

Title: An Alternative approach to Consumption Incorporating Spontaneous Change, Unpredictability and Consumption Externalities - A Dynamic Approach to Consumer Choice

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ABSTRACT

Conventional utility maximising theories of consumer behaviour have not found it easy to handle shifting preferences or fluctuating patterns of demand. Despite these persuasive features, the dominant paradigm within economics has remained that of orthodox neoclassical consumer theory with its essentially static equilibrium approach.

In this paper an alternative approach is taken whereby consumption is characterised as a dynamic rather than as an equilibrating process. A dynamic model of consumer choice is proposed which incorporates consumption externalities. The model is deliberately minimalist and symmetric, so that there are no endogenous or exogenous factors causing consumers, in aggregate, to favour one particular commodity rather than another. Yet, the results of simulations show that remarkable switches and re-switches in patterns of demand can arise spontaneously and in ways that are emergent and unpredictable. The model lends force to the view that, changes in economic and social activity can occur even in the absence of any clear catalyst of change.

Keywords: Consumption externalities, Dynamic choice

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