UNPREFERRED PREFERENCES:

UNAVOIDABLE OR A FAILURE OF THE MARKET?

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INTRODUCTION

"Preference" and "choice" remain at the very center of both the positive and normative sides of economics. Rational agents are said to choose what they prefer from among the options available, and to do so is said to leave such agents better off.

Absent from the discussion is the notion of a "second-order preference ranking," an agent's ranking of the different preferences he or she might experience. The failure to integrate such "second-order preferences" into the analysis is unfortunate from at least two perspectives. First, according to the philosopher Harry Frankfurter [1971], it is the ability to experience such preferences that makes human being unique. By Frankfurter's account, while animals express preferences (a point with which economists would certainly agree), only humans have the capacity to reflect on and evaluate these preferences. As a consequence, only humans are said to be capable of experiencing a particular kind of discontent—that which occurs when doing what they prefer while wishing that a different preference had prevailed.

Second, and of more immediate interest, market forces fail to create in agents these preferences that they would prefer to have. As demonstrated in an earlier article [George, 1993], because there are not property rights in preferences, the market too frequently changes them for the worse and too infrequently changes them for the better (as judged by the agents whose preferences are being altered).

In this paper I will address a question not confronted in the earlier article: Should the imperfect preference shaping performance of markets be called a "failure" or is this characteristic an inevitable feature of any imaginable economy? According to cultural critic James B. Twitchell, "the idea that consumerism creates artificial desires rests on a wistful ignorance of history and human nature, on the Nazi, romantic feeling that there existed some halcyon era of noble savages with purely natural needs" [1999, 283]. Similar sentiments have become more common among economists. The very idea of "market failure" has come under increasing attack, coincidental with the widening popularity of market forces throughout the world. One strategy—represented in the above quotation—has been to point out that any idealized theoretical model cannot actually exist and that as surely as markets "fail" so too must any alternative mechanisms for carrying out economic functions. The public choice school, originating within economics and responsible for extending the rational choice model

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463
well beyond its original boundaries, deserves credit for popularizing the study of "government failure," and for thus shedding doubt on whether government solutions to market shortcomings are even possible (Buchanan and Tullock, 1965; Epstein, 1995). Spillovers may indeed be the Achilles' heel of textbook market capitalism, but if other feasible systems are even more susceptible to such spillovers, it becomes problematic indeed to attach their occurrence to real-world market capitalism.

In the section that follows I will present a summary of the argument that markets fail in the formation of tastes. This will be followed by a section that examines two historical events that have worsened the problem of unpreferred preferences: (1) the replacement of expert assessment with market performance as the main criterion of success and (2) the replacement of production for causese with production for markets. The next section considers two particular examples of these historical events—television's criterion of success and restaurants substituting for home food preparation. The paper's final substantive section will describe how the overall impressive growth performance of market economies over the last century may have actually contributed to the neglect of the "preference pollution" problem.

MARKET FAILURE IN PREFERENCE SHAPING

Suppose two equally priced bundles, A and B, confront an agent, and A is chosen. Personal dissatisfaction with one's choice does not fit well with the theory of rational choice but becomes more understandable if second-order preferences are brought into the analysis. The fully satisfied agent can be characterized as having the first-order and second-order preferences that appear in column 1 of Figure 1, while the dissatisfied agent can be characterized by the preferences that appear in column 2.

This way of modeling internal conflict must be distinguished from the "two-selves" approach, according to which an agent has conflicting rankings over the very same elements. For "part" of the agent, A is preferred to B, while for another part, B is preferred to A. In contrast to this, the second-order preference ranks different elements than does the first-order preference. In the Figure 1 case, the conflicted agent prefers A to B but does not (inevitably) also prefer B to A. In keeping with conventional theory, the one preference rules out the possibility of the other. The discontent is more coherently captured by the assumption that this agent can have another sort of preference ranking that ranks not the bundles themselves but potential rankings of these bundles. And since the ranking that the agent prefers having is not the ranking he in fact has, the agent feels a certain tension or dissatisfaction.

Besides preserving the integrity of a preference ranking (preferring A to B precludes preferring B to A) the second-order preference approach makes welfare conclusions possible when the first-order preference changes. The disoriented agent would clearly become better off if her first-order preference were to change from (A pref B) to (B pref A), and her maximizing choice thus change from A to B. When "stuck" with a preference for A she maximizes her well being by choosing A. Were a preference for B to occur, her subjective state would be such that B would become the optimal bundle, as she would wish. In contrast to this, formal welfare conclusions are not possible when one of the "selves" within the traditional self gains the upper hand over the other. At an intuitive level it may seem obvious that the "self" preferring to not smoke is better than the one that does and that the traditional self thus gains when this non-smoker takes over. But formally speaking, no such conclusions are possible.1 While two-selves models may be adequate for positive economics, they fall short on the normative front.

Economists who have dealt with second-order preferences have usually been seeking to establish sounder psychological foundations for the rational actor by adding some complexity to the pathologically thin rational actor.2 Little interest has been paid to the normative implications second-order preferences might hold for the market economy, my earlier cited article being an exception.3 I argued that if first-order preferences are subject to change while second-order preferences are not, then the market would fail in the creation of these first-order preferences.4 With no property rights in one's preferences, an agent is not able to claim compensatory payment when the actions of a seller change his tastes adversely. Similarly a seller is unable to claim payment from a consumer whose preferences have been altered for the better. Just as freedom to pollute the air causes more air pollution than is optimal, freedom to replace preferred preferences with unpreferred preferences occurs more than is optimal. And just as failure to charge a fee to those enjoying the beauty of one's well-maintained property leads to too little maintenance, failure to charge a fee for replacing unpreferred preferences with preferred preferences leads to too little of this activity.

THE MARKET'S ADVANCE

There can be little doubt that social practices have always existed that have served to help agents shape their preference. Across cultures and across time, personal relationships have typically been such that people have felt no obligation to give to others that which they might be most likely to select for themselves. Thus, anyone cooking for an overweight friend might plan the event while keeping in mind the friend's preference to prefer less food. Addictive snacks might be ruled out as might be particularly tempting desserts. Actors in the market, in contrast, would take the overweight person's expressed preference for these things as sufficient reason to provide them.

This is not to say that only non-market interactions are sensitive to second-order preferences. As Margaret Radin [1996, Ch. 1] argues, even instances in which the market prevails as the main distributive mechanism, non-market relationships between seller and buyer have been known to "interfere" with pure market outcomes. A
bargainer may tell a heavy drinker that he's had enough, sometimes because the law requires such a warning, but sometimes because the bargainer is a friend of the heavy drinker and is, for his friend's sake, refusing to meet his demands. Similarly, an art dealer may discourage a potential purchase of a painting, not with any long-term financial gain in mind but with an aesthetic sense that overrides her business sense. But even while recognizing that markets do not logically require the worsening of preferences, two forces have likely contributed to this worsening. The one force involves beliefs, having to do with a changed understanding on the part of producers about what should serve as a measure of their product's worth. The other force is primarily technical, having to do with the decreased time between consumption decisions and consumption itself.

The Market as Arbiter of Quality

Cultural critic Michael Lewis (1968, 24) has noted a trend that has been underway for at least the past decade. According to Lewis, the critic's assessment of books, movies, and live performances has been losing ground to a formidable rival, one that fits more comfortably with our market-centered society. It is popular opinion that has come to matter more, as usually measured in units purchased or dollars spent. As a critic himself, one might suspect that Lewis has something of a bias in evaluating this trend, but he is not alone in his expression of concern.

According to William Leach, "The brokering style—repressing one's own convictions and withholding judgments in the interest of forging profitable relationships" (1985, 11) has been on the rise for a century and is a defining feature of market-dominated economies. If the evidence suggests that the injection of a little more violence into a movie will benefit sales, then a movie director with a brokering style would not hesitate to make such an injection. Similarly, if the evidence suggests that ambiguous movie conclusions spell bad box office, such a director would not hesitate to substitute a happy ending even if he/ herself believes that this does not do full justice to the writer's intent. As communications theorist Robert W. McChesney has commented, "There is little incentive in the system to develop [his emphasis] public taste over time" (1999, 38). And the phenomenon is not limited to the media. A similar consumer-sensitivity might be expected, for example, of the restaurant owner who adopts a brokering style. Were the evidence to suggest that a menu catering to established tastes would attract more customers than a menu reflecting the standards that such an owner herself believed in, she would not be at all hesitant to let the former prevail.

It is tempting for anyone troubled by this "brokering" mentality to claim the moral high ground and treat these developments as instances of monetary greed trumping other criteria of worth. But this would be a mistake. The brokering style is not inherently amoral, and the shift from expert opinion to gross sales as the measure of worth is not inherently at odds with a concern for others and a desire to do what is right. The broker's habit of not allowing her own values to influence what she offers might be best understood as reflecting a contemporary ethical belief that sellers should not dictate to potential consumers what they ought to have but should instead offer whatever it is they "most want." The problem is that this contemporary moral belief is oblivious to second-order preferences.

An Erroring Time Buffer

A greater reliance on the market has reduced the time between an agent's bind- ing decision about future consumption and the consumption activity itself. When one's production decisions determine one's future consumption, the time elapsing between decision and consumption was equal to the time needed for production. The self-reliant grower who elected to plant this crop rather than another placed a clear and binding restriction on what could be consumed later. Even after significant growth of markets, the time between decision and actual consumption was typically longer than it is true today. One was likely to go to market not for the clothing itself but for the raw materials needed in to produce the clothing, or not for baked goods but for baking ingredients. With the advance of trade, however, one's "productive" decisions did not translate into any immediate restrictions on the nature of what one might ultimately consume. What one would consume could remain up for grabs until the time came to spend one's earnings.

Both introspection and an extensive literature suggest that people have "inconsistent time preferences." A person who is able to choose activities 24 hours in ad- vance of actually implementing the activities is likely to choose differently than if their consumption immediately follows their decision. Second-order preferences, in contrast, seem more stable. To illustrate, at the moment of writing this article, I prefer to prefer to spend five full productive hours on this article tomorrow. In addi- tion, I actually have this preference at this moment. Were I somehow able to bind myself to such a use of time, I would elect to do so. The chances are strong, nonetheless, that my preference will be somewhat less ambitious tomorrow and that a fair chunk of these five hours will be somehow frittered away. My first-order preference, in short, will likely change while my second-order preference will not.

TWO CASE STUDIES

Both the substitution of market results for critical opinion and the decrease in time between consumption decisions and consumption itself are general trends that have been occurring in many different spheres. This section focuses on television, which provides an instance in which both of these trends have been particularly pro- nounced. Viewership is the measure of success and "consumption" of a show is closely linked with one's decision. The rise of the restaurant provides an instance in which the latter trend is most pronounced as the replacement of home cooking with dining out has significantly lessened the time between one's decision and one's consumption.
The Television Wars

Perhaps nowhere is the "brokering style" as strong as in the fiercely competitive television industry where ratings serve as the broadcaster's main (if not exclusive) criterion for success. Whether or not there is a serious mismatch between first-order and second-order preferences depends upon how the customer is defined. If monetary exchange is treated as the sine qua non of a market relationship, then the problem would have to be described as minimal or nonexistent, because by this interpretation the buyer would be the advertiser and no mismatch would be likely. Companies prefer advertising their products and are likely to be content with their preferences. But it is of course the viewer who we usually regard as the "customer," with payment being not in money but in time spent watching commercial messages.

Probably the most often expressed discontent about viewing choices consists of one person (usually an adult) who is unhappy about the viewing habits of another (usually a child). It is possible to treat this as a conflict between a preference and a second-order preference, but this would be a different sort of conflict. The parent would have a second-order preference not over her own potential ratings but over those of her child. She would prefer, let us say, that Johnny, not she, prefer watching one hour of television rather than four. Except for deregulatory extremists, few would object to the claim that society has a stake in regulating television for the sake of minors. It is much harder, however, to offer credible complaints about what is offered in those contexts where protection of children is not the issue. This is not to say that no attempts are ever made. Some have taken the quality of the programming aimed at adult audiences to be symptomatic of the "dumbing down" of American culture. But for such critics the problem is traced not to the inherent workings of the market but to much broader social forces.

Other critics have located the problem within the industry itself. Media critic George Gerbner, for example, argues that violence in television is common because it sells in global markets, not because it maximizes American viewership. Some also argue that less desired shows prevail because these happen to be the ones that succeed in turning viewers into purchasers of products. By this interpretation, the better, genuinely preferred shows so captivate viewers that they would become insufficiently attentive to the advertising message. Still another explanation is the occasionally heard, but increasingly less relevant, claim that the oligopolistic nature of television is the problem. In this case, the problem is insufficient competition and an increase in competitive pressures would result in better quality, and more frequently watched, shows. Finally, cost consciousness is sometimes suggested to be the problem; the most wanted shows are reasoned to be too expensive to be profitable for the broadcasting networks to provide.

Each of these explanations of why unwanted shows perpetuate attempts to understand why people's stated preferences, when polled, do not appear to be reflected by what is offered. And each clearly assumes that any superior menu of shows would elicit greater viewership. Such an assumption, however, does not square well with the earlier presented argument that markets deliver suboptimal preferences. Whether output of a particular good would rise or fall following full enforceability of property rights in one's preferences depends on the nature of the particular good. Rarities are the person who believes that she is consuming too much lettuce. If in the present day economy the mere presence of lettuce influences preferences or if the efforts of lettuce growers to market their product influences preferences, we would have a case where sellers are not being properly compensated for a beneficial preference change that they are creating. Following a new definition of property rights that allows compensation to the one responsible for such favorable changes, costs would fall for suppliers and the equilibrium quantity of the product would rise. Clearly, for cigarettes sellers the opposite holds. The preferences created by these sellers are most often worse than those they replace, and if sellers had to pay for the unfavorable shifts they cause, the equilibrium quantity of cigarettes would fall.

Causal evidence strongly suggests that television has more in common with cigarettes than lettuce, at least with regard to preference ideals. The actions of broadcasters often appear to create desires to watch that some of the viewers would rather be without. It is much harder to think of cases where the reverse is true and where the broadcasters are creating improved preferences without being compensated. Full property rights in preferences (or less formal social institutions that respect second-order preferences) would in all likelihood give rise to less, not more, television watching.

The failure to appreciate this has allowed those defending the current system to dismiss reformists' claims by pointing to the fact that better shows simply "exist." Consider, for example, the observation of one television critic that "Despite cries from community groups everywhere for less violence on TV news, none of the dozen or so stations that promoted the new policy in 1994 saw ratings increase" [Sipowell, 1996, 4]. Or consider another critic's question whether the networks ought to continue to offer what they do or "heed those who keep insisting, despite contrary evidence from the Nielsens, that there is a national consensus for tranquil TV" [Boesenberg, 1997, 48]. Clearly, nothing is allowed to speak for an individual but her post facto response to a show's availability.

This becomes particularly clear in a New York Times Sunday Magazine article about the attempt of Bill Bauman, a station general manager in Florida, to clean up the local news program by de-emphasizing the omnipresent coverage of crime [Winipper, 1998]. All parties to the struggle that followed shared the belief that size of viewership ought to serve as the criterion for evaluating any changes that were made. The news director at a competing station was unimpressed with the proposed reforms, reasoning that "Crime is what the audience wants" and rhetorically asking, "Who am I to second-guess the audience" [Winipper, 1998, 32]. Bauman, in contrast, was described as believing that "TV news is so crime-laden that a lot of viewers find it ridiculous and turn it off" [Ibid., 35]. The possibility that a different sort of news show might generate preferred preferences that involved less watching was completely outside the discussion. The lead-in to the article cited the viewers as the biggest obstacle to attempts to take the high road, and readers were left with the impression that Bauman was simply tilting at windmills.

If my reasoning is accepted, it places public television in the United States in a rather different light. The quality of its offerings relative to the competition is a source of pride for those stations and emphasized during their fundraising drives. This is at the same time, however, a source of some embarrassment. For public televi-
vision has often been criticized as "elitist," with the relatively small audiences and the subject matter itself being noted in support of such a description.\(^2\) Even those who don't believe "elitist" is inherently objectionable are inclined to agree that public television is both controlled and watched by the relatively better educated and higher income segments of the population, and that public television programs pretty much ignore the major portion of the population that has not attended college.

I will not argue for or against this general position but will consider an implication that follows from the introduction of second-order preferences to the discussion. Regardless of whether those with the responsibility to select material for public television are sensitive to public opinion through the ballot box or through private donations, there is one very significant difference that sets public TV apart from its rivals. A great deal of time separates the expression of a preference regarding what will fill a particular time slot from the actual presentation of the show. And as noted earlier, this suggests that the preference moving an agent to act is more likely to be a preference that he prefers. Moreover, this paradoxically suggests a less time spent viewing rather than more. Contributors to PBS, for example, might reveal a strong preference for, say, a documentary show when actual consumption lies in the future. That is, assurances that this particular show will occupy the Thursday 9:00 P.M. time slot over the next year might be noted to result in more call-in contributions than would something more along the lines of what commercial networks offer. But with consumption still far off, the preference that moves an agent to act is more likely to be a preference that is preferred by the agent.

For commercial television, in contrast, preferences are expressed at the very time that the show is "consumed." While one can easily discover what will be airing a week or even a month in advance, there is no convenient basis for pre-committing choices. There is thus a greater chance that the preference revealed will be a less preferred preference, and as discussed earlier, such a preference would likely be to carry with it more, rather than less watching. The familiar duo, sex and violence, "sell" in the sense that they can grab the attention of the channel surfer. The very same person who might have donated money to PBS because of what it promised to offer, might register a consumer "vote" for a network or cable show more adept at creating preferences to watch on short notice. If my account is correct, characterizing public television in the United States as serving a small elite while the rest of the population opts for commercial television might contain a grain of truth but would be obscuring a more interesting possibility. PBS might serve people in a way that responds to preferred preferences that happen to carry less time "glued to the tube."

The Rise of the Restaurant

It may appear that the "public" nature of PBS is critical to the above analysis, and that the problem with commercial television derives from its profit-maximizing orientation. But insufficiency in the shaping of tastes has much more to do with the spread of market mechanisms than with the spread of private ownership. And with the spread of market mechanisms the time between one's consumption decision and one's actual consumption tends to diminish. In recent years, food provides one more interesting example. A feature that distinguishes eating in from eating out bears a striking similarity to a feature that distinguishes public from commercial television. The amount of time that separates the expression of a preference from the consumption activity itself is much greater in the former (eating in and public television) than in the latter (eating out and commercial television). There are, of course, striking differences as well.

First, television broadcasting can be differentiated by the locus of ownership (public versus private), while both sorts of food provisioning have long been strictly private (supermarkets as well as restaurants). Both public television and eating in, however, are less thoroughly "in the market" than are their counterparts. In the case of public television it is government that provides an immediate sense of a clear difference, but as discussed earlier, it is really the delay between one's decision as to what show to support and the actual time that this show airs that is significant. In the case of food consumption, a similar lag occurs, as one's decision to eat at home separates the market decision from consumption itself.

Second, with food consumption complications of income class are less likely to complicate the analysis. Food stores come in many varieties, as do restaurants. A shift away from cooking at home and into restaurants is just as true for a higher-income person (substituting trendy restaurants for gourmet food stores) as it is for a lower-income person (substituting fast-food restaurants for discount supermarkets). A general trend in this direction is clearly evident. Restaurant spending in the United States comprised 20 per cent of food spending in 1960 compared with 40 per cent by 1996 (Fernandez, 1998, A20).\(^2\) Between 1984 and 1994 sales of food away from home increased at an annual average growth rate ranging from just a 4 per cent annual real rise in sales of food destined for human consumption (Price, 1998, 30).\(^3\) Differences between the quality of home-cooked food and restaurant food are much harder to generalize, but there is one anomalous trend that seems consistent with this shift.

It has been reported that average body weights and cases of obesity are rising in the United States.\(^4\) This trend attracted media attention primarily because it ran counter to the expressed determination of so many Americans to keep pounds off. The shift out of home cooking and into restaurants can shed some light on this trend. As researchers for the U.S. Department of Agriculture noted, "The increased popularity of dining out presents a barrier for Americans to continue improving their diets," as "food purchased away from home generally contains more of the nutrients overconsumed and less of the nutrients underconsumed by Americans."(Fernandez, 1998, A20).

Statements such as these are often dismissed by economists because of their paternosterial tone. For those in the health sciences, the mere fact that health suffers serves as evidence of a "problem," while for economists the sacrifice of some health is more often treated as just a non-monetary cost rationalized into whatever decision agents make. But with second-order preferences brought into the analysis, the possibility of a problem becomes clear. When in a restaurant, one's purchase decision is soon followed by the food itself, which is not true when one buys packaged food. It follows that when eating out one is more likely to be in the grip of an unpreferred preference to eat fattening foods than if one had bought the ingredients for that meal days prior.
But what if it were necessary to order restaurant meals one week in advance of actual consumption? And what if orders were placed with a full understanding that they were binding and that no substitutions were possible when the time to enjoy the meal actually arrived? How would eating habits change? For many people, I would suggest, it would result in fewer calories consumed. And this would be a welfare improvement if these agents had second-order preferences to prefer this end if the program indeed resulted in first-order preferences being shaped accordingly.

While nothing quite like this has emerged on the market, related sorts of pre-commitment food ordering strategies have. Two years ago I decided to do something about my steadily rising weight. I went to a weight reduction clinic and managed, over a six month period, to lose twenty pounds. Each week I met with a counselor who went over a standardized menu for the week to follow, a menu including both foods purchased directly from the weight-loss company and foods purchased at any food market. After the planning and brief pep talk I weighed in to see if I was achieving my one to two pound weekly weight loss goal.

What stands out about the plan is it provided a tight structure for pre-commitment. Weekly trips to the supermarket, it will be recalled, permit better shaping of future tastes than do restaurant visits. The process is simply taken further with this particular weight reduction center. Someone witnesses the client’s weekly decision, all discretion for the week is given up, and the client must answer to a counselor at week’s end. In my own case, the taste shifts were striking. Not only did I announce that I was not going to stray beyond the week’s menu, but conforming to this menu was much more plausible than it might have been had no one been “watching.”

Despite wanting to inform potential clients of its success as a weight loss technique, the company’s official pronouncements did not like to note that it freed people from choice and by so doing shaped them as they wished to be shaped. Instead of presenting itself as its audience to too much “freedom to choose” the program seemed to present itself as a vehicle for making more intelligent food choices. The problem facing the dieter, in short, was presented as a problem of insufficient information, not unpreferred preferences. A brochure thus claimed that healthful eating is “like everything else, a matter of awareness—learning how and what to order,” and so the organization’s founder herself announced that “healthy weight management is ... about making smart choices for yourself.” Even an organization that appeared to specialize in the successful molding of tastes felt the need to rely on the dominant rhetoric of informed choice in communicating what it had to offer.

One practice in particular stands out as anomalous if a client’s fees are to be understood as simply compensation for counseling and “information” provided (food charges were separate). At the initial visit I elected to become a “lifetime member,” a status that would allow me to attend sessions, visit counselors, and purchase the center’s food for as long as I might wish. The stated fee was $350, half of which would be refunded if I managed to be at my stated weight goal one year after first attaining it. There appeared to be both psychological and legal reasons for this particular way of packaging the weight loss incentive. As stated, a reward is being offered to those clients who succeed in meeting their goals. But what if the stated fee for joining had instead been $175 with the proviso that the client would have to pay an additional $175 should she fail to reach her goal? In one sense this represents a better deal for the client. For now she would have access to the $175 that is instead, under the present system, held by the weight-loss company. Despite this clear advantage, however, there is something about this alternative way of “packaging” the arrangement makes it seem unfair.25 For is she fails to achieve what she intended, the client is being asked to pay twice what she otherwise would. Clearly, in other spheres, the procedure is precisely the opposite. Money back guarantees are offered not for product satisfaction but for failure to perform as advertised.

This can only begin to make sense if the product is “changed preferences” instead of just “information,” and if hiring someone to enforce a peculiar sort of “one way contract” increases the likelihood of having the preference changed. This weight reduction company stood ready to collect $175 from me if I failed to reach my stated goal. This, I can say firsthand, has exerted a favorable influence on my eating habits. With weight gain more expensive than it was previously, I am in possession of a preferred preference, namely, a preference to keep my weight down.

The Panglossian Temptation

By some accounts, for a change to occur is clear testimony to its efficiency. Taken to an extreme, such a position leads to what has been called the “Panglossian temptation” the belief that we always live in the best of all possible worlds. This sort of reason for rationalizing change cuts across ideological boundaries, and, while useful for scoring rhetorical points, represents a very limited and misleading view of social change.26 As the preceding sections have suggested, changes sometimes occur that by any normative criteria are changes for the worse. A correct understanding of social evolution does not rule out such unfortunate changes and it is thus a mistake for proponents of change to assume that the efficiency features of what they propose ensures its inevitability.

If the description of Americans offered by both Daniel Bell [1976, 54] and William Leach [1983, 4] as unusually accepting of the “new” is correct, the United States is particularly well suited to enthusiastically embrace change. Americans might be described in a way that appears on the surface contradictory, namely, as advocates of a rule of thumb that urges one to, “rigidly reject the rigid rejection of change.” This would suggest that in the United States more than in other parts of the world, market structures might be found displacing other social mechanisms regardless of whether or not such changes represent social improvements.

Such sub-optimal change is particularly possible in a society that is experiencing economic growth. This may on initial consideration seem odd, since one might expect those characteristics that are associated with economic growth to be the same characteristics that encourage the discovery and correction of inefficiencies. But consider as an analogy the sub-optimality that is possible for a firm with some degree of market power. Since above-normal rates of return on investment are the norm for such enterprises, their managers can incur unnecessary costs without jeopardizing their future as long as stockholders continue to do better than they could expect to do elsewhere. Similarly, in an economy undergoing rapid growth, the replacement of efficient social practices with inefficient ones might go undetected if people on average experience improvements in their economic situations.
CONCLUSION

The market’s inability to shape preferences in ways that agents would prefer constitutes a “market failure” as that expression has usually been used. Defenders of laissez-faire have been emboldened by their political successes over the last 20 years to throw a question back at critics of the free market, namely, “Is there any real world economic system that could avoid these alleged failings?”

In attempting to answer this question, my strategy has been indirect. Rather than set forth the precise characteristics of a system that might be expected to do better when it comes to preference formation, I have offered reasons for believing that the problem of unpreferred preferences has been worsening over the century.

Two historical trends were described. One of these trends involved a shift in belief, namely, that market results rather than expert opinion should serve as a measure of worth. The other trend—a shortening in the time separating an agent’s decision regarding what to consume from the consumption activity itself—was a consequence not of belief shifts but the maturation of a market economy. The television industry provided an example of the crisis’s replacement by the market, while the shift toward restaurant eating provided the example of the decreasing time between decision and consumption.

In the paper’s final section, consideration was given to the possibility that the overall success of the U.S. economy over the last half century may have disguised the worsening problem of “preference pollution.”

NOTES

1. Another philosopher, Richard C. Jeffrey [1974], followed a more formal approach than Frankfurt.

2. Laibson [1997] does manage to draw welfare conclusions while remaining within a two-actress approach, but some rather restrictive conditions are necessary for this to be possible. In an earlier article [George 1998] I develop the normative shortcomings of two-actress models of internal conflict more fully.

3. Among economists, see the work of Son [1974, 1977], Majumdar [1980, Van der Veen [1983], MclVerson [1982], Hinrichs [1984], McGehee [1992], Dutz [1993], and Becker [1993]. While market failure is not the concern of these works, it is the concern, in part, in a work of fiction by philosopher Stephen Laibson. In the words of one of his characters, “Do you insist that people want to want what they want? Where do you think their wants come from? I’ll tell you! From the jingals! [1996, 256].”

4. Also see George [1984, 1988].

5. The assumption that the second-order preference doesn’t change is in large measure for convenience of presentation. The argument is as valid if the second-order ranking is itself assumed to shift. All that is required for such a conclusion is the assumption that the second-order and first-order do not move in tandem. For more on this see George [2000], Ch. 4. Pedagogical convenience aside, it seems that greater variation in the availability of the elements of the first-order ranking would make those rankings more subject to change. See Eiser [1998] for examples of how learned availability can enhance desirability (‘gains’ in a greek) effect or lessen desirability (‘near grasp’ effect).

6. In fact, it has been the Philadelphia Inquirer’s habit to use not the “opinions of the critics in its listing of movies, but box office success as well.

7. Another communications theorist, Neil Postman [1986] made a similar argument over a decade earlier. Robert B. Frank and Phillip J. Cook [1988, Ch. 10] see the problem as worsening with respect to pressures in the “winner-take-all” society make even less feasible the slow development of audience tests. Conversely, Cowen [1998] argues that commercial culture has permitted the arts to flourish.
6. This is not to say that in every capacity in contemporary society the trend is to be non-judgmental about the desires of others. It might be argued that religious and secular organizations that have altering tastes as their purpose are flourishing in contemporary America. This would not be inconsistent with the spread of the "freeking" style within the market as long as it is not perceived as a consequence of this trend. Just as the rise of businesses that market the effects created by pollution might be a reaction to the creation of "too much" pollution, as the spread of price-cutting institutions outside the market might mean the elimination of this function by sellers.

7. R. H. Steege (1965-66) wrote the seminal article in this area. Also see George Loewenstern and Richard H. Thaler (1989) and David Lau (1989).

8. As I argue elsewhere (George, 1988, 1987, 1986), pre-communist is a sensible strategy only if it has the effect of enabling future participants. Following Ritzer (1983), if never grasped generally, by ruling out the wasting of potential writing time tomorrow of this possible route might actually no longer have a preference for this.

9. For the two obvious models of self-control, "time-inconsistency" is a necessary condition of internal conflict. It is worth noting that by the second-order preference approach, this is not so. Someone who is strong in the grip of a self-described "bad habit" may wish that habit, no matter what the period of time between incomes and consumption. So, for example, a particularly strong inner addition may lead the addict to give the same order for his daily fix no matter what the delay time. Ironically, while the might save her self as an attempt at self-denial by the addict's even snippets it would not see to pose any problem within the logic of "inconsistent time preferences."

10. As Garrett Keizer points out, though a negative sort of "utility" is usually associated with those who are "sitter-natured" rather than "marker-natured" in their creations, the categorization might more properly be reversed. In commenting on a shift in the policy of the New Yorker magazine toward a more "reader-friendly" format, he states, "Some people considered the magazine elitist because it published a few writers who were better than anybody else in the world, but great writing is truly democratic, open to all. What really counts is to put out commercial garbage for an audience that you presumed feel superior to. [1989, 74].

21. According to Michael Schudson (1984), advertising affects sales very little and persists largely as a ceremonial declaration that one has "arrived." If it is correct, there may be some companies who would indeed like to drop out of the present but haven't the nerve. This, in turn, could be construed as a conflict between the orders of preferences.

22. The spread of cable television over the past two decades has altered this means of payment only slightly. As by any conceivable reckoning for evaluating time, the cable viewers still spend more in the form of time watching commercials than in the form of monetary payments to their cable companies.

23. Kahneman (1986, 22) defines higher-order preferences in this general way, as one person's preference regarding another's preferences. 24. So widespread and well known is this particular sort of "shock-directed" second-order preference that a finite aim at any imaginable criterion for evaluating time, the cable viewers still spend more in terms of second-order preferences and less of first-order preferences.

25. Robert W. McInerney, for example, argues that "With tremendous pressure to attract audiences to keep costs down and not take chances, the standard route of the major giants is to tum to the tried and true formulas of sex and violence ... To the extent that the system filters in audience desires, it does so in a quite limited and commercially exploitable manner. Programming that features lurid and intimate discussions of sexual behavior, as tall shows shown by Howard Stern or Jerry Springer, costs virtually nothing to produce and does not need to "develop" an audience [1989, 34].

26. Recent evidence is hard to find. But an article written in the 1960s notes that, "Existing surveys of the people watching television, 34 percent occasionally "feel like doing something else," another 12.5 percent "feel felt that way, and a further 6.5 percent "almost always" have that feeling. Yet, all of these contain watching" (Schuyler, 1986, 77). Curiously, though a survey conducted by The United Media Enterprises (1983) (and included in the report's appendix) asked partic-

27. This charge was frequently made during the 1990 House Appropriations Subcommittee bearing on whether to continue the federal subsidy of public broadcasting. As noted in the New York Times, "The Corporation for Public Broadcasting... has long been a favorite target for conservatives who have imprisoned its operators with a liberal bias" [Kreyn, 1989, 42]. Charges of "cultural citizenship" have come from other quarters as well. One commentator noted that frequently heard charge that commercial television is degrading to children in classic: are likely to "raise objection from more liberal camps" and "concern certain to encourage crisis of cultural citizenship" (Mazzon, 1998, 81).

28. This figure cited in the article is from Department of Labor, USDA Food Cost Review. 29. Similar trends have been reported for the United Kingdom. An offer reports, "Eating outside the home claimed less than ten percent of food outlay in Britain in 1955. By 1995 eating out was more than doubled its share of food spending [1989, 8].

29. "Permits the 1970s to the 1990s the incidence of overworking in the USA rose from 61 to 60 percent for men, from 41 to 60 percent for women, with Britain behind but catching up" [Doi, 1999, 6].

30. Though unable to review the source, a reference reffers to "seeing a recurring claim that executives who ordered their lunches at 9AM ordered less than those who ordered them at noon."

31. It is interesting to consider that the rule of the professor may be somewhat similar. Beyond the high school level, it has long seemed that self-education is no longer possible. It is also extremely rare, partly because no official accreditation is attained, but also because formal education allows pre-commitment strategies to emerge.

32. For a particularly insightful look at how the manner of presentation influences perceptions of economic fairness, see Kuhnen, Kosfeld, and Thaler (1989).

33. Legal considerations might also help to shed some light on this policy. As David Lau's statement, contracts install an explicit loss to the approved party of breaches "are generally ineffable" in the United States" (Lau, 1997, 448). He goes on to note that "U.S. contract law is based around the "fundamental" principle that the law's goal is to prevent breaches by compelling the promisee to perform, but rather to induce breach by compensating the promissory interest in the "fundamental" principle that the law's goal is to prevent breaches by compelling the promisee to perform, but rather to induce breach by compensating the promisee for the breach" (Lau, 1997, 448, footnote 6).

34. This point was pursued in more detail in an earlier article (George, 1989). Also see Altman (1999).

35. Economists who have studied student consultations from the "new institutionalism" perspective in recent years, for example, Chui (1993) have tended to approach their subject from a social psychological perspective. While this is a potentially useful tool, it does not lead to an understanding that efficient practices will evolve, in part, to attract away from each other. Curiously, Themen Vorden [1993], who introduced an evolutionary perspective to economics a century ago, was not at all inclined to draw any necessary connection between brevity and efficiency.

36. This assumes that any preference shifts that sedate influence must be undetectable. As stressed earlier, this need not be the case and is only being assumed in this example for simplicity. The analysis could go forward with the assumption that some specific cause were tasks (and do too often) and some superior tastes (but too seldom). The same conclusions would be reached but with unsatisfactorily complete for what is being demonstrated.

37. As Marriott and Amos (1983) demonstrated, economic majors were more inclined than other students to fall into the Prisoner's Dilemma. For an expansion of this finding see Frank, Gilsow, and Bengt (1993).

REFERENCES


