INTERPERSONAL EFFECTS ON CONSUMER DEMAND IN ECONOMIC THEORY AND MARKETING THOUGHT 1890-1950

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ABSTRACT

The early years in the development of marketing thought were dominated by economics and by economic schools of marketing thought. This was not surprising as, initially, marketing was considered by academics to be a subset of economics, but the application of economic theory to marketing was partial and highly selective.

For many years, emphasis was on supply-side theory and practice. The marketing literature which appeared after 1910 focused on product management, marketing agencies, distribution systems, and marketing functions. In contrast, work into consumer demand and into the economics of consumer behaviour was neglected. Economists in particular ignored the importance of interpersonal effects on utility and on consumer choice and made no attempt to incorporate these effects into theories of consumer demand.

This reluctance to explore the social psychology of demand was in fact understandable, for it would have called into question a fundamental assumption of the neo-classical economic theory - that aggregate demand could be derived from the simple compounding of individual demand schedules and that no part of an individual's demand schedules and that no part of an individual's demand for any product was determined by the consumption of others. A few economists, notably Thorstein Veblen at the University of Chicago, had always been unhappy with the limitations of this conventional interpretation of consumer demand, but the neo-classical school of thought dominated marketing economics through 1950. As a result, the early development of marketing thought lacked balance and little attention was given to the economics of consumer preference formation, demand, and consumption.