Research Notes and Comments

Administration and the Consumer*

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The ideal of service to the public prevails in our society; it is derived in the main from the ideal of the maximum happiness of the greatest number. By definition, public services are assumed to have been established in order to supply services to the public. The private economy is seen as geared to the needs and wishes of the consumer. This ideology reflects a traditional classical theory of economics which holds that only an enterprise which serves the consumer can survive and that the consumer controls the production and the distribution of goods and services through his purchasing power. But it leaves unanswered the empirical question of the degree to which public and private economic resources are actually tuned to public needs and of the ways in which these needs are effectively expressed. The following remarks raise some hypotheses about the lines of communication between producer and consumer, and about the means of influence that the consumer actually has at his disposal. It is suggested that in some sectors of the economy the consumer's influence is rather limited.

Separation of Consumption from Control

Modern society is characterized by a highly advanced division of labor and by bureaucratization. Fused elements become separated and

*I am grateful to Arthur Stinchcombe for a very suggestive discussion of various parts of this analysis.

function independently. Each differentiation raises the question: What are the relations among the separated elements. One of the best-known studies of such a process is that of Berle and Means on the separation of control from ownership. Berle and Means demonstrate that when an economic enterprise becomes incorporated and bureaucratized, the control over the enterprise becomes separated from the right to its profits. Both elements had been integrated in the concepts of private property and entrepreneurship. Their separation raises the problem of the relationship between the two elements, the one invested in the roles of managers and the other in the roles of stockholders.

Specialization and bureaucratization have caused another bifurcation. The customer's role, considered as one element in the ideology discussed above and in the classical model of economics, has been divided into two: consumption in the sense of receiving services and goods for the satisfaction of one's needs and controls over the distribution of resources in accordance with one's needs. While consumption has been retained by the consumer (like dividends by the shareholder), control has been, to some degree, retracted from the consumer and invested in other roles (like control over production in Berle and Means's analysis).

We suggest that this is a general tendency, although it varies considerably in different sectors of the economy. In subsequent pages the diverse forms and varying degrees of this process will be discussed. Our suggestions should be regarded as tentative hypotheses for further research. The information available is far too scanty to make any conclusive representation possible.

That role differentiation is one of the major processes of change and modernization is suggested by T. Parsons and N. J. Smelser in *Economy and Society* (Glencoe, Ill., 1956).


Note that H. A. Simon takes a different standpoint. He identifies the customer with those who are in control and not with those who consume the product in cases where there is a separation. Thus he sees in the legislative body the customer of the governmental agency. See Herbert A. Simon, *Administrative Behavior*, 2d ed. (New York, 1957), p. 120; see also the definition of clientele in Herbert A. Simon, Donald W. Smithburg, Victor A. Thompson, *Public Administration* (New York, 1956), pp. 461–464.

The relationship between bureaucracies in general and public administration in particular to their clients is not very often studied. Textbooks and journals of administration tend to pay much more attention to the efficiency of administrative processes than to the gearing of these processes to the objectives of those they serve. This seems to be a specific case of the phenomenon referred to by Max Weber as "the irrational rationality."
The various economic sectors may be arranged on a continuum according to the degree of separation between consumption and control. The smallest degree of control by consumers will be found in public monopolies (e.g., the post office); next are public services such as public schools, universities, hospitals, health services, and social welfare; then come private monopolies, duopolies, and oligopolies; relatively high consumer control will be found in the economy of small business.

One major mode in which the process of separation is revealed is the separation of consumption from direct financing, common to all public services. The agencies producing and supplying public services do not depend on consumers' fees in any manner similar to that conceived by the classic model of economics and by the above ideology. In many cases the fee charged is a small proportion of the actual price of the service, as for example tuition fees in many universities or charges of public hospitals. Services are financed through taxation or private endowments.

Sometimes taxation is considered to be an indirect form of consumers' fee. But this indirect way of financing (as compared to direct financing through purchasing) implies that control is at least partially invested in those who recruit the financial means from the public and allocate them to the producers of the service. This is even more true in the case of private endowments, in which reports to the contributors concerning the utilization of funds are generally less frequent and extensive than they are in the case of taxation.

The term public suggests the image of one and the same public, consuming services for which it has paid through taxation and endowments, whereas it is well known that there is no one public but many publics, and the financing public is often only partially overlapping with the public consuming that particular service and vice versa. Although there is considerable variation, in general the participation in consumption of public services by a given segment of the public is inversely related to its participation in financing. Higher strata pay more taxes but benefit less from public services than lower strata.

It is also of significance that tax payments are involuntary and cannot be withheld when services are unsatisfactory and that endowments are generally induced by motives other than the satisfaction expected of the respective services. Thus financing public services, one source of control, is at least partially separated from consumption of these services.

Separating financing from consumption is only one way of separating control from consumption. Another way is public and private monop-
The post office, for instance, charges fees which in toto tend to cover the expenses of the service supplied, but this does not mean that the post-office administration is dependent on the consumer more than the university is dependent on the student or the state hospital on the patient. There is no satisfactory substitute (in the same category of price and convenience) for the services of the post office. Consequently the consumer has little direct control over the service. This seems to hold for public services in general.7

The separation of consumption from control is not a problem of public administration or of public services and monopolies only, but one of bureaucratization in general. It applies to the private economy as well, although in varying degrees. The problem of exploitation of consumers by private monopolies is only too well known. A similar relative indifference to the needs of consumers, which arises in duopolies and oligopolies, especially when price leadership and similar processes operate, has also been discussed.8 To these, corporations which produce mainly for one big consumer, often the armed forces, should be added. These corporations are relatively indifferent to the mass of small individual consumers; so are large corporations in general.9 But even small competitive firms do not allocate their resources solely according to the dollar votes of consumers. In addition to consumers, they have to satisfy government regulations, taxation, trade unions, shareholders, and financiers, to mention only a few. Thus they have to allocate their resources according to the relative pressures exerted by these various forces.

The consumer is therefore only one source of pressure among many, and certainly not the most organized and powerful one. The assumption that what maximizes the consumer's satisfaction is also best for all the others concerned, as the classical model of economics claimed and


'E. P. Herring, Public Administration and the Public Interest (New York, 1936), pp. 226-257.


"Large firms producing finished consumers' goods are not ordinarily subject to serious direct pressure from this group—either from middlemen or ultimate consumers" (R. A. Gordon, Business Leadership in the Large Corporation [Washington, D.C., 1949], pp. 253-254). "The reasons U.S. auto sales have levelled off for the past few years, said Romney—with a bow to his hot-selling little Rambler—is that the automobile industry as a whole has ignored fundamental changes occurring in automobile use and demand" (Time, Dec. 23, 1957, p. 64).
as some people still believe, it as often wrong as it is right. For instance, higher wages for workers mean more expensive goods for the consumers. Less profit for the producer may mean better or cheaper products for the consumer. The distinction among consumers, producers, savers, and the like, is an analytical one and resembles the distinction sociologists make among different roles of the same person. But the fact that many persons are both producers and consumers does not mean that there can be no economic act which is advantageous for the one and unfavorable to the other. In the first place, some people, such as children and the aged, are consumers only. In the second place, most economic acts are advantageous for the producers of some goods or services and disadvantageous for the consumers of these or some other products, and these two groups of people are, in most cases, not identical.

The consumer's direct control is largest in retail stores, small business, and small services (such as barbers), where commissions and tips play a role. These are also the economic units in which separation of ownership and management is the least pronounced, i.e., the economic units in which the processes of bureaucratization and differentiation are least developed.

The professionals are difficult to place in this continuum.¹⁰ Their services, especially when organized in any administrative form, are separate from the fee charged and therefore from direct pressure by the client. Here separation between consumption and control is supported by a strong ideology, sometimes taken over by other branches of bureaucratized society, namely by the principle that those who administer the service are in a better position to judge what is good for the consumer than he is himself; hence separation of control from consumption is the best way to maximize the happiness of the greatest number. We now turn to an examination of this argument.

THE FUNCTIONS OF CONSUMPTION-CONTROL SEPARATION

The separation of consumption from control has important functions that few would agree to abolish. In many areas consumers are incapable of judging what is best for them. Separation of consumption from control opens the possibility for control to be exercised by an authority that is better able to satisfy the consumer's needs. The incapacity of the consumer has various sources. Sometimes it is due to his

relative ignorance,' as in the case of patient and physician; in other instances it is a question of the need for institutionalized means of enforcing social mores, as in the case of the university which determines the standards of qualifying examinations in English for engineering students; in still other cases it is a question of long-run versus short-run interests of the consumer; like the shareholder, the consumer is often on the side of the short-run interests, while those in control of production are often aware of the necessity not to subordinate all the available resources to higher dividends or better and cheaper products but to allocate a certain proportion to reinvestment and innovation. The consumer cannot be relied upon to look after these economic needs, although in the long run he may benefit from doing so.

The separation of consumption from control is also a necessary condition for much of what is called social justice. Through progressive taxation and administrative measures it becomes possible for the public to influence the allocation of the national income. So it becomes clear that the separation of control from consumption has many functions.

This brings up the question: Should this process be encouraged or minimized? This is a question of the relative realization of values which are only partially consistent. If in view of his superior knowledge the administrator or the expert takes control, the consumer's freedom of choice is restricted in the name of other values such as health, education, or increased possibilities of choice in the future. The question of the extent to which this freedom of choice should be sacrificed for other values is a value judgment that cannot be discussed here. But it seems relevant to point out that freedom of choice is often sacrificed without any real gain in terms of other values. Once control is withdrawn from the consumer, there arises a tendency on the part of the administration to expand the area of its control for illegitimate reasons such as the power drive of some bureaucrats and the ease of handling controlled clients as compared to clients with a relatively large freedom of choice.

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11This point was made by J. A. Schumpeter, Capitalism, Socialism and Democracy, rev. ed. (New York, 1947).
13Usually consumers' control is a "precarious" value, but in some cases over-pressure of the consumers endangers the legitimate functions of the organization. See Burton R. Clark, Organizational Adaptation and Precarious Values, American Sociological Review, 21 (June 1956), 327–336.
Thus, for example, one may support or oppose hospital uniforms for patients when the issue of disinfection is involved, but there can be little justification for limiting the choice of clothes in homes for the aged. In school, children have to be controlled for their own good. But when these attitudes and techniques are extended to PTA meetings, they become illegitimate.

We can now ask: What mechanisms limit the separation of consumption and control and confine control within its functional and legitimate boundaries?

**THE PROBLEM OF RELATING CONSUMPTION TO CONTROL**

The process of bureaucratization differentiates elements which previously were fused. This raises the problem of re-establishing a relationship between these elements. This is not likely to be done by reinvesting full control in the consumer (i.e., reintegrating the elements), as this would undermine the values discussed above. Rather the function has to be fulfilled by institutionalized bridges: the elements remain separated but not unrelated. The consumers do not exercise full control, but they exert influence on those in control. The mechanisms through which the consumers’ wishes are communicated and through which they exert pressure on those in control have to a large degree still to be explored. Some hypotheses concerning the nature and functioning of these mechanisms will now be spelled out.

**Communication Bridges**

One interesting problem is the degree of effectiveness of communication lines between the clients and producers, especially in public services, large corporations, and other highly bureaucratized enterprises. We suggest that in many cases few lines of institutionalized communication exist. How much communication flows from the clients of the post office to the postmaster? How many communicative contacts of patients with top hospital administrators are more than accidental or formalistic?

A second question is: When communication does exist, how representative is it of the clients’ actual feelings and needs? We suggest that often it is highly unrepresentative. Extreme cases are morning radio programs intended for housewives, which broadcast songs selected according to statistics of popularity based on the number of coins.

inserted into juke boxes by teenagers. Relatively more significant cases are the indexes which make and break television programs yet in most cases are known to be unreliable and unrepresentative. Apparently many of the market research programs, extremely few of which are conducted by public suppliers of services, are unsatisfactory from a professional point of view. The “letter to the editor,” “suggestion box,” and other channels of complaints also seem highly unrepresentative. In very few organizations does informal communication concerning consumers’ needs reach the higher levels of the organization and get transmitted to those who could act upon it. One of the important reasons for this seems to be an institutionalized insensitivity to the consumer, which will be discussed below.

The relation between consumer and supplier of goods and services may be further analyzed with regard to the communicative influence and skill of the various types of consumers. Some consumers are more communicative than others (e.g., journalists) and, therefore, frequently receive better services. Exploration of the mechanisms involved here may demonstrate the significance of nets of communication for the problem at hand. Journalists, like other communication stars, cause a short cut in the communication system by communicating the consumer’s needs to top management directly. In this way top management is often informed of issues which would not have reached it through the regular channels of communication. There seem to be other, more institutionalized, short cuts as well; for instance, surprise control checks, interviews of customers by high-ranking managers, and planted “shoppers.”15 When these mechanisms are studied, their relative merits have to be compared not only from the point of view of their communicative virtues but also from the point of view of their effectiveness in exerting pressure, since communications alone might prove ineffective. From this standpoint there appears to be little substitution for an aggressive press, although the latter’s potential threat often suffices to make other channels of communication effective. To what extent the press and other mass media are free to criticize major services and producers who have large advertising accounts or political ties has so far been a matter of much gossip but little study.

Institutionalized Attitudes to Consumers

The idea of service to the consumer implies that those who serve him will accept the idea, be rewarded for behavior conforming to its standards, and be deprived for deviating from it. It would be of much

15On customers’ complaints and “service shopping” as a means of evaluating employees, see O. P. Robinson, Retail Personnel Relations (New York, 1940), pp. 340–345.
interest to study if and how the service idea can be institutionalized. We would suggest that some basic features of administrative structures make this norm difficult to reinforce. Some characteristics of these structures even activate counterforces which make for institutionalized insensitivity to the consumer.

We suggest that many lower-level clerks and sales workers who come into contact with customers are organization-oriented and not customer-oriented. A study of retail grocery workers reports that when asked about the “most important single factor in present job,” 22 per cent mentioned “like associates”; 22 per cent supervision; 29 per cent future advancement; 5 per cent contact with customers. Thus it appears that co-workers and supervisors with whom clerks and sales workers interact intimately (as compared to the relatively impersonal contact with customers) are often the “significant others” toward whom they are sensitized. This would be of little consequence if promotion, supervisors’ approval, and co-workers’ attitudes were geared to service orientation toward customers. The degree to which this is really so must still be explored, and the conditions that support versus those that suppress a customer orientation must be spelled out. It seems that promotion and other supervisory sanctions depend partly on other factors (e.g., obedience), while co-workers’ attitudes are more influenced by other values such as friendliness and loyalty.

Sensitivity to the client may often be disadvantageous for the organization man. If, in an extraordinary case, he sticks to the organization’s norms, he usually fares better than if he tries to bend the norms of the organization to the client’s needs or if he bothers his boss with the case. Furthermore, contact with clients is usually relatively concentrated on the lower levels of the organization; those who are successful in their relations with clients may find it more difficult to attain promotion than those who prefer to prepare themselves for the next, less-client-oriented stage. To sum up: To be client-oriented and to transmit clients’ demands upward seems to be relatively unrewarding in many organizations.

Sensitivity to the client seems to be greater in cases in which the relationship is preponderantly composed of primary elements where the client is significant as an agent of rewards and deprivations. The

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16“Unfortunately management has paid little attention to consumption studies up to now” (Irwin Friend and Irving B. Kravis, New Light on the Consumer Market, Harvard Business Review, 35 [Jan.-Feb. 1957], 105).
17On this problem, see R. K. Merton, Social Theory and Social Structure (Glencoe, Ill., 1949), pp. 157-158.
relationship between clerk and client in the post office is very secondary. But the relationship between a tailor and a permanent customer is relatively much more primary. Restaurants, for instance, may be fruitfully classified according to the clientele to which they cater; they range all the way from railway-station restaurants, which often are quite indifferent to transitory customers, to exclusive restaurants, which cater to a selected group of regular clients.19

From the point of view of primary versus secondary elements the relationship may be asymmetrical as between professionals and their clients.20 This means that tension is built into the structure of the situation, since the client expects the relation to be more primary than the professional is able or willing to grant. Another variation on the same line of the primary-secondary continuum is the pseudo-primary relationship created by salesmen. This is an attempt on the part of the supplier of goods to manipulate the consumer by simulating a primary relationship, i.e., creating the impression that the relationship is symmetric, based on mutual responsibility (on mutual control) while actually the relationship is asymmetrical (controlled by one side). These are only a few examples of an area that has still to be explored.21

Co-optation and Communication

Organizations which are committed to the ideology of service and are aware of the problems of communication with consumers, especially when they wish to communicate a message to the consumers because they need their co-operation, sometimes apply a method known as co-optation.22 Customers' representatives are sometimes requested to participate in the decision-making process. In certain cities in Belgium, for example, the customers elect a representative to participate in a transportation council that regulates public transportation.23

It would be a significant empirical problem to spell out the condi-

21It is known that both political decisions of the citizen and economic decisions of the consumer are influenced by opinion leaders. It would be interesting to study the relations between political and economic opinion leaders. Some insights into the problem can be gained from Bernard Berelson, The Library's Public (New York, 1949), pp. 115–122. See also A. Campbell and C. A. Metzner, Public Use of the Library, rev. ed. (Ann Arbor, 1952), and Oliver Carceau, The Public Library in the Political Process (New York, 1949), pp. 111–151; on consumers and opinion leaders, see Elihu Katz and Paul F. Lazarsfeld, Personal Influence (Glencoe, Ill., 1955).
tions under which co-optation is real and the conditions under which it is fictitious. It seems that co-optation is more often applied in communications from those in control to the clients than the other way around. Co-optation is often used in order to create a semblance of communication from clients to those in control without effective communication really existing. Thus, although co-optation is theoretically a mechanism of consumers' influence, it is frequently not applied so as to realize its potentials. When co-optation is manipulated or fictitious, not only does it not fulfill the function of co-optating the consumer, but it blocks the expression of his needs. Simulated co-optation suggests that the communication problem has been solved, whereas actually it only conceals the need for real communication and influence.24

Molding the Consumer's Desires

The problem of the gap in communication between the consumer and those who control his consumption is sometimes partially "solved" by molding the consumer's desires. While basic needs are difficult to mold, the manner in which they are satisfied seems to be quite open to manipulation. Furthermore, additional needs can be created simultaneously with the means of satisfying them.25 Thus to the extent that the supplier of goods and services is able to create satisfaction, there is little need for communication from the consumer to the controller.28 This, of course, is a complete reversal of the process as depicted by the ideology according to which the consumer's choice determines the allocation of resources. But so far the methods of persuasion have been only partially successful; therefore our basic problem of bridging the elements separated by bureaucratization still exists.

The Countervailing Power of the Consumer

The mechanisms discussed up to this point are mainly mechanisms of communication which transmit or fail to transmit the required information concerning consumers' wishes. But communication may be ineffective unless reinforced by power. Therefore it is necessary to analyze the sources and channels of the consumers' power to counter-
vail other pressures on those in control. There are two main types of such power: economic and political.

a) The economic countervailing power of the consumer is different in different parts of the economy. Following the continuum presented above, we might say that it is large for retail shops and small-scale private services, smaller for large, bureaucratized enterprises, especially those depending only partially on the mass of individual consumers, and even smaller for the rest of the economy, including organized professionals and private and public administration.

Countervailing power as discussed above referred to the unorganized, random activity of the mass of small individual consumers. Sometimes the term is applied to the organized activity of consumers. Although such activity takes place in some extreme cases of exploitation, it is a very rare phenomenon. Most consumers have only a segmentary, limited interest in most products. They are unwilling to devote energy, time, and money to the aim of organizing a consumers' strike. In most cases, only if the service or product is invested with a broad and symbolic meaning is such a strike successfully organized, as in the boycott of the bus services in Montgomery, Alabama.

The assumption that certain economic organizations such as department stores, for instance, act as natural consumer's agents, since they attempt to countervail the economic power of producers, seems open to serious question. Generally the gains which these organizations achieve by exerting pressure on producers are self-oriented. The consumer may or may not benefit from the power struggle between producer and distributor, but the latter cannot be considered as his representative. Besides, a coalition of producers and distributors may be as likely as a collision. Subordination of one party to the other (as in the gasoline and automobile industries) is also fairly common. In these cases an understanding between these powerful partners often seems to occur at the expense of the consumer. Thus the consumer seems to be the one taken advantage of rather than the one served by the economy. If he is in possession of any significant, organized, countervailing power, it is in most cases not economic but political.


b) The political countervailing power of the consumer is his ability to exert pressure on political authorities to intervene in economic processes in such a way as will be advantageous to him. Although he has limited influence on those who serve him or on those who are in direct control over those who serve him, he has, under certain conditions, some influence on those who direct or who manage and control the supply of goods and services. Many price regulations, safety standards, health standards, advertising laws, and the like are created by politicians in order to satisfy voting consumers. These controls are relatively indirect and regulative in private industry but considerably stronger generally (although not necessarily strong enough) in cases in which an industry is more monopolized, i.e., when it is less under client control. These controls are more direct and prescriptive when it comes to public administration. But their relative effectiveness has, to a large degree, still to be examined.

Political mechanisms may be relatively effective, but their influence in democratic societies is limited since interference with economic processes in general is limited. But even in sectors which are under public control, this bridge is only partial because the mechanisms of communication between voters and politicians have all the deficiencies shown to be characteristic of the mechanisms of communication between consumers and those in direct control over the supply of goods and services. Take as an example the independent regulatory commissions which ideally represent the consuming public vis-à-vis various monopolies and other large-scale economic organizations. It is highly revealing to compare the National Labor Relations Board, which acts as a mediator between the organized camps of labor and management, to these commissions, which stand between large corporations on one hand and an unorganized public on the other.

In order to reach a better understanding of these mechanisms, it is necessary to specify for each major good or service the consuming public, the voting public, the financing sources, the producers, and the distributors of the respective goods and services and to study the relations among them. Of special interest here is the relation between consumers and voters. The assumption that these two groups are identical is oversimplified. Some consumers do not vote because they are

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too young. Others constitute an insignificant voting group because their right to vote is not observed or not activated, because the group of consumers of the specific product is small if compared to the voting public, or because groups which exert counterpressure are much stronger. Much of what has been said above concerning the need to study various groups of consumers according to their communication abilities also holds for the study of their political countervailing power. There is no one undifferentiated public. Some groups of consumers have much more political power than others. Students, for instance, are much more politically articulate than most clients of the social welfare services. These differentiations and their significance have been relatively unexplored. Finally, political loyalty and voting in particular are in most cases dependent on issues other than direct issues of consumption. In short, the relationship between consumption and political behavior is far from being simple and requires much more research before its significance for the problem at hand can be fairly assessed.

To sum up: For the purpose of studying the consumer's relation to control, the traditional organizational chart has to be expanded in two directions: (a) the differentiation of consumer publics and their various contacts, lines of communication, and ways of exerting pressure has to be incorporated on the one end; and (b) the various "political" organs which control public administration and regulate some private economic activities have to be brought into the frame on the other end and the relationship between the consumer and these political authorities has to be analyzed. It is believed that if this is done systematically for several types of consumers and organizations a clearer understanding will be achieved, not only of the organizations themselves, but also of whom they really serve, why, and under what conditions.

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One exception may be the antitax candidates. Even these seem to have been more labor-oriented and labor-supported than simply consumer-oriented. The study of the relation between the political activities of labor and consumers' interests and representation are of special interest. The interests of the two groups may often coincide (e.g., anti-tariff legislation) but may also differ (e.g., anti-immigration laws and inflationary wage increases). Further study of the problem necessitates differentiating the various labor groups and the various consumer groups and studying their interrelations. When this is done, we hypothesize, labor will be seen as a political group more often representing consumer interests than many other groups but far from being an adequate and reliable form of consumer representation.