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Published in:
Journal of Economic Issues

Publication date:
2000

[Link to publication in Tilburg University Research Portal](#)

Citation for published version (APA):
James, M. J. (2000). Do consumers in developing countries gain or lose from globalization? *Journal of Economic Issues*, 34(3), 537-551.

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Do Consumers in Developing Countries Gain or Lose from Globalization?

Jeffrey James

In this paper, I argue that neoclassical consumption theory cannot serve as a framework for answering the question posed in the title because the theory cannot deal with the features of globalization that bear on consumers in poor countries. The welfare effects of globalization on consumers are especially prone to the forms of uncertainty and disappointment that are assumed away in traditional demand theory.¹ In particular, neoclassical theory unrealistically assumes that consumers are perfectly informed about their own preferences and about the range of available products; that these preferences are exogenously determined and stable over time; that individual satisfaction depends only on one's own consumption; and that consumption occurs at the point of purchase. To describe the actual gains and losses to consumers in developing countries from globalization, it is necessary to replace these assumptions with alternatives that describe reality more accurately. Before setting about this task, however, let us begin by examining precisely how the assumptions of traditional demand theory preclude the possibility that consumers may experience feelings of frustration and disappointment.

The Exclusion of Frustration and Disappointment in Traditional Consumption Theory

The assumptions of traditional, neoclassical consumption theory are such that there can never be a discrepancy between what the consumer expects to achieve and what is actually realized. That is to say, "there are no surprises with respect to the amount of utility achieved" [Cyert and de Groot 1975, 225].

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Perfect knowledge is the most obvious among the assumptions that this conclusion requires. "In accordance with this postulate, people are supposed to calibrate their purchases and time uses by matching their preferences, which are fully known to them, against the equally well-known world of available consumption experiences" [Hirschman 1982, 17]. The immunity of the consumer to possible "surprises" in traditional theory, however, depends not only on the requirement that preferences be known, but also that they be constant. For, once the possibility of preference change is admitted, there is always the possibility that consumers judge themselves to be worse off in the new situation than in the old.

According to James, "Another assumption that has the effect of excluding disappointment from the purview of traditional theory is that individual satisfaction depends only on one's own consumption" [James 1993, 148]. This assumption excludes not only the variety of ways in which the market mechanism is thought to promote "social comparisons rather than self-reference" [Lane 1991, 220], but also and more generally the entire area that modern neoclassical economists refer to as "negative consumption externalities." The externalities are, of course, the products of processes that Thorstein Veblen wrote about 100 years ago in *The Theory of the Leisure Class* and of processes that John K. Galbraith has written about more recently.

Still another way in which expected and actual utilities are made to converge in traditional theory is that consumption takes place at the point where goods are purchased. This assumption not only excludes the range of factors that make the characteristics derived from the same commodities a highly variable magnitude, but it also has the effect of excluding the variability in the way that characteristics themselves promote human functionings. As Amartya Sen puts it, "For example, if a person has a parasitic disease that makes the absorption of nutrients difficult, then that person may suffer from undernourishment even though he may consume the same amount of food as another person for whom that food is more than adequate" [Sen 1985, 9].

If we assume—as neoclassical consumption theorists do—that preferences are known, fixed, and not changed by the behavior of others, then it is a simple matter to conclude that the increased trade and foreign investment that are part of globalization will have a positive effect on Third-World consumers. The choice of available goods will be expanded and prices lowered. Unless real incomes decline, consumers will be better off. In the pages that follow, I describe what happens to this rosy conclusion if each of the crucial assumptions of neoclassical consumption theory are relaxed.

Globalization, Information, and Advertising

In traditional neoclassical theory, there can be no distinction between the consumer's revealed and informed preferences. However, in a world of new products and advertising that cannot be assumed to be purely informational there can be a substantial difference [Harsanyi 1992, 6-7]. Consider, for example, the case of someone "who had a bad case of pneumonia, for which A is the best medication. But, he erroneously thinks that B is the best medication, even though the latter would be quite ineffective against the type of pneumonia he has" [Harsanyi 1992, 6]. In this case, therefore, the medication that was actually chosen contributes little or nothing to the consumer's true welfare, defined, as it should be, by the degree to which his/her informed preferences are satisfied.

For our purposes, the relevant question is, are there any reasons to expect systematic deviations of this kind to occur in relation to the products associated with globalization in developing countries? The answer to this question, as I see it, needs to be based on the recognition that "vendors have incentives to provide reasonably accurate information about those features of . . . commodities that might attract . . . customers to . . . buy goods in their establishments if and only if the . . . customers *have sanctions against deceit*. Where they do not, as in . . . some purchases such as medicines and some foods, *informed satisfaction is not encouraged by market structure*" [Lane 1992, 461; emphasis added].²

Advertising in developing countries is a major or even the main source of information about many new products (or products newly introduced into developing countries)³ and has been heavily associated with the recent processes of globalization in various parts of the Third World. More specifically, over the past 10 years, advertising growth has been most rapid in Asia and Latin America, and within those regions, moreover, certain countries stand out.

for China [advertising growth has been] more than 1,000%, for Indonesia 600%, for Malaysia and Thailand more than 300% and for India, the Republic of Korea and the Philippines more than 200%. And compared with GDP levels, the advertising expenditures in developing countries are particularly high [as shown in Table 1] [UNDP 1998, 63].

The changes in advertising expenditures shown in Table 1 are, in part, responses to the rapid growth in certain markets. However, several other factors are involved. One is the combined result of a recent rapid spread of television receivers to all parts of the Third World (see Table 2). Technological changes (specifically cable and satellite) have led to a massive increase in available channels per receiver (China, for example, "had 11 million cable television subscribers in 1990—35 million in 1995 . . . India had 7 million in 1993, and 16 million in 1995") [UNDP 1998, 63]. The second main reason why advertising has played a major role in the globalization process of the past decade or so is that the 1980s and 1990s witnessed

Table 1. The Spread of Advertising to the Developing World—Top 10 Countries in Advertising Expenditure as a Share of GDP, 1986 and 1996

1986			1996		
Country	Advertising as a Percentage of GDP	Total Advertising Expenditure (US \$ Billions)	Country	Advertising as a Percentage of GDP	Total Advertising Expenditure (US \$ Billions)
United States	1.6	94.6	Colombia	2.6	1.4
Australia	1.4	4.3	United Kingdom	1.4	16.6
United Kingdom	1.4	13.0	New Zealand	1.4	1.0
New Zealand	1.1	0.7	Hong Kong	1.4	2.2
Hong Kong	1.1	1.1	Korea, Rep. of	1.4	6.7
Switzerland	1.0	2.7	Venezuela	1.4	1.0
Colombia	1.0	0.5	United States	1.3	101.2
Spain	1.0	4.2	Taiwan, China	1.2	3.4
Venezuela	1.0	0.6	Brazil	1.2	8.2
Finland	0.9	1.0	Australia	1.2	4.7

Source: UNDP [1998].

the deregulation of public television in a large number of developing countries, with a concomitant expansion of commercial programming. (The conversion of the state-owned television service in India is perhaps the most pronounced example of this general tendency [see Barker 1997].)

To what extent, then, have such intensive advertising efforts in globalizing economies of the Third World (undertaken mainly, but not exclusively, by multinationals) been subject to sanctions on the provision of misinformation described earlier? While one cannot provide a complete answer to this question, what can be said is that in product categories where information is particularly important for the consumer (such as food, medicinal drugs, and pharmaceuticals), effective sanctions in most developing countries are virtually nonexistent, and reliable information is invariably more scarce than in developed countries (where penalties for supplying misleading information do exist, even if they are not always applied as fully as they could be). With regard to medicinal drugs, for example, it is still the case that the information provided by drug companies in the Third World is inferior over a wide range of products to what is supplied by the same firms in the industrialized countries.⁴ Similarly, "tobacco consumption is a growing problem in Africa, Asia, Latin

America and the Arab States," where typically "information campaigns lag far behind, while marketing and advertising campaigns have intensified" [*Human Development Report* 1998, 63]. As with medicinal drugs, much of the blame for this regrettable situation can be ascribed to the absence of countervailing government action, especially in the areas of advertising and health warnings [Shepherd 1985]. (There are, however, certain exceptions to this general situation: in 1990, for example, Hong Kong banned television advertisements for cigarettes, and such advertisements as there are for cigarettes include clear and prominent health warnings.)

In these and other markets where there are no effective sanctions against misleading advertising in developing countries, what needs to be emphasized is that the poor, uneducated consumers in rural areas are most likely to be harmed. Whereas the upper-income groups in those countries can usually gain access to countervailing sources of product information, such as consumer reports and the Internet, this is not true of the vast majority of the population [World Bank 1998]. More generally, as the most recent *World Development Report* has rightly emphasized, "information problems are often at the core of the difficulties that poor people in developing countries encounter in their daily struggle to survive and to improve their lives" [World Bank 1998, 3].

Externalities in Global Consumption

"It seems extraordinary," write Mary Douglas and Baron Isherwood in their well-known contribution to the social anthropology of consumption, "but it is an outcome of the way that traditional utility theory has been used, that the consuming unit acts as if its decisions to spend on this or that were made in isolation and independently from those of all other consumers" [1979, 44]. In reality, of course, there are any number of ways in which consumption by one individual confers negative effects on other consumers. From among the numerous possibilities, two have an especially close affinity with the globalization of consumption in developing countries.

What concerns us first is the asymmetry of increased consumption levels in developing countries that has accompanied—and indeed has partly defined—globalization over the past decade or so. While much of the increased consumption has accrued to relatively high-income households, the consequences for the environment are often borne mainly by lower-income groups. Toxic emissions from automobiles owned primarily by the higher-income groups, for example, are usually most seriously felt by "children of the poorest urban dwellers . . . because they tend to live near busy roads" [UNDP 1998, 70]. Similarly, with the growth in affluence and consumption that has accompanied globalization in numerous developing countries has come a change in the composition of waste products "from primarily biodegradable organic materials to plastic and other synthetic materials, which take much

longer to decompose, if they do at all" [UNDP 1998, 71]. In this case as well, it is the poor who tend to suffer most, inasmuch as it is they, rather than higher-income groups, who live near waste disposal sites [UNDP 1998].

In contrast to the examples that have just been cited, when the low-income majority in developing countries *do* participate in the expansion of consumption to which globalization gives rise, there is no certainty that their welfare will increase in direct proportion to the amount they consume. The problem is that, as Veblen long ago noted, consumption is a social process. At least some consumption is likely to form part of what Fred Hirsch [1976, 52] refers to as "positional competition": that is, "competition that is fundamentally for a higher place within some explicit or implicit hierarchy and that thereby yields gains for some only by dint of losses for others." In brief, such consumption behavior is collectively self-defeating because *"The choice facing the individual in a market or market-type transaction in the positional sector, in a context of material growth, always appears more attractive than it turns out to be after others have exercised their choice"* [Hirsch 1976, 52; see also Frank 1985, 101]. Sporting goods, such as NIKE shoes and Izod shirts, appear to fall into this category, and they also illustrate the problem of positionality that has just been described. Whereas these goods were once scarce enough to serve the positional goals of their consumers, they are now far too ubiquitous for this purpose (Nike, according to a well-known business magazine, "has become too common to be cool") [Sellers 1998, 12].

Globalization tends to intensify positional consumption in developing countries because it is not merely an import process by those countries from the industrialized world. Rather, globalization is a much broader phenomenon that also encompasses the immensely rapid spread of the mass media, imported television programming, and advertising by multinationals in developing countries; these factors help to ensure that consumption is undertaken not simply as an end in itself, but also, or alternatively, as a means of promoting one's position in society. The transfer of Western values, including positional values, tends to be fostered by the growth of predominantly American programming.⁵ This general process, in turn, makes consumers increasingly susceptible to advertising by multinationals of specific products that are designed to satisfy the values thus transferred.

There is reason to think that the effects of the global spread of positional goods are felt as much, if not more, by the lower-income groups in developing countries. As Robert Frank has formulated it,

First, just as the poorly fed person derives more satisfaction than others from additional food, so too will the low-ranked person derive greater satisfaction from an advance in the rankings.

The second reason is that any given positional expenditure will generally produce a larger change in rank for low-income than for high-income persons. This happens because people are bunched together more closely nearer

the bottom of the economic ladder. For a low-income person, there are many people with consumption levels only slightly higher than his own, so even a small increase in positional expenditure will appreciably increase his rank. But in the upper reaches of the income distribution, where incomes are more spread out, the same expenditure will not affect rankings by much. A hundred dollars more spent on clothing, a hundred dollars less saved—all such expenditure shifts will produce larger advances in the ranking for persons near the bottom of the hierarchy than those near the top [Frank 1985a, 155-6].

It may be at least partly for these reasons that observers of consumption behavior among the poorest groups in developing countries comment on how members of such groups often seem prepared to reduce their spending on food and other essentials in order to purchase modern, status-intensive products [e.g., Wells 1977; Ger and Belk 1996]. It is worth noting here that, in a different context and a different time, this same conclusion was reached by Veblen when he argued that "people will undergo a very considerable degree of privation in . . . the necessities of life in order to afford what is considered a decent amount of wasteful consumption" [Veblen 1899, 168].

Globalization, the International Demonstration Effect, and Preference Change

It has long been recognized that the preference orderings of consumers in developed and developing countries are interdependent, rather than independent, of one another. More than 40 years ago, for example, Ragnar Nurkse [1957] advanced the notion of an "international demonstration effect" of consumption in the developed countries on consumption behavior in the developing countries. What he meant by this was that "when people come into contact with superior goods or superior patterns of consumption, with new articles or new ways of meeting old wants, they are apt to feel after a while a certain restlessness and dissatisfaction. Their knowledge is extended, their imagination stimulated; new desires are aroused" [Nurkse 1957, 112].

Globalization intensifies this effect not only because the mass media have spread so rapidly in developing countries over the past decade (see Table 2 on the growth of television receivers), but also because of the dominance of those channels of communication with programming imported from abroad (this seems to be especially true of the growth of satellite and cable television channels, which are dominated by American imports).⁶

Recent changes in consumption behavior within the developing countries themselves have also helped to intensify the effects of globalization on the international demonstration effect. Not only do imported products now enjoy the increased expo-

Table 2. Growth in the Number of Television Receivers

Continents, Major Areas, and Groups of Countries	Total Number of Television Receivers (Millions)			
	1980	1985	1990	1995
World total	561	748	918	1,157
Developing countries	86	201	340	512
Sub-Saharan Africa	4.4	7.1	13	19
Arab States	9.3	16	22	28
Latin America and the Caribbean	35	55	72	91
Eastern Asia and Oceania	24	96	187	304
Southern Asia	6.1	15	34	56
Least developed countries	1.3	2.1	4.5	6.2
Developed countries	475	547	578	646

Source: UNESCO [1997].

sure that results from growth of massmedia and advertising expenditures, but they also benefit from the shift in local purchasing behavior away from corner stores and markets toward supermarkets and shopping malls, which "are places of conspicuous consumption, and have become entertainment centres and meeting places" [UNDP 1998, 62].

To the extent, then, that the international demonstration effect has been intensified by the factors that have just been described, one would expect a corresponding shift in the preferences of consumers in developing countries in favor of modern, imported products. This, in turn, creates a major theoretical problem for traditional neoclassical consumption theory and welfare economics, which assume that preferences remain constant over time. Following Galbraith [1973], one way out of this problem is to abandon the key notion of consumer sovereignty (that is, that production is assumed to be subordinate to exogenously determined wants) in favor of the alternative idea that it is producers who "bring into being wants that previously did not exist" [Galbraith 1973, 150]. This being the case, the welfare effect of consumption based on these contrived changes in preferences is zero in his view. Without the contrivances of producers (in the form of advertising, marketing, and sales promotion), the demand for the product in question would simply not exist.

If, however, one continues to retain, rather than abandon, the notion of consumer sovereignty, that preference change gives rise to intersecting indifference curves in standard ordinal utility analysis, and there is consequently no way of judg-

ing whether to use the old or new preferences as the relevant frame of reference for welfare comparisons. By modifying the ordinal utility measure on which consumption theory and welfare economics are based, it is possible to gauge the welfare effect of preference change by using a technique proposed by John Harsanyi [1954]. By using a "quasi-cardinal," rather than the usual ordinal utility measure (that is, a measure that goes beyond ordinal comparisons but does not go so far as assuming one can measure utility on a cardinal scale), he asserts that "the consumer enjoys his new taste" if the price of the new good (in our terms, the good that is the subject of the international demonstration effect) "permits him to gratify his new taste to a sufficient extent, but, dislikes it in the opposite case" [Harsanyi 1954, 209]. The same logic prevails in relation to income, namely, that a change in a consumer's indifference map "would . . . benefit him if his income is high, and would harm him if his income is low, and *would express a shift* in his taste away from simpler and less expensive commodities towards more refined and more expensive ones" [Harsanyi 1954, 213]. The welfare effect thus turns on whether and to what extent the consumer is able to actually indulge his/her new preferences.

In applying this criterion to developing countries, it is necessary to recognize, in the first place, that the products to which the consumer is increasingly exposed, as a result of globalization, emanate overwhelmingly from the developed countries and tend to embody characteristics that are appropriate to the income levels (and other features) of those countries. As such, the products in question are likely to be most accessible to high-income, rather than low-income, consumers in the Third World. Nevertheless, these goods are known to and highly desired by many of the individuals that fall into the latter group who will experience frustration and disappointment, rather than pleasure and satisfaction, from the globalization of consumption and the intensification of the international demonstration effect. This problem, I should emphasize, is likely to be most acute in countries that are experiencing a rapid spread of contacts with and information about imported goods, but where, on account of an unequal distribution of income, the income growth of the poorest deciles is lagging behind. In Brazil, for example, it appears from survey data that:

The lower the family income, the more family members tend to watch television and listen to AM radio. These audiences have relatively little consumer power. It appears that television viewing is likely to stimulate the desire to consume, but consumption does not materialize if one does not have the means to purchase the advertised goods. When preference for manufactured items was compared to television viewing, the correlation was positive and reached statistical significance. One would expect, then, that poor viewers would buy the advertised products if they had the means to do so. When actual behaviour was measured, the data did not show the expected relationship between exposure to television and consumption, but when preference was tested, the association was positive. These results indicate a discrepancy be-

tween behaviour and attitude. Between the desire to own a product and actual consumption, there is the strong intervening variable of income. Therefore, in this case, attitude is translated into consumer behaviour only among those who have higher socioeconomic status. *Unfortunately, heavy viewers in peripheral contexts are among those who have the highest desire to consume and the least possibility of experiencing their wishes* [Oliveira 1991, 208; emphasis added].

Unknown Preferences and Changing Consumption Patterns

Utility maximization in neoclassical theory requires that people be accurately informed about their own preferences. Although this assumption is part of the traditional theory, its validity is far from being universally accepted. Albert Hirschman [1982], for example, envisages an alternative world *"in which men think they want one thing and then upon getting it, find out to their dismay that they don't want it nearly as much as they thought or don't want it at all and that something else, of which they were hardly aware, is what they really want"* [Hirschman 1982, 21; emphasis in original]. Underlying the disappointment-ridden world that Hirschman describes is Scitovsky's well-known distinction between "comfort" (the state of optimal arousal that is produced by consumption) and "pleasure" (the process by which that optimal level is reached). That is to say, "while economics assumes that there is a single thing called consumer satisfaction, psychology, according to Scitovsky, makes a sharp distinction between two different types of satisfaction—comfort and pleasure" [Ackerman 1997, 658]. This distinction is important for Hirschman's analysis, because goods can then be classified according to the extent that they combine these two characteristics.

On the one hand, there are consumer durables, such as refrigerators and air conditioning units, that are highly comfort-intensive since "pleasure" is experienced only initially when the good is first put to use. Thereafter, the consumer only derives "comfort" because the process of moving from discomfort to comfort no longer occurs. At the other extreme, however, are the "truly non-durable goods," such as food and fuel, whose ability to provide pleasure arises precisely from their disappearance in the act of consumption itself. Hirschman argues that as countries make the transition from the one product category to the other, consumers are very likely to be disappointed because this transition entails a "drastic" and "unforeseen" change in the ratio of comfort and pleasure for the consumer, who has long been accustomed to the pleasure-intensive mode of subsistence living.

As Hirschman puts it:

The modern, mass-produced durable consumer good subverts the way in which consumers extracted pleasure from their purchases in the predurable

era. Along with their extraordinarily useful services, these goods are likely to generate a great deal of vaguely felt disappointment, particularly at the time of their first massive diffusion in society [Hirschman 1982, 38].

This is a stage, I should emphasize, that closely resembles the recent situation in many developing countries where the consumption of durable goods has grown rapidly. On the other hand, highly advertised global products, such as pharmaceuticals and medicinal drugs, the consumption of which may be particularly prone to hazards of misinformation, are in Hirschman's terms "truly non-durable goods" and as such are least subject to disappointment from the spread between comfort and pleasure.

Nor are goods that subject consumers to positional disappointment part of the comfort-pleasure process. As Hirschman points out, there is a fundamental distinction between them with regard to the manner in which disappointment is thought to arise. Whereas the consumer of positional goods "fails to get what he thought would be within his reach," disappointments in Hirschman's [1982, 61] scheme "are those that come from experience with goods that are available and affordable, but simply do not yield the sort of satisfactions which were expected from them."

From Global Products to Actual Functionings

"Market theories" writes Robert Lane, "identify the point of purchase as the moment when preferences are revealed and when utilities are achieved, but it is not the purchase of the good that yields utilities so much as the more private act of *consumption*" [Lane 1991, 474].

Sen [1985] has made perhaps the most of this distinction by examining the relationship between goods and functionings. He describes a "functioning" as an "achievement of a person: what he or she manages to do or be. It reflects, as it were, a part of the "state" of that person. It has to be distinguished from the commodities which are used to achieve those functionings. For example, bicycling has to be distinguished from possessing a bike" [Sen 1985, 10]. Or, in the case of food, "in comparing the functionings of two different persons, we do not get enough information by looking merely at the amounts of bread (and similar goods) enjoyed by the two persons respectively" [Sen 1985, 25]. What we need to know, if we are to assess the impact of foodstuffs on the nutritional achievements of these two individuals, are factors such as metabolic rates, body size, medical conditions, climatic conditions, and so on.

As Sen describes it, the relationship between products and functionings is an entirely general one that applies to all goods and all consumers (though, of course, the same product may give rise to entirely different effects on the functionings of alternative consumers). Our more specific concern here, however, is with the global

products that are increasingly and rapidly being introduced into developing countries and the extent to which such products contribute to individual functionings in those countries. The effects, I suggest, often depend on the degree to which the situation in the importing country approximates the technological system of the country in which the product originates. The reason is that innovations in general and product innovations in particular are designed to fit in with a well-defined set of incomes, skills, infrastructure, complementary goods, climatic conditions, and so on (that is, all the elements that jointly define a technological system).⁷

There are two broad possibilities. In the first case, where the technological system in a developing country approximates that of the developed countries (from which most product innovations originate), the ensuing relationships between commodities and consumer functionings may not differ too much between the two types of countries. On the other hand, when certain developed-country products are introduced into entirely different (or traditional as opposed to modern) technological systems, the effects on functionings may be very different and often more negative. This distinction is perhaps most apparent, for example, in the case of infant formula, which, among a narrow group of relatively affluent consumers in developing countries, has an impact on infant health and nutritional functionings that is very similar to the typical case in the developed countries. Among the majority of poor consumers in the former countries, however, the lack of complementary inputs (such as clean water and refrigerators) often tends to engender a negative rather, than a positive, impact of formula on the health status of the infant (as manifest, for example, in severe diarrhoea and subsequent bacterial infections).

A similar story can be told for modern medicinal drugs in developing countries, which often yield dramatically different effects on individual health depending upon whether the consumer has access to qualified medical practitioners, whether he or she can afford an entire course of treatment, and whether he/she is capable of reading and complying with the recommended dosage regimes. Generally speaking, it appears that modern medicinal drugs are used least efficiently by low-income and less-educated consumers in developing countries, who, to this extent, derive less of a contribution to their health functionings from these goods than consumers who live in modern technological systems.⁸

Conclusions

As its main thesis, this paper embodies the view that traditional consumption theory is inadequate as a means of assessing the welfare effects of globalization on consumers in developing countries, mainly because such theory excludes, by assumption, the unexpected outcomes—including feelings of disappointment and frustration—which inhere in the processes of globalization as we have described them. Following a systematic critique of the assumptions of traditional theory, my conclu-

sion is that there are a variety of mechanisms through which some consumers in developing countries will tend to gain from globalization, while others will suffer instead from disappointment and frustration. These various mechanisms, and the way in which they relate to the assumptions of traditional consumption theory, are summarized in Table 3.

In many, though not all, of the mechanisms summarized in Table 3, it is mainly the lower-income groups in developing countries who appear most vulnerable to the disappointments and frustrations that the globalization of consumption entrains. In

Table 3. Globalization, Frustration, and Consumer Disappointment

	Traditional Assumption(s) Rejected	Type of Product	Consumers Most Likely to Experience Frustration and Disappointment
Globalization and information imperfections	Complete information regarding product characteristics embodied in imported, highly advertized products	Pharmaceuticals, cigarettes, cosmetics, medicinal drugs	Those exposed to product misinformation and enjoying little or no access to counter-vailing sources of information
Externalities in global consumption	Individual utility depends only on own consumption	Pollution-intensive goods from developed countries; positional (or status-intensive) products from those countries	Low-income consumers exposed to pollution caused by others; low-income consumers with most to gain from positional consumption
Globalization, the international demonstration effect, and preference change	Preferences constant	Products advertized on mass media	Those unable to indulge changed preferences in favor of high-income imported goods
Unknown preferences and changing consumption patterns	Preferences constant and known to the consumer	Durable (comfort-intensive) goods	Those in transition from subsistence to durable-type consumer goods
From global products to actual individual functionings	Consumption is revealed at the point of purchase	Goods subject to wide variation in the relationship between commodities and functionings (e.g., modern drugs)	Those who belong to traditional consumption systems, lacking the necessary resources for a favorable relationship between modern goods and individual functionings

Source: James [forthcoming].

some cases, this is the result of consuming the goods in question, which do not yield the satisfaction that was expected of them, while in other cases it is due to an inability to consume such goods. In still other cases, it is due to the effects of consumption by *others*.

Although the analysis that underlies these conclusions depends in part on the substantial transfer of preferences, values, and products from the developed to the developing countries, it is not my intention to suggest that consumers in the former are immune to the problems I have described. Indeed, in these more affluent regions, it may often also be those with low, rather than high, incomes that are most susceptible to the same problems—problems not addressed by traditional consumption theory. In other words, for most of the assumptions of traditional demand theory that I have sought to replace with more realistic alternatives, the issue is not so much whether these alternative hypotheses apply to developed or developing countries, as it is the *extent* to which they do so.⁹

Notes

1. Parts of this article draw heavily on James [1993], which offers a critique of the relevance of traditional consumption theory in modernizing societies. That work, however, makes no reference to globalization, which is dealt with in James [forthcoming]. This article draws heavily on the latter source.
2. See the discussion on this point in Lane [1991].
3. This point is made with empirical support in the Indian context by Sachdeva [1988].
4. This was thoroughly documented by Silverman, Lee, and Lydecker [1982]. For more recent evidence, see Chetley [1990].
5. For empirical evidence, see Varis [1984] and Barker [1997].
6. "American media groups were . . . used to producing for a competitive market; they had the world's most successful film industry; and they had huge libraries of cartoons, elderly soap operas, classic films and other programmes ripe for reuse" ["A World's View 1997].
7. For a recent discussion on the notion of a technological system, see James and Khan [1998].
8. According to a recent article, many slum dwellers in New Delhi, for example, are too poor to consult qualified medical practitioners. Instead, "they unquestioningly accept all manner of pills and shots from young men who have never gone to college" [*International Herald Tribune* 1998, 2].
9. For a general review of the criticisms made by economists of traditional consumption theory, see Ackerman [1997].

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