “method of analysis” will be to examine all four possible answers to the question at hand: good/good, good/bad, bad/bad, and bad/good. For each possible answer, which is better called an opinion, I will review the basic arguments supporting that opinion. The empirical evidence that I have collected, which demonstrates that at least some people find these arguments persuasive, is that they can be found spoken by at least one central character in a popular movie. These are perhaps not the most rigorous data available nor are they the most persuasive arguments, but they provide “stylized opinions” on the matter that I think are useful in the same way that economists frequently use “stylized facts” to develop analytic theories of market behavior. The four opinions are summarized in Exhibit 1.

Good/good

The first opinion is that consumers are indeed the good guys, and consumer researchers are good as well. This position might be called “The ACR Member’s View” because most of us adopt this viewpoint in our day to day lives, if nothing else, to reduce cognitive dissonance. We view ourselves as advocates of consumer welfare, and believe that our efforts contribute to the protection of consumers. Implicit in this view is the belief that consumers, in fact, need protection. Recently, this issue has come to the fore among economists and legal scholars in the debate on merits “paternalism” (see Camerer et al. 2003, and Thaler 2003). The reasoning is essentially that if the weight of behavioral research demonstrates that consumer decision making is easily biased, then it is ethically permissible, and possibly required, to take paternalistic actions that debias consumers, so long as they do not infringe on the rights of others.

This we-can-all-be-good-guys opinion was nicely summarized in the movie, Heaven Can Wait. Warren Beatty plays the role of Los Angeles Rams quarterback, Joe Pendleton, who an angel mistakenly takes “too soon” in an automobile accident. The angel’s supervisor steps in to fix the problem and find Joe a new body. Temporarily he is given the body of an amoral captain of industry, Leo Farnsworth. At one point in the movie, alerted to Farnsworth’s evils by love interest Julie Christie, Beatty invites the press into a board meeting and gives a rambling, jock-pep-talk speech. The board, believing he is Farnsworth, is incredulous. In the middle of his pep talk he discovers that Exo-Gray’s tuna cannery kills an occasional dolphin in their processing. He says:

“Why not do the right thing? Let the other guys kill dolphins fishing for tuna. We could even make that part of our advertising. ‘Pay an extra nickel and save a dolphin.’”

Good/bad

The second opinion is that consumers are the good guys, but consumer researchers are the bad guys. Essentially, this opinion holds that consumer researchers, in both academia and industry, serve the interests of corporate welfare rather than consumer welfare. This opinion tends to spawn conspiracy theories of various sorts that place human greed at the heart of the matter.

This opinion was nicely summarized, with a twist, in the movie, Wall Street. In Wall Street, Michael Douglas plays the role of Gordon Gekko, a ruthless corporate raider in the process of a hostile takeover. During a stockholders meeting, the paternalistic owner of Teldar Paper, Mr. Cromwell, brands Gekko as the epitome of Wall Street greediness. Gekko responds:

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1A slightly revised version of the presidential address delivered at the 2003 Conference of the Association for Consumer Research held in Toronto, Canada.
"The point is, ladies and gentlemen, greed is good. Greed works, greed is right. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit. Greed in all its forms, greed for life, money, love, knowledge, has marked the upward surge of mankind—and greed, mark my words—will save not only Teldar Paper but that other malfunctioning corporation called the USA...Thank you."

This echoes a much older view, that of Adam Smith (1776):

"The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their conveniency, though the sole end which they propose from the labours of all the thousands whom they employ, be gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements."

The astute reader will note that these are both variations of the "bad is good" argument and essentially attempts to create a back door into the good/good cell of Exhibit 1. Clearly, there is much room for debate about whether the "invisible hand" that guides free markets and the hand of God indeed pull in the same direction, as Gekko and Smith suggest.

### EXHIBIT 1

<table>
<thead>
<tr>
<th>CONSUMER RESEARCHERS</th>
<th>Good</th>
<th>Bad</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The ACR Member’s View</strong></td>
<td>• Advocates of consumer welfare</td>
<td>• Advocates of raising a family, getting tenure, and not being wracked by guilt in the process</td>
</tr>
<tr>
<td></td>
<td>• Favorite Concepts: consumer protection, libertarian paternalism</td>
<td>• Favorite Concepts: consumer power, (willful?) ignorance</td>
</tr>
<tr>
<td></td>
<td>• Favorite Movie: <em>Heaven Can Wait</em></td>
<td>• Favorite Movie: <em>The Great Gatsby</em></td>
</tr>
<tr>
<td><strong>The “Average” Citizen’s View</strong></td>
<td>• Advocates of corporate welfare</td>
<td>• Advocates of wealthy, western-style, free-market democracies</td>
</tr>
<tr>
<td></td>
<td>• Favorite Concepts: greed, conspiracy theories</td>
<td>• Favorite Concepts: imperialism, colonialism, nationalism, self-determination</td>
</tr>
<tr>
<td></td>
<td>• Favorite Movie: <em>Wall Street</em></td>
<td>• Favorite Movie: <em>Ghandi</em></td>
</tr>
<tr>
<td><strong>The Third World View</strong></td>
<td></td>
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</tr>
</tbody>
</table>

"Bad/bad"

The third opinion is that consumers are the bad guys, and consumer researchers are bad as well. Third world leaders and first world dissenters most often voice this opinion. Basically, the argument is that the whole system is merely the mechanism through which wealthy, western-style, free-market democracies maintain their self-centered world dominance. This viewpoint also tends to champion nationalism and self-determination, as the highest immediate goal for have-not countries.

This opinion was nicely summarized in the movie, *Ghandi*. Ben Kingsley plays the role of Mohandis Ghandi. At an early meeting of the Indian National Congress, he says:

"Here we make speeches for each other—and those English liberal magazines that may grant us a few lines. But the people of India are untouched. Their politics are confined to bread and salt. Illiterate they may be, but they are not blind. They see no reason to give their loyalty to rich and powerful men who simply want to take over the role of the British in the name of freedom."

Later, he says: “Mr. Kinnoch, I beg you to accept that there is no people on earth who would not prefer their own bad government to the ‘good’ government of an alien power.”
Bad/good

The final opinion is that consumers are the bad guys, but consumer researchers are the good guys. This would appear to be an unlikely combination, but upon reflection I realized that this was exactly my naïve opinion in 1981. It relies on my two initial observations: consumers (in triad countries, at least) are sufficiently powerful to get whatever goods and services they want, but they want a wide variety different things. Moreover, these different things are desired with little awareness of the consequences of having companies compete to provide them, and the consequences are often bad for others and sometimes for the consumers themselves.

This opinion was nicely summarized in the movie, The Great Gatsby. (Of course, F. Scott Fitzgerald’s novel is the real source.) The Great Gatsby is a story told by an apparently impartial observer, Nick Caraway. He more of less plays our role as consumer researchers. The story is about Jay Gatsby in his quest to realize the American Dream of creating personal wealth and re-capturing the love of his youth, Daisy Buchanan, who is old money and married to old money, Tom Buchanan. Daisy kills Tom’s lover in a hit-and-run accident. Tom tells his dead lover’s husband that Gatsby was driving. The husband kills Gatsby and then himself. Daisy’s crime is forever hidden. Nick meets Tom on the street and, to the reader, Nick passes judgment on Tom and Daisy.

“It was all very careless and confused. They were careless people, Tom and Daisy—they smashed up things and creatures and then they retreated back into their money or their vast carelessness, or whatever it was that kept them together, and let other people clean up the mess they made... I shook hands with him; it seemed silly not to, for I felt suddenly as though I were talking to a child. Then he went into the jewelry store to buy a pearl necklace—or perhaps only a pair of cuff buttons—rid of my provincial squeamishness forever.”

Are consumers powerful?

A key premise of the good/bad viewpoint is that consumers are sufficiently powerful to both take care of themselves and to make the world a better place, if they so desire. So what is the evidence that consumers are powerful?

Litigation—There are many government regulations designed specifically to empower and protect consumers. Moreover, individual and class action lawsuits provide ready mechanisms for consumers to exercise their power (e.g., hot coffee at McDonald’s=$2.9 million, but empty calories at McDonald’s=$0).

Bubbles—Coordinated surges in demand occasionally reveal the even greater power exerted when the typical heterogeneity in consumer preferences suddenly congeals into homogeneity. Spontaneous surges (e.g., tulips in Holland, white wine in the U.S. in the 70s, tech stocks in the 90s, etc.) appear to be more efficacious than those that are organized (e.g., buy American campaigns, green marketing, etc.).

Boycotts—Coordinated withdrawals of demand (e.g., buses in Birmingham, Nestle’s infant formula, Procter and Gamble’s stars-and-moon logo, South African companies in the 80s), or even the credible threat of such withdrawals, exert considerable force on large corporations.

More evidence is provided by the following “gedanken” experiment. What would happen if, starting tomorrow, everyone increased their personal savings rate by cutting their “discretionary” spending? Most observers would agree that if the rate went from recent levels of 0%—4% (of disposable income) to 8%—12%, the economic health of the U.S. and the rest of the world would be greatly improved now and in the future. If, however, it became 25% to 50%, there would be a worldwide recession or depression. The reason for this dire prediction is because virtually all countries depend on high levels of U.S. consumer spending.

Now, is it possible for the savings rate to go to 50%? I maintain that the answer is “yes.” My reasoning is simply an existence proof. At least one person has shown the ability to cut consumption and increase saving by a large amount—my father-in-law, for example. My father-in-law was a university professor who decided to move to the mountains of North Carolina—a beautiful and meditative locale (see Exhibit 2). He built a small, energy efficient dwelling (see Exhibit 3) and has been pretty happy with his dramatically lower rate of consumption. Therefore, such a change in consumer behavior is “possible.” However, is it “likely?” Absolutely not. Why? Because not everyone is not like my father-in-law (i.e., consumer heterogeneity). Which is not to say that everyone should be like him, just that they could be if they chose to do so, and if they did the savings rate would skyrocket, among other outcomes.

The implication of my gedanken experiment is that consumers have a tremendous amount of potential power, but coordinated action is required to exert that power. In the absence of coordinated action, individuals have relatively little power. As a result, I offer the following conjecture, proposition, and corollary.

CONJECTURE: Consumers are powerful, but are relatively ignorant of their power—like a child playing with a loaded gun; therefore, it is only the heterogeneity of preferences, values, and beliefs that keeps this power in check.

PROPOSITION: Because people act like children, doesn’t mean they deserve to be protected like children. Only the powerless deserve to be protected.

COROLLARY: The worst system is one that protects the powerful and leaves the powerless unprotected.

But that’s so depressing...

True. However, there is an alternative spin. Consumers have the market power to achieve the broad social goals for which there is a surprising amount of consensus (at the abstract level, at least). Consumers only lack the willpower to achieve those goals.

Thus, I could change my representative movie for the bad/good cell of Exhibit 1 from The Great Gatsby to Pay It Forward. In Pay It Forward, Kevin Spacey plays Eugene Simonet, a social studies teacher who gives his class an assignment to come up with an idea that could change the world. Trevor, played by Haley Joel Osment, offers the following idea.

“If someone did you a favor, something big, something you couldn’t do on your own, and instead of paying it back, you paid it forward to three people. And the next day they paid it forward to three more...and the day after that those people paid it forward to three more. And each day everyone in turn paid it forward to three more people. In two weeks, that comes to 4,782,969 people.”

Even though “Pay It Forward” leaves us feeling a bit warmer and fuzzier about the bad/good opinion, it has an important implication. If consumers are powerful, then we—the people who observe, theorize, and collect knowledge about consumers—are
also powerful. And if consumer researchers are powerful, then Eugene Simonet’s challenge to change the world should be as thought-and-action provoking for us as it was for his 6th grade social studies class.

BIBLIOGRAPHY


