José Felipe Araujo de Almeida

UMA ABORDAGEM INSTITUCIONAL-PSICOLÓGICA DA TOMADA DE DECISÃO DOS CONSUMIDORES

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À Adriana

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"*There is no spoon*"
Frase do filme "The Matrix"

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Resumo

O objetivo dessa tese é estruturar micro-fundamentos psicológicos para a Economia Institucional, enfatizando a tomada de decisão dos consumidores e do comportamento das firmas buscando interferir nesse processo. Os micro-fundamentos propostos para a análise institucional da tomada de decisão dos consumidores são divididos em duas partes centrais. Uma destaca a importância dos instintos como motivadores ao consumo, e a outra destaca o papel da cognição e observação vicariante no processo de aprendizado dos consumidores. A primeira parte central enfatiza que uma análise da tomada de decisão dos consumidores fundamentada em instintos considera a conexão entre nossos impulsos internos a consumir e os objetos que são consumidos como resultado desses impulsos. A outra parte central destaca como motivações internas ao consumo são conectadas aos objetos que são consumidos e como motivações institucionais ao consumo são criadas, bem como suas conexões com os objetos. Realçar aspectos institucionais da tomada de decisão do consumidor permite inserir as firmas na análise, posto que estas têm por estratégia competitiva buscar interferir na tomada de decisão dos consumidores. O estudo do comportamento das firmas com tal intuito tem por base uma conexão entre a “Economia Evolucionária Clássica” e a Economia Institucional. Para ilustrar os argumentos teóricos da tese, dois casos empíricos ilustram como as firmas podem interferir na tomada de decisão dos consumidores: um deles explora a apresentação do iogurte funcional aos consumidores brasileiros e o outro explora a transferência de objetos de consumo de revistas em quadrinhos para o cinema. Os elementos analíticos destacados por essa tese enfatizam que micro-fundamentos psicológicos podem oferecer mais recursos analíticos para a Economia Institucional. Tais recursos são especialmente úteis para um estudo de tomadas de decisões inter-ativas, como no caso da tomada de decisão dos consumidores. A Economia Institucional foca em vários aspectos sociais do estudo da tomada de decisão. Oferecer micro-fundamentos psicológicos para a análise institucional significa que não somente elementos sociais são elementos fundamentais de análise, mas também aspectos psicológicos, algo que culmina em um escopo analítico mais rico.

Abstract

This thesis provides psychological fundamentals to Institutional Economics in order to understand relevant aspects of consumers' decision making and firms' behaviors in pursuit of benefiting from in that process. The psychological fundamentals suggested to an institutional analysis of consumers' decision making are here divided in two central parts. One relies on the importance of instincts as motivation to consume and the other relies on cognition and vicarious observation as central aspects of consumers' learning processes. First, an analysis of consumers' decision making based on instincts considers the connection between our inner impulses to consume and the objects that are consumed as a result of those impulses. Second, those inner motivations to consume are connected to objects that are consumed and institutional motivations to consume are created, as well as their connection to the objects. To stress institutional aspects of consumers' decision making allows the inclusion of firms' behavior into the analysis as firms' design competitive strategies to influence consumers' decision making. The study of firms' behaviors based on the interference on consumers' decision making relies on a link between "Classical Evolutionary Economics" and Institutional Economics. To illustrate the theoretical arguments of the thesis two case studies stress how firms can interfere on consumers' decision making: one explores how functional yogurt was introduced to Brazilian consumers and the other explores the transference of objects of consumption from comic books to movies. The analytical elements highlighted by this thesis emphasize that psychological fundamentals can offer more analytical insights to Institutional Economics. These insights are especially useful to study inter-active decision making processes, such as consumers' decision making. Institutional Economics stresses several social aspects of decision making analysis. To offer psychological fundamentals to Institutional Economics means that not only social issues are taken into account but also psychological elements, which culminates in a richer analytical background.

1. Introduction

This opening chapter introduces four key points of the thesis: motivation, proposal, key issues, and structure. “Motivation” presents the personal thrust to elaborate this thesis. “Proposal” emphasizes how I elaborate the proposal of the thesis. “Central and important issues” highlights the relationship of the thesis with Veblen’s conspicuous consumption, the vision of the firm that underlies the discussion, and what the thesis offers as an original study. “Structure” presents the organization of the thesis.

Motivation – The motivation for the elaboration of this Ph.D. thesis extends my motivation to pursue and complete my MPhil dissertation. It starts with how Economics has been introduced to me. I have learned Economics the usual way. My BA course was in this field, then my MPhil, and, finally, my PhD. Since the beginning, the Economics introduced to me was considerably based on its mainstream. This can sound very strange for someone who chose to study a Social Science, as it still does to me. That impression made me ask myself, in the beginning of my Bachelor course, if I had done an apt career choice. In my fourth semester, I felt more at ease as optional courses introduced to me other approaches in Economics. At that moment, the evolutionary approach of the firm caught my attention because of my previous interest in microeconomics. When I decided to start an MPhil, and then a PhD, I had developed an interest in what can be called heterodox microeconomics.

Heterodox microeconomics analyses, among other things, the impact of technology on “firms’ behaviors”. Actually, heterodox microeconomics virtually means the study of the firm. Surprisingly, consumer’s decision making can be understood as a forgotten issue by both the mainstream and heterodox microeconomics. Perhaps that is why it always caught my attention. I used to think about the reasons why there were so few studies about such an important issue. Hence, in the second part of my MPhil I decided to write my dissertation about an “institutional approach to consumption”. The goal was to put elements of the New Institutional Economics and the Original Institutional Economics (or simply Institutional Economics) together in order to analyze a “consumption transaction” – a transaction between consumers and firms. In my perspective, the result was really disappointing. As a teenager who carries his traumas to his adult life, I carried my disappointment with the dissertation work to my PhD.

Proposal – The starting proposal of this thesis had a focus on the analysis of the consumers' decision making taking into account their socialization and how firms can interfere in such process in an attempt to influence their decisions. At that moment, the central theoretical background I had in mind was Institutional Economics. Consumers' decision making would be analyzed by Institutional Economics plus psychoanalytical elements. As a result, the thesis would deal only with theories. Its intention was to build an institutional approach to consumers' decision making with further psychoanalytical fundamentals, considering also how firms could influence their decisions. With this proposal, CAPES granted me a scholarship to spend two semesters as a visiting PhD student at the University of Groningen, in the Netherlands.

In my first week at the University of Groningen, I presented my proposal and what I had already developed to my foreigner adviser, Prof. Wilfred Dolfsma. At that moment, I had done a revision of Institutional Economics and of psychoanalysis (strongly based on Freud's and Lacan's writings), and prepared a list of connections between those theoretical frameworks that I would like to develop. Prof. Dolfsma's feedback came with many questions about why I was dealing with psychoanalysis as a basis for Institutional Economics. The result was a couple of weeks of readings about psychology in an attempt to answer those questions.

During those weeks I was able to answer some of the questions, while others showed me that psychoanalysis would not give me all the bases I expected for Institutional Economics. The reason for that is that the institutional approach of consumers' decision making is strongly based on Thorstein Veblen's conspicuous consumption. Veblen is considered one of the founders of Institutional Economics. In the book in which he introduced his approach to consumption, *The theory of the leisure class* (1899), Veblen elaborated a very complex theory that brings together elements of Economics, Sociology, Psychology, Anthropology, and of Darwinian Evolution. In *The theory of the leisure class*, Veblen deals with different psychological paradigms, one based on instincts and the other based on cognitive issues. So, my original proposal was focused on just one of those paradigms.

As a consequence, with the agreement of my advisers, Prof. Huáscar Pessali and Prof. Wilfred Dolfsma, I reviewed my thesis proposal. This revised version was the real seed of the thesis you are about to read. In order to deal with the cognitive issues of Institutional Economics, another psychological element had to be considered: the Psychological Social Learning Theory, also known as Social Cognitive Theory. This psychological approach does not only strictly rely on descriptive cognitive studies, but it also takes into account how people develop their cognitive abilities. According to the Social Cognitive Theory, people vicariously learn how to behave by observation of models of behaviors and their reinforcements.

With the benefit of those suggestions, the new proposal has at its core introducing psychological fundamentals of Institutional Economics in order to highlight some relevant aspects of consumers' decision making and of how firms can interfere in that process. The psychological basis stands on Freud's writings and Social Cognitive Theory. The consumer approach strongly relies on Veblen's conspicuous consumption plus other posterior and compatible studies. Here, the analysis of firms is closer to an analysis of entrepreneurs, being inspired on what can be called as the "classical evolutionary approach of the firm". This classical approach means an analysis centered on Joseph A. Schumpeter's and Edith Penrose's writings. Some studies of Schumpeter's and Penrose's followers and other compatible studies complement the analysis.

Prof. Dolfsma and other professors at the University of Groningen with whom I had the chance to discuss the developments of my thesis also encouraged me to enforce my theoretical arguments with illustrations. This has been done in Chapter 5 in order to probe empirical cases with the analytical apparatus proposed.

Key issues – As previously emphasized, the institutional approach of consumers' decision making relies on Veblen's approach. Accordingly, Veblen's conspicuous consumption is the starting point and an important guideline for the argument here developed. It is possible to understand the thesis as an attempt to improve the institutional approach of consumer's decision making. In doing so, the thesis can also be understood as a contribution to updating Veblen's approach of consumption. This contribution is centered in a special subject: the social creation of what consumers comprehend as the goods they consume. It attempts to offer a theoretical background to analyze how consumers develop what they think goods are.

The thesis highlights two different but complementary psychological foundations to understand how a concept of a good is inserted in consumers' decision making. This gathering of psychological insights can be seen as an original output of the thesis as those elements are usually strangers to Institutional Economics.

The thesis also offers insights about how a firm or an entrepreneur (seen as a firm's incarnation) can interfere in consumers' decision making. This is also an important output of the thesis, as it makes use of a specific approach of the firm/entrepreneur. My main concern in the thesis is the consumers' decision making, and thus firms'/entrepreneurs' actions that can interfere in or influence consumers' decision making are relevant. This, of course, is a very partial reading of firms'/entrepreneurs' actions, forcefully adopted in accordance with my analytical focus. Hence, the approach of the firms'/entrepreneurs' actions derives from a specific end: to analyze consumers' decision making. The relationship between firms/entrepreneurs and consumers for this purpose means that a bridge can be build between what has been called Evolutionary Economics and Institutional Economics.

There is a couple of important institutionalist studies about the firm/entrepreneur, such as Veblen's *The Theory of Business Enterprise* (1904) and John Kenneth Galbraith's *The New Industrial State* (1967). Despite the importance of those studies, they analyze the inner part of the firm. Differently, here there is the necessity to analyze the relationship between the firm and consumers. It is thus essential to emphasize how the firm deals with the institutions around it. In my perspective, this subject was in the agenda of the "Classical Evolutionary Economics" – next paragraph illustrates this point. The topic, however, has not been further developed.

In the second chapter of Joseph A. Schumpeter's *The Theory of Economic*

Development (1911), he emphasizes that it is a task of the innovative entrepreneur to teach and manage consumers. Edith Penrose in her *The Theory of the Growth of the Firm* (1959) also highlights such point with her concept of plasticity of consumption, which means that the entrepreneur can have the capacity to promote changes in the consumers' decision making. Regardless of those significant insights, Schumpeter's and Penrose's followers centered their analytical efforts in other issues than firms/entrepreneurs-consumers relationships. Schumpeter's followers main, or perhaps only, focus has been on how technology can affect the productive process. Penrosians' analytical focus, on their turn, has been on the resource-based approach of the firm (see Foss, 1999).

Schumpeter's and Penrose's analyses are more embracing than their followers. Their wider perspectives are applied here to the analysis of the firms/entrepreneurs-consumers relationships, which is not a simple task. The thesis focuses on how consumers build their decision making. Consequently, the approach of the firm here introduced highlights only the elements necessary to analyze consumers' decision making. In such perspective, a firm is seen as a bunch of productive resources that are controlled and organized by an entrepreneur. In a simplification about how decisions are made within the firm, the entrepreneur represents all of its decision making levels.

As the entrepreneur is the final voice in the decision making of the firm, attempts of the firm in interfering in consumers' decision making strictly relies on the entrepreneur. "Actions of the firm" result from the entrepreneur's abilities to deal with the productive structure of the firm and the elements that compose consumers' decision making. Therefore, the entrepreneur's behavior and decision making are important elements to analyze "firm's behavior and decision making". However, entrepreneur's issues are not the only material to a study of the firm. How the entrepreneur deals with the elements of the productive system of the firm – such as how other employees executes their tasks – are also central to "firm's behavior and decision making". Hence, the entrepreneur, as the decision maker of the firm, has two main tasks. One is to cope with elements inside the firm to organize the productive process. The other is to cope with elements outside the firm to interfere on consumers' decision making. The latter is taken into account by this thesis, but not the former.

Structure – The thesis unfolds in five other chapters. Chapter 2 introduces some key connections between Veblen's and Freud's writings, looking for more details about the role of the consumer in Veblen's approach. Such connections are found when inner forces to act and the socialization process lead to consumers' decision making (and consequent behaviors). Chapter 2 also deals with similarities between Veblen's and Freud's concepts of instinct and how they complement each other to understand how instincts are put in practice. One relevant case explored is how private properties become purposes for instinctive impulses and, thus, how private properties are incorporated in decision making. Such logic is applied to Veblen's conspicuous consumption, emphasizing the relationship between consumers and objects of consumption.

Chapter 3 highlights Social Learning Theory as a psychological basis for Institutional Economics. It focuses on the relationship between people and institutions in a behaviorist way, but going beyond strict stimulus-behavior conditions. Although Social Learning Theory can be considered behaviorist, it bears no relation to the so-called radical behaviorism in psychology. For the Social Learning Theory, stimulus-behavior relationships are based on learning through vicarious observation and cognition. As such, people are driven neither by inner forces nor by the environment alone. There is a continuous reciprocal interaction between people and the environment, occurring by vicarious, reinforcing, and symbolic processes.

Chapter 4 brings the discussion of Chapters 2 and 3 together, in an attempt to propose elements for a more inclusive institutional approach of consumers' decision making. Chapter 4 introduces individuals-goods relationships – as emphasized in Chapter 2 – taking into consideration an environment where consumers vicariously learn how to consume – as discussed in Chapter 3. The main issue is to stress that the relationships consumers create with goods are mediated by vicarious learning processes in a society composed by institutions. In this logic, a good is not only a physical object but also a set of meanings. How meanings of goods are created and reviewed are also relevant to comprehend consumers' decision making.

Chapter 4 also considers that firms have a large interest in comprehending how to deal with consumers' conceptual framework, as they intend to (1) introduce their interest into consumers' decision making, or (2) build the concept of their goods accordingly. Therefore, that chapter also presents an approach of firms' behaviors consonant with a world where consumers vicariously learn concepts of goods based on how institutions work. The following chapter, Chapter 5, stresses two illustrations of how firms can influence consumers' decision making by dealing with concepts of goods and the vicarious learning of individuals. One illustration is the introduction of the concept of functional yogurt to Brazilian consumers, and the other is the adaptation of concepts of goods from comic books to movies. A conclusive section closes the thesis.

This thesis offers additional elements to discuss the life of a stranger in the Economic Science – the consumer. In an economics approach that is more richly informed by institutional and psychological variables, the analysis of the consumers' decision making is thickened with sociological and psychological connections. The former brings in other contributions than social determinism or a one-way road of influence from social structures to individual consumers' decision making. This thesis stresses the interaction between individual and social structures as an element that reconstitutes both. The contribution of psychology, in its turn, is not restricted to the common-place of stimulus-behavior relationships. Here, there is space for elements that mediate how stimuli can impact on consumers' behaviors but that give rise to a richer view of the learning process of consumers.

2. Consumers, instincts and goods: Freud's insights meet Veblen's theory

Published in 1899, Thorstein Veblen's *The Theory of the Leisure Class* deals with psychological, social, and economic issues of how institutions interfere in the behavior of people according to an evolutionary perspective. For Veblen neither individuals nor institutions are taken for granted - they are analyzed by Veblen since the beginning of their existence. The focus of *The Theory of the Leisure Class*, as well as of a large number of Veblen's later writings, is the social creation of habits of thought, institutions and their consequences over the behavior of people in society. After Veblen's first book, other economics studies took institutions into account. Some years later this kind of approach was nominated as Institutional Economics (Hamilton, 1919). Currently, one can perceive a considerable amount of economics studies called or self-proclaimed as institutional. Works in a Veblenian tradition are identified with an "Old" Institutional Economics or, in better words, an Original Institutional Economics.

The importance of psychology in the Original Institutional Economics is stressed taking into consideration how individuals learn within a society (see Dugger, 1980; Hodgson, 2003; Searle, 2005). This concern has been analyzed more closely by what is recognized today as cognitive psychology (see Melody, 1987; Redmond, 2006; Stein, 1997). Although cognitive psychology can be seen as generating plausible and important insights, one is left with the fact that Veblen's works was written under the prevalence of another paradigm in psychology, and Veblen dealt with it. Insights from this psychological paradigm were formally presented in the beginning of the 20th century under the lenses of psychoanalysis. Indeed, Veblen's approach shows many similarities to the ideas of Sigmund Freud – the founder of psychoanalysis – when he started working with therapy instead of hypnosis.

The goal of this chapter is to highlight some key connections between Veblen's and Freud's theories looking for a better understanding about the role of the consumer in Veblen's institutionalism. More specifically, the purpose here is to bring Veblen's and Freud's studies closer, looking for a better understanding of how inner forces to act and the socialization process culminate in consumers' decision making.

This will be done in Veblen's sense of drawing on psychology to having a say in economic behavior. It must be stated here that this thesis focuses on the economics field and thus therapeutic aspects are not considered. A further point is that, despite its enormous contribution to psychology, Freud's approach holds many "black and white" categories. Veblen's institutionalism is very different on that aspect. Here, psychoanalysis supports the hypothesis that there is a much larger grey area concerning decision making.

To accomplish its goal, this chapter has been organized as follows. The next section shows Veblen's and Freud's similar concepts of instinct as well as the complementarity of both approaches with regard to how instincts are put in practice. In such perspective the relationship between individuals and objects is emphasized. This discussion offers economic insight about how private properties become goals purposes for instinctive impulses, as well as about how private properties are incorporated in decision making. The second section highlights Freud's structure of mind as Id, Ego, and SuperEgo, and explores how it relates to the previous discussion and its importance to how people establish relationships among private proprieties. In what follows, the logic built in previous sections is applied to Veblen's notion of conspicuous consumption, highlighting the relationship between consumers and goods which allows highlighting other insights of Veblen's approach to consumption. Some final considerations close the chapter.

2.1 Instincts, emulation, and private properties

Thorstein Veblen is considered one of the founders of the Original Institutional Economics. Veblen's writings have been largely analyzed and documented. Generally, such studies regard the importance of Veblen for Institutional Economics and methodological discussions (see Hodgson (2004b), Mayhew (1987), Monasterio (1998), Peukert (2001), Rutherford (1984)). Regarding methodology, two topics are emphasized: the unfulfilled development of the Veblenian Evolutionary approach (see Mayhew (1998), Rutherford (1998)) and the abduction of Darwinian evolution to the social field[1] (see Cordes (2007), Hodgson (2004c, 2008)).

Central aspects of Veblen's institutionalism – In general lines, Veblen's institutionalism takes into account the evolution of habits of thoughts in a society. In the Veblenian perspective, evolution does not mean improvement, but a cumulative modification. For Veblen (1909, 1919), a society is a scheme of institutions which are outgrowths of habits. The notion that institutions come from habits is something strong in Veblen's theory. His evolutionary perspective of societies focuses on how elements socially created impact on personal behavior and decision making. The center of Veblen's theory is how a common usage of things and thoughts takes place in the social environment. In such perspective institutions can be understood as manifestations of habits and regularities which generate foreseeable occurrence in thoughts and behaviors. Money, laws, dress codes, table manners and lunch menus are examples of institutions.

Hodgson (1998) defines the Veblenian concept of habit as a largely non-deliberative and self-actuating propensity to engage in a previously adopted pattern of thought or behavior. It is important to highlight the difference between habit and repetition, between habit and behavior. A habit is a form of self-sustaining non-reflective thought or behavior that arises in repetitive situations, but habit is not repetition (Hodgson, 2004a). Habits are formed through repetition; they are influenced by prior activity and have durable and self-sustaining qualities (Hodgson, 2002a). Habit does not mean thought or behavior either. It is a propensity to think or behave in particular way in specific situations. Hence, habits can exist for a long time even if they do not manifest through thought or behavior. Habits are potential thought or behavior; they can be triggered by an appropriate stimulus or context (Hodgson, 2002a, 2004a).

Despite Hodgson's attention on habits of thought and behavior, Veblen focused much more in habits of thought and its consequences in behaviors. In Veblen's perspective of socialization, what people lived, saw, or were taught about

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[1] Some scholars like Geoffrey Hodgson and Richard Nelson are known for discussing and developing contemporary insights about the abduction of biological concepts to economics looking for an evolutionary approach (see Hodgson (2002b), Hodgson & Knudsen (2006, 2007), Nelson (2006, 2007)).

things that had occurred before is a feature deeply marked in modern civilizations. Consequently, nowadays communities have a historically established system of habits of thought. The conventional accomplishments ingrained in a society can be understood as branches of learning. Concepts of objects and how to use them are subjects of individual comprehension through institutions (Veblen, 1899, 1906, 1909).

Instincts – Veblen's institutionalism became well-known by its evolutionary approach regarding habits, institutions and their relationships. Indeed, they are the central elements in Veblen's analysis. However, there are other aspects of Veblen's approach of decision making which can be further explored, such as Veblen's concept of instinct. To our interest here, it is noticeable that Veblen's and Freud's concepts of instinct are similar and complementary. For Veblen (1914) the prime manifestation of human behavior is conditioned by amoral instincts and developing skills naturally endowed[2]. According to Freud (1915a), instinct is a complex concept that can be understood as mental stimulus generated inside the organism.

An instinct is a constant drive from which it is impossible to run away. To perform pressure is common to every instinct; to execute pressure are instincts' own existences. What human beings desire is a response to instincts, which is established by pleasures and pains (Veblen, 1914)[3]. Both Veblen and Freud stressed that the concept of instinct was still hazy (Freud, 1915a; Veblen, 1914). The argument of Veblen (1914) for using this concept is that Institutional Economics does not need an extremely precise concept of instinct to analyze nature and development of institutions and habits. Freud (1915a) and Veblen (1914) agree that, despite its obscurity, the concept of instinct is crucial to psychological issues of decision making. This affirmation is consistent with the theories they developed.

Another point to consider regarding Veblen's and Freud's concepts of instinct

[2] For Veblen the notion of morality comes from sociability. This concept, as used by Veblen, recovered to its *Latin* origins concerns to custom. Veblen analyses moral in society separately from ethics. Hence, actions which occur before socialization, such as behavior of a baby or a child, are impossible to be moral or they have a low level of morality since its sense has not been comprehended yet.

[3] The pleasures-pains duality in Veblen's theory can be somehow tricky to work with. This point can be illustrated by some of Veblen's words in the introduction of *The Instinct of Workmanship and the State of Industrial Arts*: "Nothing falls within the human of things desirable to be done except what answers to these native [instinctive] proclivities of man. These native proclivities alone make anything worth while, and out of their working emerge not only the purpose and efficiency of life, but its substantial pleasures and pains as well" (Veblen, 1914, p. I).

is that the consequent pleasures and pains generated vary in intensity and according to a large number of interrelated factors, such as situation, learning, and goals. The result of an instinctive impulse is a search for pleasure. An instinct motivates such search, but it does not mean that pleasure always occurs (Freud, 1915b). An instinct can stay in a “state of displeasure” over time. This displeasure period varies from an instinctive impulse to another and just in rare cases it corresponds to a life time. For example, the instinctive impulse to reproduce can be in a “state of displeasure” for a long time, whereas the same cannot occur with the instinctive impulse to eat.

The goals of instincts are straightforward: food, water, protection, and reproduction. Instincts and their goals do not change; what can change is how those goals can be achieved. Such modifications are not a matter of impulse anymore, they concern to ways and means to get things done. For example, if there is an instinctive impulse to eat, people do not eat just guided by this instinct. People are used to eating according to social or habitual standards: meals are divided through the day; each meal can be focused on the kind of nutrients which should be eaten; specific types of food can be avoided because they are seen as not healthy, or some types of food are eaten only on special occasions.

An instinctive impulse is put in practice by the interaction of people with the external world, specifically with objects of the external world, such as the instinctive impulse to eat and food (Freud, 1915b; 1923). How people deal with objects of the external world to satisfy instinctive impulses varies from a person to another, such as in what and how people eat. What is common among people is the establishment of a relationship among instincts and types of objects which make pleasure possible. For example, Brazilians eat different things but there is a typical Brazilian lunch – rice, black beans and meat.

Instincts and objects – This instinct-object relationship is not innate and it can change over time or become rigid. Instincts-objects relationships are a matter of how people learn to put their instinctive impulses in practice. Instinct-object relationships are social issues since a large number of objects of instincts are introduced, directly or indirectly, by other people than the person who is dealing with the instinctive impulse. In the beginning of life, for instance, babies know just a few objects that can satisfy their instincts – e.g. milk and little toys. Most of those elements is directly introduced by other people – as milk and little toys – otherwise, the babies' survival would be impossible. For a teenager or an adult, the direct introduction of an object of instinct by other person can also occur. But an indirect introduction is more likely because teenagers and adults have already been socialized.

Even in materially less sophisticated societies adults show objects of instincts to babies and children. In those communities, the introduction of objects of instincts is a usual matter of subsistence; in richer societies it can be connected to quality of life. Independent of the motivation, there is a cultural learning about how to use and acquire objects of the external world to satisfy instincts. The sociability that mediates the acquisition of objects is expressed in institutions and their evolution. For Veblen (1909, 1919) each new situation is a variation of what has happened before. A change of standards is usually gradual and almost never totally a previous standard once accepted. In other words, institutional change is a cumulative process, which takes place also in richer societies (Veblen, 1899, 1909). Consequently, the past of a society is essential to understand it and its historicity is expressed in its institutions. In being so, this cumulative process assists the building of instinct-object relationships.

Veblen (1899) stresses a particular type of institution as central for the establishment of instinct-object relationships: the leisure class, i.e. the higher social class in material terms. According to Veblen (1899), the leisure class can be found in its best development in modern societies for distinctions among classes are clearly observed therein as a result of employment differences. As highlighted by Veblen (1899) upper classes are by custom exempt or excluded from industrial occupations and they are reserved to certain employments that contain a degree of honor. To be considered part of an upper class or even part of the leisure class means status. Tasks, situations, and *objects* seemed as components of the leisure class become a strong signal of success. The institution of the leisure class is an outcome of discrimination about what is worthy and what is not (Veblen, 1899).

For Veblen (1899), in the evolution of societies the emergence of the leisure class is coincident with the beginning of private ownership. Both arise from the desire of successful people to put their prowess in evidence. Ownership is not just about property or personal consumption, it is also a question of convention about how to show the use of goods. In this way a consistent system of property is gradually installed (Veblen, 1899). For Veblen (1899) wherever there is private property people are distinguished by the possession of goods, which is an efficient way to socially express wealth.

Veblen (1899) stresses that in a society where almost all goods are private properties, the necessity to earning a livelihood is a powerful and a constant incentive for the poorer classes. As soon as their substance is granted, emulation becomes a key guideline to behavior. Consequently, for Veblen (1899), there is social selection among people based on their capacity to emulatively behave according to the leisure class way of life. In this logic, there is a personal comprehension of how to seek achievements that can be expressed in a concrete and objective way, as in performing leisure class' activities or buying leisure class' goods (Veblen, 1899). In a Veblenian perspective, through the socialization process, institutionalized procedures about which objects – private properties – should satisfy instincts teach people how they should deal with their inner impulses to material ends. This process culminates in instinct-object relationships which have private properties as objects.

Instinct of workmanship – The instinct of workmanship is a concept frequently used by Veblen in his analyses. However, Veblen did not introduce it in a clear or unambiguous way. According to Veblen (1899, p. 29):

> "As a matter of selective necessity, man is an agent. He is, in his own apprehension, a center of unfolding impulsive activity – "teleological" activity. He is an agent seeking in every act the accomplishment of some concrete, objective, impersonal end. By force of his being such an agent he is possessed of a taste for effective work, and a distaste for futile effort. He has a sense of the merit of serviceability. This aptitude or propensity may be called the instinct of workmanship".

This definition of the instinct of workmanship is based on the analytical object of *The Theory of the Leisure Class*: the importance of the leisure class for the schemes of life in a society. Hence, an additional definition of the instinct of workmanship, which is complementary to the previously introduced, can be useful to understand how that notion is applied in this thesis:

> "Chief among those instinctive dispositions that conduce directly to the material well-being of the race, and therefore to its biological success, is perhaps the instinctive bias here spoken as the sense of workmanship (Veblen, 1914, p. 25)".

Despite Veblen's reference to the instinct of workmanship as the sense of workmanship, the instinctive naming is more recurrent. As a consequence, according to the definitions presented, it is possible to affirm that the instinct of workmanship is directly related to the instinctive dispositions whose pressure is satisfied by the material well-being provided by objects. According to Cordes (2005), Veblen's instinct of workmanship is a generic human feature that guides their lives to the use of objects that give purpose to actions. As stated by Veblen (1989, 1914), the instinct of workmanship is one of the most important motivations to action.

The instinct of workmanship represents several instinctive aptitudes in many levels (Veblen, 1914). The instinct of workmanship, however, can be seen a not an instinct *per se*. Institutionalist authors, such as Cordes (2005), Hodgson (1998b), and Mayhew (1998), accept the conceptualization of the instinct of workmanship as a different category, an almost instinct, as it were. It is part of habits and institutions of the external world that becomes deeply internalized by people's decision making.

The instinct of the workmanship, thus, can be seen not an inner property of the self as it is something which belongs to the external world, but it can be seen as almost an instinct. Instead of dealing with a transposition of something which belongs to the external world to the inner part of the decision makers, the instinct of the workmanship can be seem as the deepest external element of the external world in people's decision making. Therefore, it is possible to affirm that Veblen (1914) emphasizes a lower level of habituation which mediates the creation of instinct-object relationships: the instinct of workmanship. As a lower level of habituation, the instinct of workmanship is connected to a collective knowledge regarding ways and means socially created (Veblen, 1914) and includes a defined purpose: the idea of the efficient and emulative use of objects to satisfy material aims (Veblen, 1914). But, as implied before, the instinct of workmanship is not an instinct itself.

The motive for a special denomination for the habit called instinct of workmanship is its place in what can be understood as a habitual procedure chain. The instinct of workmanship is a basic kind of habit which supports every other habitual procedure in the emulative logic. This habitual procedure is rooted in the deliberation process and it is central in the emulative behavior. When this emulative demonstration of status through private properties – objects – fails, pains take place (Veblen, 1899; 1914). In Veblen's explanation about the instinct of workmanship, there is the necessity of an overarching, encompassing and well-established system of private properties. Taking into account that features of products are a matter of collective knowledge, the system of private properties must be well-established enough to enable comparisons among individuals' actions.

Displeasure institutionally built – According to this logic, pleasure and displeasure – felt as result of the incorporation of private property, as a way to satisfy an instinct – are established through an emulative reasoning. By emulation, people learn which properties should be included in their decision making and how to acquire them. So, displeasure can be not physical, but mental phenomena. The desire for the status established by the leisure class is a consequence of objects successfully incorporated in the relationship with instincts. By comparison with others, a person feels if her endowment of properties is adequate or not. Failing be an owner of a social adequate property can be a displeasure mentally built.

This is not a deterministic process, though. It is possible to perceive levels of pleasure as well as properties that can be pleasant in a situation but not in another. As an illustration, consider that the use of jeans for a daily occasion can be extremely pleasant, but not for a church wedding. Pleasure varies according to the habitual use of goods. In emulative behavior, what can be more expressively shown to others has a higher social value than what cannot be shown. In addition, what can be compared in a more simple way is more evident in the emulative behavior than what is complex or confusing to compare. That is why nowadays cars and clothes are so evident in segmenting society. So, a central point is: how private properties, which are highlighted by habits from the leisure class, become objects which can satisfy instincts.

As argued before, an instinct is satisfied through its connection to private properties. Sometimes, however, people are not able to make the instinct-property connection. In this case a repression of the object as an instinct satisfier takes place.

There is a necessary condition for the occurrence of repression: the end of the instinctive impulse must generate displeasure instead of pleasure. This is not a simple process because the satisfaction of an instinct is always joyful, such as when a person is hungry or cold, a meal or a jacket will generate pleasure. Hence, when there is repression specific conditions turn pleasure into displeasure (Freud, 1915b). When repression occurs, not only pleasure is felt (as a result of an instinct) but also an unpleasant sensation. As a consequence, in a repressive situation the motivating force of displeasure must be stronger than the pleasure of the satisfaction (Freud, 1915b). For a better explanation of the repression process, the concept of object must be analyzed in further detail.

The concept of object would be reviewed by Freud ten years after his early work about instincts. In *Mourning and Melancholia* (1917) Freud developed the concept of lost object. The lost object represents something which someone had in some sense owned in a previous moment, but ceases to own it at some point. In this case, a belonging is not necessarily an ownership, but part of an individual's logic. As a consequence, the object is lost when someone had owned it and lost it, as in the case of a physical object; or in the case of an object that used to be present in an individual’s logic and it is not anymore. It is possible to emphasize two kinds of lost objects: the object physically lost and the object institutionally lost.

The object institutionally lost is a tension in the emulative logic. This kind of loss is a displeasure which comes from the pressure of a personal incomprehension of the institutionalized way to think and/or behave. Despite the cumulative change of institutions, an institutional modification can be, partly, less understood by people. Because of a change, people will take some time to review their interactively created goals and habits. This process can generate the sensation that some object has been lost, such as the establishment of an alleged higher level of food quality through expert certification. This certification can be imposed by an agent who can benefit from it, such as an entrepreneur or a regulatory agency. As a consequence, the new quality standard can culminate in an environment partly unknown by buyers of those goods (as for what the certificate means). This lack of knowledge can be interpreted by people as “the environment as we knew it does not exist anymore; what to hold on to now?".

In the case of an object institutionally lost, the displeasure of a repression relies on a negation of the pattern of thought to which people were used. The logic as to how one can satisfy an instinct by an object is not reviewed as soon as the object is not found. Some unsuccessful experiences are necessary to the revision of the logic. The lost means unsuccessful actions in obtaining pleasure by the institutionally created individuals' logic. Not being able to behave according to habits of thought previously established means that goals and concepts which were socially learned are not able to be part of the decision making anymore. The loss of those elements causes displeasure. This loss is the absence of the object and a failure in obtaining pleasure on other bases. As a result, the object is lost when the instinct is not able to be satisfied.

To accomplish a purpose an instinct establishes a connection to an object. It is only through this link that satisfaction is possible. In a society, people looking for satisfaction of their instinctive impulses adopt habits which generate strong ties between instincts and objects. A social life also introduces to people the logic through which instinct-object relationships are created – the instinct of workmanship and habitual procedures – which show the logic of the appropriation of objects by instincts or their repression. Accordingly, it is possible to understand repression as a collective learning through habits and institutions. It occurs not just by repression itself, but also by making instinct-object relationships possible. People institutionally learn how to satisfy an instinct and how to live with an instinct that cannot be satisfied. The repressive process is not something that takes place once and for all, generating unchangeable results. When there is repression the link instinct-object is not established, hence there are two possible results: the instinct will still be repressed or a new connection will occur. This new connection is the replacement of the repressed object by other (Freud, 1915b).

There are two manifestations of repression. The first occurs when people have built their instinct of the workmanship. Such manifestation of repression takes place before most part of the instinct-object relationships is fully established. This repression happens early in life when it is difficult for a learning process to take place.

To comprehend something is like a convincement since individuals have not built their decision making framework yet. As significant part of the decision making process is learned by the interaction of people with institutions, in the beginning of their lives such procedure is in its earlier phases or has not been started yet. For example, parents can teach their babies and children, explanations can be given, but what usually happens is parents showing ways and means of life to their sons and daughters looking for acceptance instead of understanding. This is so for babies and children do not know enough concepts to understand what parents want to teach. If the explanation of why fruits are healthy food did not occur, children can eat fruits without knowing why; they eat just because they think they should or because of an imposition of the parents.

Very young people are more likely to be convinced instead of taught because their instinct of workmanship has not been well-established yet. At this moment, the repressive feature of institutions is more evident. Freud and other psychoanalysts paid a lot of attention to this phase of life. This is why the psychoanalytical approach of repression has a strong coercive feature. This repressive logic organizes all instinctive impulses in order to generate their connection to properties in an emulative way. This process occurs depending on differences and comparisons socially made which give properties defined ways and means to lead to pleasure.

The other manifestation of repression involves the performance of institutions and habits of thought. The instinct of workmanship establishes the basis for action or a method of acting or thinking, but is not the action itself. Acting demands that the drive contained in the instinct of workmanship and habits of thought be put into practice. These activities are socially expressed by habitual behaviors and other institutionalized procedures[4]. The learning of facts and values takes place by the interaction with others. This learning is constantly watched by the “eyes of society”, the social sanctioning that legitimizes and segregates opinion and behavior. The comprehension of facts and values takes place by a sense of what is right, beautiful and successful. To be the owner of right, beautiful and successful objects is to be collectively identified as right, beautiful and successful; this is in itself a major source

[4] The manifestation of repression and the instinct-object relationship are always present. The first and the second manifestation of repression occur in a continuous and simultaneous way.

of pleasure.

For adults or even teenagers, instinct-object relationships are established and reinforced according to individuals' backgrounds. Consequently, habits and institutions are essential for a person to learn what can give her pleasure or not. By the same process, people learn what pleasure is. In a world where material things talk for and to people, the success – recognized by others – of the fitting usage of private properties shapes what a decent and desirable livelihood is. This is not something rigid and invariable. Flexibility takes place by how habituation happens, so an object can be connected to an instinct over a short or a long time, or repression can happen. But once an instinct-object relationship is established, a cumulative process starts. When a private property is emulatively connected to an instinct, pleasure is felt. Reputation, status, esteem, dignity are expressions of this pleasure.

In modern societies, institutions change cumulatively and people are in a never-ending process of learning. Society interferes heavily in individuals' behaviors and reasoning, but people who live in the same society can make different uses of those social habitual procedures. People internalize social aspects by their interaction with parts of the society. Hence, family, religion, education, television, friends, roommates, neighbors, movies, advertising, and others play a main role in showing people how they can think and behave. But, how this core of ideas and performances is used is the most personal thing in the individual decision making. Being part of the same society, group or family does not generate coincident people because their experiences are always different. As people have a different perspective of the society, the interaction with the cultural background culminates in results which are not the same. There is no total uniformity.

Table 2.1 summarizes the logic of the association between Veblen's and Freud's theories.

	Veblen	**Freud**
Concept of instinct	*Prime manifestation of human behaviors*	*Mental stimulus generated inside the organism*
Result of an instinct	*Pleasure or pain*	*Pleasure or pain*

How to achieve pleasure	*Instinct of workmanship, habits, and institutions*	*Objects of the external world*

TABLE 2.1 – Veblen's and Freud's conceptualizations

Table 2.1 emphasizes the central aspects of how Veblen's and Freud's theories are put together in this thesis. Both Veblen and Freud worked with similar concepts of instincts. According to the authors, instincts can be understood as inner impulses to action, meaning stimulus to action that comes from inside the human organism. Veblen and Freud also agreed that an instinctive impulse ends in pleasure or pain. If a person, who is motivated to action by an instinct, is able to make such pressure to act, then pleasure is felt. If the opposite occurs, a person cannot stop the instinctive motivation to act, pain is experienced. A complementarity between Veblen's and Freud's approaches takes place by their emphases in how people are able to satisfy an instinct – to achieve pleasure. Freud's focus was on what satisfies an instinctive impulse. Veblen's focus was on how to build the decision making framework to satisfy an instinctive impulse. This difference between the studies enables the complementarity between them, an approach which emphasizes not only objects – which satisfy instincts – but also how people generate their logic to use them – instinct of workmanship, habits, and institutions.

2.2 Veblen's institutionalism and Id, Ego, and SuperEgo

Ego – Instinct-object relationships or repressions are connected to Freud's structure of the mind as Id, Ego, and SuperEgo. For Freud (1923) each individual is composed by an Ego, a Id, and a SuperEgo. The Ego is responsible for establishing the connection between instincts and objects. As a result, the Ego is composed by the instinct of workmanship plus habits and institutions which had been internalized by the individual's decision making. In the personal perspective, the Ego is an individual coherent organization of the mental process.

Ig - The Id in its turn is a disorganized set of instincts. The impulsive aspects of the Id are controlled or filtered by the Ego. This is the first manifestation of repression. In our early lives, the Id is strongly manifest and as a result our action is predominantly impulsive. The Ego is developed over time. As stated by Freud (1923), the Ego is the part of the Id which had been modified by the external world, hence the Ego means reason and common sense, while the Id means passions. In fact, through the Ego the search for pleasure of the Id can be postponed. The Ego then makes displeasure acceptable. The Ego introduces the concept of ownership to the individual's reasoning, making objects become connected to instincts and private properties become symbols of status. Through the Ego the notion of pleasure of the Id is reviewed and rebuilt. This does not mean that instincts will not seek pleasure anymore, but that the concept of what gives pleasure changes. When the Ego develops the concept of pleasure, it does not come from innate propensities alone anymore. In this case, the pleasure has already become a personal issue supported by the collectivity.

Groups – Freud (1921) highlights that groups, as the leisure class, have a strong influence in the constitution and reconstitution of the Ego. The central point is that, in a modern society, groups reinforce the emulative logic of habits and institutions by making social status evident. Groups influence not only instinct-object relationships but also how the instinct of workmanship is established. When there is a lost object, there is a search for a new object to replace it. A group is a guide for acceptance of this new relationship. In addition, groups show people when objects are lost. The esteem and status of objects vary through time; groups signalize when an object does not have them anymore and where they can be found. To sum up, groups assist on how the Ego works.

SuperEgo – The SuperEgo is an external and non-automatic part of the social structure in the mental activities of people. It is the part of the society which is not intrinsically present in the individuals' habits of thoughts. The SuperEgo is the social pressure to act and think in a way which people have not yet been convinced that is appropriated (and perhaps they never will be convinced of that). The SuperEgo is the part of the collectivity which has not been persuasive enough to be absorbed by individuals (and it may never be).The SuperEgo partly supports the development of the Ego according to institutionalized methods of getting things done. As a consequence, the SuperEgo also suggests ways and means to people and reinforce the establishment of habits of thought. As the Ego means pleasure from what was been learned from society, the SuperEgo means a demeaning feeling from the unlearned. Clearly, both Ego and SuperEgo have repressive features.

Habits and institutions of the SuperEgo can redefine ways and means which the Ego enabled, so objects, which satisfy instincts, can be reviewed, replaced or abandoned through the interference of the SuperEgo. If the SuperEgo is well connected to the Ego, probably the change of an object will be easier since there is greater harmony between concepts and how to do things. In this case, the disaffection and the demeaning feeling of a lost object do not take place because of an easy and quick replacement. However, when the SuperEgo does not have a good relation with the Ego, every modification in an object will be felt as strongly repressive. The relationship between the Ego and the SuperEgo represents the second manifestation of repression, so this relationship can be more like learning and less like convincing[5].

Socialization – In the beginning of the mental life, there is a strong Id and a heavily repressive SuperEgo. By socialization, the Ego is developed as a way to canalize Id's impulses according to SuperEgo's contents. Through time, the Ego tends to become more independent from the SuperEgo so when a person moves from an environment to another or the environment changes, the Ego tends to act in the way it is used to because of the habitual procedures which have been learned. FIGURE 2.1 summarizes this logic.

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[5] Some observations must be introduced about Freud's structure of the mind. Before he started to work with the approach of mind as Id, Ego and SuperEgo, Freud had given a lot of attention to consciousness aspects of the mind. In fact, Freud had developed a first approach of the structure of the mind as unconscious, preconscious, and conscious levels (see Freud, 1915c). However, Freud himself recognized the limits of such approach. In Freud's first approach of the mind, conscience works as a descriptive term and perception itself means nothing about why something is perceived. Another point is that empirical evidence showed that an object, generally, is not consciously recognized by people for a long time; simultaneously Freud did not present a clear definition of what the unconscious was. Because of such weaknesses, Freud himself almost stopped working with consciousness after his Id, Ego, and SuperEgo formulation.

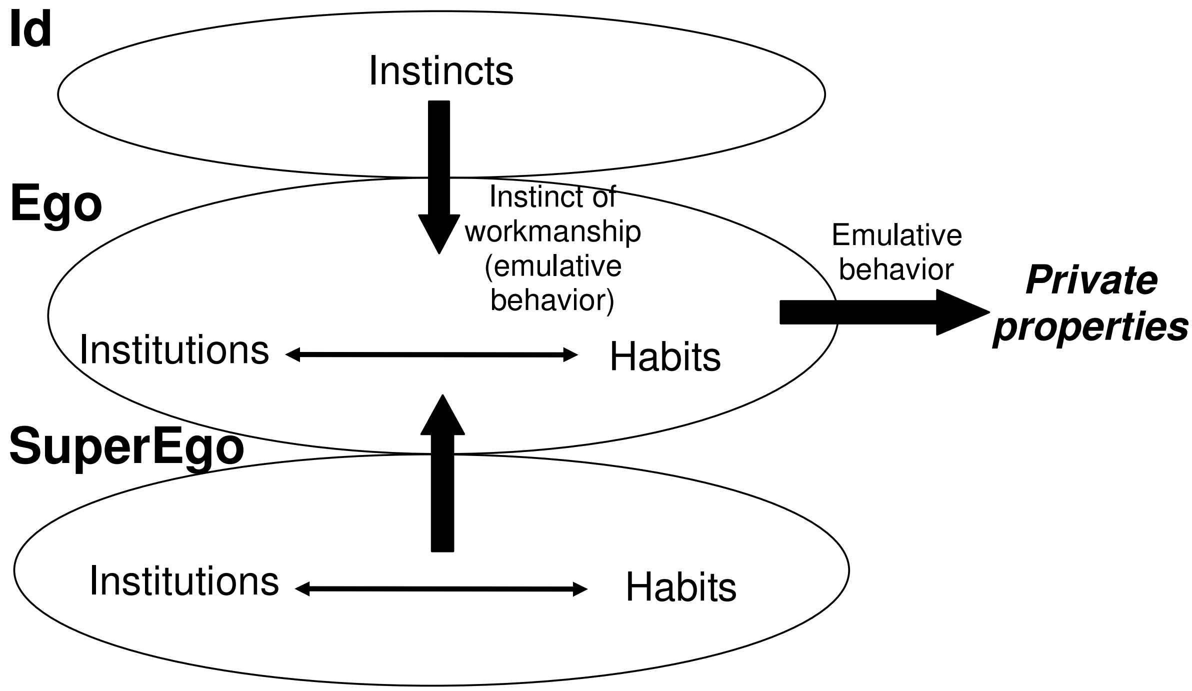

FIGURE 2.1 – Veblen's institutionalism and Freud's Id, Ego, and SuperEgo

Figure 2.1 emphasizes how socialization assists on the division of the mind in Id, Ego and SuperEgo and its fit with relation to Veblen's institutionalism. In this explanation the Id is the less developed part of the Ego, being composed by very basic instincts. Another part of the Ego is the SuperEgo, composed of habits and institutions not fully understood by the Ego. In the beginning of the mental life the Id and the SuperEgo are the strongest parts of the mind since the Ego itself is still in formation. The strength of the Id and SuperEgo in the beginning of life occur because the Ego is the most personal part of the structure of the mind which is built by personal experiences in the socialization process of the decision maker. The instinctive impulses of the Id become connected to what the SuperEgo shows as objects to satisfy instincts. Through life this logic is absorbed by the decision maker and, as a result, the Ego is formed and a large number of objects, which satisfy instincts, are discovered as private properties. The process of construction of the Ego also culminates in the emulative logic of acquisition of properties.

Some of the elements that compose the Ego are highlighted in the decision making process. A case in point is the instinct of workmanship (the deepest element). The instinct of workmanship represents the first repressive manifestation in the development of the decision making. This pioneering role fits the instinct of workmanship on the basis of the emulative logic. The Ego is also composed by habits, institutions, and their relationships which are also relevant to decision making. Habits and institutions of the SuperEgo can support the Ego relationship with private properties. If the SuperEgo does not support Ego's relationships with private properties, the individual tends to be dissatisfied with her acquisitions regarding the emulative logic. Once established, the Ego is still suffering the influence of the SuperEgo, which can generate the other manifestation of repression. The result is an emulative guide involving private properties, which is cumulatively reviewed through time.

2.3 Conspicuous consumption, instincts, and objects

Consumers' decision making is a less explored theme in economics as an academic discipline. Contemporary microeconomics approaches are strongly focused on firm's behavior, technological development and their connections. Usually, the consumer is still a given utility maximization function for economic analysis. As highlighted by Ackerman (1997), in many sciences the study of consumption has become an expressive and challenging field. A new interdisciplinary area of research on consumption has emerged in the 1980's drawing contributions and participants from sociology, anthropology, history, philosophy, literature, and marketing – even, on occasion, from economics.

Veblen was one of a few economists who took consumption into consideration. Consumer's decision making is a key analytical point in *The Theory of the Leisure Class*. For Veblen (1899), conspicuous consumption results directly from the social importance of the leisure class. Here, Veblen's conspicuous consumption is introduced with the help of the psychoanalytical elements previously highlighted. In this modified view, the key point is how objects are connected to an instinctive impulse or repressed in a consumption decision making environment composed by habits and institutions.

Conspicuous consumption – For Veblen (1899), the leisure class regulates the conventionalities of the social emulative logic of consumption and its evolution. By emphasizing a social emulative logic of consumption mediated by the leisure class, Veblen's approach of consumption relies strictly on its conspicuous feature. Conspicuous consumption can be understood as a wasteful expending of money motivated by social esteem. The conspicuous consumer buys products looking for the status they provide. For example, a conspicuous consumer who needs an automobile for transportation prefers a luxury than a popular car, in spite of a considerable difference in their prices. Obviously, for this example to make sense, the conspicuous consumer must be able to buy both cars despite their prices, even if by running into debt.

Members of the leisure class show their wealth by the possession of desired private properties. This process relies on the status displayed through the acquisition of objects. According to Trigg (2001), Veblen's conspicuous consumption means spending money on objects in order to show wealth to other members of society. As something acquired by the drive of social esteem, such objects are not directly related to the satisfaction of instincts themselves. Hence, objects that the leisure class uses to satisfy their instincts and the repression of what does not express status relies on the Ego-SuperEgo relationship (more on this below). Shipman (2004) expresses this point emphasizing that the central aspect of Veblen's conspicuous consumption is the connection of objects to impulses to “waste” instead of “taste”. The former can be understood as a taste regarding a social learning through the leisure class, a social shaping of preferences (see Ramstad, 1998). This is not to deny that tastes involve physiological dimensions, but that tastes involve more than just them (Pietrykowcki, 2004). In Veblen's perspective, tastes have a social dimension and conspicuous consumption is the most important factor in influencing consumers' decision making (see Trigg, 2001).[6]

Conspicuous consumption - expressed in people's waste on private properties

[6] For empirical evidence of consumer's emulative behavior as stated by Veblen, see Duesenberry (1949)

as derived from the influence of the leisure class - takes place as a result of a key role played by institutions, their influence on ceremonial features of consumption (Veblen, 1899, 1914). The ceremonial features of products go beyond physical aspects, being institutionally created. Through ceremonial features people do not buy a t-shirt or a soda, but Hollywood star's clothes and an energetic drink for young people. As something institutionally created, the ceremonial features of properties are more closely related to the second manifestation of repression. Ceremonial features thus result from the relationship between the Ego and the SuperEgo.

Through the connection between the Ego and the SuperEgo people learn how objects should be related to the instinct of workmanship and to other habits in order to culminate in status showing results. In other words, as a consequence of its ceremonial features the acquisition of an object can be unrelated to the satisfaction of an instinct. However, conspicuous consumption can also concern the satisfaction of instincts – an Id-Ego relationship. As Veblen (1899) highlights, goods are both ceremonial and instrumental - a conspicuous consumer looking for a car to buy prefers a luxury than a plain property, although both perform suitably as a transportation means. To be sure, the instrumental feature of a private property conspicuously consumed can satisfy an instinct. But instinct satisfaction is only part of the decision making about what to buy, and do not account for the relevance of ceremonial features of goods in modern societies.

Considering the instrumental-ceremonial dichotomy of private properties, it is possible to highlight two kinds of objects consumed by the leisure class: (1) a good that is incorporated in the habitual procedure of consumers by its instrumental features and, over time, its ceremonial features are developed; (2) a property that starts to be consumed because of its ceremonial features and, as a consequence, consumers use its instrumental features. The path of the former starts in Id-Ego relationship and migrates to Ego-SuperEgo relationship. The route of the latter is the opposite.

The ceremonial features of goods can also increase through time (see Ackerman, 1997). This means that the evolution of private properties in a society can occur without any change in satisfaction of instincts. In this case, satisfaction comes from the success of the conspicuous consumer in displaying status through properties. A consequence of conspicuous consumption is that instincts may be satisfied and the person herself may not. This occurs when emulative behavior ends up in displeasure. In this perspective, the displeasure comes from the instinct of workmanship and from the use of leisure class' habits and institutions present in individual decision making. Veblen's analysis of consumption also takes into account impulsive forces which are not instinctual. These impulses are institutionally created and mediated by the leisure class. As a result, the instinct of workmanship is more than a habitual way to organize and canalize instinctive impulses to consumption; it is also a source of emulative impulses that are socially generated. That is why conspicuous consumption is more closely related to Ego-SuperEgo than to Id-Ego relationships.

Consumption driven by emulative behavior or regarding ceremonial features of goods can be called consumerism (Ramstad, 1998; Etzioni, 2004). According to Langlois & Cosgel (1998), in the history of a society there is an evolution from consumption to consumerism. In Veblen's (1899) perspective, consumerism is honorable because it is a mark of wealth and personal success which are socially comprehended as desirable things. To be an owner of emulated goods marks a position of esteem, status, and honor. Such qualities come from the other individuals in the same society since for something to endow prestige it must be seen as reputable by "the eyes of society". That is why conspicuous consumption influences every consumer and not just the leisure class.

Veblen (1899) also stresses some key features of goods conspicuously consumed. For Veblen (1899), the most usual form of conspicuous consumption is the "wearing of liveries". The "wearing of liveries" is the consumption of objects that is more likely to be noticed by others, such as food, clothing, dwelling, and furniture. Another kind of product usual to conspicuous consumption is "luxuries". For Veblen (1899) the ceremonial differentiation of luxuries is better seen in costly goods. The cost makes them noble and honorific, creating pleasure in their consumption. "Wearing of liveries" and luxuries are expressions of ceremonial features of goods which are connected to the reputability of products by wastefulness. According to

Veblen (1899), for a good to be reputable it must be wasteful[7].

Fashion – As stated by Veblen (1899), the conspicuous waste of goods is finely illustrated in clothing, because it is always in evidence which make clothing an expression of wealth more obviously or, at least, more universally practiced than other kinds of consumption. In chapter seven of *The Theory of the Leisure Class* Veblen uses such example as a guideline to illustrate fashion. In that chapter, Veblen (1899) emphasizes two possible explanations for the fashion phenomenon. One of Veblen's explanations about fashion regards a competition among different features of leisure classes, and their consequences, among countries. This explanation can be questioned on the grounds of being valid only in isolated cases, not as a general rule. The other explanation relies on fashion as constant changes from one season to another – something extremely visible in clothing. For Veblen (1899), these modifications work under conspicuous waste. The change from one season to another increases the wastefulness of goods. Each variation of the objects by fashion must be in accordance to an accepted standard of wastefulness.

Veblen himself recognizes that this approach does not give a full explanation of how fashion works, and other scholars make of it a focus of criticism to Veblen's conspicuous consumption. Campbell (1994, 1995) argues that Veblen's conspicuous consumption does not deal with fashion or novelty and that it is "ahistorical" - as if once a person achieved the leisure class standard the individual evolution of consumption would be over. Campbell's criticism, however, seems to be misplaced. As highlighted in Veblen (1898, 1899), institutions are outgrowths of, and mediated by, habits of thought, hence habits are a usual logic of thinking. That logic makes the connections between thinking and objects, such as in what to wear in jogging and brand "X" trainers. Those relationships are not unchangeable, as Campbell (1994, 1995) suggests. The way a collective logic is put into practice can always be transformed by a new object that reaches critical mass (brands "Y" or "Z" trainers, or perhaps we should ask the first sport fan we meet in the streets).

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[7] As in the dichotomy regarding ceremonial and instrumental features of goods, Veblen (1899) highlights that a given product does not need to be exclusively wasteful in order to come under the category of conspicuous consumption. Indeed they rarely are. However, the element of waste tends to predominate. The relationship between wastefulness and a social lifestyle is also analyzed by Mitchell (1912) and Stanfield and Stanfield (1980) in an Institutional Economics perspective.

Consumers' habits do not strictly determine what is purchased but they are part of the decision making about how to acquire goods. These objects also change, as much as features of Armani's suits vary through time (but they are still suits, and are still Armani's). That means that in Veblen's conspicuous consumption there is evolution in objects of consumption. This is the basis of Veblen's analysis about fashion and also means that once a consumer is able to practice the leisure class's logic of consumption, she is still stimulated to conspicuously update its consumption choices according to a changing environment in which new or old objects gain or lose status content. As for Campbell's criticism to be valid, habits of thought must be considered a result of conspicuous consumption. In every single approach of consumption, not only in Veblen's, how to consume is, or must be, different from what to consume. The satisfaction generated by knowing how to acquire wasteful goods takes place by their acquisition; if such achievement is over, there is no satisfaction anymore, but the habit can still go on. Then, the emulative logic is a not a result. Campbell's criticism does not take into account that the SuperEgo comes up with new objects and ways to achieve pleasure.

For a socialized person in a modern society, the Ego-SuperEgo relationship tends to be in harmony through emulative behavior toward the leisure class. Such harmony makes the second manifestation of repression much more like a replacement of goods or their features, than a repressive happening in itself. Hence, the Ego can easily internalize what the SuperEgo presents to it. In this way, the evolution of the ceremonial aspects of goods themselves occurs according to the wastefulness of goods generated by the existence of the leisure class. The presence of the leisure class in a society, as well as its implication in the emulative behavior and decision making of people as something institutionally built, do not change easily. However, leisure class' manifestation in features of conventional schemes of consumption can be modified. This is at the core of Veblen's explanation of fashion, for instance.

Conspicuous consumers understand the evolution of wastefulness generated by fashion as improvement of goods. This, in turn, is a higher level in achieving the pleasure generated by the emulative logic. In order to avoid displeasure of a less developed and, consequently, demeaning standard of consumption people must cultivate tastes and preferences according to the nobility of goods and their evolution. Therefore, in Veblen's institutionalism, the evolution of tastes and preferences is a result of a search for pleasure according to an emulative logic.

To sum up, consumption is a meaning of a standard of life which is supported by habitual procedures. Meanings of standard of life expressed by consumption take place through what is consumed. Institutionalized goods as object of consumption generate what individuals perceive as the desirable result of consumption – satisfaction. In *The Theory of Leisure Class*, Veblen's key point of analysis is how the logic of the consumer is built and reinforced. How decision making towards given products changes is also presented, but Veblen (1899) recognizes that his theory accounts only partially for it, as in the fashion phenomenon.

2.4 Final comments

This chapter considers Veblen's writings on consumption in light of a paradigm in psychology that focuses on behavior as a result of inner impulses driving individuals to relate with the external world. Freud's writings are used as the canonical text of such paradigm. For Veblen and Freud, people are motivated to act by instincts, but instincts are just motives and do not represent actions themselves. To act, people put their instincts in practice, but in a non-deterministic way. Action thus occurs by the relationship between personal instincts and objects of the external world. These instinct-object relationships are established through a socialization process. Society is an entangled set of institutions which results from the manifestation of habits and regularities and generates foreseeable occurrences in thoughts. Those institutions mediate a collective learning through which people comprehend how to use objects of the external world to satisfy their inner impulses.

According to Veblen, in decision making there is a deep habitual procedure called the instinct of workmanship, responsible for the organization and canalization of instincts to a material end. Hence, the instinct of workmanship has a well-defined goal: satisfaction through the ownership of objects of the external world. The satisfaction of the instinct of workmanship is a consequence of the occurrence of private property and the leisure class. The leisure class is considered the higher class in a society traditionally linked to honorable activities and standards of consumption. Private properties related to the leisure class become something desirable because of the social esteem connected to such objects. Consequently, the instinct of workmanship and habits of thought work according to an emulative logic reflected in the establishment of instinct-object relationships.

As for Freud's structure of the mind as Id, Ego, and SuperEgo, the Id consists of instinctive impulses, the Ego consists of the instinct of the workmanship, habits and institutions internalized by the decision maker, and the SuperEgo consists of habits and institutions that are not an inner or automatic part of the decision making. By the Id-Ego and the Ego-SuperEgo relationships, connections between instincts and objects can happen or be repressed. A strictly repressive procedure is more likely to occur in the Id-Ego relationship and usually happens early in life when the person is learning how to deal with instinctive impulses. In this phase of life, taking instinct-object relationships for granted is common since the individual's background is being built. Between the Ego and the SuperEgo, a learning process of how to connect objects to instincts is more usual. When the Ego is well-developed, the person already internalized some institutional content for decision making. Consequently, how instinct-object relationships will be established or reinforced depend on the harmony between the institutional content absorbed and structured by the Ego and the SuperEgo. If the relationship is harmonic a learning process will take place. Otherwise, repression can occur.

The present approach also reviewed Veblen's conspicuous consumption, an application of the emulative logic on the consumer behavior. Conspicuous consumption is a wasteful expending as a result of the emulative logic generated by the leisure class. This emulation works on ceremonial features of goods, which are characteristics beyond physical and practical aspects incorporated in products that modify them and give them desirable content. Acquiring goods with pleasurable ceremonial features is not a matter of instincts satisfaction, but a satisfactory result which comes from the instinct of workmanship and leisure class' habits and institutions. Consequently, ceremonial features are created by the interaction between the Ego and the SuperEgo. Through this relationship people learn how to deal with the wastefulness of goods to culminate in status showing results. By the same process, changing in wasteful features can be incorporated in the decision making of the conspicuous consumer. By emphasizing a psychoanalytical basis of Veblen's theory, mainly the relationship between the decision making and objects of the external world, Collin Campbell's criticism was stressed as a miscomprehension of Veblen's conspicuous consumption.

In this analysis of Veblen's conspicuous consumption there is an important insight to be stressed. Veblen's approach clearly moves from a psychological paradigm to another. When Veblen theorizes about how an individual becomes socialized, his approach is guided by how inner impulses in contact with the external world culminate in behavior. However, when Veblen analyzes an already socialized person, the focus is on how what had been learned about the external world motivates her to behave. In fact, Institutional Economics' studies post-1950 have been focused on this other psychological paradigm, a cognition centered one. One approach does not exclude the other and both offer important insights to the development and improving of Institutional Economics.

The approach here introduced highlights the general process of decision making with some illustrations. An explanation of central issues about an institutional approach of consumers' decision making, such as how consumers acquire the institutional content, has not been attempted yet. Taking this point into consideration, how Institutional Economics has used or can use elements of cognitive psychology could be a straightforward target for the next chapter. Chapter 3, however, introduces other possible psychological background for Institutional Economics: the vicarious learning approach. A vicarious learning foundation for Institutional Economics does not exclude a cognitive framework; actually it goes one step further in institutional cognitive issues to study how people develop their cognitive abilities. Chapter 3 is centered exclusively on such approach.

3. Vicarious learning and Institutional Economics

The previous chapter concluded that Veblen's approach moves from a psychological paradigm to another when consumption is analyzed. This occurs because Veblen's analysis of already socialized individuals does not take instincts into account anymore. In fact, institutionalist studies post-1950 stress other psychological elements – mainly, cognitive issues – as possible psychological bases or insights to be helpful to Institutional Economics (see Hodgson (1985), Melody (1987), Stein (1997), and Redmond (2006)). The proposal of this chapter is to present more connections between Institutional Economics and Psychology which are not in the core of psychoanalysis or do not strictly regard cognition, drawing on elements from the Psychological Social Learning Theory.

The thread of the argument presented here focus on the relationship between people and institutions in a behaviorist way that goes beyond strict stimulus-behavior conditions. For such a task, the psychological basis of this chapter is the Social Learning Theory, also known as Social Cognitive Theory. This approach is seen as behaviorist, but has no relation to the more popular psychological radical behaviorism with its deterministic view of the stimulus-behavior relationship (see Skinner, 1938; Catania & Harnad, 1988). For Social Learning Theory, stimulus-behavior relationship relies on learning through observation and cognition. According to this view, people are neither driven by inners forces nor by the environment in isolation. There is a continuous and reciprocal interaction between people and the environment. That connection occurs by vicarious, reinforcing, and symbolic processes (Bandura, 1971, 1986).

To introduce some elements of the Social Learning Theory as helpful insights to understand the psychological basis of Institution Economics, this chapter unfolds in four other sections. Section 3.1 presents the notion of vicarious learning – a central element in the Social Learning Theory – and its relation to cognition and reinforcement. The focus of that section is to highlight that, in a society, people learn by vicarious observation. Socially analyzing, there are observers and models, the former learn by the observation of the behavior of the latter. In a vicarious learning situation, not just observation of behaviors take place, but also the observation of behaviors' reinforcement and, mainly, the capacity of the observer visualizes herself in the place of a model. Section 3.2 stresses how groups support the creation of a relationship between observers and models. In a group there are several models adopting or expressing the same behavior that make such performance strongly highlighted, and the status content of behavior plays a key role in introducing models to observers. Section 3.3 argues that behavior vicariously learned can generate habits which have institutions as outgrowths. In contemporaneous societies, vicarious learning relies on the observance of how institutions work individuals vicariously learn how to behave by a reconstitutive downward causation process. Some final notes close the chapter.

3.1 Vicarious learning and cognition

Individualistic and self-centered behavior is still in the core of today's Economic Science and many economists do their research in accordance with such analytical perspective. At the same time, other scholars emphasize that this kind of approach does not really describe how decision making works. Mainly, such studies stress that: people have limitations to choose just by their decision making abilities (Simon, 1957, 1959), the complexity and/or uncertainty of the surroundings are barriers to individualistic choices (Loasby, 1976; Dequech, 2001), individuals learn socially (Veblen, 1899, 1909), or even the sociability as the simplest and more used way to choose (Adler, 1985).

Habits and institutions – In the Institutional Economics perspective, decision making is a matter of habituation of social issues. Since Veblen (1899), Institutional Economics has been about how today's institutions – built according to yesterday's habits – support the decision making of people, as much as how today's habits will build tomorrow's institutions that will support the decision making of their time. According to this logic, there are individuals and institutions that *inter*-act, affecting the evolution of each other. Habits are performed by people but they are not just personal. They are input and output of institutions so they can be performed by, or be part of the performance of, a single individual (although habits are also outcomes of social learning). This social learning is highlighted here by the introduction of the Social Cognitive Theory in an attempt to enrich the basis of Institutional Economics.

An important aspect of habits and their relationship with institutions has been highlighted recently: habits' cognitive features (see Hodgson, 1985, Stein, 1997, Redmond, 2006). Despite the importance of habits' cognitive features, little has been detailed about how people acquire the institutional content that culminates in habitual behavior. The existence of habit-institution relationships and their features is usually highlighted, but how habits become an inner part of the decision maker has not been the main focus. Here, this aspect of Institutional Economics is analyzed taking cognition and other psychological elements into consideration. In this item some conceptual insights of the Social Learning Theory are stressed. Next section emphasizes their relation to groups and societies and the fourth item shows how the analytical basis of Social Learning Theory highlights some insights related to habits, institutions and their relationship.

Vicarious observation – In a psychological behaviorist approach, through socialization or *inter*-action with the environment people learn how to behave according to each kind of given stimulus (see Skinner, 1938; Catania & Harnad, 1988). For the Social Learning Theory, behavior is more than a simple stimulus-answer relationship. Behavior is a result of creation of knowledge according to the perspective of the decision maker as someone who observers and interprets what occurs around her. In this analysis, understanding is a consequence of vicarious observation. Through observation of others, people create knowledge about behavior and learn how to behave.

Knowledge vicariously created is used as the basis of future observations, consequent behaviors, and their reinforcements, adaptations, or changes. Vicariously, a personal background to decision making is generated and reviewed. Bandura (1971) highlights that virtually all learning phenomenon results from direct experiences, but that there is no need for a living situation or a physical *inter*-action among people for a person to gain knowledge. Learning can occur on a vicarious base through observation of behavior of others and its consequences for them

(Bandura, 1971, 1986). As a result, just in rare cases, backgrounds for decision making are gradually built based on direct personal trial and error or individualistic behavior.

Models and observers – If something is vicariously learned, someone is recognized as a model of behavior. Observing a model person can avoid mistakes when unknown or unfamiliar behavior must take place. A kid in a new reading school, a teenager in her first job, a foreigner in other country for a first time, all of them observe models and learn how to behave. Sometimes this observation is voluntary, whereas at other times there is an external motivation. By observing others, people learn which behaviors generate acceptable and/or desirable answers, and concepts of acceptable and/or desirable answers are also learned. Such behaviors are recognized as acceptable and/or desirable because they are related to behaviors of models. To be recognized as an example gives to a behavior a social legitimacy. Behaviors are acceptable and/or desirable because people socially understand them as such. Concepts, reasoning, and how to put them into practice are subjects of a collective comprehension (Veblen, 1899, 1906, 1909).

For social learning through vicarious observation to be possible there are two necessary actors: the observer and the model; otherwise, vicarious learning is meaningless. A kid in a new reading school learns how to behave from friends, a teenager in her first job from her colleagues, and a foreigner from natives, if they recognize friends, colleagues and natives as models. An actor is an observer when she watches a behavior – or gives attributes to it – of another actor (the model). In a vicarious learning situation, the subsequent behavior of the observer becomes more similar to the observed, or alleged behavior of the model (Flanders, 1968). When there are an observer and a model, there is a *link* between those people. In vicarious learning, a link has informative and reinforcing functions (Bandura, 1971, 1986). The former takes place by the recognition of the behavior of a model as a source of how to behave in an acceptable and/or desirable way. The latter is connected to the behavior of a model as a supporting element to the behavior of an observer (this function of a link will be further explored in the following paragraphs).

Reinforcement – Rarely observers restrict their observation to a single link, or adopt the features of just one model. People are connected to a bunch of links and each connection has a different intensity, which is called the strength of the observer-model relationship (Bandura *et alli*, 1963; Bandura, 1965, 1970). What determines if a link is weak or strong is the level of its reinforcement[8]. When the observer perceives a strong reinforcement, a strong link is formed. The link is weak when reinforcement is feeble. There are three main different types of reinforcement; two of them are discussed in this session and one is left for session 3.3. A kind of reinforcement directly related to the presented elements is the vicarious reinforcement. The vicarious reinforcement is the effect of observation of a model, and its behavioral consequence, after the establishment of a link. Vicarious reinforcement reaffirms the behavior of the observer through a continuous observance of the behavior of the model (Bandura, 1971, Flanders, 1968).

Links and their reinforcements are also connected to the cognitive abilities of the observer. The cognition regards the symbolic content of behaviors (Bandura, 1971; Hodgson, 1985, Melody, 1987). Learning, even if vicariously, cannot take place without awareness of what the model is and what is being reinforced. Comprehension occurs through cognitive abilities. That awareness is a result of decisions and actions of individuals who behave according to what they understood as a chain of associations developed and conditioned by previous information and their already known answers (Bandura, 1971, 1986). To be aware of what was learned means that people can theorize about how to behave.

Cognitive reinforcement - For Bandura (1986), by observation of performance of others, a person acquires not only patterns of behavior but also a cognitive framework about what some behaviors mean. Hence, models can also interfere in the behavior of people symbolically and such representation can be used later by observers to guide their behaviors. Misunderstandings connected to behavior can be

[8] Flanders (1968) defines reinforcement as the operation of presenting a reinforcing stimulus after and contingent upon the occurrence of a certain behavior. Verplanck (1957) emphasizes that the reinforcement comes after at least a first action of the observer. For Bandura (1971) the reinforcement occurs through the performance of answers of people and their observation of the different consequences regarding their various possibilities of action, during the learning process; into this informative feedback, people develop thoughts about the kinds of behaviors most likely to succeed or the behavior which gives the better observable answers (in the observers' perspective).

solved by symbols without taking into consideration various possible alternatives of action. Bandura & Mischel (1965) highlights that vicarious learning is encouraged through exposure to models, but once a person has developed an adequate symbolic repertoire the model can be replaced by a symbolic model which can be cognitively reinforced. As a result, there is not only a vicarious reinforcement, but also a cognitive one.

The central role of cognitive abilities in vicarious learning and its reinforcement is the observers' interpretation of symbols according to which behaviors are acceptable and/or desirable. A link is created when a behavior generates answers that are understood by the observer as acceptable and/or desirable. However, there are some situations in which the observer is unable to comprehend the relevant attributes or related behavior involved. When a scenario like that takes place, there is cognitive dissonance, which is an inconsistence between what is understood as a model and what is comprehended as acceptable and/or desirable answers (Festinger, 1957; Akerlof & Dickens, 1982). When people are able to perceive that they are in a cognitive dissonant situation they try to make it stop since the link – and consequently the legitimacy of such behavior – is not present anymore. The attempt to avoid cognitive dissonance usually occurs by a replacement of the behavior-answer relationship, which comes from observance of other potential models.

The classical example of cognitive dissonance is Festinger's (1957) smoker. A smoker, who has learned that the answer of such behavior is bad for her health (something which eventually happens to smokers), is in a cognitive dissonant situation. Hence, the acceptance of, and/or desire for, the earlier answers are not achievable anymore as a consequence, and a new link is necessary. There are two possibilities for the occurrence of a new cognitive consonance: (1) a modification of behavior?) because the new information about the behavior shows the bad effects of smoking, consequently the smoker may stop, or try to stop, smoking; (2) a modification of behavior that reinforces smoking; in this case the change focus is on the good effects of smoking (Festinger, 1957). In both cases, the modification is not automatic and if the change occurs, the cognitive dissonance will be eliminated. However, as the example illustrates, it is impossible to affirm that the perception of demeaning information about the answers will generate modification in behavior. The earlier link does not exist anymore and the observer will need a new link and a new legitimate source to support her behavior, even if the behavior stays the same as before the occurrence of the dissonance.

Once created, however, dissonance can persist for long periods. In fact, a smoker who looks for a link to support her current behavior can face difficulties in such task. There is no guarantee that a cognitive dissonance will be reduced. But, according to Festinger (1957), people feel pressure to produce consonant relationships among meanings and behaviors and thus to avoid dissonance. This pressure relies on social learning. In a society, there is an evolutionary path of meanings and behavior which an individual can adopt to interpret behaviors and to generate links. Through a collective comprehension, the cognitive dissonance is usually reduced. Festinger (1957) highlights that culture or groups' standards can present what fits in a cognitive sense. In Earl & Wicklund's (1999) explanation, a person can achieve consistency in her cognitive abilities by taking the path that is more resistant to change.

3.2 Groups and status

Groups – Groups play a key role in introducing to people what a model is and what it means, and in reinforcing individual's theorizing procedures. Groups can be understood as a bunch of people who are recognized as holding similarities of some sort. This recognition generally occurs by actions and thoughts of members of the group, such as in the case of family and friends. Usually, members of the same group observe each other in their frequent activities. This is clear regarding family and friends, since they are groups in which direct and frequent *inter*-action is more likely to take place. In this case, groups tend to be a small amount of people. As for bigger groups, such as social classes, *inter*-action among members has the tendency to be more indirect, though not necessarily less frequent, than in small groups. A bigger group typically can be seen as a unit composed by many smaller groups – as an example, social classes can hold subsets of families or groups of friends.

Some direct contact among people of the same group is usual, independent of the size of the group. Indeed, to understand a bigger group as a collection of smaller ones means that the influence of a bigger group on vicarious learning is comprehended by the *inter*-action of people in its smaller groups. This means that the way a small group interferes in the vicarious learning can be reinforced by a bigger group. In other words, *inter*-action with others highlights some behaviors which are predisposed to be understood as a model by *inter*-actors.

For a person to feel the influence of what a group emphasizes and legitimizes as a model, she does not need to be considered a member of the group. When people seek to be seen as part of a group, that group has already influenced her cognition. Therefore, the ability to follow models emphasized by groups creates their boundaries of inclusion and exclusion. To be able to act according to groups' examples is not just a matter of cognitive abilities but also of resources to put such behavior in practice. A person can understand the consumption of a specific good as acceptable and/or desirable, but she may not be able to buy it because of its high price.

Snowball effect – Taking observer-model relationships into account, a group can be comprehended as an agglomeration of links. Within a group, links can be stronger because a group generates a snowball effect on models. Information and reinforcements snowballs take place when people are motivated to follow behavior of others by their recognition and reinforcement in several different models (compare to Bikchandani *et alii*, 1992). The identification of types in a social *inter*-action is strictly necessary for individuals to distinguish behaviors and become aware of models and reinforcement. A group tends to put emphasis on numerous models related to the same behavior. Hence, there is a behavior strongly reinforced in a group, giving observers an acute sensation of cognitive consonance and allowing their theorizing. Douglas and Isherwood (1979) stress that a group has the capacity to exert powerful reinforcement on their members and teach them its values. Indeed, when a person is in a group, links are not just a connection between an observer and a model. As a group stresses types of behavior, they become models for every member of the group, as well as for people who would like to be considered a member. Those individuals will try to behave as a model; if they succeed, they will become a model themselves. This procedure generates a self-supporting snowball effect and, consequently, models highlighted and legitimized by the group.

Status – How models are established, mainly in a group, takes the status content of models' behaviors into consideration. In a society where vicarious observation is central in the learning process, people know that behaving according to a model implies that they will be judged as the model. As a consequence, what is seemed as adequate and/or desired answers is necessary for successful behaviors. Veblen (1899) shows this discussion in terms of labor and consumption. For Veblen (1899), there is an upper class that executes tasks in the labor market that are not originally related to industrial activities. Such jobs are interpreted as desirable because they are not seen as something boring and/or painful as to working in the shop floor. Simultaneously, according to Veblen (1899), wherever there is private property people are distinguished by possession of goods. Therefore, success is put in evidence through exhibition of what one owns. As a result, upper classes become models because of desirable results in jobs' and consumption's events. This process culminates in the leisure class, a group which highlights models extremely visible in a society[9] (Veblen, 1899).

As a consequence, in a society or in a group there is a set of models which corresponds to their "best" achievements. These acceptable, desirable and legitimized answers, which are generated by status, are the basis of emulative features present in behavior. Something recognized as conferring status has greater value. Therefore, more influent people in a society are better models. Flanders (1968) emphasizes that a large number of psychological experimental studies conclude that effects of vicarious rewards on behavior increase its adoption as a

[9] The goal of this chapter is to introduce a foundation of Institutional Economics based on the Social Learning Theory. As a consequence the focus is not Veblen's studies or an institutional approach of consumption despite the goal of this thesis. Chapter 2 is centered on Veblen's conspicuous consumption and next chapter's issue is a proposal of an institutional approach of consumers' decision making taking the theoretical clothing of the present chapter and the content of Chapter 2 into consideration. In the present chapter there is just a little light on consumers' decision making because this part of the thesis is more theoretical orientated. The other chapters focus much more on the subject of this thesis.

model (the observer will look for the same success of the model)[10]. In situations where people are confused about the modeled course of behavior, they rely on features of potential models which they seem as symbols of status – such as dressing and possession of material goods – looking for the identification of exemplary behaviors (Bandura, 1971).

Social power and attention – Status can be understood as a way through which social power is manifested. Social power is the ability of a person, or a group, to influence the behavior of others by mediating or controlling their observation and reinforcements (Bandura *et alii*, 1963, Bandura, 1965).[11] Hence, a strong link occurs by the execution of social power. When models are well-established, they are recognized by people as a link. Links are presented and established by the socialization process of the decision maker. A model spread in a society or well-accepted by individuals tends to generate a strong link that reflects the level of expressivity and legitimacy of the model. When a person shows a social power behavior, the first reaction of others is to pay attention to it (Bandura, 1971). Only by the occurrence of attention a model and a link can be established, thus attention is the first step for vicarious learning. People can comprehend by vicarious observation only if they are paying attention. Clearly, it is also a matter of cognitive consonance, because people just pay attention to what they understand as something which can be a matter of their own behaviors.

For Bandura *et al.* (1963), people tend to adopt many of the characteristics of a model that demonstrates having social power. The effects of status on models of behavior tend to migrate from an area to another. Lefkowitz *et al.* (1955) highlight empirical evidence about status' influence on jaywalking. Such study shows that pedestrians are more likely to cross a street on a red light when they see a person who can be seemed as a high-status individual doing the same thing. Bandura *et al.* (1963) show empirically that younger people, who previously observed several

[10] For the radical psychological behaviorism in Burrhus F. Skinner's tradition, reward and punishment have the same effect on the consequent behavior of people who learn to avoid punishments and to look for rewards. However, the Social Learning Theory emphasizes that the impact of good exemplary behaviors on the learning processes of observers is much stronger than bad examples (see Verplanck, 1957; Flandres, 1968).

11 Compare to Dugger (1980) and Searle (2005).

answers of behaviors of older individuals, tend to behave according to what they understood as the better answer, even in situations diverse to those already observed[12]. By *inter*-action with groups and by the vicarious observation of what are perceived as status and/or social power behavior, people pay enough attention as to learn and recognize which behavior should be a model and generate a link. Sometimes, a model is related to more than a behavior, such as Veblen's leisure class which is connected to behaviors linked to labor market's and consumption's issues. As well as, models' behaviors are spread by their habitual utilization in an institutionalized way.

3.3 Habits, institutions, and reinforcement

Habits – By vicarious learning people develop knowledge about how to identify models and create links. The establishment of links is mediated by the status content of the underlying models, which are perpetuated and reinforced when observers perform accordingly. In this case, the behavior of an observer reinforces the model by a snowball effect. Perpetuation of models partly relies on cognitive abilities of observers; through cognitive consonance, links and groups not only present what acceptable and/or desirable behaviors are but also reinforce them. Taking into account a behavior already understood, theorized and its reinforcement, it is very likely that such behavior will occur again when the person faces the same, or a similar context. Repetition will occur a habit may emerge (Berger & Luckmann, 1966, Hodgson, 2002, 2003).

For Berger & Luckmann (1966), all human activity is subject to habituation. Any behavior that is repeated frequently becomes (part of) a pattern. A habit arises from those repetitive situations, but a habit is not simply repetition (Hodgson, 2004, 2006). Habits are formed through repetition; they are influenced by prior activities and have durable and self-sustaining qualities (Hodgson, 2002). As emphasized in

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12 In a different economic approach than the Institutional, Duesenberry (1949) provides an empirical economic study about emulative behavior and Truyts (2009) presents a survey about the theme highlighting several studies that confirm empirically the influence of status on the behavior of those who recognize it.

Chapter 2, a habit can be understood as a largely non-deliberative and self-actuating propensity to engage in a previously adopted pattern of thought or behavior (Hodgson 2003, 2006). Habit does not mean thought or behavior either. It is a propensity to think or behave in a particular way in specific situations and can be triggered by an appropriate stimulus or context (Hodgson, 2002, 2004, 2006). Habits can be unused for a long time and as a result they may exist even if they are not manifested.

People, who acquire a habit, are familiar with a model, which generated and established the habit, and/or the environment where such habit takes place. This familiarity comes from observation of the same model several times, which occurs not only as a result of a snowball effect, but also through the perception of the same or similar scenario where an already learned behavior had created an acceptable and/or desirable answer. A habit strongly relies on cognitive consonance and the ability of the observer in theorizing what had been vicariously learned. As a consequence of vicarious learning, a habit of the observer arises from, at least, a habit of a model. A habit is based on a model frequently exposed to the observance of people; within this logic, habits express models continually and powerfully reinforced.

Self-reinforcement – As highlighted before, reinforcement can be based on vicarious observation. In this case, watching behavior of models stresses a link already learned by observers. A cognitive reinforcement can also take place. When a symbolic repertoire had been learned, the reinforcement can occur symbolically. Analyzing habits allows the discussion of an additional kind of reinforcement, which is highlighted by Bandura (1971, 1986), the self-reinforcement. Self-reinforcement takes place when people behave based on a previous behavior they vicariously learned. This is a matter of self-regulation and it happens when what was vicariously learned becomes present in an inner part of the decision making process. The use of habits, for instance, represents a self-reinforcement.

Retention – When a habit occurs the attention of observers on models achieves a higher level in the decision making process, because the execution of a habit means that attention which had been paid on models and the content of such behavior is now retained by the observer. Retention means that the content related to some models had been acquired by the observer and she is able to behave accordingly even without external motivation (in other words, the self-reinforcement is present). Habits express models' retention; as a result the model can be observationally absent (Berger, 1962; Bandura, 1965, 1986; Bandura & Michel, 1965). However, retention does not mean that there is an unchangeable decision making framework, because the observer is still susceptible to vicarious learning. Even a person with her behavior strongly based on habits is exposed to the observation of models and to the influence of groups. By the same learning process previously emphasized, a person with behavior strongly based on habits can review her decision making/behavioral pattern. Self-reinforcement in this light can be better explained with the help of concept like institutions and their relationship with habits.

Institutions – According to Veblen (1919) and Berger & Luckmann (1966), institutions can be seen as outgrowths of habits. As previously introduced, within a society or a group there are models which are recognized by observers according to their cognitive abilities. If a link is established, it can be used several times and culminate in a habit. A model can be related to several behaviors, thus more than one habit can be related to a single exemplary person, such as a member of Veblen's leisure class. With habits, observation is no longer necessary because the content of the model has already been retained by the observer. The disposability of observation is emphasized by self-reinforcement. The spread of habits is potentiated by snowball effects present in groups and in the social power of models. A habit well-disseminated in a society is a behavior widely accepted and supported by cognitive consonance. When it occurs, the model is not necessarily related to observance of people anymore and there is a typification of such behavior.

In a society there are types of behaviors which are exemplified by models, and they are recognized as acceptable and/or desirable behaviors. Such types result from a cumulative evolution of vicarious learning. As people learn vicariously, through time there will be a bunch of behaviors related to socially highlighted models. Such models are typifications of acceptable and/or desirable behaviors. Through the development of societies, those typifications become spread and, consequently, they turn into something regular in the behaviors of those able to behave accordingly. This process not only generates habits, but also typifications of behaviors which become institutionalized. ***In this light, institutions are cognitive consonances about the typification of foreseeable regularities in behavior of people in a group or society***[13].

That typification comes from what had been observed, understood and learned in society through time. Observation, interpretation, and theorization culminate in a collective approval and reinforcement. Institutions, then, come from habits, but they are more than habits. The typification of institutions occurs through socially built ways and means to understand and express behavior. Hence, societies and groups live through institutions (Veblen, 1919, Berger & Luckmann, 1966). Institutions are the basis of vicarious learning, partly because institutional foreseeable regularities give people an effective anticipatory capacity. Information about possible consequences of behaviors is institutionally communicated. By *inter*-action with an institutional set, a person is able to anticipate the possible answers of different behaviors and theorize and regulate her behavior accordingly.

The anticipation allowed by institutions implies the establishment of a path of what is*, or what is more likely to be*, observed. This process emphasizes that the motivating and constraining features of institutions take place together (see Commons, 1931; Hodgson, 2003). A "world of institutions" means that people learn socially how to behave and how to think. Then prohibitions are not something absolutely repressive, but a matter of understanding. The vicarious learning that culminates in knowledge about acceptable and/or desirable behavior is mediated and reinforced by institutions. Indeed, vicarious learning is connected to learning from observance of how institutions work or, in other words, people theorize supported by their comprehension of an institutional set.

In a social structure, where people are able to perceive and comprehend institutions and acquire related habits, observation still happens but some concepts and logics have already been learned by *inter*-action with institutions. In such

[13] Institutions have been given diverse definitions. The particular definition used here derives from the analytical level of this research (see Hodgson, 2006) and does not necessarily clash with other definitions presented by other studies in the Veblenian tradition.

situation, people are much more performers than observers. Their self-reinforcement supports the cumulative and inert features of institutions (see Veblen, 1899; Bush, 1987), mainly because self-reinforcement expresses that an institutional set is the main source of external pressure *and* also a set of elements that inhabit the logic of the observer[14]. So, it is difficult to break this logic since both actor and structure support it. Habits already established help to select how institutions will influence observers from that time forth (Veblen, 1899, 1914). As a consequence, an institutional set is part of a transmitting system of reinforcement and the basis for its own evolution. The incorporation or modifications of habits and institutional content in the observers' self-reinforcement is called reconstitutive downward causation (Hodgson 2002, 2003, 2007).

Reconstitutive downward causation and institutional furniture – Reconstitutive downward causation means that institutions provide an institutional furniture (Veblen, 1899, 1961), or practices (Rawls, 1955; Dolfsma, 2009), to people which, in turn, enable them to theorize and behave despite personal limitations and the complexity or uncertainty of the environment[15]. Downward reconstitution plays a key role in building groups and societies because it gives people the sensation that institutions and habits fit in people's their logic – when the opposite happens. The construction of self-reinforcement by reconstitutive downward causation relies on institutions as a cognitive consonance. The significance of an institution for the behavior of a person takes place by what the person learned about how to interpret the meaning of that institution. As a result, how people build their institutional furniture and practices is

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[14] Despite the fact that socialized people act much more as performers than observers, this chapter still considers them observers just as a matter of reference to what has been previously introduced.

[15] Institutional furniture or practices are not usual terms in Institutional Economics. Veblen used the concept of institutional furniture in the book *The Theory of the Leisure Class* (1899) and in the article *The Limits of Marginal Utility* (1909). According to Veblen (1961, p. 235-236): "The cultural elements involved in the theoretical scheme, elements that are of the nature of institutions, human relations governed by use and wont in whatever kind of connection, are not subject to inquiry but are taken for granted as pre-existing in a finished, typical form and as making up a normal and definitive economic situation, under which and in terms of which human intercourse is necessarily carried on. This cultural situation comprises a few large and simple articles of institutional furniture, together with their logical implications or corollaries…". The concept of practices was introduced by John Rawls in the paper *Two Concept of Rules* (1955). In Rawls' words: "I use the word "practice" throughout as a sort of technical term meaning any form of activity specified by a system of rules which defines offices, roles, moves, penalties, defenses, and so on, and which gives the activity its structure. As examples one may think of games and rituals, trials and parliaments" (Rawls, 1995, p.3).

also a matter of cognition. An institution just exerts influence on the behavior of a person when she is persuaded that and recognizes that institution as a source of information and reinforcement regarding such behavior.

A point related to the connection between cognition and how people build their institutional furniture or practices regards a revision of Festinger's (1957) smoker example. In the presence of institutions, a smoker already knows that smoking is bad for health since such kind of information is present in the content of a large number, or almost all, institutions related to this theme. Hence, the biggest part of people in a society already knows how to interpret main concepts provided by institutions. A smoker does not learn that smoking is bad for health at some future point in time; a smoker already knows it when she starts smoking. Becoming a smoker does not happen by cognitive dissonance either, because this information is institutionally available to everybody since their early years and it is reconstitutively introduced to people. A person becomes a smoker as a result of the influence of other institutions than the ones that emphasize non-smoking habits – the majority of contemporaneous institutions. In this case, examples of the former are found in the acceptance of or motivation from a group which the observer would like to be identified with as a member. Becoming a smoker occurs through a cognitive consonance with other institutions, and this is established by personal vicarious observation of the content of such institutions and habits expressed by the behavior of others.

Cognitive inertia – In a world of institutions, cognitive consonance, which generates such social structures, is not strictly related to how a person understands meanings. How groups or societies present meanings to people also influence the interpretation – groups and society are the usual makers and conductors of information and reinforcement. Groups can intensify, decrease or change the institutional content, such as the information that smoking is bad for health. As a consequence, members and potential members of this group achieve a "personal cognitive consonance", performing according to a "social cognitive consonance", such as following non-smoking habits.

This "social cognitive consonance" does not mean that people cannot find consonance as stated by groups which work with a different conceptual framework, such as information with a positive tone about smoking. In this case, members of this group find consonance in smoking habits. However, in a society there is a more common core of meanings and interpretations, as for instance is the current case with negative information about smoking. This "social cognitive consonance" can be understood as cognitive inertia (see Stein, 1997). The path of meanings and interpretations provided by cognitive inertia is necessary to understand a world of institutions. This is valid also for people who do not follow such interpretation because other understanding than the usual is commonly introduced to them as an alternative to what is customary. Reconstitutive downward causation is impossible without a prior system of concepts.

There are two central points to be highlighted about cognitive inertia: (1) it does not necessarily represent a more efficient way to behave - it results from the evolution of institutions in a cumulative process and from the acquisition of the underlying institutional furniture; (2) it does not imply behavioral determinism, similar to the other influences of institutions and groups in the decision making. Despite cognitive inertia, there is a relative diversity in how institutional contents are observed and learned. Cognitive inertia supports the development of individuals' cognitive abilities through vicarious learning – and, consequently, their "personal cognitive consonance" – but it does not strictly establish how understanding occurs.

Cognitive habits – Hodgson (1985, 1988) stresses that habituation also regards cognitive abilities. A "personal cognitive consonance" means that the observer is able to make symbolic connections between behavior and acceptable and/or desirable answers, culminating in the establishment of symbols about the meaning of models and links. These symbols become guidelines to behavior. When people recognize themselves as in the same situation of models, links make the connection to what is understood as acceptable and/or desirable behaviors. As previously highlighted, the repetition of those scenarios, as well as observation through snowball effects and social power, can generate habits - in this case cognitive habits. Cognitive habits support the creation of institutional furniture, or practices, because they regard social patterns that recognize institutions as sources of information and reinforcement that culminate downward reconstitutions.

To sum up, groups can try to influence how people understand the content of institutions, resulting in people being approached by a number of groups. How a link is established depends on which groups are more persuasive in introducing the institutional content in a reconstitutive downward causation process. So, models express, motivate and protect a specific kind of underlying behavior and habits; this process results in a "personal cognitive consonance". The *inter*-action between a person and groups points out what should be observed and learned. Through time habits are acquired and self-reinforcement occurs. Within the same society there is a variation of cognitive abilities among people. However, there is a limit for this discrepancy as cognitive inertia operates to some extent.

3.4 Final comments

In the Institutional Economics' perspective, the social learning process culminates in habitual procedures of decision making. In the argument presented in this chapter, those habits are created by *inter*-actions among people which take place through observation and interpretation. Such elements are responsible for the establishment of knowledge that becomes the basis for future observations, interpretations, and their reinforcements. Learning occurs by understanding the behaviors of others and their results. By observation people avoid mistakes when they do not feel confident about the decision making environment. In such scenario, people who are watched are seen as models, and those who watch are seen as observers. The latter recognize the behavior of a model and its answer as suitable on their own.

When a relationship between an observer and a model is established, a link emerges. Links perform an informative role. Hence, the subsequent behavior of the observer will be similar to what she has understood as the behavior of the model. A link has also a reinforcing role which relies on the behavior of the model after the observer's comprehension of how to behave from the model's behavior. In this case, the model becomes a supporting element of the behavior of the observer. The level of the reinforcement determines how strong the link is. The reinforcement can occur by observation, such as in the way the link was built, or cognition. The latter regards the link as a cognitive consonance between the behavior and its answer. Through cognitive abilities people become aware of which models and answers are acceptable and/or desirable.

Cognitive consonance sets up links but also breaks them. In a dissonant situation the knowledge created by vicarious observation is not useful anymore. When this occurs, people need to generate new consonant links, once again relying on vicarious learning. However, the establishment of links does not happen in a vacuum. There is a social component in vicarious learning that represents an agglomeration of links that is more resistant to dissonances. That set of consonant relations is accepted by a large number of people who also execute such consonance in their behavior. To perform according to the consonance means that people legitimizes the consonance and, consequently, the models. This is what happens in a group. Groups highlight models by a snowball effect, for people are in a frequent *inter*-action that emphasizes some behaviors which are predisposed to be recognized as models by observers. As a consequence, inside a group there are stronger links that give to observers a comfortable sensation of a powerful cognitive consonance.

In a group models are established mainly by the status content of behaviors. People try to act as a model looking for the same answer. When a behavior has a status showing result, it becomes something acceptable and/or desirable. Therefore, what determines who is a member of a group is the ability to really execute a status showing behavior as stated by the “model of the group”. Status plays a social power regarding vicarious learning since status is a way to influence behaviors and their reinforcements. Groups and models reinforce a behavior that then tends to be repeated when the same or a similar environment or decision making process take place. This repetition can generate habits, which can be understood as non-deliberative and self-actuating propensities to people make behavioral connections to previously adopted standard of behavior or cognitive associations. For a habit to be generated, a strong reinforcement must occur. Once a habit is established, a self-reinforcing drive comes into action, because habits mean that what was vicariously learned is now an inner part of the decision maker. The presence of a habit means that the behavior is now retained by the observer; as a result the model can be observationally absent.

In a society, what people observe, understand and internalize is the result of a cumulative process. Individuals start all that process from existing cognitive consonances about the typifications of the behavioral content of habits. Institutions express such typification related to foreseeable regularities in behavior of people; they are consequences of what had been experienced in the society through time. After vicarious learning experiences, habits are formed and institutions arise as outgrowths of those habits. Consequently, there are socially built ways and means which point to acceptable and/or desirable answers to behavior. Habits and institutions are expressions of that social content. Modern societies are structured by institutions, which serve as the basis of vicarious learning procedures.

As a result, in a modern society there is a social constructed path that channels which behaviors and cognitive abilities generate acceptable and/or desirable answers. In such context, it is possible to argue that there is an institutional set and cognitive inertia that partly supports a system of introduction and reinforcement of behaviors and their evolution. People who act under such reinforcement also support the influence of that institutional content on behavior. Both structure and actors sustain the power of institutions on vicarious learning procedures. The acquisition of the institutional content by people is referred here as downward reconstitution, or as deriving from a reconstitutive downward causation. Through reconstitutive downward causation processes people obtain institutional furniture, or practices, which are expressions of the institutional set in their decision making. The institutional furniture, or practices, gives people the sense that their vicariously learned logic fits the institutional set. That sensation takes place according to the cognitive abilities of people.

To conclude, four key points of this chapter are highlighted: (1) for Institutional Economics, institutions are not taken for granted – they are consequences of life in society; (2) in a society, people are not totally driven by the environment, and stimulus-behavior analyses restrict efforts toward more insightful elements of institutional nature; (3) there is no necessity of a living situation or physical *inter*-action among people for a person to learn; institutions are aware of what is learned or reinforced and this awareness can be transmitted without living situations or physical *inter*-actions; (4) as emphasized by Veblen (1899, 1909), an institution is not necessarily a physical phenomenon, which does not mean that institutions cannot have formal design, but is an outgrowth of habits and, thus, a matter of a habitual cumulative process.

This chapter introduces how Social Learning Theory's concepts and relationships can be useful to understand the psychological basis of the Original Institutional Economics. By its goal, this chapter is highly theoretical. In the following chapter the discussion started in Chapter 2 is recovered and an enriched theoretical structure built from their connections is applied to consumption. Hence, the consumers' decision making taking into account the vicarious learning is an issue of Chapter 4.

4. Institutional Economics, vicarious learning, consumers' decision making, and entrepreneurship

An "instinct-socialization duality" of Veblen's consumption conspicuous was emphasized in Chapter 2, highlighting some psychoanalytical elements as possible complements of Veblen's approach to consumption. As argued therein, Veblen's consumption conspicuous is not totally related to psychoanalysis, leading this thesis to explore a complementary psychological approach in Chapter 3. Indeed, it is possible to argue that Veblen's theory deal with two different psychological paradigms – one based on instincts and other based on cognition and learning.

Despite the insights that psychoanalytical elements can give to Veblen's approach to consumption, it has been argued that Veblen's conspicuous consumption seems to demand more elements related to a cognitive and learning framework. Chapter 3 thus introduced a proposal of foundational of Institutional Economics based on the Social Learning Theory from Psychology. The present chapter is an attempt to bridge the two views presented in Chapters 2 and 3, looking to offer elements that can explain some features of consumers' decision making. The aim of the present chapter is to present the individual-goods relationships – emphasized in Chapter 2 – into an environment where consumers learn vicariously how to consume – as proposed in Chapter 3.

In a society composed by institutions the relationships that consumers establish with goods is mediated by a vicarious learning process. If consumption activities happen through consumer-goods connections, it is important to consider what consumers understand as a good in the analysis. A product is not just a physical object but also a set of meanings. A yogurt is not only consumed because people feel hungry but also because the yogurt is tasty and healthy, and sophisticated people usually eat this kind of good. The creation and revision of meanings for goods are thus part of the effort in analyzing the consumption decision making of people.

As an important institution of capitalism, the capitalist firm plays a central role in establishing such connections. In other words, firms have a large interest in learning how to deal with consumers' conceptual frameworks. Even further, firms have an interest in participating in that process by influencing consumers' decision making to build their concepts of goods according to the firm's goals. Because of the interest of firms in how consumers' decision making work, the present chapter also emphasizes the role played by firms in an institutional approach of consumers' decision making (based on vicarious learning). Hence, this chapter also presents an approach of firms' behavior consonant with a world where consumers learn vicariously to conceptualize goods based on how institutions work.

The analysis of firms's actions is based on what is usually called Evolutionary Economics (taking the institutional plus vicarious learning clothing of this thesis into consideration). Veblen's studies, as well as some of his followers', are recognized as both institutional and evolutionary. Indeed both categorizations commonly occur, but as a founder of Institutional Economics, Veblen's works are more immediately associated with this perspective. However, the identification of Veblen's approach as evolutionary is also strong[16] (see Argyrous & Sethi, 1996; Hodgson, 1998b; Mayhew, 1998; Peukert, 2001). The analysis of the firm in an evolutionary perspective usually concentrates on technology issues. In fact, to affirm that the current evolutionary analysis of the firm is a technology-centered one is not an exaggeration. This thesis tries to emphasize another analytical perspective of the same phenomenon. Here, the evolutionary perspective of the firm is a social one. A social point of view does not deny the technological perspective. Indeed, they are typically complementary.

This chapter is divided in five sections. Section 4.1 reviews the insights of Chapter 2, focused on the consumer-goods relationships, taking into account the vicarious learning. Section 4.2 analyzes how institutions and groups support the constitution of consumers' institutional furniture about the meaning of goods. The role of institutions as transmitting system of meanings and how it affects the logic of

[16] The Veblenian tradition of Institutional Economics respects the evolutionary features of Veblen's works. Although Veblen's studies and the Institutional Economics do not analyze how a firm can interfere on consumers' decision making processes. In fact, the "Modern Evolutionary Economics" does not offer such perspective neither. That standpoint of analysis is centered on technical and technological explanation which can be very important to understood consumers' decision making, but it is just one perspective, there is more then that (for examples of studies of "Modern Evolutionary Economics" focused on technical or technological aspects see Nelson & Winter (1982), Dosi (1982), Rosenberg (1982), Nelson (1996)). Consequently, this chapter is centered on link the "Classical Evolutionary Economics" as a guideline to understand how firms can influence consumer's decision making.

consumers are emphasized. Section 4.3 shows how Amercian economist Tibor Scitovsky's approach to consumption can offer additional insight to the study of object changing in the consumer-goods relationship. Section 4.4 highlights the role of firms in consumers' decision making based on individuals who learn vicariously from institutionalized ways to have things done. Some final notes close the chapter.

4.1 Revisiting conspicuous consumption

In Chapter 2, some psychoanalytical insights in Veblen's approach to consumption have been addressed. It is argued that Veblen's institutionalism deal with two different psychological paradigms, as he analyzes the individual as someone motivated by inner forces but who also learns through a socialization process. Consequently, a psychological basis that relies on instinct is adequate for Veblen's theory, but not encompassing enough. When Veblen emphasizes the socialization process in conspicuous consumption, for instance, instincts are not in the center of the analysis anymore. This, however, does not mean that people behave without the influence of instincts. Instincts always motivate our actions, but for a socialized individual, in a Veblenian perspective, what has been collectively learned plays a key role in how instinctive motivations are put into practice. The socialization process impacts on how people behave. This is the why the psychological content of Institutional Economics needs to relate not only to instinct but also to learning and cognitive aspects. In spite of what this paragraph affirms, what has been socially learned by individuals is not just a way to behave, but also a content of people's decision making, as highlighted in Chapter 2 and Chapter 3.

Vicarious learning and objects of consumption – Veblen's conspicuous consumer learns from the collectivity how to express some of her instinctive impulses in buying goods. This argument follows a psychoanalytical perspective, mainly based on the relationship between consumers and objects. But, as argued earlier, Veblen's approach to consumption needs further psychological substratum to those from psychoanalysis. Chapter 3 then explores the vicarious learning approach as an option to enrich an institutional analysis of consumption. Accordingly, people learn by observation and interpretation of the behavior of others, and knowledge about behavior is a consequence of observance and understanding of the behavior of others and the behavioral results for them. The observer has the capacity to put herself in the same situation of the person observed and to theorize about it. This reasoning has been presented taking into account the formation of habits and institutions (Chapter 3). Here this "institutional vicarious learning" is connected to insights from Chapter 2 looking for to emphasize other elements of an institutional approach of consumption.

In a society of intuitions, individuals learn what to consume and how to buy such products by vicarious observation. Through consumption, some physical needs are satisfied, but to consume people rely on their social lives needs are created through social life, requiring their satisfaction by conspicuous consumption. If there is emulation, people can observe others and put themselves in their place. Hence, vicarious observation and learning are consistent with Veblen's conspicuous consumption. The creation of motivations to consumption by a society occurs basically as a result of observation, as people learn vicariously which objects of consumption are acceptable and/or desirable.

As a result of social life and its decision making consequences, objects of consumption are established far beyond human beings' physical needs to survival. The consumption of these objects can be understood as a "social survival". People consume those goods because that consumption is something they think adequate for a person in a social position they think they are; that is why Veblen (1899) classifies this kind of consumption as wasteful. For Veblen (1899), consumption based on social esteem is a wasteful expending of money. But for the conspicuous consumer this is not an issue. She can understand wastefulness as a part of the product impossible to be dissociated from the object. Obviously, the opposite can happen. A person can think that she spends too much money in some products and still buys them because they are acceptable and/or desirable. In other words, the conspicuous consumer can be unable to know what the ceremonial features of the object are or still agree to pay for them. When a person learns that an object has acceptable and/or desirable features, then it is evidence in itself that ceremonial aspects have been incorporated into her concept of that object. This logic is illustrated in FIGURE 4.1.

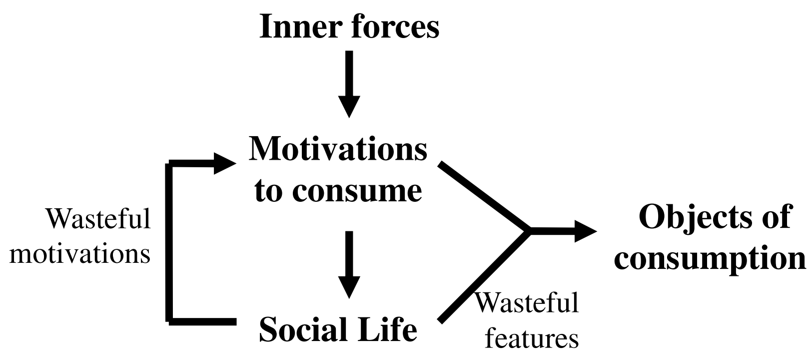

FIGURE 4.1 - Inner forces, social life, and consumption

Preferences – From FIGURE 4.1 it is possible to move to the question of how preferences are built. According to an institutional approach, preferences are not driven by inner forces nor by the social life alone, but by a combination of both. There are some personal aspects in preferences. A child who does not like steak prefers not to eat it. What she prefers to eat instead can only be available by her socialization process, through a vicarious learning based on institutions. Other kinds of meat can be shown or searched by the child from the options she has learned from others, like her parents, her colleagues at school or from TV ads.

This implies that preferences are not only socially determined. The child may not like steak because of its taste. This fact can be totally related to personal features. But this child has tried steak and other foods she sees as its substitutes through a socialization process or, in other words, because her parents or other people worried about or responsible for the quality of her diet introduced her to such goods. The kid cannot be in vicarious learning social process as described in Chapter 3, but her parents or people who influence her diet are embedded in a society of institutions. Their knowledge of foods as consumers influence what is introduced to the kid as objects of dietary consumption. As soon as the child becomes independent as to decide what to eat, she will develop her own consumer's vicarious learning.

Socialization thus interferes on preferences but it does not work alone.

This reconstitutive downward causation is a matter of the connection of goods, as objects of consumption, to the motivations to consume felt by people. Sometimes the motivation to consume emerges from an instinct, as the motivation to eat, but just the fact that there has been a reconstitutive downward causation is enough to generate a motivation to consume. In this case, the motivation to consume can be said to have been socially created. This is what is seen when an individual is invited to a weeding and she knows that she should dress in a pattern different from her working dress – leading to the consumption of a specific kind of clothes. Her motivation to consume comes from social concepts of what a weeding signifies, not from instincts. That is the basis of wasteful and ceremonial features of goods.

The wasteful features of consumption are based on the importance of the status for vicarious learning. If vicarious observation is at work, people will be looking to act as the best model they can identify and they are willing to act accordingly motivated by the fact that they will be associated with such model. The successful conspicuous consumer is someone who becomes a model because of the social acceptability of the objects she has acquired. A behavior like that is likely to spread by a snowball effect in a group or society. Veblen's (1899) argument is that an upper class, the leisure class, is a result of a snowball effect of models regarding specific jobs – those that are not industrial and, thus, not demeaning – and consumption patterns – those desirable and, thus, wasteful. For Veblen (1899) because of the snowball effect, those become the most influent models of consumption.

By vicarious learning based on institutions, people gain knowledge and cognitive abilities about consumption. Institutions related to consumption become cognitive consonances about typifications of foreseeable regularities in consumers' behavior, and these regularities mediate the attitudes of people in consumption decisions. Institutionalized pattern of behaviors, interpretations and thoughts introduce to an individual which objects are acceptable and/or desirable and their underlying wastefulness (which may not be immediately or consciously recognized). For Veblen (1899), wasteful features of objects of consumption are more expressive in food, dwelling, furniture and clothing, using mostly the latter in his illustrations. The incorporation of ceremonial features can turn an object into a luxury good, meaning that it has wasteful features. This takes place by the same process that introduces wasteful features to consumption, by a vicarious learning based on institutions.

As emphasized in Chapter 2, Veblen (1899) stresses dressing as an example of how objects of consumption are used according to their wastefulness. Veblen (1899) also illustrates fashion with such example. His approach to fashion, however, can be questioned. Veblen himself recognized that his line of reasoning did not fully explain how fashion works. The view presented in Chapter 2 argues that this is so because Veblen's (1899) theory deals with more inert and stable features of consumer behavior: how logics of people are habitually and emulatively established and reinforced in a society. Psychoanalytical insights of Veblen's theory itself can offer more elements to discuss fashion, explaining it as a result of the evolution of wastefulness of objects or the modification of objects seen as acceptable and/or desirable that results from the existence of the leisure class. However, such approach does not analyze how a previous standard of consumption is reviewed and other arises. This is the main issue to which this Chapter turns. Section 4.2 focuses on how consumers build their logics in a social world composed by institutions, and Section 4.3 deals with how consumers' decision making is reviewed.

4.2 Shared concepts of goods

It has been seen that institutions are important for learning and theorizing over a decision making framework. But how is the institutional furniture of consumers created?

Consumers are learners who are inserted in an environment composed by groups and institutions. By *inter*-action with such environment, consumers acquire institutional furniture that allows them to theorize about consumption or, in other words, consumers vicariously learn how to consume. Models are indispensable for consumers to set up their patterns of decision making, and these rely on habitual procedures and cognitive abilities. Institutions and the role of groups in highlighting their content are essential in that learning process because they constantly show consumers the models the underlying acceptable and/or desirable objects of consumption, enabling consumers to create links. Taking consumption into account, the analytical elements stressed by Institutional Economics are extremely strong in the establishment of consumers' decision making. The importance of those elements relies on "natural features" of consumption activities because consumption tends to be really repetitive (see Hirschman, 1982; Hodgson, 1985; Hook, 1985; Scitovky, 1976; Veblen, 1899). That repetition emphasizes that a large part of goods are acquired according to cognitive habits.

In order to discuss the elements involved in building consumers' institutional furniture, this Section follows two threads. Section 4.2.1 explores how groups show people the meaning of goods as objects of consumption, and the meaning of being the owner of those goods. Section 4.2.2 explores the role of institutions in the definition of concepts of goods and their owners. This division is made here for analytical purposes only and does not imply that the approach pursued here sees those elements as having complete separable existence. Institutions come from habits generated by social behavior which happen in a group, and groups arise in a world of institutions and, consequently, are expression of them. Indeed, as Chapter 3 emphasizes, groups inform and reinforce the institutional content to individuals. Hence, the analysis of consumption based on groups or institutions relies on the same or similar elements, but that for the sake of analytical clarity are explored separately.

4.2.1 Consumers as observers and the influence of groups

In an institutional approach to consumption, what goods mean is of relevance. Through vicarious learning supported by institutions, the comprehension of the meaning of products relies on the perception of cognitive consonance and habits formation. Cognitive consonance and habits formation, in their turn, are outcomes of society and groups composed by institutions. As for the order of things, institutions precede the establishment of a consumer's institutional furniture, as each of us is born in a world already inhabited by institutions. The institutional content represents what is considered as acceptable and/or desirable in a society, hence the behavior of consumers and concepts of goods are inevitably based on such social concepts (at least partially). Most social concepts and institutional content are presented to people by groups; clearly, the same occurs when those people consume.

Consumers build their institutional furniture also by their *inter*-action with groups. According to Douglas & Isherwood (1979), how consumers' institutional furniture is composed becomes a criterion for membership in a group. Their study highlights the ethnographic background of such analysis: the gift giving as construction of identity[17]. For Douglas & Isherwood (1979), the influence of groups in the decision making of consumers is the same concerning how gift giving creates identity. The gift giving literature emphasizes that mutual relationships result from frequent gift exchange (see Khalil, 2004; Mauss, 1954; Schwartz, 1967; Sherry, 1983). The gift giving can be seen as a way to introduce a concept of an object – the gift. When an object is given, it is not only related to its physical features but also to its meaning. Khail (2004) emphasizes that gifts, as goods, have symbolic utility that correspond to their ceremonial features (see also Schwartz, 1967; Sherry, 1983). In this case, the concept of the object regards the donors and the recipients. It usually means that the recipient is accepted by the group.

The gift giving supports the construction and maintenance of relationships and groups (Dolfsma *et alli*, 2009; Mauss, 1954; Sherry, 1983). As stated by Sherry (1983, p. 157): "gifts are tangible expression of social relationships". Putting this analysis in consumption terms, the acquisition of a good, which is seemed as acceptable and/or desirable, expresses how people behave in a group and relationships are supported. By the communication of what is an acceptable and/or desirable good and the capacity to acquire them, social relations are maintained (Douglas and Isherwood 1979, Dolfsma 2004). For Mauss (1954), in the gift giving perspective, the construction or maintenance of a relationship relies on three central points: giving, receiving and reciprocity. Regarding consumption those elements are: the standard of consumption of models, the vicarious learning of the observers and

[17] Douglas & Isherswood's *The World of Goods* (1979) is another nonconventional approach to consumption with relevant insights. The book brings closer Anthropology and Economics to analyze consumption.

their ability to act according what has been learned. In a group, those elements must be present and they demand the presence of the counter-gift, the acquisition of the good by the observer, otherwise there is no reciprocity.

Reciprocity means that the observer learned the concept of a good and is able to act accordingly thereafter. To understand the meaning of a good and how to act accordingly to acquire that good involves the recognition of the model as someone who the observer would like to be identified as similar. As emphasized by George (2004), consumption has a symbolic component because of the awareness of people regarding what is been consumed. This awareness is a matter of understanding what has been cognitively transmitted. For consumers, objects are understood according to what they symbolize. In a group, such symbols of goods are offered by models and spread out in a snowball effect. If the concept of a good is not able to be understood or it is refused by an observer, that person is not able to act as a member of the group or she denies being part of the group as something acceptable and/or desirable. Refusal of symbols of goods is a rejection to initiate a relationship (see Dolfsma *et alli*, 2009; Mauss, 1954). If refusal occurs, there will be no relationship between models or a group and the observer, so no links will be forged. The acceptance or refuse of concepts of goods – and consequent reciprocity – are principles of inclusion or exclusion, respectively. To be unable to share a framework of concepts of goods as well as the inappropriate use of meanings can generate exclusion. Douglas & Isherwood (1979) stress that the institutional furniture expressed by consumption habits is a criterion for people to be either accepted by or excluded from a group.

To learn and to be able to understand the concept of a good is an acceptance of the ideas, desires and needs of the people who consume such product. To accept the concept of a good is, at least partly, to accept the identity of the consumers of that good (see Schwartz, 1967). The act of acquiring a good is an idea that the consumer has about being an owner (a holder) of the concept of that good. The comprehension of concepts of goods and the development of abilities to acquire them precede acquisitions themselves. The recognition of a model by a snowball effect is necessary to understand an identity of a group. Vicarious learning allows consumers to acquire objects related to that identity which had been built by *inter*-actions of members, and potential members, of that group. For Douglas & Isherwood (1979), the institutional furniture of consumers shows maps of social *inter*-actions that concern the adoption of identities by those consumers. To consume is a self-defining act by confirmation of the consumers' identities by displaying them to others – who observe their consumption – in an objective form – goods. The interference of identities on consumers' decision making relies on the cognitive consonances about typification of behaviors expressed by institutions, which enable the vicarious learning and theorizing process of consumers. This subject is emphasized in the next sub-section.

4.2.2 Institutions, communication, and objects of consumption

Consumption is an activity based on formation of groups and recognition and adoption of identities, but consumption is also strongly guided by habits. This means that institutions plays a key role in introducing to consumer elements linked to how they can, should, or must build their decision making frameworks. This institutional influence takes place by a reconstitutive establishment and revision of the consumers' institutional furniture. Some studies, such as Cosgel (1997), highlight that there are *consumption institutions* with an exclusively function of supporting the learning process and decision making of consumers. The present approach respectfully disagrees. Because the perspective here is: there are institutions strictly connected to consumption, such as quality standards of goods. There are also other institutions that are not totally focused on consumption activities but that interfere and/or moderate the construction and reinforcement of consumers' decision making, such as habits connected to what a pleasant life is in a society. Hence, consumption is not supported only by *consumption institutions*. It is impossible to separate the institutions that interfere *only* in consumers' decision making. As a social activity, consumption takes place in a social environment and not in a social environment of consumption. The latter is a practical impossibility.

Then, the cognitive consonance about typification concerning consumers' decision making is not just related to consumption aspects. That is why the perspective here considers the interference of institutions, and not just *consumption institutions*, on consumers' decision making, especially cognitive consonances about typifications of foreseeable regularities in behaviors of consumers in a society or groups. Such typifications do not strictly rely on consumption issues.

The typification of foreseeable regularities in consumers' behavior expressed by institutions is tightly connected to how consumers create identities. An identity is a reflection of models spread out in a snowball effect which several consumers recognize as an institutionalized guide for decision making. According to Starr (2004), consumption regards identity in several ways, such as material reflection of preferences, signals about how a person perceives herself and how she wants to be perceived. For Dolfsma (2004), goods are symbolic because they are objects people use to define themselves and, consequently, express identities. In the communication of an identity, individuals use information and reinforcements embedded in institutions (Cosgel & Minkler, 2004). As previously stressed, identities can be useful to explain relationships, objects of consumption and their acquisition, but identity formation involves more elements than can be seen only in consumption decision making (Pietrykowcki, 2004).

As institutions, identities do not regard just consumption. Consumer's behavior is just one way to express identity. As consumers *inter*-act with several models and groups, they establish connections to some identities. In the social creation, communication and reinforcement of identities, identities converge to the adoption of lifestyle(s). A lifestyle represents an entangled set of identities, which means that a lifestyle summarizes meanings of objects of consumption in a way they can be understood by consumers. A lifestyle, for instance, is commonly drawn after the way successful people live. For Redmond (2001) and Stanfield & Stanfield (1980), lifestyles work as a mechanism for psychological integration that structures the institutional furniture of consumers[18.]

[18] The term lifestyle can be related to Veblen's approach, because it is possible to affirm that the argument in *The theory of the leisure class* is: people look to acquire objects consumed by the leisure class because of an emulative behavior regarding the lifestyle of that group. However, to discuss lifestyle in Veblen (1899) can be on the one hand controversial as Veblen does not work with such concept. On the other hand, Redmond (2001) emphasizes that the term lifestyle had become popular

The influence of groups on consumers is typified in identities and their expressions in lifestyles, emphasizing institutions as constructors of the meaning of goods. The role of institutions as systems of information and reinforcement is thus brought to the fore. In Douglas & Isherwood's (1979) standpoint, concepts that define goods are matter of convention. As exemplified in that study, there is a considerable difference between cash and gift, between offering a lunch to a friend and giving her the money to buy lunch herself. The difference between cash and gift as well as lunch and lunch money regards the symbolic content of those objects. In this scenario, goods can be comprehended as symbols and consumption as speech; institutions, thus, make communication easer (Cosgel, 1992, 1997; Cosgel & Minkler, 2004). Institutionalized consumption creates identities and symbols that allow information and reinforcement, which indicates a complex use of language (Dolfsma, 2004; Shipman, 2004). What an object of consumption symbolizes and what the cognitive consonance about typification of being an owner of such good transmits to others compose a transmitting system of information and reinforcement regarding the concept of the good in question[19].

For Douglas & Isherwood (1979), all material possessions carry social meanings and are used as communicators. Communication not only informs and reinforces but also makes and maintains social relationships. How goods are

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after the 1930s. Trigg (2001) also highlights that, in spite of the absence of the term lifestyle in *The theory of leisure class*, Veblen (1899) uses the terms "schemes of life" and "changing styles" – in pages 84 and 174, respectively. Trigg (2001) also emphasizes that Veblen (1899) points out that in a society there are several "branches of learning" which become in vogue at different points in time, becoming conventional accomplishments of the leisure class.

[19] According to Shipman (2004), symbolic consumption is assessed as an evolution of Veblen's consumption conspicuous. Indeed, symbolic consumption can be seen as a generalization of conspicuous consumption. Veblen's theory deals with a specific type of symbolism: goods consumed by the leisure class as what desired goods are. As stressed here, the relationship between consumers and goods regards the observance of how models behave. Behaviors of models are reinforced by relationships within a group and snowball effects. Hence, consumers emulate the consumption of goods when they are able to perceive such objects as desirable and/or acceptable regarding individuals' *inter*-action with groups. For Veblen (1899) the leisure class is the most important group into a society, responsible for status float in a trickle down phenomenon (Ramstad, 1998; Trigg, 2001). Taking another perspective into account, such as goods as symbolic objects and institutions as communication channels, a trickle down does not necessarily occur. The inexistence of a trickle down phenomenon does not mean that consumers do not emulate behaviors they understand as granting status. *Inter*-actions between consumers and groups culminate in the establishment of acceptable and/or desirable goods which will be emulated by such consumers. For the purposes of this thesis, emulation of consumers regarding groups is at stake for analysis, but how status float in a society is not an analytical element.

acquired can classify people, and consumption is used to mark a process of classification. People share goods by sharing what they mean. These meanings are established through vicarious learning and culminate in the creation of institutional furniture. What goods are desirable and why their meanings are shared are matters of social embeddedness. Through sociability people learn what to consume and when it can, should, or must occur. By vicarious learning people develop a self-reinforcement about the importance of the reciprocity of concepts of goods regarding identities and lifestyles. If the institutional furniture does not rely on a self-reinforcement according to shared concepts of goods, the relationship is over. The necessity of reciprocity occurs through social aspects, *inter*-actions of people in groups and vicarious and/or symbolic reinforcement, and personal issues, the self-reinforcement.

According to Cosgel (1997), communication through consumption is a persuasion of an audience. For Cosgel (1997), consumption practices utilize a variety of devices, such as analogies and appeals to authority, to persuade others. For example, colors end up being related to genders and emulation regarding celebrities. Persuasion occurs through a reconstitutive downward causation. As stated by Langlois & Cosgel (1998), just as conversations cannot take place without shared structures of meaning, consumption cannot occur in an institutional vacuum. Communication occurs if the audience can receive the information transmitted, and to be part of the audience the consumer must have been an observer.

Cosgel (1997) stresses that consumers need to learn the “language of goods” present in a society plus symbols related to that language or, in other words, the meaning of products and how to use them. Consumers thus need a personal cognitive consonance connected to the cognitive inertia of institutions. By their foreseeable regularities institutions give a stable communication structure as for the acquisition of goods. Institutions provide information about meanings of goods for consumers and how to interpret them accordingly. As stated by Cosgel (1997), what matters is not so much if everyone “agrees” with or always “follows” institutions, since institutions’ existence defines meanings; what matters is the comprehension of the institutional content by consumers. Institutions provide people a shared frame of concepts about objects. As a consequence there is a shared perception, shaped by institutions, of what a good means among individuals in groups or societies as a whole (Langlois & Cosgel, 1998; Starr, 2004; Witt, 2001).

For Witt (2001), consumption relies on a earning process based on cognition that is more intensive in today economies because of too much information about consumption. Cognition helps consumer to understand, retain and process some institutional content about consumption (Witt, 2001). Consequently, people become aware of what institutions communicate (Redmond, 2001). People are more likely to pay attention, and consequently retain objects related to an intensive communication. Such retention reinforces the importance of habits in consumers' decision making (Cosgel & Minkler, 2004). As stated by Dolfsma (2004), some goods show a more intensive tendency to have symbolic meanings than others, such as food, art, culture, music and dress. They seem to be especially endowed with means to communicate messages to their audiences (Douglas and Isherwood 1979; Cosgel 1992, 1994; Dolfsma 2004). This communication is not only a matter of consumers' cognition but also a matter of the cognitive consonance of institutions as a social structure that sends and receives messages. Cognitive inertia is the basis of a social system of communication and largely interferes in how the audience is persuaded (see Dolfsma, 2002, 2004).

In such perspective, there is a specific kind of objects that plays a key role in the embracing of an identity or a lifestyle – the so-called "branded goods". A brand is a symbol seen as an indicator of the quality of goods. A brand is usually established by a reconstitutive downward causation on consumers' decision making. In the beginning of a "branding" there is an acceptable and/or desirable product and its logo or trademark. Through consumers' vicarious learning, this logo becomes a signal of acceptability and/or desirability. Then, the presence of such logo in other products transfers such concepts to that good. As stated by consumers' vicarious learning, a brand can be related to an identity of a group and a lifestyle. The consumption of objects with that logo can be something clearly recognizable as an emulated way of life. Indeed, lifestyles are often related to the acquisition of goods concerning their brands. A brand is a way to distinguish goods because of the cognitive abilities of consumers. According to Shipman (2004), “branding” reflects the creation of an image that adds ceremonial content to the shared meaning of concepts of products.

FIGURE 4.2 illustrates the argument presented above.

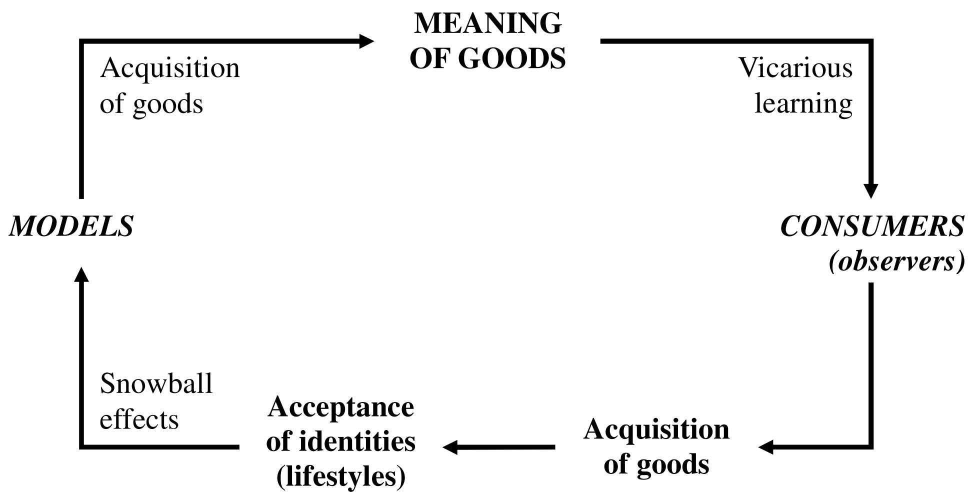

FIGURE 4.2 – Consumer’s vicarious learning

FIGURE 4.2 highlights consumers’ vicarious learning. In this process consumers are observers who vicarious learn from models, becoming able to comprehend the meaning of goods and behave accordingly. As a result, consumers acquire goods as stated by the learned concept of goods, which leads them to embrace identities and lifestyles. When consumers perform according to identities and lifestyles, they reinforce the behavioral standards through a snowball effect.

Coming back to the relationship between consumers’ vicarious learning and gift giving, the acquisition of goods by models corresponds to a “giving situation”, consumers’ ability to vicariously learn the concepts of products regards the “receive”, and consumers’ skill to put in practice what was vicariously learned and, consequently, adopt identities and lifestyle concerns the “reciprocity”. Models are more than exemplary behaviors of consumption consumers who act as models express the cumulative evolution of the cognitive inertia which institutions rely on. So, Models are individuals who are able to behave according to habits and cognitive abilities that emerge from foreseeable regularities in behaviors of consumers in society.

4.3 The change <u>of</u> objects of consumption and the change <u>in</u> objects of consumption

So far emphasis has been given to the discussion of how consumers build their reasoning. This, however, is just part of consumer's decision making. How consumers *change* their reasoning is also relevant. As stated earlier, consumers are in an environment composed by institutions and embedded in a vicarious learning process based on such institutionalized ways to have things done.

In this perspective, some objects become acceptable and/or desirable goods. Desirable goods become objects of consumption, but from time to time, such objects change as result of modifications in concepts of what acceptable and/or desirable goods are. The variation of meanings can result from the introduction of other objects of consumption by vicarious learning or changes in objects of consumption already known. When a modification in what makes a good acceptable and/or desirable occurs there, is a revision in the consumers' logic[20].

Among the few studies that analyze how consumers' decision making changes, two deserve mention: Scitovsky's *Joyless Economy* and Hirschman's *Shifting Involvements*[21]. The former presents an economic analysis of consumption strongly based on psychology. About the latter, Hirschman is one of the few economists whose concerns include how consumers' decision making changes. Hirschman's most famous work about that theme – *Exist, voice, and loyalty: responses to decline in firms, organizations and states* (1970) – analyzes such object. Although that study is linked to what people can do when their logic change, the reasons behind the change is introduced only as a supporting element to that central goal, hence it is not extensively analyzed. The opposite occurs in *Shifting*

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[20] Surely, there are more elements that interfere in how acquisitions of goods or consumers' logics change. However, the focus here is how changes in objects of consumption can affect the consumers' decision making.

[21] For Ackerman (1997, p. 658), Scitovsky's approach is "one of the most extensive examinations of human nature and its implications for economic behavior".

involvements: private interests and public actions (1982), a book in which how the consumers' logics change is Hirschman´s a main focus (regarding consumption which is not the central focus of the book) and Scitovsky's work is discussed.

For Hirschman (1982), consumers follow some goals to the acquisition of acceptable and/or desirable objects that, when acquired, change. Hirschman's (1982) argument can be interpreted as an analysis based on emulation. Hirschman argues that as soon as people are able to acquire a pattern of goods, they will look for achieving what they seem as a "better" standard of consumption. For Hirschman (1982) when people can consume acceptable and/or desirable goods satisfaction is generated, otherwise dissatisfaction is felt. Both Hirschman (1982) and Scitovky (1976) work with concepts of satisfaction and dissatisfaction. In the context of this thesis, satisfaction and dissatisfaction can be seen as circumstances derived from the acquisition of acceptable and/or desirable objects and its frustration. Even if in a society of institutions, the learning process takes time and contains barriers for consumers to act according to their wishes (such as a budget constraint); both incomplete learning and barriers allow the occurrence of dissatisfaction.

People deal with a large number of groups, lifestyles and concepts of goods. Through consumers' personal history their *inter*-actions with institutions, groups, and models compose an individual decision making framework. The meaning of an object of consumption can change because of the "movement" of the consumer among different institutional sets or groups. That personal change is not a rule, but it is reasonable that a person *inter*-acts with different groups through her life. It is rare for a consumer to spend her whole life *inter*-acting with the same groups or branches of society. This can occur in some level but usually the observation, and consequently vicarious learning, of consumers "moves" inside society, or among societies. Through those *inter*-actions consumers' institutional furniture is reviewed and, consequently, concepts of what acceptable and/or desirable goods are may be altered. Even for consumers, who deal with the same institutional set, different concepts of products can be reviewed or created by reconstitutive downward causations – this subject is further analyzed in the next section. Satisfaction or dissatisfaction occurs by that variation about the concept of what acceptable and/or desirable objects are and the “abilities” of the consumer to acquire them.

The relationship between consumers and objects of consumption also concerns the “nature” of consumption activity which, as previously highlighted, relies on repetition. This means that the acquisition of an acceptable and/or desirable object creates satisfaction and, thus, is likely to happen again. This does not mean that consumption is a more satisfactory activity than others, but that consumption is a more recurrent activity. The achievement of satisfaction, through time, generates habits and this self-reinforcement becomes the basis of consumers’ cognition, observation, and thoughts. This process is supported by institutions, which become inner parts of consumers’ decision making through vicarious learning. Hirschman (1982) highlights that dissatisfaction is more intense when it is experienced by an important social group or several of them at the same time. As a result, dissatisfaction usually occurs in a snowball effect. When dissatisfaction occurs, the personal cognitive consonance on which consumers’ decision making relies is shaken.

According to Scitosky (1976), there are two kinds of satisfaction: comfort and pleasure. The former is related to the consumers’ achievements in acquiring acceptable and/or desirable goods as a result of habitual procedures already learned, such as acquiring goods according to the group or a lifestyle that consumers identify themselves with and are able to act accordingly. Pleasure is a consequence of a new achievement. Pleasure means that an object understood by a consumer as acceptable and/or desirable that she has not been able to acquire, is now at reach. Pleasure comes when the consumer acquires that object by the very first time[22].

To achieve pleasure in consumption means that consumers act according to a group or a lifestyle in a way that she has been somehow not able to do before but they have been emulated by the consumer. For example, Veblen’s conspicuous

[22] Scitosky’s (1976) argumentation relies on neurophysiology’s and psychology’s findings. For Scitosky (1976), according to those findings, pleasure and comfort are in different levels of satisfaction. In Scitosky’s words: “Such findings confirm the supposition that the primary reward system is directly involved in the feeling of pleasure, while the secondary reward system is involved only indirectly, and can only yield pleasure when its activation frees the primary reward system from suppression” (Scitosky, 1976, p.60-61). As stated by Scitosky (1976), comfort is part of a secondary reward system. Unfortunately, a more detailed exploration of Scitosky (1976) demands more variables than those worked in this thesis. Despite this fact, Hirschman’s (1982) Chapter II supports the approach of the distinction of the concepts of pleasure and comfort here introduced.

consumer feels pleasure to be able to achieve the consumption standard of the leisure class by the first time, and then there is comfort to support this situation or discomfort in not being able to make it again. Going to the movies for a first time means pleasure because of the achievement of a lifestyle entertainment, and supporting the habit of going to the movies signifies comfort. If the conspicuous consumer cannot maintain the leisure class' standard of consumption or support the habit of going to the movies, then discomfort would happen. Pain takes place when pleasure is not achieved and discomfort is felt because of the incapacity to obtain comfort.

When a person is under the influence of the same groups or lifestyle for a while, she gets used to dealing with the institutional content highlighted by that group or lifestyle. To be part of a group and consume mediated by group's standard is something real for everyone who lives in our days. The result of this process is the achievement of comfort. For pleasure to be felt a variation in the recognition of the status content of object of consumption must occur or constrains which usually bounded consumers' behavior must disappear. For Hirschman (1982) and Scitovsky (1976), time makes the status content of objects change and people start acquiring other objects than what used to be customary. However, people can acquire others objects than usual without revision in their logics. In this case the result can still be comfort. Comfort is felt if the status changing regards the same consumers' institutional furniture. Although to consume an object which had its status changed does not necessarily mean comfort, it can be a pleasurable situation. When pleasure happens, for reasons other than a change in constraints to consumers' behaviors, the institutional furniture is also modified. The pleasure is a result of a tension between the institutional set and the institutional furniture of consumer (see Dolfsma, 2002, 2004), usually expressed by a tension between institutional inertia and a personal cognitive consonance.

That tension means that what consumers understand as the institutional set does not fit with their habits and cognition abilities anymore, so a revision of the consumers' institution furniture will reconstitutively occur (such tension is strongly focused on the cognitive consonance). Obviously, the revision of institutional furniture takes time, but once a person is able to acquire goods related to a group that she emulates, the logic about how things should be done changes. For pleasure to be possible, consumers must know the logic of how to acquire emulated goods. By vicarious observance and emulative relationship between consumers and groups, people learn which behavior is related to a possibly pleasurable object. So, by putting into practice what has been vicariously learned, consumers test if pleasure is really achievable according to such logic. If the acquisition of the good is pleasurable, the institutional furniture will change and comfort will be felt from this time forth. Otherwise, a new revision will happen.

The modification of status content of objects regarding the same institutional furniture – comfort – is the basis of the fashion phenomenon. Fashion relies on a mix of familiarity and novelty (Miller *et alli* 1993; Bianchi, 2002). The former is related to the institutional furniture and the latter concerns the status modification of goods. Satisfaction is felt as a consequence of changes in the status content of objects and their acquisition. Fashion means the identification of people with a lifestyle or a group (Bianchi, 2002; see also Veblen, 1899; Simmel, 1957). The status of products changes because of the perception through vicarious learning among consumers. Fashion is a continuous change of objects of consumption that occurs cumulatively and related to the same background of decision making (see Dolfsma, 2004). Fashion can be understood as cycles of status, regarding the same institutional furniture, which can be reflected in aesthetic cycles. For Veblen (1898) what guides those cycles is the level of wastefulness of goods.

4.4 How firms can interfere in the consumers' decision making

The insertion of firms and, consequently, entrepreneurs in the scenario of interest to this thesis involves a combination of Institutional Economics and the Evolutionary Economics of firms and entrepreneurs. The origin of Evolutionary Economics is often related to Joseph A. Schumpeter's writings. Indeed, Schumpeter's studies show an evolutionary approach of the firm and the entrepreneur taking into account a systemic evolution of capitalism (see Schumpeter, 1934; 1950). Schumpeter's main concern was to discuss capitalism as an evolutionary system, highlighting elements that compose an "evolutionary firm" and an "evolutionary entrepreneur".

Another essential contribution for an evolutionary approach of firms and entrepreneurs is Edith Penrose's *The Theory of the Growth of the Firm* (1959). Penrose's (1959) focus of study is different but complementary to Schumpeter's. Penrose was mainly interested in the growth of the firm. In doing so, Penrose also stressed elements that evoke an "evolutionary firm" and an "evolutionary entrepreneur". This thesis will confine itself to draw on specific parts of Schumpeter's and Penrose's approaches, and of some of theirs followers'. In such task, the notion of the *institutional entrepreneur* is also considered. Subsection 4.4.1 stresses the place of the entrepreneur in the theoretical frame of this thesis. Subsection 4.4.2 deals with how entrepreneurs can influence consumers' decision making.

The concept of institutional entrepreneur is not a usual object of study in Institutional Economics. Such concept has been emphasized by Business' studies since the 1980s. Despite differences between Institutional Economics' and "Institutional Business" approaches, there are some converging analytical elements. Here, those factors are taken into account to formulate the role played by entrepreneurs and firms in consumers' decision making. Furthermore, this thesis is centered on individuals' decision making and actions. So, as stated earlier in the Introduction, the analysis of the firm is centered here on the entrepreneur as the key decision maker in the firm. As a consequence, the entrepreneur is seen as the person who defines the firm's behavior.

4.4.1 The firm and the entrepreneur

Edith Pensore's *The theory of the growth of the firm* (1959) is a central study about firm's behaviors, and the importance of the entrepreneurs' institutional furniture in those actions. The central issue of Penrose's (1959) analysis is the growth of the firm as a function of entrepreneurship. To study such object, she developed an evolutionary approach of the “decision making of the firm”. The firm itself cannot think or behave, thus people whose thoughts and behaviors are connected to the productive process of the firm are the relevant units of analysis in her evolutionary perspective. Those people are, mainly, people who act within the firm, such as the entrepreneur and individuals under the supervising of the entrepreneur, as employees. The former has an eminent role in firm’s behavior since he is the key decision maker of the firm. For Penrose (1959), firms are seen as (1) a set of productive resources inherited from their own actions and available for their accomplishment, and (2) administrative units of planning where activities are interrelated, coordinated, and subordinated by a central administration based on the entrepreneur.

Resources mobilization and personal features – As stated by Penrose (1959), how the productive resources of the firm are used is an entrepreneurial decision. The productive resources are the inputs that the firm can insert into the productive process. For Penrose (1959), how those elements are used is a not a matter of productive resources – their material properties – but of productive services – how resources are applied. Entrepreneurs push the transformation of productive resources into productive services according to productive opportunities they visualize. In other words, productive services make possible to take up productive opportunities through the distinctive use of the resources of the firm (Penrose, 1959; Garnsey, 1998). The productive services of the firm play a key role in identifying specific resources and combining them to the purposes of the entrepreneur. Different entrepreneurs visualize productive opportunities in different ways. An entrepreneur can also have more than one vision of productive opportunities and try to coordinate the productive resources to achieve the opportunity that he deems best. Indeed, the capacity to mobilize resources is a central feature of a successful entrepreneur (Schumepter, 1934; DiMaggio, 1988).

For Penrose (1959) how an entrepreneur decides relies both on his personal characteristics and on the history of the productive process of the firm. The personal features of the entrepreneur play a key role in directing the firm’s behavior because purposes and goals are set up according to those traits, such as experience, selfconfidence, market vision, imagination in the productivity sphere, and “entrepreneurial spirit” in putting ideas into practice (Penrose, 1959). For Schumpeter (1934) and Reisman (2004) the success of an entrepreneur depends on his intuition, which means the skills to understand the institutionalized way to have things done and to build his institutional furniture accordingly. Such skills allow the interference of entrepreneurs in consumer’s decision making taking entrepreneur’s goals and whishes into account. This subsection explores elements of the entrepreneur’s decision making and the next subsection emphasizes the relationship of entrepreneurs’ and consumers’ choices.

Different institutional set – The personal traits of an entrepreneur lead him to build institutional furniture related to two different institutional sets: one is intra-firm and the other is extra-firm. The entrepreneur is the element of connection between an inner institutional organization of the firm and an external set of institutions that, despite being external, also regards important issues of the enterprise itself, such as its competitiveness and its ability to introduce the concept of the good it produces to consumers. In the firm, there are a bunch of productive resources, such as employees, machines, habits, and cognitive consonances – that the entrepreneur must deal with in an attempt to achieve the goals he visualizes for the firm. For the purposes of this thesis, the main aspect of this view to be retained is the relationship of the entrepreneur with the institutional set outside the firm. In order to develop such discussion, insights from what can be considered an institutional approach of the “inner part” of the evolutionary firm serve as a starting point

Productive resources can generate productive services through the connection made by the entrepreneur with the institutional sets. For Penrose (1959), a productive service is achieved through an inherited organizational structure of the firm. This inherited structure concerns not only material factors of production but also the ingrained knowledge of how things are done, or should be done, by people in the productive process. This internal structure coordinates activities inside the firm by sharing knowledge, something that usually takes place in an institutionalized way to have things done. This inherited structure of the firm represents the institutional set of the firm. Individuals, however, understand this institutional set not as a uniform monolith, but according to their different habits and cognitive abilities, Hence it is impossible for employees to comprehend information in an absolute and homogeneous way, even widely shared information. An entrepreneur thus faces the challenge of organising these productive resources – habits and differing cognitive abilities of people included – to culminate in producing services that attend to his interests.

In the institutional set inside the firm the entrepreneur must be able to promote a reconstitutive downward causation according to his same interests. This involves the creation of a corporate culture that is consistent with the path he deems best for the firm. Considering the inheritance of the firm, it is only by downward reconstitution that the entrepreneur can set up an organization design that is apt to deal with new or reviewed interests derived from productive opportunities. The success of the entrepreneur depends on his capacity to interact with that cognitive consonance inside the firm (see Foss 2006) and, in due time, promote the reconstitution of thoughts and practices. Penrose (1959) also stresses that the entrepreneur's interests must take team work into account, as learning is a collective matter. Setting up a working team is itself a combination of resources, and may build firm-specific competences and create new services through collective learning (Garnsey, 1998).

A successful entrepreneur is able to promote downward reconstitution into the firm, considering what he has learned in his interaction with the extra-firm institutional set. Sometimes the motivation of the inner reconstitutive downward causation comes from outside (the opposite is also possible as subsection 4.4.2 highlights). Productive opportunities are established by what the entrepreneur thinks the firm can do, and that thought is a product of the interaction between the entrepreneur in his relationship with the inner structure of the firm and the external institutional set.

The entrepreneur's learning process based on what he thinks is the best productive opportunity for the firm is the motive why Foss (1999, 2006) and Ravix (2006) stress that productive opportunities for Penrose are subjectively drawn. To consider institutions and the reconstitutive process means that productive opportunities are more than subjective in fact: they are *inter*-subjective. Productive opportunities are established by the history of interactions between the entrepreneur and institutions that downwardly create and review the entrepreneur's background of decision making. Productive opportunities result from the entrepreneur's interpretation of the institutional set outside and inside the firm. According to Penrose (1959), this process culminates in the formation of an image of the path of actions that the firm can follow. That image is a mentally built result of the entrepreneur's interaction with institutions inside and outside the firm. By moving a step back, it will become clear that he image relies on his institutional furniture, which ends up molding not only his behavior, but also the firm's behavior. As a consequence, Penrose's (1959) concept of image can be understood as the entrepreneur's institutional furniture. As the person who visualizes the path that the firm must or will follow, the entrepreneur is the key agent of changes in the evolutionary perspective (Schumpeter, 1934, 1950; Garnsey, 1998).

The entrepreneur uses his capacities to deal with an unorganized, or at best partially organized mass of information and a complex set of institutions – partly composed by the firm's institutional set and partly by the institutional set external to it – to draw his image of what he thinks to be the best action for the firm. This is an evolutionary and cumulative process which focuses on learning how to use the available resources (Foss, 2006; Nooteboom, 2009). In the institutional set outside the firm, there are agents who can strongly interfere in the decision making of an entrepreneur, such as his competitors and regulatory agencies. Competitors deserve a special mention for they may be other institutional entrepreneurs, pursuing similar goals, i.e. to interfere in the decision making of consumers according to their interests.

In the Neo-Schumpeterian perspective, the attempt to interfere in the consumers' decision making is a conscious pursuit of competitive advantages through differentiation in the meanings of concepts held for underlying goods. As decision makers constantly searching for competitive advantages, there are entrepreneurs who can, thus: (1) interfere on consumers' decision making by the knowledge of how to deal with the existing institutional set outside the firm, which culminates in a reconstitutive downward causation of consumers; and (2) obtain the same result because they are able to change the institutional set outside the firm.

Those people are called institutional entrepreneur (see Becket, 1999; DiMaggio, 1988; Dorado, 2005; Munir & Phillips, 2005). This kind of entrepreneur is analyzed in the following subsection.

4.4.2 The institutional entrepreneur and the upward causation process

Institutional entrepreneur – An institutional entrepreneur is interested in a specific institutional structure that attends to his interests, and makes decisions about how productive resources can be applied to influence institutionalized ways to have things done. For Beckert (1999), an institutional entrepreneur is a distinguished social type who has the capability to take a reflective position towards institutionalized practices and can envision alternative standards of getting things done. Productive opportunities can be viewed as the likelihood that an institutional set, with its habits and cognitive consonances, will permit actors to identify and introduce a novel resource combination or facilitate their mobilization. To be able to create but, mainly, to mobilize resources at an institutional level to influence consumers' decision making is the key feature of an institutional entrepreneur.

An institutional entrepreneur does not need to be able to change how consumers comprehend institutions, their institutional furniture, or even institutions themselves. An institutional entrepreneur can be someone who knows how to *inter*-act with the institutional set outside the firm in order to interfere in consumers' decision making without necessarily promoting a change in the institutionalized ways to think or behave. He can deal with current practices to make real his image of a productive opportunity. Actually, according to Dorado (2005), just in rare situations powerful actors hold sufficient resources to impose a major change on an institutional set or even on consumers' institutional furniture. There are limits for the changes an entrepreneur can engender, which are usually determined by the cognitive inertia of the set outside the firm. But, by definition, overcoming such limits is what distinguishes institutional entrepreneurs from entrepreneurs. By learning how to deal with the cognitive inertia of the foreseeable regularities in consumers' behaviors, entrepreneurs can interfere on consumers' decision making.

The notion of the institutional entrepreneur considers the fact that not all actors are equally adept at producing desired outcomes because some agents are in a better “social position” to interfere in or deal with the institutional set according to their interests (DiMaggio, 1982; Maguire *et al.*, 2004). In this perspective, history matters. There is a cumulative learning and resources mobilization in trying to match productive opportunities that culminate in influencing consumers’ decision making. Such accumulation of knowledge and resources makes every firm, and its history, unique (Garnsey, 1998). In this context, “entrepreneurial spirit” and versatility exist in those who can learn how to exercise upward causation or to act according to already established institutions and institutionalized practices.

Upward causation – Upward causation refers to an inversion of the causality of a downward reconstitution. In upward causation, the causality is established from individuals or groups to institutions. There is upward causation when thinner levels of social interaction can promote changes upward onto higher levels (Hodgson, 2002, 2003). Dugger (1980) suggests, for instance, that institutions may be a legitimate source of power to certain groups or individuals, who may use such power to change an institutional structure according to specific ideas or goals. In the case of an entrepreneur, such changes are motivated by the pursuit of competitive advantages, which may not be true necessarily in other cases. That power can be understood as a force that works on people’s intentions (Searle 2005). Habits and cognition capacities give room to actions that, in one way or another, favor certain interests (Stein 1997). When such interests become institutionalized they can drive individuals’ thoughts and actions towards a certain desired effect (on an object of consumption, for example). In this sense, preferences and motivation to consume, vicariously learned by consumers, can obey or result from some interests in action for their formation (see Searle 2005).

By upward causation or by dealing with an already established institutional set, entrepreneurs can impinge new elements onto an institutional set and, then, in the vicarious learning of consumers and their consequents habits and cognition. Likewise consumers, entrepreneurs learn who the models and institutions related to construction of consumers’ decision making are. They then build their institutional furniture about what they deem to be the course of construction of consumers' institutional furniture. According to this image, entrepreneurs try to interfere in the building of that logic taking their interests into account. The upward reconstitution of institutions advanced by an entrepreneur takes place by promoting models of behavior that are recognizable by consumers. This recognition occurs through links created within groups and according to the underlying vicarious learning of consumers. Chapter 5 works on some illustrations about how an institutional entrepreneur can interfere on consumers' decision making.

Concept of goods – To be able to act as an institutional entrepreneur involves the knowledge about what a good means and an apt image of what it can mean. By the capacity to create a concept of a good or transform concepts already created, entrepreneurs are able to persuade an audience of consumers. Independent of how an institutional entrepreneur interferes on consumers' decision making, the ending of this influence is the establishment of concepts of goods according to his interests.

The ability of an institutional entrepreneur to define a concept of objects of consumption is called, by Penrose (1959), the plasticity of consumption. The plasticity of consumption means that within the cognitive inertia of the foreseeable regularities in consumers' behaviors there is room for adaptations of concepts of goods or for creating new concepts. The successful creation of new concepts does not necessarily discards the cognitive consonance about meanings of goods which had been already created (because concept needs to find a place in the consumer's habits and cognition). In a traditional Neo-Schumpeterian framework, institutional entrepreneurs interfere on consumers' decision making through technological innovation; in the perspective of this thesis, innovation is more than an exchangeable invention. Innovation means the creation or recreation of concepts of objects of consumption or of consumer's institutional furniture. In other words, innovation can be ceremonial.

As highlighted by Schumpeter (1934), the main feature of an entrepreneur is his abilities to carry out new combinations. The function of an entrepreneur is to review production with consequences on consumers' decision making, for in that process emerge new or transformed concepts of a good (see De Vecchi, 1995;

Reisman, 2004; Schumpeter, 1934). The review generated by an entrepreneur relies on the creation of new combinations of meanings already established. For Schumpeter (1934), entrepreneurs do not accumulate any kind of good or create original means of production, but they explore existing means of production in a different way, a more appropriate and advantageous way that can create competitive advantages, even if ephemeral. The revision or creation of concepts of objects of consumption does not come from nothing (Reisman, 2004). Cognitive inertia, snowball effects into groups, status content of behaviors, recognizable models, habits, identities, lifestyles, as this thesis intends to show in an integrative framework, are ever-present particles that an entrepreneur breathes in when looking to interfere on the consumers' decision making.

According to that logic, an institutional entrepreneur is a distinguished social type because he can vicarious learn from the institutions that support the consumers' decision making in a society not only to consumption matters – which means to behave as a consumer – but also, mainly, to comprehend consumers' logic and, consequently, interfere on them henceforward. To this extent, concepts, beliefs, goals, desires and preferences of consumers can be recreated (though not determined). Consumers acquire habits and cognitive abilities of consumption through vicarious learning based on institutions, which allow those consumers to understand what to interpret, to do, or to think. An acquired habit or cognition, in its turn, becomes a new basis for vicarious learning since such elements have connections with some institutions and the way they are taken into account in consumers' decision making. Then, there is a cumulative process of consumer's vicarious learning, something an institutional entrepreneur is bound to consider.

Competition – Usually, when entrepreneurs try to review, create, or support concepts of goods, they take into account their competitors or potential competitors – other entrepreneurs who deal with similar or the same concepts of goods. Competition means that other entrepreneurs are also trying to act as institutional entrepreneurs. Eventually, one of them may succeed. This success, as stated by the Neo-Schumpeterian tradition, is the establishment of competitive advantages. This tradition, however, stresses that entrepreneurship is vindicated through technical and technological results of the process. Indeed, on the one hand, technology plays an important role in the productive process as a key variable in creating resources to review or to create new concepts of goods and enable the achievement of a productive opportunity. However, on the other hand, there are other factors that also affect how a productive process is coordinated – such as habits, cognition, and institutions – and, consequently, interfere on how concepts of goods can be reviewed or created (see Possas, 1999). The ways entrepreneurs can interfere on the consumers' decision making are not fully predictable or pre-determined, but are not random or remote from social settings either.

Entrepreneurs' institutional furniture is central to the creation or support of how concepts of goods can make possible the success of a productive opportunity. In spite of the regularities provided by prevailing institutions, different entrepreneurs, even competitors, rarely share the same image[23]. Images are personal concepts as a result of the personal history of *inter*-actions of an entrepreneur and the strategies of each firm. If their strategies change, other institutionalized elements will be taken into account and, as a result, images will change too. When images are modified as a result of a change in the perception of other factors about consumers' decision making, strategies usually change too. Creative destruction, as imagined by Schumpeter (1934), implies that entrepreneurs simultaneously try to transform or support similar but different understandings of existing concepts of goods in consumers' decision making.

An institutional entrepreneur can be successful in two different but related tasks: (1) the cognitive task - to realize how concepts of goods can be reviewed, created, or supported; and (2) the resources mobilization task - to organize and control resources necessary to review, create, or support concepts of goods (see Reisman, 2004). In the latter task entrepreneurs can explore all resources that the firm can have. Some of them may be under the control of the firm, such as the technology it uses, its managerial team and communication channels. Other resources may not be under its control. These are, for instance, the technology and institutionalized ways to have things done developed by other firms or entities, and

23 This does not exclude the possibility of an entrepreneur taking a previous action or practice of a competitor into account.

the way they try to influence consumers' decision making.

When an innovation happens, it is based on an image of an entrepreneur and because of an innovation images of others are reconstitutively reviewed. As a result, old possibilities for innovation are discarded and new ones are construed. However, the new ones are still connected to the inheritance of the previous strategies of the firm. Changes are subject to path dependence governing entrepreneur's images, consequent actions, and the necessary technology. Path dependence exists when an entrepreneur presents an innovative way to deal with concepts of objects of consumption and thus changes them irreversibly; conditioning to a significant degree what can be a next successful innovation[24]. In a stable but changeable world of institutions, entrepreneurs can hardly work under unchanging rules for innovating. Strategies need to imagine possible scenarios and re-formulate guidelines accordingly. As the competitive process can be focused on one particular institutional level, to realize what the competitive factors are can be a difficult or impossible task for competitors, consumers, or other people or organizations with a stake in the competitive process (see Redmond, 2010).

As for the competitive process of the establishment of a concept of a good, some entrepreneurs may be inventive, but some of their inventions may be not able to be reconstitutively introduced into consumers' decision making. This can happen because of a failure in an upward causation on institutions outside the firm or in a downward causation in consumers' learning process. The productive resources and services needed for an invention are usually costly, so if an entrepreneur succeeds in promoting his invention into consumers' decision making, he has an opportunity to recover the costs of innovating. Competitors will face sunk costs and no revenue. It thus makes sense to some entrepreneurs not to put their technical and technological efforts in being a first-mover (Grebel, 2007). This does not mean giving up on the competitive process – there are other strategies available, as for instance imitation or incremental differentiation.

Appropriability – There is no warranty that an upward causation promoted by an institutional entrepreneur will result in competitive advantages. Actions of an

[24] See Dosi (1982), Rosenberg (1982), and Rizzello (1997) for further details on path dependence, though with a technological drive.

institutional entrepreneur are conditioned to his image of the productive opportunities, which is always subject to mismatches of all kinds and may not be able to give the entrepreneur enough resources to create a reconstitutive downward causation on consumers' decision making. Even for an entrepreneur, who is able to create an upward causation in the institutional set outside the firm and a reconstitutive downward causation on consumers' decision making, to act as an institutional entrepreneur has not become true yet. To be an institutional entrepreneur means that the entrepreneur is also able to make the created concept of the good her property.

An action of institutional entrepreneurship relies not only on the creation, but also, on the appropriation of concept of good(s). Hence, to be an institutional entrepreneur implies more than having marketing and publicity skills. An institutional entrepreneur has the ability to deal with the social creation and personal appropriation of concept of goods, of which marketing and publicity are part, and the changes generated on consumers' decision making must give him competitive advantages. This is what Neo-Schumpeterians call "appropriability". In a competitive scenario, not just an upward causation plus downward reconstitution on consumers' decision making and the knowledge about how to deal with institutional furniture of consumers are key roles; the appropriation of those elements is also central to an institutional entrepreneur. Otherwise, there is no competitive advantage.

This notion of appropriability may benefit from a more inclusive definition, as may also be the case with the notions of cumulativity and opportunity, also used in the Neo-Schumpeterian tradition. By an intervention on consumers' decision making, institutional entrepreneurs also interfere in the consumers' vicarious learning process. The establishment of concepts of goods can reinforce or change models and, consequently, consumers' vicarious learning. When institutional entrepreneurs deal with already established models, they learn how to interfere on consumers' decision making given their comprehension of institutions. An institutional entrepreneur can also be able to introduce a specific kind of behavior or features on models which can be spread by groups and culminate in institutionalized ways to acquire goods. This procedure, however, is less usual than the other (when models are already established). To be able to appropriate consumers' reconstitution or reinforcement is what explains how an entrepreneur deals with continuous success. For the occurrence of appropriability consumers' behaviors, as a result of the reconstitution through vicarious learning based on institutions or reinforcement of their institutional furniture, must happen in accordance with the institutional entrepreneurs' goals and whishes.

Because of appropriability the institutional entrepreneur is able to either deal with consumers' current habits or establish new habits, and receives the consequent bonus – competitive advantages. In the case of an institutional entrepreneur who deals with an already established institutional set, appropriability is connected to how the importance of a good is created according to given concepts and preferences of consumers. In this case, appropriability is a matter of understanding how social influences evolve and how to act accordingly. An institutional entrepreneur who is able to build an image that matches the collective skills, cognition, and thoughts of the demand side has enough power to create appropriability. The creation of appropriability is about sending a message that reaches consumers and builds upon their current concepts and preferences. Creating appropriability through new habits includes the creation of ways and means related to concepts and/or preferences which give exclusive returns to the innovator. The complexity of this process has two central facets: (1) how to create something intangible, such as a way or a meaning, in the social environment/ and (2) how the entrepreneur can keep the advantages of the creation. Indeed, it may take a long period for this kind of appropriability to be built. This seems to be the case, for instance, with brands that develop cultural values, such as Coca-cola as the soda that families have been drinking for generations, and Toyota as high quality cars that rarely need unexpected servicing.

Cumulativity – The institutional entrepreneur's continuous success does not regard only appropriability, but also cumulativity and opportunity. Cumulativity is the entrepreneurial capacity to read the institutional set outside the firm in order to keep causing subsequent downward changes or reinforcements, leading to a cumulative process of institutional influence on consumers. For a cumulative process to take place some appropriability must have occurred, so the image of the entrepreneur was able to give him sufficient understanding to deal with or change the institutional set outside the firm. Hardly, appropriability is a one time event. Once learned how to deal with current consumers' institutional furniture or after the creation of social ways and means to introduce and reinforce a concept of a good, the entrepreneur can use this advantage to keep influencing consumers' decision making by that innovation. The branding phenomenon is a case in point. A well-accepted brand can be the point of interference in the consumer's choice, becoming accountable for a cumulativity process. The brand can be seen as a signal of quality, ideology, values or other attributes which consumers aspire to have or keep. When appropriability occurs by the creation of cumulative spillovers, a strong cumulativity drive can take place through institutional reinforcement. Cumulativity and appropriability will condition the productive opportunities seen by entrepreneurs in their images.

Opportunity – Opportunity occurs when the knowledge of how to deal with the institutional set outside the firm can help the institutional entrepreneur in terms of scale and scope. Branding can also illustrate the case. Brands are perceived by consumers as valuable in association with a good, a line of products or quality standards. Coca-cola became a famous brand as a soda, and Toyota as quality cars. Establishing a brand, thus, is a way to keep promoting reconstitutive downward drives and interfering in consumers' institutional furniture, which can spill over the original good. Opportunity is about using a known downward causation process to interfere on consumers' decision making over time, through different products. As a result, appropriability, cumulativity, and opportunity influence the entrepreneur's productive opportunities by showing him how the institutional set, and thus consumer's institutional furniture, can be handled.

Appropriability, cumulativity and opportunity are psychological connections between consumers and concepts of goods according to institutional entrepreneurs' goals and whishes. To sum up, appropriability relies on the establishment of the concept of a good; cumulativity regards the use of such concept in a continuous way, hence cumulativity is strongly based on the reinforcement of the concept which was previously appropriated; and opportunity concerns the utilization of one concept of a good to create or review other concepts of goods. Once appropriability is established, cumulativity can work through the same institutional channel. There emerges a perceived connection for further attempts at reinforcing the consumer’s institutional furniture through downward drives from the institutional set. Appropriability breaks up an established persuasion set in the consumer’s cognition, and starts introducing a different persuasion set through which new concepts of goods can be introduced in connection with the same initial concept – evidence of an opportunity being seized. In the perspective of the entrepreneur, opportunity is how institutions can be used to influence consumers to acquire new or different products. Different from cumulativity, opportunity implies that a large number of concepts – based on the same good – are able to make their ways into the consumer's decision making.

4.5 Final comments

Consumers’ decision making and motivation to behave are outcomes of both instincts and social life. The former represents inner incentives to action and the latter are both ways to answer to these instinctive forces and social motivations to behave. Social motivations are acquired by consumers through vicarious learning. Living in a society composed by institutions, consumers learn by observation of institutionalized models of behavior. The result of that learning is knowledge about which objects of consumption are acceptable and/or desirable. To own those objects means that the consumer is in an acceptable and/or desirable position in that society. By this social process of consumption, objects of consumption are established far beyond physical needs for survival. Ceremonial or wasteful features of objects of consumption come from consumers’ vicarious learning, which in turn relies on the perception of a cognitive consonance and habits formation.

When an object of consumption is consumed not only its physical features are taken into account but also its meanings. Such symbolic aspect is a ceremonial feature. The concepts of goods are introduced to consumers through models of consumption, so meanings are expressed by who consumes the good. In more details, concepts of goods are learned by what observers understand from models of consumption. To be able to behave as models of consumption makes consumers become such models, creating social links between observers and models. The establishment of those links is an acceptance of ideas, desires, needs and preferences. To accept a concept of a good is to accept an identity of consumers of that good, at least partially.

Identities regard the cognitive consonance about typification of consumption behaviors expressed by institutions and reflect models spread in snowball effect. They become institutionalized guides for consumption decision making. Communications of identities occur by information and reinforcements embedded in institutions. Institutions, in their turn, can be seen as cognitive consonances about typification of foreseeable regularities in behaviors of consumers in society or groups, thus interfering on the building and reviewing of consumers' institutional furniture. Identities and institutions do not regard just consumption, consumers' decision making and behaviors are ways to express identities and institutional content, but not the only way. Identities are synthesized in a lifestyle that works as a psychological integration, structuring the institutional furniture of consumers. How groups influence consumers' decision making is typified in identities and lifestyles that emphasize institutions as builders of meanings of concepts. In such perspective, institutions are systems of communication and reinforcement about consumers' decision making and behavior.

Communications through consumption can be seen as persuasion of an audience which acts in reconstitutive downward causation. Hence, to be persuaded consumers must be able to act as observers of institutionalized models and to understand what these models transmit. This implies that consumers must be able to deal with institutions' cognitive inertia in order to learn the meanings of goods. This consumption communication through institutions – also expressed in identities and lifestyle – not only informs and reinforces but also maintains the shared meaning of goods in a group or society. Those models are more than exemplary behaviors of consumption; models are expressions of the cumulative evolution of cognitive consonance upon which institutions rely.

Through observation of models, institutions, identities, and lifestyles, consumers build their decision making framework and learn what concepts of goods are acceptable and/or desirable. By the same process consumers can perceive variations in what goods mean. Such variations can be an issue of modifications in the goods themselves, modifications on how consumers perceive the goods, or both. The recognition of variations on the meaning of goods takes place by reconstitutive downward causation. Taking Hirschman's and Scitovsky's approaches into consideration, it is possible to argue that people feel satisfaction when acceptable and/or desirable objects of consumption are acquired; and they feel dissatisfaction when the opposite occurs. Regarding Scitovsky's (1976) approach, there are two kinds of satisfaction: comfort and pleasure. The former derives from acquisition of acceptable and/or desirable goods as a consequence of an institutional furniture already held. The latter derives from the acquisition of acceptable and/or desirable goods by the very first time; it is a new achievement that results from the removal of previous barriers to consumption or the revision of consumers' institutional furniture.

The modification in the meaning of goods does not necessarily mean pleasure, since the change can still be based on a same institutional furniture. This means that consumers' decision making are the same but the underlying objects of consumption have changed. When pleasure occurs as a result of a reason other than the inexistence of barriers to consumption, then it emerges out of a reconstitutive review of consumers' decision making. This review comes from a tension between the institutional set and consumers' institutional furniture - what consumers understand as the institutional set does not fit with their habits and cognition abilities anymore, so a reconstitutive revision of their institution furniture will occur. This reconstitutive downward causation introduces to consumers concepts of goods that are potential sources of pleasure. If the acquisition of those goods is pleasurable the institutional furniture of consumers is reviewed and comfort is felt from then on.

The analysis of how firms can interfere on consumers' decision making is centered on the creation of entrepreneurs' institutional furniture and entrepreneurs' abilities to mobilize resources to influence consumers' decision making. In this logic, a successful entrepreneur can be considered an institutional entrepreneur as he creates or mobilizes enough resources to deal with or change consumers' institutional furniture according to his interests. An institutional entrepreneur is a character that comes about in an evolutionary process of cumulative learning and resources mobilization that gives him the ability to interfere reconstitutively on consumers' decision making. This reconstitution can be a result of previous upward causation, dealing with already established institutions or with consumers` institutional furniture.

Independent of how an institutional entrepreneur can interfere on consumers' decision making, such interference relies on the meaning of goods. An institutional entrepreneur learns vicariously from institutions the elements that shape consumers' decision making - mainly those that interfere on consumers' logic and on the meanings of concepts of goods. Entrepreneurs consider also their competitors, other entrepreneurs who are also after influencing the same or similar concepts of goods in order to obtain competitive advantages. To benefit from supporting or creating concepts of goods, the entrepreneur must be able to hold property of such concepts, meaning that he has command to some extent of reconstitutive and reinforcing drives on consumers` decision making. This is what explains how an entrepreneur deals with continuous success.

This continuous success can also regard cumulativity and opportunity. Cumulativity is the entrepreneur ability to deal with institutions in order to keep causing subsequent downward changes or reinforcements, leading to a cumulative process of institutional influence on consumers in his favor. Cumulativity takes place by the continuous use of the entrepreneurs' institutional furniture that created appropriability. Actually, appropriability is hardly a one time event. Once learned how to deal with consumers' institutional furniture by the creation and reinforcement of a concept of a good, the institutional entrepreneur can use this advantage to keep influencing consumers' decision making by further working on that innovation. Opportunity occurs when the knowledge of how to deal with institutions can help the institutional entrepreneur in terms of scale and scope. Opportunity is about using a known downward causation process to interfere on consumers' decision making over time through different products. Appropriability, cumulativity, and opportunity are psychological connections between consumers and concepts of goods according to institutional entrepreneurs' goals and whishes. Next chapter presents two illustrations about this consumers-entrepreneurs relationship.

5. Illustrations: functional yogurt and comic books movies

This chapter illustrates the analytical framework previously introduced with two different concepts of goods: functional yogurt in Brazil and comic book movies. The first example highlights how the concept of functional yogurt has been introduced to Brazilian consumers, focusing on how their habits and cognition are taken into account by entrepreneurs and how entrepreneurs mobilize resources to introduce a concept of a good to them. In this case, the cumulative process of the introduction of meanings of goods is stressed. The adaptation of concepts of goods from comic books to movies illustrates the attempt by the cinematographic industry to transpose objects of consumption from comic books to movies and influence consumers' decision making in the process.

Both illustrations stress that the institutional entrepreneur is a distinguished social type not only because of his amazing capacity to introduce concepts of goods to consumers, but also because he can perceive a productive opportunity from the resources already mobilized by the firm/industry and comprehend the institutional set outside the firm and the institutional furniture of consumers. What gives an institutional entrepreneur such abilities is his position as a connector between the institutional sets inside and outside the firm.

To present those illustrations, section 5.1 shows the introduction of the concept of functional yogurt to Brazilian consumers, and section 5.2 deals with the case of the adaptation of objects of consumption from comic books to movies.

5.1 The creation of the concept of functional yogurt

The consumption of functional yogurts shares features with the consumption of food in general. As the consumption of food is the most frequent kind of consumption, this activity is strongly based on habits. Being a habit-intensive activity means that institutions and consumers' vicarious learning are central issues in food consumption. Indeed, according to Anderson (2005), Kittlet & Sucher (2004), and Montanari & Sonnenfeld (2004), the consumption of food is strongly related to the social life of consumers. When people acquire, prepare, and consume food, they reproduce models, identities, and lifestyles that they recognize as part of their lives, or that they would like to be part of their lives. For Pietrykowski (2004), identities are connected also to the food people consume. The consumption of food is more than the ingestion of nutrients. It includes the consumption of concepts of what an adequate diet is. This adequacy embraces the maintenance of what is understood as a satisfactory, and sometimes pleasant, life taking nutritional and other social elements into account. Both kind of concepts – nutritional and social – are institutionally created, communicated and reinforced.

5.1.1 The creation of the concept of healthy food

The consumption of food shows differences when compared to other consumption goods because food is traditionally related in a direct way to consumers' health and well-being. Hence, what models indicate as standards of quality of life and a healthier lifestyle play a key role on the construction of consumers' institutional furniture for food consumption. This health aspect has been highlighted in recent years, and some recent facts have added to it in the sense of an environment of augmented risk and uncertainty. Since the 1980s, several facts have been stressed that consumption of food can be unsafe in some level. During the 1980s, the UK had hen eggs contaminated by *Salmonella*, and in the following decade it was hit by bovine spongiform encephalopathy (a.k.a. mad-cow disease). Asia and Europe suffered the consequences of avian influenza in the 2000s. Not much later, the swine flu dashed around the world. In this case the relationship between the disease and the consumption of pork meat was not scientifically established, but the impact on the consumption of such product happened anyway. In 2007, it was found that a few Brazilian dairy cooperatives were selling milk which had been tainted with caustic soda and hydrogen peroxide. And over all that period, consumers have shown a lack of trust on genetically modified products.

Reconstitutively, those facts interfere on the cognition of consumers who review their decision making concerning the safety levels of food consumption.

Hence, a large part of consumers became more precautionary. To this feeling is added a quicker rhythm of life that shortens the time for homely meal preparation. This, in turn, demands simple, fast, and easy-to-prepare meals that, now, must also show do be safe.

The quicker rhythm of life in the Brazilian society is a result of changes in a specific group – the family – and their consequences in introducing and reinforcing models of consumption. It is possible to argue that the Brazilian family is changing. Until the 1970s, the Brazilian family had a patriarchal structure in which the husband was in the labor market and the wife performed home duties. Men was considered the head of the family and the only person in the family who worked out of home. Nowadays, families whose head is a woman are about 50,9% mainly as a result of. the increasing cases of divorce and single mothers since the 1980s (IBGE 2010). In addition to that, the number of families in which both man and woman work out of home is increasing since the 1980s (IBGE 2010). Simultaneously, Brazilians are getting married latter - on average at the age of 29,3 years. All these factors seem to have an impact on consumption practices. Brazilian families do not have the same time to prepare their meals as they used to have in the past, pushing them to demand food that is reliable, easy and fast to prepare.

Concurrently, there has been a social orientation concerning the necessity for healthier ways of life to compensate the health damages provoked by hectic lifestyles, but they must also be simple and easy. Several models of success, beauty and health have emerged as a result. Contemporaneous institutions reinforce concepts and behaviors that invoke healthy eating lifestyles. Consumers who were able to reconstitutively learn such concepts of food thus expect or look for health promoting features in food. Functional foods are embedded in this scenario.

5.1.2 The creation of the concept of functional food and the functional yogurt

In their recent history, there is not a single and undisputed definition of functional foods. Generally, food defined as functional can be understood as goods that are able to improve the health, or avoid health problems, of their consumers beyond the expected (traditional) nutrient supply. Salmon and trout, for instance, are rich in Omega-3 fatty acid, an element that allegedly decreases the risk of cardiovascular diseases if regularly consumed. This has triggered an increasing incorporation of functionality attributed in food, resulting from a rush to improve knowledge about the nature and functions of various elements on living organisms. But a key reason for the advent of functional food is the capacity of some entrepreneurs to act as institutional entrepreneurs, introducing such kind of concept of food to consumers. Fermented milk, biscuits enriched with vitamins, and fiber-rich cereals are more and more usual in super market shelves and in the diet of consumers[25]. The demand for fast, easy to make, safe and healthy food has been at sight of entrepreneurs as a productive opportunity to act as institutional entrepreneurs in the production of functional food.

The terminology around the concept of functional food had been introduced for the first time during the 1980s in Japan (Raud, 2008). Japan has also been the scenario of the most successful institutional entrepreneur's action on functionality: the fermented milk. The consumption of this functional dairy has become a widespread habit after the insertion of the fermented milk in the consumers' decision making. In 1930s, the research of Dr. Minoru Shirota about infant mortality by intestinal infection and malnutrition led him to the discovery of *Lactobacillus casei Shiota*, a microorganism able to stay alive in the human intestine after its ingestion ant to inhibit the proliferation of dysbacteria, promoting the balance of the intestinal flora. The *Lactobacillus casei Shiota* is the basis for the composition of the first artificial functional food, the Yakult drink. In the 1960s Yakult was spread in several parts of the world, a fact that shows that this concept of product did enter consumers' decision making. The resources mobilization to put functionality into dairy goods was partly done during the 1960s: the embedding of the concept of a functional dairy in consumers' cognition and decision making.

However, the importance of the impact of Yakult to composing the concept of

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[25] Despite divergences about the definition of functional food, which can make complicated an analysis of functional food representativity as an object of consumption in numbers, Raud (2009) highlights that, as stated by data from Euromonitor, there is an estimation that the selling of functional food regards around US$ 50 billion and its increasing tax is around 10% per year. This means that the functional food's increasing tax is three times bigger than conventional products.

functional yogurt would occur thirty years latter when Yakult was introduced to European consumers and entrepreneurs in 1994 (see Raud, 2009). That was the moment in which potential institutional entrepreneurs were able to review their image concerning functionality as a persuasive element for consumers' decision making. That revision of images occurred during that time probably because the major yogurt producers are European, and to be a yogurt producer means holding important parts of the resource mobilization necessary to introduce the concept of functional yogurts to consumers (this point is further analyzed later).

The place of a concept of a good in consumer's institutional furniture developed by Yakult motivated those European firms to build up a similar resources mobilization. Such resources relied on using the same, or very similar, reconstitutive channel to introduce a new concept of a good or to get advantages of a concept already introduced. As Yakult had shown institutional entrepreneurship through the reconstitutive introduction of the concept of functional fermented milk to consumers in a successful way, its imitation was a key resource mobilization adopted by the European entrepreneurs[26]. Other resource mobilization by those firms helped to create the most popular functional food and one of the major food innovations in recent years: a yogurt able to promote the regular working of the consumers' intestine.

Mäkinen-Aakula (2006) stresses that the consumers' cognition about yogurts in general is central for the "acceptance" of the concept of functional yogurt in consumers' institutional furniture. Previous concepts of goods related to yogurts had already regarded a healthy way of life, making the assimilation of the concept of functional yogurt by consumers much easier. Therefore, what people were looking to find in yogurt consumption was adjusted according to the goal of insertion of functionality in food: a healthier life and the preservation of health in a preventive, though simple and easy manner.

Medeiros (2008) emphasizes the growing importance of the individual's well-

[26] Despite the strong reference to the beginning of the production of functional goods to the commercialization of Yakult in Europe, Raud (2008) stresses that during the 1980's there were other food enterprises working in the direction of insertion of functionality in foods. In 1984, for instance, the advertisement of the breakfast cereal All-Bran (Kellog's) was based on the reference to the benefit that the consumption of that product could give to the consumers' health (Raud, 2008).

being as an element to persuade consumers; health and well-being are strong focuses of messages transmitted by marketing and publicity in the last years. According to Mäkinen-Aakula (2006), the pioneering role of yogurt in the functional food scene is also related to technical and technological aspects, such as the facility in the administration of its taste and in the insertion of functionality, and the easy spread of the concept of the daily dose (also originated with Yakult). Those technical and technological features of yogurts are resources explored by institutional entrepreneurs' actions, which are developed by the own history of the firm (how yogurts are produced).

Furthermore, Mäkinen-Aakula (2006) stresses that there are some basic actions for a firm to be able to mobilize enough resources to produce a functional food. Such actions are linked to: (1) the identification of the cause-effect relationship between the food and the health of consumers, the quantity that should be ingested and the underlying safety of its ingestions; (2) the presentation of the scientificity of the process; (3) communicating the benefits to consumers and verifying their health conditions after the consumption of the good. Mäkinen-Aakula's (2006) worries are more technical and do not involve "concept building". In a more including institutional approach, other factors become more evident. One of them is the ability of the entrepreneur in creating a concept of a good. Despite the importance of the creation of a concept, for an entrepreneur to act as an institutional entrepreneur in the functional food production, investments in technology should occur, mainly in research and development (R&D) about health promoting attributes of the products involving health fields of knowledge, such as medicine and human biology, looking for a positive technological spillover. Raud (2009) estimates that such firms invest 2% of their profits on R&D, whereas Mäkinen-Aakula (2006) affirms that the development of a new functional product involves investments that exceed US$ 1 million on average.

5.1.3 Functional yogurts in Brazil

The cumulativity of resources mobilization and their impact on the meaning of goods deserve attention in the introduction of the concept of functional yogurts in

Brazil, for it involves previous resources and knowledge in dairy production. Firms that were about to compete for advantages through the introduction of the concept of functional yogurts were dairy producers - more specifically, they were yogurt producers. This shows that mobilization of a specific set of resources in the dairy markets is central to developing functionality. Those resources are not only directly related to the learning involved in the production and to establishing a productive background in the institutional set inside the firm, but also to mobilizing resources towards introducing a concept to consumers.

A firm outside the dairy markets would have to overcome the investment barrier to start operating, and then think about moving towards functionality (disregarding acquisitions, of course). In other words, there is a cumulative resources barrier for entrepreneurs to act as institutional entrepreneurs in the functional yogurt production. Raud (2008) complements that only multinational and large national firms are able to mobilize enough financial resources to enter the functional production, or at least to be one of its first movers. Hence, the introduction of functional yogurts occurs involves path dependence of consumers' institutional furniture – who look for healthy and easy to prepare meals – but also of the supply side – which comes from financial barriers and approval of concepts already established.

In the past decade, there have been three big players in the Brazilian functional yogurt production: (1) Danone, the enterprise which performs a strong leadership in the functional yogurt production in Brazil; and others firms which act in the Brazilian functional yogurt production regarding some expressivity, (2) Nestlé and (3) Batavo – an important Brazilian player in the dairy production. Danone had been executed the main actions which imply in the introduction of the concept of functional yogurts to Brazilian consumers. In other words, Danone has been the institutional entrepreneur in the functional yogurts production in Brazil.

It is important to highlight that the firms Nestlé and Batavo also try to interfere in consumers' decision making. Indeed, Nestlé works hard in a search to influence the selective process of competition through offering a product in an attempt to be competitive to Danone's. Actions of Nestlé are strongly based on R&D, marketing, and interference in the regulatory sphere. Batavo seems to pursue a second-mover strategy: it offers consumers a very similar product to Danone's, guided by imitation and relying on the institutional mindset set out by the leading firm. To sum up, Nestlé mobilizes its resources in line with the actions of an institutional entrepreneur, a strategy that can threat Danone's leadership; and Batavo tries to benefit from what has been built by Danone, not threatening the leader and working on an "easier" level of resources mobilization.

Brazilian functional yogurt market has followed Europe's footsteps where the success of Yakult promoted a unique resource mobilization for potential firms in that sector: the fusion of medicinal features with dairy foods. Thus, the intellectual capacity of Dr. Minora Shirota in the discovery and use of *Lactobacillus casei Shirota* together with his entrepreneurial skills, as founder of Yakult, is the initial mark for the European and, next, the Brazilian functional yogurt market. As Yakult with its functional attributes made inroads in the European market, its selective environment changed. Soon, entrepreneurs present in that field reconstitutively reviewed their images about market and its possibilities.

In the mid-1990s, the image of Nestlé became associated with functional elements as a possible selective factor in the yogurt market as Nestlé introduce a functional yogurt in that market in 1995. It took them some time, however, to develop a fine match between the new image and the mobilization of an apt bundle of resources. Danone seemed to work better on that competence. Despite being one year behind Nestlé in entering the European market, which happened in 1996, it did not take long for Danone to become its leading firm (institutional entrepreneur). Exploring the European market and also those in developing countries that had had a positive contact with Yakult and its functional attributes would be a promising path for Danone to expand. This was evidence that Yakult had recently exerted a downward effect in reconstituting consumers' decision making favorably to functional dairies. Danone, as a diversified multinational firm, had operations in many developing countries, including Brazil, and those markets seemed to be the inevitable next step.

In the Brazilian case, Batavo launched its functional yogurt called BioFibras in 1999, after a commercial agreement with the Italian firm Parmalat. Apparently its lack of an aggressive strategy to persuade consumers that functionality could be present also in a “regular” product like yogurts compromised its advantage as a first mover (Azedo, 2007). In the terms proposed here, its institutional entrepreneurship was limited. Due to the institutional entrepreneurship’s actions in the European market, marketing in the Brazilian functional yogurt sector followed different path from the European case, Danone, which successfully introduced its functional yogurt in Europe entered the Brazilian market in 2004, with its yogurt called Activia, spending around US$ 35 million in promoting it in its first two years (Valor, 2006). Only in 2006 Nestlé introduced its product, Nesvita.

With the technological catching up and more developed market’s institutions to sustain and promote it, the dynamics of Brazilian functional yogurt market has expanded. A prominent mechanism of it has been the firms’ ability to interfere on consumers’ decision making by promoting more specific functional attributes, such as the alleged benefits to intestines heart, blood circulation and brain. Such process can be clearly seen in the strategies carried out by Danone since its first move into that market. An important initial action was the establishment of the living organisms used to give functionality to Activia. Danone used the strategy to grant the patent not only of the probiotics but also of the name attributed to it. Probiotics is the term used to define living organisms that, if adequately administrated, offer health benefits to its host.

The exclusivity of the name was an attempt to appropriate the main concept consumers have about functional yogurts, especially in the Brazilian case, making it a sort of brand name that can be easily associated with its particular product. Despite being a factual second-mover, Danone acted as a first institutional entrepreneur. The firm invested resources to create enough freedom to build and promote concepts related to its products, thereby sticking them to the habits and cognition of consumers and others involved (e.g. government agencies and potential competitors) with that market. As a consequence, to be the first to define a name of a probiotic and to have exclusive rights to use it create a monopoly element and a strong reference point for those in the market.

The name chosen by Danone was *DanRegularis*. The word is full of meaning in two distinctive ways. Its first part, *Dan*, is a clear reference to the firm that produces the yogurt, creating a cognitive association for consumers. Other firms that may want to use that same organism will bear the burden of having either to refer to a competitor's name or to avoid using it and thus loosing out on its publicity thrust. Accordingly, one of Danone´s slogans in promoting its functional yogurt was: "Activia Danone, the only one with DanRegularis". The second part of the word highlights the functional attribute assigned to the yogurt, reminding consumers' of the special benefit they can obtain with the product. Moreover, the Latin zest of the word gives a strong sensation of scientificity to the public initially targeted – educated, mid and higher income classes. It bridges what consumers do not know (probiotics) and what they know or are concerned about (the regular working of the digestive system) or, even more directly, what gives them discomfort (lack of regular intestinal activity).

Surely, the denomination of the probiotic is only part of Danone`s strategy to influence consumers' decision making regarding functional yogurts. As stated by Medeiros (2008), Danone is a leader stamp in numbers of advertisement. In 2008 in Europe, there were nineteen commercials on TV, four in radio and four on press media, totaling twenty seven different media incursions. This, of course, may not reflect the behavior of a segment of market, and data concerning the European marketing may not mirror what the firm does in Brazil – despite Danone`s global marketing strategies. That information, however, is not irrelevant in analyzing Danone`s actions in the Brazilian functional yogurt market. Additionally, the content of Activia ads was both informative and provocative, inviting individuals to test the product. For Medeiros (2008), the focus on information is a tendency concerning the advertisement of functional food in order to explain its properties. Part of it involves elements and concepts with alleged scientific content, trying to reassure consumers of the safety in consuming functional products. Raud (2009) highlights that up to 2008 Danone spent more than U$ 50 million with advertising Activia in Brazil, and has increasingly targeted the female audience.

The publicity of Activia has been always related to a "challenging consumers" strategy. The audience is invited to consume the yogurt daily for two weeks and self-assess the results. If not satisfied, consumers would be refunded by Danone. Moreover, the display of Activia in the most visible shelves of supermarkets', revealing the dark green packages to the consumers, is a marketing strategy to promote the product among its main competitors. The intensive advertisement of Activia started on TV and has gradually moved to supermarket shelves, where consumers can be informed about the “challenge”, accessible in a website (http://www.desafioactivia.com.br). The website allows free download of an interactive software with a calendar in which one can write notes and make comments about the yogurt. The software reminds the user with a direct message: “Do not forget to drink your Activia”, helping him follow Danone`s proposal for daily Activia’s consumption. In order to use the calendar, it is necessary to register personal information such as birth date, gender, and e-mail. The data allow future contact by Danone with those registered, reinforcing personal marketing strategies for people who showed interest in functional yogurt.

In visual terms, Activia’s label is also inducing to consumers. The green color of the label conveys tranquility, harmony, and balance, and is usually associated with nature. In the label there is also the picture of a fruit which indicates the flavor of the yogurt and the central letter *i* of the word Activia is composed by an arrow pointing down, a direct relation to the alleged functionality of the yogurt. To sum up, Danone’s institutional entrepreneurship regarding functional yogurts in Brazil relies significantly on reinforcing a previous downward reconstitution promoted by Yakult. In fact, Danone`s actions seem to go beyond that, as their basis are on intense advertisement, promoting scientific images and empirical test by consumers. This leads their claims to a different arena and upwardly impacts the institutional set.

Given Danone’s action as an institutional entrepreneur in the Brazilian functional yogurt market, Nestlé’s and Batavo’s actions mostly occur in an environment dominated by what had been built by Danone. Nestlé tries to interfere on the reconstitutive downward pressure Danone can exert on consumers, but sees itself acting very similarly to Danone. This, of course, is an attempt to catch up on an established competitive disadvantage and to gain market share in an institutional set very much molded by Danone`s previous actions. In other words, in this case Nestlé seems to fall short of holding as much institutional entrepreneurship as Danone. As a result, Nesvita does not pose a real threat to the market power of Activia, despite the similarities in the publicity of both products. Nestlé tries to present Nesvita as a yogurt that, beside its alleged property of helping intestinal function, tastes good. Perhaps the emphasis on its taste is an attempt to differentiate Nesvita from Activia. Concerning its visual appeal, Nesvita also tries to differentiate itself from Activia by a blue label, but Nesvita also highlights an arrow pointing down.

Batavo, the only significant Brazilian firm in this market, does not have the clout to pose a threat to Activia, being its strategy related to BioFibras based on imitation mainly. Batavo was not able to make BioFibras take off in 1999, and Activia was in fact responsible for starting out the functional yogurt market in Brazil. As Danone forged the concept and the product's commercial attributes, inducing consumers to think of it and to build their habits and cognition frames, second-movers need first to catch up with the prevailing trends set up by that company. In visual terms, BioFibras` label is also green and its logo has a pointing down arrow. When BioFibras was re-launched in 2005, Activia`s "challenge to consumers" was very evident in the media. So it seems reasonable to see Batavo trying a new start by imitating the leader and avoiding the high costs of institutional entrepreneurship in this case – something they had a taste of a few years earlier.

As for production and publicity, it seems that neither Nestlé nor Batavo can mobilize enough resources to interfere in consumers' decision making. The direct interaction between producers and consumers, however, is not the only ground in which firms can try to act as institutional entrepreneurs. Regulatory institutions are also important players due to risks involved in food production and trade, orienting how food should be produced and sold. Consequently, institutional entrepreneurs' actions are bounded by regulation, and regulation has to catch up with them. How the Brazilian regulation of functional food affects the institutional entrepreneurship in functional yogurts market is the central issue of next section.

5.1.4 The cumulative dynamics of the concept of a functional good

The European and US authorities seem to have some difficulties to regulate functional food markets. Because of the pioneering development in the production of such goods, Japan is perhaps the only country with a specific regulation for this kind of food. Functional food products are classified and stamped by the Japanese Ministry of Health, Labour and Welfare, and as for 2010 there are more than a hundred certified products. In Europe and the USA, functional goods are not legally recognized as such. In the US, the Food and Drug Administration – FDA – strongly regulates products with disease-risk reduction claims, but is much softer on products with structure and function claims – a category around which functional products have been developed. In the European Union there is no unified legislation, although efforts like The European Commission Concerted Action on Functional Food Science in Europe have emerged. Most European countries deal with the issue in a similar way to the US, with a wide maneuvering area for functional claims. Along those lines, for a food to be considered functional its claims for nutritional effect and/or physiological benefit should be properly substantiated. Labels are also submitted to assessment, their information needs to be clear and cannot suggest that the consumers' health will be affected if the product is not consumed (Medeiros 2008).

In Brazil, functionality is a target of ANVISA, the Brazilian Agency for Sanitary Surveillance, whose scrutiny is based on scientific evidence according to information shown in the product's label. However, there are doubts related to the content of those scientific documents that reflect the questioning of the scientificity about the advantages of the functional yogurt. Marion Nestle (1999) argues that the claims of such products are mostly exaggerated of their real functionality. Marion Nestle (2003 *apud* Raud 2009)[27] highlights further that the food industry influenced regulation, the academic field, and the media in order to promote the goods. Wailing (2004) emphasizes that the publicity can have ambiguous messages and fake allegations. Part of the scientific community stresses that just a little is known about the ingestion of vitamin, minerals, and more elements beneficial to health, and about the risks of their ingestion in great quantities.

In terms of a reconstitutive building of consumers' habits and cognition, it is important to note that scientific and academic fields rarely work as sources of perceptive information. This seems particularly valid in the Brazilian case, once

[27] Nestle, M. (2003) *Food Politics: How the Food Industry Influences Nutrition and Health*. Berkeley: University of California.

developing countries usually face additional barriers to produce commercially unbiased science. Firms, through publicity, and the media in general are the main drives in assembling the informational packages that reach Brazilian consumers. Moreover, information given on labels and made public by the media can be regarded as scientifically relevant in eyes of entrepreneurs whose strategy of resource mobilization is based on factual information. This shallow scientific ground of evidence has drawn ANVISA to struggle in the battle field of advertisement, thus, reinforcing it as an institutional entrepreneur's strategy to interfere on consumers' decision making.

The first action by ANVISA with an impact on the introduction of the concept of functional yogurt was the prohibition of Activia's TV advertisement, following the suspicion that consumers were being led to believe that Activia would be a solution for intestine malfunctioning. The main concern was that a diagnosis of serious illnesses whose symptom is a poor functioning of intestines, would be delayed. TV marketing was an institutionalized channel of communication between Danone and consumers. By the presentation of a new functional product, Danone tried to establish an upward effect in institutions that could lead to a consequent downward impact on consumers – if only they could be persuaded of that effect. However, the prohibition of TV ad broke the downward part of the process, particularly the element related to the capture of consumers.

Despite the clear modification in the logic of the competition, ANVISA did not bring any change in terms of Activia's competitiveness, due to the prevailing market conditions. As previously pointed out, Danone was responsible for building the concept and the target of functional yogurt in Brazil, thereby increasing market power of Activia, mainly through TV advertisement. However, a later change cannot erase what was already in the consumers' state of mind. Hence, the initial movement of Danone is still sustaining its leadership in the Brazilian functional yogurt market. Obviously, in a competitive process, the upward or downward institutional channel explored by a firm can also be explored by others, such as Nestlé and Batavo have shown. This means that there may be no appropriability in how firms can interferer on consumers' decision making. Usually, this is the case of television ads, as normally any firm that can afford that kind of publicity can use it to reach out to consumers. As argued above, the Brazilian function yogurt market is concentrated on few big firms with no financial barriers to buy TV airtime. The TV restriction on Danone was a big opportunity for Nestlé and Batavo. In spite of the consolidation of the concepts in the consumers' habits and cognitive abilities, there is "space" for a revision of such definitions – in this case, at least at the margin.

Nestlé's resource mobilization is strongly connected to its TV campaign, mainly after the prohibition of the Activia ad. As in the case of Activia, Nesvita's TV campaign was aggressive. While Activia sought to consolidate and appropriate the concepts of the functional yogurt, however, Nesvita tried to show itself as leveled with Activia on the concepts Activia itself had launched, and superior in other attributes like taste and nutritional values. Danone took Nestlé to court and the Nesvita ad was prohibited on grounds of explicit comparison with Activia and of allegedly benefits about which no evidence had been produced yet. The court considered that case as unfair competition (Raud, 2008). Clearly, Activia's and Nesvita's publicity prohibitions gave Danone competitive advantage since the existing institutional set and consumers' decision making frames were greatly shaped by Danone's previous actions. Batavo had never been the target of particular regulatory penalties or pursued confrontational marketing, which is consistent with its leader-following strategy. Thus, the institutional inertia and the cumulative process are constructive to the commercialization of BioFribas.

The Brazilian functional yogurt market is illustrative of how institutional entrepreneurship precedes regulation. By definition, institutional entrepreneurship breaks with an existing institutional set – which includes regulation. Institutional entrepreneurs are able to bypass formal limitations specific to a productive process, the content of goods, and the factors that interfere on firm(s)-consumers relationships, to eventually rebuild them to their favor and perhaps rest a little on their laurels. During the time between the first institutional entrepreneur's actions and regulation, the institutional entrepreneur can establish concepts and the necessary elements for a process of upward causation to happen in a way that downward reconstitution can follow. In other words, they eventually manage to build, even if only partially, consumers' habits and cognition related to the market of interest.

This was the procedure adopted by Danone. When ANVISA started to interfere in the market, consumers' habits and cognition had already been downwardly affected in a favorable way to the consumption of Activia. The prohibition of its TV advertisements could have modified that situation. Indeed, Nestlé's resource mobilization was centered in that objective, but Danone had the competence to make a legal case that resulted in the prohibition of Nesvita`s TV ad. This guaranteed a stronger inertia in the institutional set of Brazilian functional yogurt market. Once the main communication channel between firms and consumers was interrupted, concepts, habits, and cognition already developed had even more time to settle down in consumers` decision making, and further attempts to change them would face that stronger inertia. And that inertia preserved the leading position of Danone in that market.

5.2 The adaptation of objects of consumption: from comic books to movies

The adaptation of concepts of objects of consumption from comic books to movies illustrates the transference of successful concepts from one good to another. This transference relies on a search to influence consumers' decision making by concepts that have already been learned and are well-accepted and/or desired by consumers.

The adaptation of such concepts to other goods that are not the ones that introduced the concept is a possible strategy for a firm to appropriate an upward causation plus a reconstitutive downward causation generated by other enterprises, or to enlarge its existing influence on consumers' decision making to other goods. The former procedure is recurrent in the cinematographic industry, which uses concepts introduced to consumers in a specific form of entertainment, such as literature, theatre, TV and comic books, to promote them in the other forms of entertainment. Movies based on comic books' content have stood out on this regard in recent years.

5.2.1 Comic books and their concepts of objects of consumption

Comic books are magazines that tell a story with visual and written resources. The former are narrative artworks, scene by scene, and the latter are dialogs presented in those scenes (Wright, 2001). For a long time, comic books were seen as a non-artistic expression and a product for kids only. Such comprehension of comic books has changed since mid-1970s because of the close relationship between comic books and the Pop Art, and the emergence of the concept of graphic novel. During the 1970s, comic books' aesthetics started to spillover to other kinds of artistic expressions, such as paintings. Andy Warhol, who was one of the most important artists of the Pop Art, used comic books' aesthetics in many of his paintings. This spillover caught the attention of art producers, consumers, potential consumers, and possible institutional entrepreneurs. The crucial point of change about how comic books were seen was the acknowledgment of comic books as artistic expression by organizations not related to the production and commercialization of comic books, such as expressive newspapers, like New York Times, and the Pulitzer. Through this recognition some comic books started to be classified as graphic novels, or, in other words literature in the format of a comic book. The main example of a graphic novel is *Watchmen* (1986-1987). The rise of the graphic novel terminology stressed that comic books were not necessarily a children only entertainment media, such as in Disney's comic books case; they could also reach adults.

The recognition of comic books as graphic novel took place during the Modern Age of comic books. People in the comic books industry generally classify the content of comic books in (1) Golden Age, (2) Silver Age, (3) Bronze Age, and (4) Modern age. The Golden Age occurred during the 1930s and 1940s, and was marked by the rise of the comic books' mainstream - the DC Comics and the Marvel Comics. During the Golden Age, DC spread its main concepts of characters, such as Superman, Batman, and Wonder Woman. At the same, Marvel started to establish their concepts of characters, such as Captain American and Captain Marvel. The Silver Age took place from the post-war time to the 1970s. In that period Marvel achieved success in introducing a larger number of concepts of characters, such as Spider-man, Iron Man, Thor, and Daredevil. The Silver Age marks also the introduction of groups of heroes, like Marvel's Fantastic Four and Avengers, and DC's Justice League of America. After the Silver Age, the main concepts of characters were established. The Bronze Age, which occurred from the 1970s to mid-1980s, was the time when the stories started to be more "humanistic" and/or "realistic", something that would have even more space in the Modern Age. Through the Silver Age, comic books' stories repeatedly highlighted the death of people loved by heroes, betrayal cases, and drug abuse. The Modern Age magnifies those contents of stories and introduces the concept of graphic novel to a much wider audience.

The division of comic books' content in ages is well-accepted by people related to the comic books industry and that separation relies on the content of the publications. By the end of the 1960s, the major concepts of objects of consumption of comic books had been established. Using comic books' terminology, main characters have their own worlds which are inserted in a "universe". Think Batman as a case in point. In "Batman's world", actions take place in Gotham City, where are a bunch of crazy and eccentric criminals operate and a little group of superheroes help Batman hospitalize the criminals in the Arkham Asylum. In "Superman's world", Superman and his girlfriend, Lois Lane, work in the Daily Planet in Metropolis, a modern city economically and politically afflicted by Lex Luthor, Superman's archenemy. Both "Batman's world" and "Superman's world" are into "DC's universe", so those heroes, and elements of their world, can interact.

During the Golden and the Silver Age, the "worlds" and, consequently, the "universes" had been introduced to consumers. When the Bronze and the Modern Age took place, characters and "worlds" had been established, and the focus was on the content of the stories. The Golden Age and the Silver Age introduced objects of consumption, the Bronze Age and the Modern Age reinforced such objects and made them closer to consumers through the "humanization" of the characters. This made possible a stronger identification of more mature readers with the stories. In today's mainstream of comic books, there are two different and well-established "universes": the "DC's universe" and the "Marvel's universe".

The change in the content of comic books initiated in the Silver Age generated a reconstitutive review on images of entrepreneurs in other areas of the entertainment industry. During the Silver Age, concepts from the mainstream of comic books were well established on consumer's decision making as acceptable and/or desirable entertainment, and entrepreneurs could see an opportunity lying therein. During the 1970s, DC and Marvel started to license their concept of goods to firms in other areas of entertainment. In addition to it, DC and Marvel started to review their own images about what their productive opportunities were and decided to invest in other segments of the entertainment industry. By the end of the 1970s, cartoons, TV series, action figures, theme parks, and Halloween costumes, to cite a few, strongly reinforced, or introduced to outsiders, DC's and Marvel's concepts of objects on consumers' institutional furniture. As a result, it is hard to find today an adult in western urban societies who has never had contact with such concepts. By the history of comics books, mainly through DC's and Marvel's efforts and their spillovers in other areas and forms of entertainment to introduce or reinforce their objects of consumption, such concepts are well-known elements of the entertainment industry in almost all contemporaneous western societies.

As a consequence of the spillover to other entertainments, it is possible to say that there are two kinds of consumers of DC's and Marvel's objects of consumption with regard to the origin of their institutional furniture: comic books' fans and people who learned those concepts through other entertainment forms. Clearly, concepts learned by the former can be reinforced by the way the concepts are introduced to the latter. The latter can also be pushed to consume the concepts as presented by the comic books. One means of persuasion supports the other by exploring a concept already established in some consumers' institutional furniture.

However, those concepts of objects of consumption were introduced to consumers for the first time during the Golden and the Silver Age. In this first introduction, comic books' content, as every artistic expression, was strongly related to social values of the society in which they were produced. Actually, this content can also be related to the values that the producers of comic books were interested in disseminating. Indeed, concepts of Superman and Captain America can be easily associated with the “American way of life”, which was an important social message for North-Americans at the time. X-men was created as a covertly way to discuss racial prejudice and Spider-man was introduced under the message that ordinary people can make important achievements, and that great powers bring on great responsibilities. Recently, Haven (2010) stressed that the concept of Superman as we know it, could only be created in the USA. Academic researches, such as Belk (1987) and Wright (2001), have studied the power comic books have to disseminate social values.

Relevant as that issue may be, this thesis will focus on a related but different issue. There is a strong relationship between the contents of comic books and the historical and social scenarios where those publications took place. However, the environment where objects of consumption of comic book’s mainstream were created has changed. Hence, independent of the original social contents of comic books, they themselves have a social expression as objects of consumption which is not necessarily related to their origins anymore. It is reasonable to affirm that comic books have found a place in consumers’ institutional furniture by dealing with concepts already known by the consumers or by reinforcing concepts that had been introduced to consumers. A contemporaneous analysis, however, cannot be centered only on those original elements because the story of comic books itself has moved them from their beginnings.

Shortening, as already known acceptable and/or desirable goods, concepts of objects of consumption introduced through comic books show wide potentials to be used as a way to reconstitute consumers’ institutional furniture in other senses, such as to be used in other entertainments. Consequently, an entrepreneur tries to act as an institutional entrepreneur by exploring those concepts in a form of entertainment in which they have not been explored yet or by reintroducing such objects in a different way. This attempt at institutional entrepreneurship is supported by concepts that had been already introduced to consumers. There is, thus, an upward causation in institutions and a downward causation on consumers’ decision making, which can be appropriated in some level by followers in the industry. This is a productive opportunity that entrepreneurs of the cinematographic industry seek to achieve.

5.2.2 The consumption of movies

The consumption of movies has two important peculiarities. One is that the consumer is able to know the quality of the good only as he consumes it – movies are experience goods. The other is that very few people watch a movie more than once. Film producers thus need to interfere soon on consumers' cognition in order to influence their choice according to the firms' interest: to watch the firms' movie, and not others'[28]. There are some elements that consumers can use to estimate the quality of the movie, such as the writer(s), filmmaker(s), actor(s) and actress(es) casted the movie; the opinion of specialized critics and others consumers; trailers; and synopsis. Clearly, those elements are used by firms to persuade consumers.

As an experience good that is consumed mostly only once, the movie needs to be able to persuade consumers before they actually consume the product. As a consequence, a successful movie commonly relies on early marketing that introduces to consumers what producer's think are the persuasive elements of the film. This highlights that the cinematographic industry has very specific resources to mobilize. During the 1990s, the marketing of a movie before its opening achieved a peak with the blockbuster phenomenon. Blockbusters are films with a strong marketing that expect to break even or generate profits in their opening weekend. So, if information emphasizing that the movie is not good is spread out after its opening, positive profits will not be compromised. A blockbuster example is *The Lost World: Jurassic Park* (1997). Its budget was estimated in US$ 73 million and grossed US$ 90.2 million in its opening weekend only in the USA. Despite that, it has not been evaluated as a good movie by both specialized critics – who wrote more bad reviews, 55%, than goods ones, 45% – and consumers – the movie scored 6,0 in IMDb's user rating[29].

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[28] In this illustration, film producers mean all enterprises or people with a stake in the production of movies, not necessarily just cinematographic producers. Next sub-section deals with the productive process of movies, presenting more elements of the inner institutional set of a cinematographic firm in light of the specific case of consumers' decision making regarding adaptations of comic books' content to movies.

[29] The data about movies grossing and budget were extracted from The Internet Movie Database,

The 1990s were the peak of the blockbusters, a phenomenon that gained thrust in the cinematographic industry after 1975. According to Mascarello (2006), the blockbuster is an expression of a reconfiguration in the cinematographic industry, bringing about. a change in style, content, and narrative. Those changes were the result of economical demands over aesthetical standards. After 1975, the productive process of a movie became much more box office orientated than artistically guided. Consequently, the interference of the concepts of objects of consumption present in the movies has focused on finding a place in consumers' institutional furniture. Had it be otherwise, box office results would be compromised. Such economic demands highlight two other features of the contemporaneous cinematographic industry. One is the transference of the objects of consumption from other entertainment medias to the movies – the analytical goal of this item; the other is the production of an increasing number of sequels – a way to keep interfering on consumers' institutional furniture in the same way it occurred before with the first movie.

The Lost World: Jurassic Park (1997) also illustrates the sequels phenomenon. Sequel movies are not something new in films, they have been around since the beginning of 20th century. However, the production of sequels has intensified since the 1980s both in the number of movies that lead to a sequel, and in the number of sequel movies to which an original movie leads. The logic of producing a sequel is to keep exploring a concept of a good that has been already successful in interfering on consumers' decision making. *Jurassic Park* (1993) had been seen by consumers as a quality product – the score of *Jurassic Park* (1993) in IMDb's user rating was 7.9. Therefore, producing its sequel was a reasonable productive opportunity since the reconstitutive channel to consumers' decision making had been built. The sequel is a firm's strategy based on the cumulative appropriation of a concept of a good previously established. Producing a sequel decreases the

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IMDb. The IMDb is the most complete database about movies` production. IMDb's data also include a user rating of how popular the movies are. According to IMDb, the user rating has been created because its users are specialized critics and fans of movies who qualify them to evaluate the movies. IMDb's user rating varies from 0 to 10. The data about the quality of the reviews written about a movie were extracted from Rotten Tomatoes, a website about movies that collects and qualifies contents of reviews. The extraction of data from IMDb's website (www.imdb.com) took place between May 15 and June 20, 2010 and the extraction of data from Rotten Tomatoes' website (www.rottentomatoes.com) occurred from May 23 and June 20, 2010.

uncertainty about consumers assessing the movie as an acceptable and/or desirable good.

As consumers judge the quality of a movie when they watch the movie, producers do not know beforehand if the movie will be judged as a good entertainment. This means that large investments need to be done in advance, and the product cannot be adjusted as it is consumed over time. In the image of producers of movies, exploring cumulatively a concept of object of consumption seems to be a profitable productive opportunity. However, the strategy of exploring concepts of goods already held by consumers as acceptable and/or desirable goes beyond the cinematographic industry in terms of productive opportunity. Actually, creating films about a story or characters that consumers already know and accept has always been recurrent in movies production. The adaptation of concepts from comic books to movies takes place in this scenario.

5.2.3 The consumption of movies and the transference of concepts from comic books

The first movie based on adaptation from comics was created in 1906. The movie was based on Winsor McCay's *Dreams of the Rarebit Fiend*; and Edwin S. Porter was the filmmaker (Gordon *et alli*, 2007). However, McCay's *Dreams of the Rarebit Fiend* did not have the expressivity found today in the comic books' mainstream. This example, thus, does not describe a situation in which an already known acceptable and/or desirable concept of a good is transferred from comic books to movies. The first institutional entrepreneurship action in exploring the association of concepts first established by the comic books' mainstream with the movies occurred in 1978, with Richard Donner's *Superman: the movie*. This movie was motivated by the spreading of concepts of "Superman's world" throughout the Golden and Silver Ages and through spillovers in cartoons and TV series.

DC's first experiences – The resource mobilization to transfer "Superman's world" from comic books to the movies seems to have been complicated. The beginning of the process took place with in 1974, when producers Ilya Salkind and

Pierre Spengler acquired the license to make the adaptation. The license determined that Salkind and Spengler would supervise the production (including the filming) of two movies of Superman simultaneously. The license also warranted DC some power to interfere in the production in order to guarantee that “Superman’s world” would be well-adapted. Actually, in the middle of the Bronze Age, DC knew how important “Superman’s world” was as an object of consumption and the benefits of its transference to other kinds of entertainment. During the Bronze Age, DC was already an institutional entrepreneur as a firm in the production of comic books. The strategy of DC to supervise Salkind and Spengler’s production seemed to pay off, given the success of *Superman: the movie*.

To make the movie financially viable, Salkind and Spengler made an association with Warner Brothers – a logical association since DC and Warner Brothers are both subsidiaries of Time Warner. The film would be produced by Salkind and Spengler and distributed by Warner Brothers, which meant that Salkind and Spengler would deal with the resources mobilization for the production of the movie and Warner Brothers would be responsible for marketing, showing, opening, and would put their stamp as a renowned company in the movie. The movie was acclaimed by critics and public, grossing US$ 134 million in the USA and US$ 289 million worldwide (in 1978’s dollars)[30]. *Superman: the movie* was the second box office in 1978, nominated for three Oscar and awarded several prizes. *Superman: the movie* scored 7.3 in IMDb’s user ratings[31].

Despite the success of *Superman: the movie*, there were some problems to produce its sequel, *Superman II* (1981). Originally, Richard Donner, who was the filmmaker of *Superman: the movie*, would film *Superman: the movie* and *Superman II*

[30] The grossing data takes the year of the opening into account. The difference of the value of the dollar over the years has a little impact in the present analysis since the study is concentrated on 2000’s. Despite that fact, there were some movies based on content of comic book’s mainstream that opened before 2000’s, which this study takes into consideration. In a case of a long temporal period, take the value of the grossing can distort the analysis because of the variation of dollar’s value. To offer a good proxy of how well concepts of the mainstream comic books were transferred to movies, this section also considers the position of the movie in the box office ranking of the opening year.

[31] Data about the quality of movies have been produced since the 1980s. There are data about older movies but they are not well elaborated as the data for newer ones. For example, in the Rotten Tomatoes’ website the number of reviews of a 1980s movie is about 40, and about 200 for a 2000s movie. Obviously, the differences in the sample of reviews interfere on Rotten Tomatoes’ evaluation of the quality of the movies.

continuously. However because of problems in the inner institutional of the firm, the filming was interrupted when Donner had the first and more than half of the second movie filmed. The producers decided to finish *Superman: the movie* and only then resume with its sequel. Donner finished *Superman: the movie* but never came back to the sequel. Richard Lester then took over the direction of *Superman II*. The change of directors generated a change in the story and it is possible to perceive differences, for instance, in the physical features of the characters as two years separated the first and the second halves of *Superman II*. Regardless of those facts, *Superman II* received good response from the critics, and scored 6.7 in IMDb's user rating. It grossed US$ 108 million in the USA, the third major box office in 1981.

Superman: the movie and *Superman II* were financial and critique successes. Thus, producing yet another Superman movie seemed to be a cumulative productive opportunity, since "Superman's world" as a movie object of consumption had been incorporated to the consumers' institutional furniture. *Superman III* opened in 1983, this time entirely directed by Richard Lester. This time, however, the sequel failed. The reaction of the critics was negative. The movie scored 4.7 in IMDb's user rating, and grossed "just" US$ 60 million in the USA, not reaching the top 10 box offices of 1983.

The blame for such a poor performance has been put on creative conflicts between Salkind and Warner Brothers. For that reason, DC reviewed the license for adaptation of Superman to movies. *Superman IV: the quest for peace* (1987) was produced by Warner Brothers in association with a smaller producer. This time the challenge was much bigger. Consumers' cognition about the adaptation of "Superman's world" had been shaken by *Superman III*. Consequently, new efforts were necessary in order to reinsert that concept of object of consumption as desirable in consumers' institutional furniture. The efforts did not succeed, though. *Superman IV: the quest for peace* scored 3.4 in IMDb's user rating, grossed only US$15.7 million in the USA and did not make it to the top 50 box office of 1987. The reason for the poor performance this time can be attributed to problems in the inner institutional set of the production of the movie which could be not related to Salkind, the previous bad adaptation could interfere in consumers' decision making, or both.

The first adaptation of “Batman’s world” to the movies followed a similar path to Superman’s, with the difference that its resource mobilization drew on previous experiences in making movies based on DC’s material. The financial success of the two firsts Superman movies reconstitutively reviewed Warner Brothers’ image. The firm realized that adaptations from comic books can attract consumers of movies. So, in the mid-1980s, Warner Brothers mobilized resources to produce a Batman’s movie. As “Batman’s world” had been established for decades in the comic books, gathering a fitting set of movie plot, casting, and filmmaker was not an easy or fast task. Actually, the resource mobilization to produce such movie was stuck for some years because of doubts about how to put those pieces together in the production.

Eventually, in 1986 the original place of the concept of Batman – comic books – gave breath to the movie production. A four issues’ comic book called *Batman: the dark knight returns* was published in 1986. *Batman: the dark knight returns* is one of the most acclaimed stories about the hero. In 1988, comic books one more time contributed to the movie experience, an one issue comic book named *Batman: the killing joke* was published, one of the best stories about the Joker, Batman’s archenemy. DC’s achievement in comic books reinforced the image of Warner Brothers about adapting “Batman’s world” to the movies. There is a myth that Tim Burton agreed to direct the first Batman movie after reading *Batman: the killing joke*. The result was Tim Burton’s *Batman* (1989).

There was an intense debate among comic books’ fans before the production of the movie about the Warner Brothers’ choice of Burton as director and Michael Keaton as the actor who would play Batman. As this debate was centered on comic books’ fans and it took place *before* the production of the movie, this question usually has a minor impact on the adaptation of a “superhero’s world” to the movies. The comic books’ fans are a small part of movie consumers. The large part of movie consumers are people who had some contact with the “Batman’s world” by other entertainment or used to be a comic book reader – who is different than a fan. The difference between a comic books’ fan and a person who knows concepts from comic books is based on what each individual seem as concepts of “Batman’s world”.

A comic books’ fan has an institutional furniture about the consumption of

"Batman's world" as a result of what she learned from years of comic books weekly reading. A person who knows some concepts of "Batman's world" has an institutional furniture which is able to make the connection between some concepts learned in the past and what Warner Brothers is introducing, or would like to introduce, as object of consumption. The latter is the biggest part of movie consumers, consequently, when a "superhero's world" is translated from comic books to movies there are some flexibilities for the adaptation of concepts. There are some features of the "world" which should be respected, but other can be adapted. The movie's challenge is which part of the "world" is adaptable.

The discussion which occurs before the introduction of the movie to consumers commonly just works as a "free-marketing" to the movie. Because, independent of the content of the discussion. it is people talking about a movie which they do not know yet. So other people can pay attention on the movie just as a result of a movie which generates so much debate *before* the opening. In such situation an usual reasoning of a movie consumer can be: "I should check this movies that a lot of people is talking about". When people are discussing poor adaptation of concepts of objects of consumption from comic books to movies *after* the opening, the result can be an "anti-marketing" of the movie.

Taking after-opening debates about *Batman* into account, the specialized critics highlighted that the movie had a much darker atmosphere than in the comic books. After the exhibition of *Batman* to the public, the discussion of comic books' fans changed focus. It was initially centered on the big changes made in the "Batman's world", but such changes could be recognized only by comic books' fans (and the critics that had to do their homework on the details of the adaptation). And they were not the majority of movie consumers. For the general public what mattered was: the concept worked in the movie – flexibility. In the end, *Batman* (1989) was a great financial success – US$ 251 million in the USA and US$ 413 million worldwide. It reached top one box office in 1989, and its IMDb's user rating peaked 7.6. The movie was the most successful DC's adaptation to movies in financial terms until 2008, when it was curiously beat by another adaptation to "Batman's world" to the movies, which were not a sequel, *Batman Begins* (2005).

The success of *Batman* (1989) guaranteed the place of “Batman’s world” in consumers’ decision making. Burton and Keaton came back to *Batman Returns* (1991), which was not as successful as the first movie. *Batman Returns* grossed US$ 162 million in the USA and US$ 182 million worldwide. It made it to the top three of its year, while its IMDb’s user rating went down to 6.9. In its third and fourth adaptations to the movies, the approach to “Batman’s world” changed. Burton’s darkness was replaced by Joel Schumacher’s Brazilian carnival. Schumacher’s first adaptation, *Batman Forever* (1995), made financial success grossing US$ 184 million in the USA and US$ 335 million worldwide. Its IMDb’s user rating, however, scored just 5.4. This suggests an inadequate adaptation of concepts even for movies consumers who were not comic books’ fans.

Schumacher’s second movie about Batman, *Batman & Robin (1997)*, also had financial success, grossing US$ 107 million in the USA and US$ 237 million worldwide. *Batman & Robin (1997)*, however, was strongly criticized by specialized critics, comic books’ fans, and movie consumers. In the IMDb’s user rating the movie scored just 3.5. This seems to have confirmed the inadequacy of the adaptation of “Batman’s world” in Schumacher’s movies. Those difficulties in the adaptation of objects of consumption from “Batman’s world” to movies finished the Burton-Schumacher Era. More time and effort were necessary to adapt the concepts of objects of consumption from Marvel to the movies. That happened just in the 2000s.

Over the 1980s and 1990s, there were some facts in the production of comic books that influenced the resource mobilization of the transference of concepts from comic books to movies. Different from the stories of the other Ages, graphic novels are short stories published in a few sequential issues. A “world” corresponds to a much more extensive storyline, using sometimes months or series of issues of a publication. A successful “world’ can take five or six monthly issues, as the cases of “Superman’s world”, “Batman’s world”, “X-men’s world”, and “Spider-man’s world” illustrate. A graphic novel can be just one or a few publications, such as the four issues of *Batman: the dark knight returns* (1986) and the twelve issues of *Watchmen* (1986-1987). Concurrently, the bigger part of the successful comic books’ “worlds” had been established more than fifty years earlier. As a result, many of them started to show signals of exhaustion. The quality and creativity of the stories started to be criticized. Furthermore, the “worlds” were introduced to consumers in a moment of the life of the characters that started to change – some characters were getting old and their replacement was an extra major challenge, for it meant the introduction of new objects of consumption. DC and Marvel had difficulties in making such time transition.

Change in comic book’s content – The fall of traditional stories and the rise of graphic novels brought difficulties to DC and Marvel in keeping up with producing comic books. Amazingly, the Modern Age has not threatened DC’s and Marvel’s social position as institutional entrepreneurs because the concepts created by these enterprises have become exclusive competitive advantages. The firms have been able to exercise appropriability, cumulativity, and opportunity, making extensive use of copyrights. Emulation is always possible, but copyrights make it much more expensive. In addition, the usual consumer of comic books is a fan so she strongly rejects imitations. As a consequence the institutional entrepreneurship of DC and Marvel are preserved by the powerful inertia in the institutional furniture of theirs consumers.

Despite the existence of this institutional furniture, DC and Marvel have not showed the same performance of other Ages in exploring this connection to motivate consumers to act according to the firms’ goals and wishes. This fall in performance promoted changes in the institutional set inside DC and Marvel. The firms at some point noticed that the interest on comic books was decreasing, implying that they could not go on operating as they used to. Marvel had a complicated transition to a new institutional set inside the firm, while DC had a much easier transition as part of a big entertainment conglomerate.

In 1997, Marvel renegotiated contracts with its creditors and sold part of the firm in order to avoid bankruptcy (The New York Times, 1997). In a difficult financial situation, Marvel saw the adaptation of its material to movies as an achievable productive opportunity. As a consequence, the firm negotiated licenses for adaptation of several of theirs characters and their “worlds” to movies. Those contracts included the period of time that the productive process of the movie should take; in case of non compliance, the rights to make the movie about that "world" would come back to Marvel. All contracts include Marvel as one of the parts involved in the creative process and in finance mobilization.

Marvel's first experiences – The productive opportunity visualized by Marvel seemed to be confirmed. Taking the cinematographic industry into consideration, the 2000's is highlighted by the "rebirth" of movies based on the translation of objects of consumption from comic books. A symbol of this rebirth is the movie *X-men* (2000), produced by Twentieth Century Fox Film Corporation, or Fox. X-men is probably one of the most difficult comic books' "world" to be translated to movies, for it displays a large number of characters that demands different special effects to be adapted. Fox's X-men trilogy succeeded in introducing such concepts to movies through a strategy of testing some of the most popular characters in *X-men* (2000) and later introducing other charismatic personas in *X2* (2003) and *X-men: the last stand* (2006). The first X-men's movie grossed US$157 million in the USA and US$294 million worldwide. It scored 7.4 in IMDb's user ratings and 81% of its reviews were qualified as good by Rotten Tomatoes. *X-men*'s (2000) results can be understood as a proper adaptation of concepts because of its score in the IMDb's user ratings and Rotten Tomatoes' results, even the movie made only the eighth top box office of 2000. Hence, it is possible to affirm that comic books readers and part of consumers of other movies were persuaded to consume the adaptation of X-men to the movies.

Regardless of *X-men*'s (2000) results in terms of total audience in the exhibition theaters, the movie's first sequel improved in reinforcing/introducing a concept of good to movies consumption. *X2* (2003) was a success to the critics and to the producers' pockets, grossing US$215 million in the USA and US$407 million worldwide. It scored 7.8 in IMDb's user ratings, with 88% of its reviews were qualified as good by Rotten Tomatoes, and it made the sixth top box office of the year. *X-men: the last stand* (2006) also was a financial achievement, grossing US$234 million in the USA and US$455 million worldwide. This movie was the fourth box office of 2006, but the critiques were controversial. There are specialized critics and fans who affirm that *X-men: the last stand* (2006) is the best part of the trilogy, while others strongly defend the opposite opinion. Indeed, the environment of this movie strongly highlights the comic books' content. It is thus likely that comic books' fans and specialized critics, who defend a more literal adaptation, consider *X-men: the last stand* (2006) a good adaptation. *X-men: the last stand* (2006) is clear based on comic books of the Bronze Age, and changes in the content are usually credited to modifications in the inner institutional set of the production of the movie. The filmmaker was Brett Ratner instead of Brian Singer, who directed the first two movies. The controversy about the adaptation of this last movie somehow expressed in the IMDb's user ratings, with a score of 6.9, and in Rotten Tomatoes, with just 57% of reviews grading it as a good movie. Overall, the successful adaptation of the "X-men's world" to the movies vindicated Marvel's image of a productive opportunity in some level.

Other movies based on Marvel's content did not perform so well. Despite the good results with X-men's movies, Fox did not show extensive institutional entrepreneurship in transferring concepts of comic books to movies and introducing them to movie consumers. *Fantastic Four* (2005) and *Fantastic Four: the rise of Silver Surfer* (2007), for instance grossed respectively US$154 million in the USA and US$329 million worldwide, and US$131 million in the USA and US$278 million worldwide. They scored respectively 5.7 and 5.8 in IMDb's user ratings. According to the Rotten Tomatoes, just 26% of the reviews of *Fantastic Four* (2005) grade it as good, and 36% did the same for the second movie. The "Fantastic Four's world" can be seem as a bad adaptation from comic books to movies, but not as terrible as "Daredevil's world".

The adaptation of "Daredevil's world" to movies should be analyzed by another perspective. "Daredevil world" is an important part of Marvel's Universe and, consequently, of the comic books' mainstream. But different from Superman, Batman, X-men, and Fantastic Four, the object of consumption "Daredevil's world" had not being introduced to the general public before the movie. "Daredevil's world" had not immigrate to other entertainment before the movies, in this case, Fox and Marvel tried a larger step, perhaps too large. *Daredevil* (2003) and *Elektra* (2005) respectively grossed US$102 million in the USA and US$178 million worldwide, and US$24 (USA), and scored 5.5 and 4.9 in IMDb's user ratings. *Daredevil* (2003) had 44% of its reviews qualified as good by Rotten Tomatoes and *Elektra* (2005) had just

10% of good reviews.

In a case similar to the translation of “Daredevil’s world” to movies, Sony Pictures Entertainment, or Sony, also had a relative poor performance with *Ghost Rider* (2007), which grossed US$115 million in the USA and US$220 million worldwide, scored 5.2 in IMDb’s user ratings, and had 26% of good reviews in Rotten Tomatoes. In a more controversial situation, Universal Pictures’ *Hulk* (2003) experienced a relatively unsuccessful adaptation of “Hulk’s world” to the movies. *Hulk* (2003) grossed US$132 million in the USA and US$248 million worldwide, scored 5.7 in IMDb’s user ratings, and had 66% good reviews in Rotten Tomatoes.

On one hand, The Daredevil’s and Ghost Rider’s cases do not actually illustrate the analytical point here as they are not transference of concepts of objects of consumption already known by general consumers. On the other hand, this adaptation of “Hulk’s world” to the movies illustrates exactly what is studied here. In the end of the 1970’s, a successful TV series as adaptation of “Hulk’s world” to TV took place. The character Hulk is recurrent in cartoons – cartoons based on “Hulk’s world” highlighting Hulk as the central character included – action figures, video-games, and other entertainment. In fact, since the end of the 1970’s, Hulk has been a central character of Marvel’s Universe which emphasizes that the adaptation of “Hulk’s world” to the movies seems to be an exception of the common path that a translation of a “superhero’s world” to the movie. The movies about “worlds” already known by a considerable part of movie consumers, usually are successful in its first movie because of a connection of objects of consumption already known by consumers and the movie. Those facts indicate that *Hulk* (2003) was a bad translation of objects of consumption from one way of entertainment to another which culminate that the movie did not found place in movie consumers’ institutional furniture.

Despite “X-men’s world” adaptation to the movies, the productive opportunity visualized by Marvel was not without its limits. The transposition of concepts from comic books to movies produced significant disappointments. The movies had some elements of the “heroes’ world” but in a twisted way, or simply the concepts just did not work in the movies, or the wider audience unaware of the comic books’ was not properly prepared to accept their concepts. Curiously, Marvel had a chance to fix the resource mobilization of objects of consumption in Marvel's most popular character: Spider-man. The rights to produce a movie about Spider-man came back to Marvel because after the licensed producers failed to comply with the filming deadlines. As a consequence, Marvel could fix a new license taking into account X-men's success and the downturns of the other movies. After some adaptation of its objects of consumption to movies, Marvel reconstitutively reviewed its internal institutional set and decided to control a bigger part of the creative process. The result was a remarkable financial triumph in transference of concepts from comic books to movies: *Spider-man* (2002)

Spider-man (2002) grossed US$404 million in the USA and US$806 million worldwide, and was the top box office in 2002. This is even more remarkable if we consider that 2002 was a year of several blockbusters as *The lord of the rings: the two towers*, *Star Wars: Episode II – Attack of clones*, and *Harry Potter and the Chamber of Secrets*. The financial achievement of *Spider-man* (2002) was repeated in *Spider-man 2* (2004) and *Spider-man 3* (2007). The former grossed US$373 million in the USA and US$784 million worldwide, and the latter grossed US$336 million in the USA and US$885 million worldwide. *Spider-man 2* (2004) was the second 2004 top box office and *Spider-man 3* (2007) was the first 2007 box office.

The critics' and consumers' opinions about *Spider-man* and *Spider-man II* were good. The movies scored respectively 7.4 and 7.7 in IMDb's user ratings, and had 90% and 93% of goods reviews in Rotten Tomatoes. The third movie changed the focus of the adaptation, with more action scenes and an easier plot, the opposite of the first two movies. Critics' and consumers' opinions about the movie were not as positive as in the past. *Spider-man 3* scored 6.4 in IMDb's user ratings and had 63% good reviews in Rotten Tomatoes.

The successful adaptation of the "Spider-man world" to the movies reconstitutively reviewed Marvel's image of productive opportunities about how to present concepts to consumers in movies: the creative process should be done by Marvel, the creator of that "world", for the transmission of such tacit knowledge occurred only with heavy losses. Following this logic, *Iron Man* (2008) was a big and an innovative film in transference of concepts from comic books to movies. *Iron Man* (2008) grossed US$381 million in the USA and US$572 million worldwide, scored 8.0 in IMDb's user ratings, and 93% of its reviews were qualified as good by Rotten Tomatoes. The innovation was the introduction of "Iron Man's world", plus the beginning of a major process, the introduction of "Avengers' world'. The Avengers is a group of heroes usually composed by Captain America, Iron Man, Hulk, Thor, and other minor characters. During the *Iron Man* (2008) movie, but mainly in a post-credits scene, there are obvious references to the Avengers. A movie about a group of heroes instead of just one hero would be a bigger step in the transference of concepts from comic books to movies.

If a first hero's movie transfers concepts in an appropriate way, the financial success of a first sequel is almost guaranteed. The same occurs with a first and a second sequel. So, a "hero's world" successful adaptation from comic books to movies can ensure at least tree good movies. But when a "hero's world" is well-adapted to the movies and simultaneously introduces a groups of other characters (or heroes in this case), there are more possibilities. Indeed, this seems to be the productive opportunity that Marvel is following. After *Iron Man*'s (2008) success, the obvious sequel was produced, *Iron Man 2* (2010). The move was still in exhibition in cinemas when this thesis was being written, grossing until July US$299 million in the USA and US$558 million worldwide. The movie has been seen as a good adaptation, scoring so far 7.5 in IMDb's user ratings, and having 76% of good reviews in Rotten Tomatoes until July 2010. Not surprisingly, *Iron Man 2* (2010) also mobilized resources to the introduction of the concept of the Avengers.

A movie about the Avengers finds a hurdle in Hulk's previous and unsuccessful adaptation to movies. Hence, a kind of a "reboot" of the concept of Hulk, *The incredible Hulk* (2008), was introduced to consumers, now establishing a clear relationship of this movie and the "Iron Man's world" in order to point out the concept of the Avengers. The "reboot" is an option to reintroduce a "world" without taking into consideration what had been done before. Hulk's new adaptation had a much bigger participation of Marvel in the creative process. Once again, the adaptation of "Hulk's world" was not a financial success, but this time the transference of concepts seemed to work better. *The incredible Hulk* (2008) grossed US$135 million in the USA and US$254 million worldwide, a performance similar to Hulk's first movie, but this time scoring 7.1 in IMDb's user ratings and with 66% good reviews in Rotten Tomatoes, a significant improvement in transference of concepts.

Simultaneously, *Iron Man 2* (2010) made clear references to "Captain America's world" and "Thor's world". Actually, according to Marvel's agenda, movies about Thor and Captain America will come out in 2011. Both are being filmed or in post-production now. The titles of the movies are quite suggestive of Marvel's intentions: *Captain America: the first Avenger* and *Thor: the mighty Avenger*. The Avengers' movie and the third movie about Iron Man are scheduled to come out in 2012. The 2000s movies based on objects of consumption from Marvel interfered on DC's image. Different from Marvel, DC has been part of a major conglomerate of producers of entertainment – the Time Warner. So, the transference of DC's concepts to Warner Brothers movies took place again. The plan was to insert DC's main concepts in movies yet again. Different from Marvel, DC did not control the whole creation process. In 2005, a "reboot" of "Batman's world" opened.

DC returns – This time the movie showed a deep concern in carrying comic books' concepts to movies considering the differences among the entertainment medias. The first 2000s' Batman's film, *Batman Begins* (2005), reintroduced the basic concepts such as the origin of Batman and the criminal and corrupt atmosphere of Gothan City, and the second film, *The dark knight* (2008), reinforced them in a deeper level taking personal relationships and psychological complexity of the characters into account. *Batman Begins* (2005) grossed US$205 million in the USA and US$352 million worldwide, but the main point of this movie is the fidelity in adapting concepts from comic books. *Batman Begins* (2005) scored 8.3 in IMDb's user ratings and had 84% good reviews in Rotten Tomatoes. Because of the successful transposition of objects of consumption previously introduced, its sequel reinforced concepts earlier established and introduced new ones accordingly. *The dark knight* (2008) grossed US$533 million in the USA and US$1 billion worldwide. This movie scored 8.9 in IMDb's user ratings and had 94% of good reviews in Rotten Tomatoes. *The dark knight* (2008) is still the most successful adaptation from comic books to movies.

In spite of the successful adaptation of concepts from “Batman’s world”, Time Warner’s new attempt at transposing Superman’s concepts was a fail. In Warner’s resource mobilization to produce the movie Brian Singer was contracted. Singer was the filmmaker of *X-men* (2000) and *X2* (2003), and did not accept the direction of *X-men: the last stand* (2006) because of *Superman returns* (2006). This film was the fifth part of Donner’s legacy. In this case, there was an attempt to isolate the failure of previous films in interfering on consumers’ decision making by making only minor references to them in the new movie. However, the movie was acclaimed just by part of fans of comic books and critics who valued the storyline of the heroes. For the big audience, who understand a hero movie mainly as an action movie, *Superman returns* (2006) was disappointing. *Superman returns* (2006) grossed US$200 million in the USA and US$390 million worldwide. It scored 6.6 in IMDb’s user ratings, and had 76% good reviews in Rotten Tomatoes. After the new experiences about the introduction of concepts from “Batman’s world” and “Superman’s world”, Warner Brothers stated that a “reboot” of Superman’s adaptation can happen soon with the supervision of Christopher Nolan, the director of Batman’s movies.

Current competition – By the end of the 2000s, the transference of objects of consumption from comic books to movies seems to be a productive opportunity in attempts to act as an institutional entrepreneur by both cinematographic and comic books enterprises. This competitive structure may change because of the acquisition of Marvel by the Walt Disney Company (Disney) in 2009 (Roberts, 2009). As a result, Disney, the largest cinematographic conglomerate, now has access to concepts from Marvel’s comic books, and the second largest cinematographic conglomerate, Time Warner, has access to DC’s comic books content. In fact, not all of Marvel’s concepts of objects of consumption can be used by Disney in movies as they were licensed before the acquisition.

Disney and Marvel keep investing heavily in the adaptation of concepts from *The Avengers* to movies, as previously highlighted. However, despite *Iron Man*’s (2008) success, its sequel did not reinforced/introduced “Iron Man’s world” as well as in the first movie. There was a decrease in the transposition of concepts between entertainments. The “reboot” of Hulk also did not show a big improvement in the adaptation of objects of consumption from comic books to movie. As a consequence, depending on Thor’s and Captain America’s movies, the transposition of the Avengers to a film can become complicated since the “Avengers’ world” is built on the previous movies. But if Thor’s and Captain America’s adaptation are successful they can generate several possibilities of blockbusters.

The image of Disney/Marvel also pushed Spider-man’s movies in a different direction. After a few months of pre-production, the fourth movie about Spider-man was canceled and a “reboot” was announced. The new movie is in pre-production phase and is scheduled to come out in 2012. A “reboot” can make sense since Spider-man’s last movie, *Spider-man 3* (2007), failed in keeping adapting the content of comic books to movies. However, Spider-man’s trilogy as a whole was a great success, so the new Spider-man movie will test if it is possible to replace a well-adapted concept from comic books to movies in a very short time.

Fox faces more problems in its resource mobilization to act as an institutional entrepreneur. Fox has the license of one of the “worlds” with major potential for movies: the X-men. The “X-men’s world” was created as a kind of heroes and villains – the mutants – who were introduced in the movies’ trilogy as a unity. Apparently, something with can be understood as the opposite path of the “Avengers’ world” can be taken, with charismatic characters as leading figures of solo movies. Actually, this productive opportunity started to be followed by Fox. In 2009, a solo film about Wolverine was produced. *X-men Origins: Wolverine* (2009) was a financial success that grossed US$ 180 million in the USA and US$ 375 million worldwide. This happened in spite of the movie’s failure in keeping the adaptation of “Wolverine’s world”, which had been partly introduced in X-men’s trilogy. *X-men Origins: Wolverine* (2009) scored 6.7 in IMDb’s user rating and just 36% of its reviews were qualified as good by Rotten Tomatoes. This is the lowest performance of the adaptation of concepts from “X-men’s world” to movies.

Despite that fact, the productivity opportunity to produce movies about other perspectives of the “X-men’s world” seems to be the guideline of Fox’s image. There is a movie provisionally called *X-men: first class* being produced, which will be a prequel of X-men's trilogy. There are also rumors about *X-men Origins: Magneto,* and a sequel of Wolverine's movie. Even after unsuccessful adaptation of objects of consumption of comic books to movies, Fox needs to keep producing those films if it would like to keep the license of Marvel's concepts of goods. That is also the reason why, recently, Fox started to mobilize resources for a "reboot" of Fantastic Four, while Daredevil and Sony's Ghost Rider seem to remain in the shelves.

The adaptation of objects of consumption of comic books to movies is a battle that Warner Brothers and DC are struggling to win despite their pioneering role. While Disney and Marvel succeeded in introducing to consumers complex "worlds" from the comic books that are able to generate a large number of movies, and one success can interfere in the performance of others, Warner Brothers and DC have just a few ongoing projects. The only movie based on DC's comic books in an advanced phase of production is the Green Lantern's film, scheduled to come out in 2011. The final chapter of the Batman's trilogy is planned to be exhibited in 2012. The movie is still in the writing process, and there are rumors about a Superman's "reboot" and a movie about Flash and Wonder Woman.

5.3 Final comments

The introduction of the concept of functional yogurt to Brazilian consumers illustrates central points in consumer's vicarious learning: (1) concepts are not assimilated by consumers from nothing, and what had been previously learned play a key role in highlighting to consumers what concepts of goods are; and (2) an institutional entrepreneur is able to mobilize enough resources to interfere on consumers' institutional furniture. The illustration stresses the creation of a concept of a product, functional yogurt, which is generated by the institutional entrepreneur and incorporated in the consumers' decision making framework. To understand a concept means a review in concepts already known by consumers, which comes from a cumulative modification in their habits and cognition. These habits and cognition are partly a consequence of demands from society – such as a healthy lifestyle and food safety in the case of functional yogurt – and, in part, culminates from the interference of the productive field. The latter occurs according to images held by entrepreneurs who, if successful, can act as institutional entrepreneurs.

The functional yogurt has been a concept of a good recently introduced to Brazilian consumers. Functionality goes beyond providing the traditional nutritional proprieties of the good and includes providing an alleged improvement in consumers' health or well-being. In the case of the yogurt the functional propriety is the regulation of the performance of the intestine. The concept of functional yogurt had been introduced in Europe in the mid-1990s and in Brazil in the late-1990s. The European case is marked by the insertion of Yakult, a fermented milk that allegedly helps to maintain the balance of the intestinal flora. The beginning of Yakult's commercialization in Europe, in 1994, showed to entrepreneurs and consumers the concept of functional dairy and the concept of daily dose. Quickly, European dairy entrepreneurs started to work with the image that Yakult created in an attempt to act as institutional entrepreneurs and influence the consumers' decision making in their favor. Production experience in the dairy industry and, more specifically, in traditional yogurt was an essential resource to the institutional entrepreneurship in the functional yogurt production.

The same occurred in the Brazilian case. The context is marked by changes in the structure of the Brazilian families. A change in the family structure impacts on a large number of social activities, consumption included. In the new structure of the Brazilian family, there is a search for fast and easy ways to have meals. Simultaneously, there is also a demand for safe food because of several incidents that questioned food safety (such as the mad-cow disease). In this scenario, a social orientation for a healthy life has emerged and has been explored by economic actors, especially in consumption goods. Different from the European case, Brazilian society already knew Yakult and the concept of daily dose. Hence, it was possible for a yogurt producer to mobilize resources and act as an institutional entrepreneur in Brazil in a shorter time.

Indeed, in 2004, Danone presented Activia to general Brazilian consumers. Initially, the establishment of Activia was marked by an extremely aggressive TV advertisement which consumers were challenge to consume the product. That ad relied on a proposal to regulate the intestine through the daily consumption of Activia for two weeks or Danone would refund consumers. Danone also patented the name of the probiotic used to give Activia functionality as *DanRegulares*. Given the alleged functionality, that name is extremely suggestive. In what followed, Nestlé and Batavo also entered the production of functional goods in Brazil. BioFibras was presented to consumers according to a strategy of imitation of Activia, and Nesvita as a potential competitor in an attempt to show consumers that Nesvita is a better product than Activia. Danone has always been the expressive leader in that competitive process.

As usual, Danone's institutional entrepreneurship, preceded the regulation of the activity, in this case the production of functional yogurt in Brazil. ANVISA started to implement regulation when the firms were already producing their goods. As a consequence of ANVISA´s action, Activia's TV ad was prohibited. According to ANVISA, the ad could harm the health of a consumer who shows an inadequate performance of the intestine as a symptom of a disease, but who delays treatment under the impression that the consumption of Activia can sort the symptom. In the sequence, the TV ad of Nesvita also was prohibited after a lawsuit moved by Danone, which culminated in the classification of Nestiva's ad as unfair competition. Without the main channel of reconstitutive downward causation, consumers' concepts, habits, and cognition stood unchanged, stabilizing Danone´s competitive advantage to Danone.

Finally, there have been claims that which contest the scientificity behind the functionality of food, mainly yogurts. It has been argued that the functionality of food is much more a marketing movement than an innovation that in actual fact benefits consumers' health. Surely, that is an important issue for the regulatory agency, and should being listed in ANVISA's agenda. In principle, firms that claim functionality are responsible to provide scientific evidence for the claim, but, of course, there is the issue of conflict of interest. This lack of scientificity emphasizes that the essence of the concept of functional yogurt is about (1) the creation of a concept by institutional entrepreneurs and (2) the introduction of that concept to consumers. Consequently, the functional yogurt can be largely based on certain ceremonial features that may dispense with the ceremonial support of scientific evidence.

As for the adaptation of objects of consumption introduced by comic books to movies, it has been argued that transference of concept of goods is attempted on a pursuit to interfere in consumers' decision making. The transference makes use of concepts that consumers have already learned and accepted as desirable. The adaptation of comic books' content to movies regards the story of how comic book's objects of consumption were created. By 1960, the mainstream of comic books had already been established. This mainstream is represented by DC and Marvel comics. From the 1930s to the 1970s, concepts of objects of consumption were introduced to DC's and Marvel's readers who built their institutional furniture about what to consume in terms of reading entertainment and its possible spillovers.

Since the 1970s those concepts of goods have been reinforced. This reinforcement worked not only on consumers' institutional furniture, but also on the image held by entrepreneurs of other entertainment forms. Those entrepreneurs saw transferring DC's and Marvel's concepts of objects of consumption to their own business as a productive opportunity. During that time, licensing their concepts of goods to firms in other entertainment niches seemed a good productive opportunities to DC and Marvel. By the end of the 1970s, cartoons, TV series, action figures, theme parks, and Halloween costumes also showed DC's and Marvel's concepts of objects.

As a consequence of the spillover to other entertainment forms, two kinds of consumers of DC's and Marvel's object of consumption can be identified: comic books' fans and people who learned those concepts through other medias. Clearly, concepts comprehended by the former can be reinforced by the way the concepts are introduced to the latter. The latter can also be induced to consume the concepts as presented by the comic books. One way of persuasion supports the other by exploring a concept already established in some consumers' institutional furniture. Persuading consumers' decision making through concepts of goods already established by comic books has indeed been a productive opportunity pursued by movie producers.

The cinematographic industry has important specificities with regard to how a firm can influence consumers' decision making: (1) their products are experience goods, (2) usually consumed only once, and (3) thus requiring emphasis on *ex-ante* persuasion of potential consumers. This last point is strongly related to the adaptation of concepts of consumption from comic books to movies. Producers do not know if the movie will be judged as a good entertainment by consumers before bearing all the costs of producing and launching the movie. Hence, in the image of producers of movies to cumulative explore a concept seems to be a less risky and more profitable productive opportunity, as the industry has shown in its long history, and includes the adaptation of concepts from comic books to movies.

From the ending of the 1970s to 1990, only DC's objects of consumption were adapted to the movies - four films of Superman and four films of Batman were produced in that period. Both adaptations were successful in the beginning. All started with a Superman's movie and its success reconstitutively reviewed the image of Warner Brothers, a big player in the cinematographic industry. As a result, Warner Brothers started to mobilize resources to produce a transposition of "Batman's world" to a movie. Such resource mobilization was supported by comic books' production, which reinforced Warner Brothers' image through the success of *Batman: the dark knight returns* (1986) and *Batman: the killing joke* (1988).

Despite the success of the first two Superman's movies and of the first two Batman's movies, there were changes in the inner institutional set of the production of movies about these two characters. The result was a sequel to each "world" that did not repeat the good performance of the originals, mainly in the Superman's case. In Batman's case, the later third and fourth movies had some financial success, despite the problems with the transposition of concepts. The transposition of Marvel's objects of consumption started during the 2000s. The first Marvel's adaptation to movies was Fox's X-men. Fox in fact produced a trilogy, which was a financial and a concept transposition success. This was so despite criticism about the last movie, produced in a different inner institutional.

X-men's movies aside, however, Fox failed in the transposition of "Fantastic Four's world" and "Daredevil's world". Sony also failed in the adaptation of Ghost Rider and Universal in the movie about Hulk. The transposition of "Daredevil's world" and "Ghost Rider's world" do not exactly illustrated the case in analysis as they were not concepts from comic books which were introduced to a major public by other entertainment than comic books. “Daredevil’s world” and “Ghost Rider’s world” are essentially comic books concepts, hence a movie about those “world” is similar to introduce new object of consumption to movie consumers.

Those failures showed that the transposition of concepts had some elements of the “heroes’ world” but in a twisted way or that simply were not able to work in the movies. However, Marvel had the opportunity to change the way its resources were mobilized. The license that Marvel signed specified that the movies should be produced within a deadline; otherwise the rights to make the film would return to Marvel. This was the case with Spider-man’s license. By an image reconstitutively reviewed after X-men’s success and other failures, Marvel decided to make a Spider-man’s movie controlling a bigger part of the creative process. The result was a remarkable financial triumph in transference of concepts from comic books to movies with Spider-man’s trilogy. Financially this success is unquestionable; the same is true for the concept adaptation of the first and second movies. The third movie did not perform as the formers in the transposition of objects of consumption, but this film cannot be considered a fail.

The achievements of the Spider-man’s movies reinforce Marvel’s image about its resources mobilization: the creative process should be controlled by who knows enough the concepts of object of consumption to make the transposition. This was the logic applied to the production of Iron Man’s movies. The result was another successful and innovative adaptation that introduced a “hero’s world” within a “group of heroes’ world”. *Iron Man* (2008) and *Iron Man 2* (2010) make clear references to what can be understood as the “Avengers’ world”. The Avengers is a group of heroes composed, mainly, by Iron Man, Captain America, Thor, and Hulk. Hence, a “reboot” of Hulk’s movie was produced after “Iron Man’s world” and “The Avengers’ world”. Movies about Captain America and Thor are being filmed or in post-production now. According to Marvel’s agenda, both films will open in 2011 and The Avengers’ movie in 2012.

In 2009, Disney bought over Marvel. The new association reinforced Marvel’s plans to carry over the Avengers to the movies and worked on a “reboot” of “Spider-man's world" to the movies. A "reboot" can make sense since Spider-man's last movie failed in keep adapting the content of comic books to movies. However, Spider-man's trilogy as a whole was a wide success, and the question emerges whether it is possible to replace a well-adapted concept from comic books to movie in a very short time. Despite Marvel's institutional entrepreneurship in adapting concepts of comic books to movies, Fox has shown difficulties in the production of movies of Marvel's objects of consumption. Fox's attempts to act as an institutional entrepreneur seem to be centered on the X-men's license only.

The success of Spider-man's, X-men's, and Iron Man's movies not only reviewed Marvel's image, but also DC's and its associated Warner Brothers. As the two last Batman's adaptation to movies were not good transposition of concepts, DC decided to restart Batman's story in films. This time Batman's adaptation took greater care in the transposition of concepts, the result was an astounding adaptation. A third movie of this "reboot" is scheduled to take place in 2012 and thus finish Christopher Nolan's trilogy. Superman's new movie took a different path from Batman's. *Superman returns* (2006) was a fifth sequel of *Superman: the movie* (1978). Brian Singer did not accept to be the director of *X-men: the last stand* (2006) to work on *Superman returns* (2006). Despite Singer's expertise in adapting concepts from comic books to movies, Superman's new movie failed to perform as a hero film. The wider audience expects a hero movie to be an action movie embedded in a good plot about the "hero's world", but *Superman returns* (2006) offers only the latter feature. Because of its poor performance, Warner Brothers has indicated that a "reboot" of Superman' movies can occur soon supervised by Christopher Nolan – probably in a attempt to apply resources with proven results in transposing comic books' to movies.

6. Conclusion

This thesis proposes a new set of psychological variables and connections in which Institutional Economics can rest, with a focus on consumers make decisions and on how firms can interfere in that process. In order to achieve such goal, this thesis highlights three key issues: (1) the complexity of the psychological fundamentals of Institutional Economics, (2) more insights of an institutional approach to consumers' decision making, and (3) the role of the firm (or the entrepreneur) in an institutional approach of consumers' decision making.

The psychological complexity – The psychological fundamentals of Institutional Economics demands to be analyzed by different psychological lenses. One of them, as argued here, joins an instincts perspective that draws on Veblen's ideas and a cognitive perspective that uses the notion of vicarious learning. To stress instincts and a social learning process as elements of people's, thus, of consumers' decision making, brings together psychological and social analytical elements. Such analytical standpoint is not strange to psychology, but the same is not true to the social sciences.

Here, the elements from psychology highlighted as central to Institutional Economics are used to analyze the basis of people's decision making, mainly consumers and entrepreneurs, in an evolutionary perspective. As a consequence, this thesis also discusses the psychological complexity of the *inter*-action between entrepreneurs and consumers. As far as links between modern Psychology and Economics are concerned, scholars as prestigious as Herbert Simon and Daniel Kahnenman have worked on using insights from the former to improve the latter. To the best of my knowledge, the effort of this thesis concocts a different set of issues. Confronting those different approaches would be a possibility for future research.

An institutional approach to consumers' decision making – The central institutional approach to consumers' decision making considered in this thesis is Veblen's notion of conspicuous consumption. To be the central approach does not mean to be a complete approach, as every scientific study is incomplete by definition. Veblen's conspicuous consumption is a study of consumers' decision making based mainly on consumers' emulative behavior and ceremonial features of goods. For Veblen, people conspicuously consume because they emulate the consumption behaviors of the leisure class, the highest social class. Consequently, habits of consumption are guided by the wastefulness of goods, their ceremonial features. In spite of Veblen's relevant contribution for an institutional approach of consumers' decision making, there are some analytical elements which are not present or not emphasized enough in Veblen's theory, such as how consumers learn the social content of their decision making and how consumers' decision making process change.

In general terms, consumption is the satisfaction of consumers' needs through goods and services. Motivations to consume can emerge from instincts or social stimuli. Independent of the origin, the motivation to consume relies on consumers' sociability, as objects to satisfy instincts and social stimuli are collectively learned. Through social learning, consumers establish their relationship with goods. Such social learning is based on how consumers perceive institutionalized ways to consume. An argument of this thesis is that consumers' social learning relies on vicarious observation, which means that consumers learn by observation of what they seem as models of behaviors. By observation of models consumers learn which goods are acceptable and/or desirable products to be consumed. To consume acceptable and/or desirable goods transfers those features to the consumer. In the end, consumers' vicarious learning establishes ceremonial and wasteful features of goods.

Ceremonial and wasteful features of goods are understood by consumers according to their grasping of who the models are and what they signify. When a consumer identifies a model and is able to behave accordingly, this consumer, at least partially, accepts that model's ideas, desires, and needs related to the observed consumption of the good. Behaving as a model means that consumers enforce the social relationships that support the consumption of the observable good. To recognize a specific product as something acceptable and/or desirable means the acceptance by the observer of an identity of consumers of that good. Identities are reflections of cognitive consonances about consumers' behaviors, and such cognitive consonances are typified by institutions. Identities result from models spread over a society which became guidelines to consumers' decision making. Institutions, in their turn, embed and amplify those identities spread in a society.

To understand what institutions highlight as identities, and consequently models, means that consumers are able to deal with institutions' cognitive inertia in order to learn which goods are acceptable and/or desirable. Identities and models are more than "good examples" to consumers. They are reflections of the cumulative evolution of institutions' cognitive inertia. Through the same process that consumers build their decision making frameworks, such logic can be reviewed. The revision of consumers' decision making can be based on changes of goods, changes of how consumers understand goods, or both. In an argument first developed by Tibor Scitovsky, there are two different types of satisfactions generated by the consumption of acceptable and/or desirable goods: comfort and pleasure. The former is a consequence of the current consumption of acceptable and/or desirable goods. The latter results from consumption of acceptable and/or desirable goods by the very first time. A change in the meaning of a good does not necessarily means pleasure as the modification can rely on the same decision making framework previous to the change. In this case, just the good connected to the logic changed. This can be understood as the foundation of the fashion phenomenon.

The role of the entrepreneur – the entrepreneur used to be a key character in Economics. Between the late 19th and the mid-20th, there were several studies in Economics in which the entrepreneur figured with a central role. Among them Schumpeter's and Penrose's approaches deserve mention. Schumpeter's and Penrose's studies present small references to the necessity of the entrepreneurs to take consumers' decision making into account. However, Schumpeter's and Penrose's followers have moved their analytical focus to other issues, like technical progress and technological change in an evolutionary approach of the firm or competences and a resource-based view of the firm.

As a consequence, the role of the entrepreneur in consumers' decision making has always been a shadow in Economics. This is so in spite of Economics' claim to be the queen of the social sciences, but a science that regards the *inter*-action of entrepreneurs and consumers simply as a demand-supply diagram. The institutional approach of consumers' decision making here introduced offers a possibility to analyze how entrepreneurs can interfere in consumers' decision making.

The analysis of how entrepreneurs can interfere in consumers' decision making relies on the entrepreneurs' ability to mobilize enough and proper resources to influence consumers' habits, cognition, and vicarious learning. This resource mobilization is a cumulative and evolutionary process based on what goods mean. Entrepreneurs can learn from institutions how to behave according to consumers' concepts of goods as much as how to create concept of goods. Entrepreneurs also vicariously learn elements of consumers' decision making framework, with a different purpose, though: to interfere in consumers' decision making according to entrepreneurs' goals and whishes. From this perspective, technology may be an important variable in some cases, but may not be necessary or sufficient in many others.

Empiricism – Another relevant issue of consumers' decision making is the complexity to analyze the consumer empirically. This may be the reason why there are so few studies about such an important topic in Economics. To study consumers or consumers' decision making is to study the human being in all his complexity. Hence, for a theoretical approach of consumers' decision making that advances Economics towards a more satisfying framework, elements of psychology, sociology, and anthropology seem necessary - something that demands a lot of the researcher. Empirical studies are even more complex, as it is hard to isolate the variables that interfere in consumers' decision making. Consumers in their turn may not be able to consciously recognize who or what exactly models, identities, and lifestyles which interfere in their decision making are. Researches are yet to find a way to deal with such complex phenomena.

The same argument can be used to understand why the entrepreneur is not on the focus of evolutionary economics anymore. It is more empirically tangible to analyze technical and technological aspects than the mind of the entrepreneur. Despite such complexity to make empirical analyzes of consumers' or entrepreneurs' decision making processes, these kinds of empirical studies seem to be central for the Economics these approaches try to advance. Regardless of the analytical difficulties, it is possible for a researcher to make empirical contributions about consumers' or entrepreneurs' decision making. This thesis suggests that a historical analysis of the "actions of the firm" in attempts to influence consumers' decision making is a valuable source of inference. In this case, "actions of the firms" are proxies of entrepreneurs' decision making. Another way to empirically analyze entrepreneurs' decision making is through interviews, which allows the interaction of the researcher and the entrepreneur.

The empirical study of consumers' decision making empirically shows different challenges, since consumers' decision making is usually not so strategically planned as entrepreneurs'. Even so, there are some possibilities to empirically analyze the phenomenon. A promising means, commonly used in psychology, is the analysis of selected samples. Bandura himself elaborated a large number of studies about human behavior based on samples (of kids attending school). Another analytical possibility, which can work for both consumers' and entrepreneurs' decision making, is to use data obtained by samples as input data in computer simulations. Through computer simulations other scenarios can be studied and new hypotheses can be generated. In a final note, a major barrier to making empirical studies about consumers' decision making in academia is that this kind of study is resource demanding, resources which can be hard to obtain, especially in Brazil.

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