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Hedonic investment

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Abstract

Investing and consuming may not be so different as traditional economic theory has understood them. The consumer research literature has begun to view consumption not simply as rational decisionmaking, but as a more multisensory activity in which emotion and fantasy play important, if not essential, roles. This new perspective has been extended by Holt (1995) in a matrix of metaphors in which consumption can be viewed as an interaction with objects and/or other persons as an end in itself and/or a means toward toward other ends. This paper theorizes how this matrix might apply to investment and uses a literary analysis of the best-selling *The Motley Fool Investment Guide* to examine whether or not our knowledge of consumers might in this way inform our understanding of investors. © 2001 Elsevier Science Inc. All rights reserved.

1. Introduction

Traditional economic analysis tells us that there is “investment” and there is “consumption” and that in the familiar economic identity, output must be either invested or consumed but not both. But are they really that different? Consumption is coming more and more to be seen as a pleasureable (or “hedonic”) activity in itself and not simply as a way to decide which goods and services will have the greatest utility for us. Is investment an equally enjoyable activity and not simply a way to decide which investment will earn us the highest return?

What is investment? The verb “invest” has nine definitions in (*The Oxford English Dictionary,* 1989):

> 1) To clothe, robe, or envelop (a person) in or with a garment or article of clothing; to dress or adorn; 2) To cover or surround as with a garment; 3) To clothe or endue with attributes,

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> qualities, or a character; 4) To clothe with or in the insignia of an office; hence, with the dignity itself; to install in an office or rank with the customary rites or ceremonies; 5) To establish (a person) in the possession of any office, position, property, and so forth; to endow or furnish with power, authority, or privilege; 6) To settle, secure, or vest (a right or power) in (a person); 7) To enclose or hem in with a hostile force so as to shut off approach or escape; to lay siege to; to besiege, beleaguer; to attack; 8) To occupy or engage, to absorb; 9) To employ (money) in the purchase of anything from which interest or profit is expected; now especially in the purchase of property, stocks, shares, and so forth, in order to hold these for the sake of the interest, dividends, or profits accruing from them." (OED, 1989)

The earliest use of "investment" in 1583 by Stubbes carried the first meaning: "He . . . could haue inuested them in silks, veluets [and so forth]." (*Ibid.*) From an economic standpoint, of course, it is the last meaning that is most important, and an economist might add that the purpose of rational investment is to maximize risk-adjusted returns.

Note that all of the meanings of "invest" refer to something that is desirable, or at least neutral. This contrasts with the word "consumption," the alternative of "investment," as in the fundamental economic identity that output (Y) must equal consumption (C) plus investment (I). All of the meanings of "consumption" in *the Oxford English Dictionary* (1989) use more or less negative language:

> 1) The action or fact of consuming or destroying; destruction; 2) The dissipation of moisture by evaporation; 3) Decay, wasting away, or wearing out; waste: 4) Wasting of the body by disease; a wasting disease; 5) Wasteful expenditure; waste; 6) The using up of material, the use of anything as food, or for the support of any process, 7) The destructive employment or utilization of the products of industry; the amount of industrial products consumed; 8) Exhaustion of a right of action; 9) The test of a motor vehicle with regard to its economical consumption of petrol." (OED, 1989)

The earliest appearance of "consumption" in 1398 carried the fourth meaning: "Whan blode is made thynne.. soo folowyth consumpcyon and wastyng." (*Ibid.*) And from an economic standpoint, it is probably the sixth and seventh meanings that are most important, applying to producers and consumers respectively. In the seventh definition, the word "utilization" is especially appropriate, as the purpose of rational consumption is to maximize "utility."

But are "investment" and "consumption" really so different as these definitions imply? In this paper we contend that investing can be seen as more than investors pursuing risk-adjusted returns, a thesis which roughly parallels recent developments in the consumer research literature. With few exceptions (e.g., Gardner & Levy, 1955; Levy, 1959; Dichter, 1960) research into consumer research up until the 1980s characterized consumption as a process whereby consumers logically process information about brands and products in an attempt to make rational decisions to maximize their utility (Holbrook & Hirschman, 1982; Hirschman & Holbrook, 1982). Furthermore, the information that consumers process was usually assumed to include objective attributes (e.g., price, volume, calories, miles per gallon, etc.), and it was assumed that these attributes were evaluated in light of the functional consequences they could yield for the consumer. Similarly, investing has been viewed as a process in which investors logically process information about investments based on objective attributes (e.g., price, cash flow, liquidity, possibility of default, etc.) in light of the functional benefits they yield (e.g., the maximization of risk-adjusted return).

Although several early consumer researchers (Gardner & Levy, 1955; Levy, 1959) pointed out long ago that people consume products not only for their functions, but also for what they mean in people's lives, it has not been until more recently that consumer research has viewed consuming from perspectives other than that of rational decision making resulting from information processing. Holbrook & Hirschman (1982) and Hirschman & Holbrook (1982) emphasize dimensions of consumption they have variously referred to as experiential, hedonic, esthetic, autotelic, and subjective. This line of research emphasized the multisensory, fantasy, and emotive facets of consumption. That is, consumption experience is received using all of the senses-gustatory, olfactory, tactile, auditory and visual. Furthermore, these sensory perceptions can trigger imagery ranging from the recollection of autobiographical and historical events to unadulterated fantasy. Finally, consuming involves a range of emotions including joy, jealousy, fear, rage, rapture, and so forth

The experiential lens for viewing consumption introduced by Holbrook and Hirschman is just one lens that has been employed in the consumer research literature for investigating consumption. Other paradigmatic perspectives have been introduced as well (Holt, 1995). In section II, we introduce two dimensions of consumption (structure and purpose) suggested by Holt and in section III explicate the four metaphors for consumption (experience, integration, play, classification) which he derives from them. Of course, our purpose in these two sections is to explore the extent to which this typology of consumption practices might also apply to investment practices. In section IV, we perform a literary analysis of a popular book concerning personal investment in order to discover whether or not its veneer as a manual of objective investment advice does in fact mask a hedonic core. Section V is a brief conclusion.

Our intention in this paper is not to provide a final word on alternative dimensions of investing or to exhaust the possible areas of inquiry that they suggest. Rather our goal is to outline a general program of inquiry that may be utilized to study what people are really doing when they are investing. For the purposes of our discussion we will focus on primarily personal investment practices. Our conclusions, however, may provide insights into professional imvestment practices as well.

We acknowledge that our approach is quite different from what traditionally has been considered "finance research." By recognizing that people's experiences are characterized by logics other than rational economic pursuit, our approach even goes beyond "behavioral finance" (Statman, 1999; Shleifer, 1999; Shefrin, 2000) that has so far assumed only that human experience deviates from economic logic due to information processing biases. While an approach such as this is now commonplace in the consumer behavior literature, it is also quite different from what traditionally had been considered "consumer research." By introducing this new method (of literary analysis) and methodology into finance, we hope that it may begin to enrich the discipline in the same way as it has been enriching marketing.

2. A typology of investment practices

Holt's (1995) typology actually takes off from a point one step beyond that which currently characterizes investment research. As we noted in the introduction, traditional

consumer research and traditional investment research both assume that in their roles as consumers and investors, people's decisions to consume or to invest are based upon the evaluation of information concerning the objective attributes of something. Things to be consumed or invested in have values; that is, the benefits which they can yield to a consumer or investor, and these values are themselves real attributes that can be determined by this evaluation of information and are independent of the person doing the evaluating.

This is obviously true of the discounted cash flow (DCF) valuation of investments, which is a solution to one of the most important problems with which finance has concerned itself and can be found in every textbook. Whether you are valuing a bond, a stock, a capital project, or a business acquisition, the process is essentially the same: forecast the cash flows, determine the discount rate, compare the costs and the benefits (using some method such as Net Present Value (NPV) or Internal Rate of Return (IRR)), and then make a decision regarding the investment. Of the first three steps, the third (compare the costs and the benefits) is clearly a mechanical process that with the appropriate training everyone will be able to perform in the same ways. Now if everyone has the same information and the same ways of making use of it, everyone will make the same forecasts of cash flows in the first step. And if there is a market consensus on the appropriate compensation for the deferral of consumption, for inflation, and for a unit of risk and on the appropriate amount of risk of an investment (via the Capital Asset Pricing Model for example), everyone will use the same discount rate in the second step. Consequently, of course, everyone will make the same investment decisions in the fourth step. If anyone were systematically erroneous in their forecasts of cash flows or estimates of discount rates, this would quickly become obvious in the form of systematically inferior decisions.

So while both traditional consumer research and traditional investment research are alike in their assumption that value is inherent in something, they differ in their view of the nature of this value. Consumption value can be either functional (e.g., warmth, nutrition, safety, etc.) or symbolic (e.g., status, affiliation, etc.) Functional value is more clearly independent of who it is who is doing the consuming, but since cultural meanings are shared among consumers, so too is symbolic value. Investment value, on the other hand, is purely a functional monetary return and as such has nothing to do with culture. Only a handful of nontraditional articles has considered that finance in general and investment in particular may be social or cultural phenomena and thus have symbolic value. (See, for example, Frankfurter & Lane, 1992; McGoun, 1996, 1997, and 1998; and Robinson & McGoun, 1999.)

The essence of the more recent consumption theory we referred to in the introduction is that consumption value, whether functional or symbolic, is not independent of the consumer. Different consumers can consume things in a variety of ways, and it is this variety of ways that Holt (1995) is attempting to systematically describe in his typology. Let us introduce it in his words:

> In terms of structure, consuming consists both of actions in which consumers directly engage consumption objects (object actions) and interaction with other people in which consumption objects serve as focal resources (interpersonal actions). In terms of purpose, consumers' actions can be both ends in themselves (autotelic actions) and means to some further ends (instrumental actions). (Holt, 1995, page 2)

Table 1
Metaphors for consuming (Holt, 1995, p. 3)

	Autotelic actions	Instrumental actions
Object actions	Consuming as experience	Consuming as integration
Interpersonal actions	Consuming as play	Consuming as classification

These two dimensions of consuming, the structure of action and the purpose of action, yield a 2×2 matrix within which are four metaphors for consuming as shown in Table 1. In the remainder of this section we will discuss these two dimensions, and in the following section we will discuss the four metaphors they yield.

The thing to keep in mind with regard to this grid is that it is the action itself, whether consuming or investing, that is important, not any value that lies in the thing being consumed or being invested in. There are five levels of instrumentation involved here, and this makes it confusing to use the term "instrumental" to describe one of the purposes of action, since this is only one of the five levels. The first level of instrumentation concerns only investing, since the traditional objective of investing is risk-adjusted monetary returns, and the traditional view of money is that is has value only in exchange; that is, as an instrument for the acquisition of things to be consumed. This then brings us to the second level of instrumentation, that the things which are themselves consumed or invested in are only instruments by which we acquire the value, functional or symbolic, inherent in them. This is the point at which traditional consumption and investment theories leave off. The third level of instrumentation, which takes us to the different plane of analysis which is the subject of this paper, is that the things which are themselves consumed or invested in are only instruments by which we are able to engage in the acts of consuming or investing.

Overall, Holt's matrix deals with this third level of instrumentation and within it refers to the final two levels of instrumentation – one explicitly and one implicitly. The implicit instrumentation, which we will call level 4, is that consuming and investing must consist of interactions with objects, but in some cases only as instruments for interactions with other people. In other words, all consuming or investing is fundamentally structured as an object action, but in some cases they are ultimately structured as interpersonal actions. Holt calls a level 4 instrument a "focal resource." The explicit instrumentation, which we will call level 5, is that consuming and investing are instrumental actions for purposes of integration or classification.

To illustrate these levels, consider a share of Microsoft stock. The traditional view of investing is that it is an instrument (level 2) for earning a monetary return in the form of a dividend or capital gain. Of course this monetary return is itself an instrument (level 1) with which we can acquire whatever goods and/or services we desire. Academic finance concerns itself only with level 2, leaving the details of level 1 to marketing. And as we noted above, academic finance with rare exceptions acknowledges only the functional aspects of both levels of instrumentation; that is, the ability of Microsoft stock to earn monetary returns and the ability of money to acquire goods and services. Neither the stock nor the money is considered to have any symbolic value. What we want to examine in this paper are the instrumental (level 3) value of Microsoft stock as a means by which we can become

investors; that is, participants in the activity of investing, the instrumental (level 4) value of investing in Microsoft stock for interactions with other people, and the instrumental (level 5) value of investing in Microsoft stock for integration and classification in our lives. We might also point out here that although they may be clearly functionally different, it may not be possible to differentiate levels 2, 3, and 4 symbolically. Earning money, becoming an investor, and socializing as an investor are different functions, but being a Microsoft shareholder is likely to have the same symbolic value regardless of why we are one, whether due to level 2 or level 3 instrumentation, and it is through level 4 instrumentation that we realize the symbolic value.

Now Holt's matrix specifically considers the activity of consuming or investing. First of all, the point of the activity can be either the value we obtain from our interaction with the object (not from the object itself) or the value we obtain from our interactions with other people that we are able to engage in with the help of the object. This is the structure of action dimension of the grid; that is, consuming or investing is an activity, and this activity is an interaction with an object or with other people. Second of all, the point of the activity can be either the value we obtain from the activity itself or some other value that we are able to obtain as a result of engaging in the activity. This is the purpose of action dimension of the grid; that is, consuming or investing is an activity that is an autotelic end in itself or an instrumental (level 5) means to an end.

Holt devised his matrix to elucidate different metaphors specifically for consuming, but so far from our discussion it appears as if it can apply to investing as well. Beyond the traditional perspective of finance, which recall is concerned only with the functional aspects of instrumental levels 1 and 2, we can see investing at instrumental level 3 as an end in itself. This is the starting point of the matrix. Within the matrix on the structure of action dimension, we can purchase Microsoft stock for what we can do with the shares themselves (object actions) or for what we can do with other people as a Microsoft shareholder (interpersonal actions). And on the purpose of action dimension, these actions with the shares or with others can be ends in themselves (autotelic actions) or means toward other ends in our lives (instrumental level 5 actions).

Of course at this point, the point of this classification may be quite unclear, but hopefully we have established that investing might be a desirable activity itself exclusive of its risk-adjusted monetary returns and what it is we can do with these monetary returns. In the following section we will discuss the four possible metaphors for investing as an end in itself – as experience, integration, play, and classification.

3. Metaphors for investing

3.1. Investing as experience

Investing as experience is a metaphor for the subjective, emotional interactions of investors with investments and for the ways in which investors make sense of and derive meaning from investing. According to Holt (1995), consumption experience involves actors applying general interpretive frameworks in the context of specific domains that have unique

logics. The unique logic of a domain defines the rules of the game and helps actors who enter into the domain share in a coherent, recognizable experience.

Recall that the premise of Holt's matrix is that the activity of consuming and, as we are arguing, also of investing, can be desirable in and of itself. In a sense, consuming and investing are games (domains) that consumers and investors (actors) play according to certain rules (unique logics). From their participation (emotional interaction) in these games of consuming and investing, consumers and investors can derive (apply general interpretive frameworks) meaning and pleasure (coherent, recognizable experiences). This metaphor of investing as a game to be experienced is not such an unusual one, as markets were described as a "fair games" at least as early as Bachelier's (1964) famous dissertation completed in 1900 (Frankfurter & McGoun, 1999). And as with most games, at least those played on a large scale, investing has an institutional structure (commercial banks, mutual funds, etc.) formal rules (commercial law, SEC regulations, etc.), and informal rules (personal investment strategies, rules of thumb, etc.) to structure it.

But the purpose of playing a game is to derive meaning and pleasure from doing so, and this requires an interpretive framework to structure, to understand, to value, and to respond to the experience. In other words, it is necessary to comprehend the unique social world or domain of investing. Holt proposes three such interpretive frameworks or dimensions to experience: *accounting* (to make sense), *evaluating* (to value), and *appreciating* (to respond). Accounting entails making sense of and typifying what is going on in a particular domain. In the case of investing, distinguishing between a bull and a bear market, or between a market that is experiencing a correction and a market that is developing into a long-run bear market are examples of how investors make sense of and typify what is going on in the investment domain. Other examples of accounting in the investment domain may include understanding the terminology ("short selling," "technical level of support") and the actual procedures for making transactions. Moreover, accounting entails more than typing, categorizing, and labeling. It also involves understanding these elements in a broader context. For example, in addition to knowing the market declined 200 points in a day, this fact is also viewed in the broader context of market news and conditions (e.g., interest rates rose or the Fed Chairman made disparaging remarks about the stock market).

Another dimension of experiencing entails *evaluating*. That is, when we experience things, we tend to place values on the elements involved. Investors may evaluate the market, other investors, their own investment strategies and so on. These evaluations may be made by reference to norms, history, or conventions. One standard baseline that is used to evaluate the performance of investors is the overall market performance. Additionally, the overall market may be evaluated with respect to the historical return of the market. Promotional communications for particular companies or professional investors are prone to manipulating baselines for comparison to cast their past performance in the best possible light. Performance can also be evaluated in light of a person's particular history—for example, "Buffet had a below par year for his standards." Evaluations can be made with reference to conventions as well. For example, two different investors whose portfolios approximated the overall market returns for the year may be evaluated very differently if one of the investors achieved her results via an index fund and the other achieved her results via investing in

individual foreign stocks. In many domains, quantification is critical for evaluations, and obviously, finance is a domain *par excellence* where quantification is crucial.

The third element associated with experiencing is *appreciating.* Appreciating entails responding emotionally to elements of the domain. In the context of investing investors may respond emotionally to the markets, various investment vehicles, investment-related media and news stories/information, other investors and their actions, their own actions, and so on. These emotions can run the gamut from disgust to elation. One particular study into high-risk leisure consumption (i.e., skydiving) focuses on an interesting bodily response referred to as flow. Drawing on Csikszentmihalyi (1974), Celsi, Rose & Leigh (1993) define flow experience as a phenomenological state which totally consumes the actor and "where self, self-awareness, behavior, and context form a unitized singular experience" (p. 11). In common parlance, flow experiences are ones in which "people lose themselves"—that is they lose all self-awareness. This experience usually ensues in a context where the person is greatly challenged mentally and/or physically, but not to the extent to which the actor is completely overmatched. Thus, one key for flow to ensue is a balancing between the actor's skill and the level of challenge presented by the context. In the context of skydiving, skydivers exhibited the tendency to engage in ever-more difficult jumps as their skill levels rose.

Investing is necessarily a risky activity, since future returns are always uncertain. As dispassionate as an investor may appear to be, there must be an emotional aspect to investing, and to at least some extent, it must be a flow experience. For a novice investor, flow may be derived from pouring over information concerning mutual funds and investing in them. As one's investment expertise increases, perhaps more accomplished investors move onto picking individual stocks and even becoming on-line day-traders. Experts may dabble in options and derivatives to elicit flow from their investment activities.

At its extreme, appreciating may lead to dysfunctional states such as addiction or compulsive investing. The parallels that can be made between investing and gambling are obvious, and it stands to reason that many of the dynamics that contribute to gambling addictions are present in investing. Furthermore, the burgeoning practices of on-line trading and day trading add the additional element of "Internet addiction," in which the virtual world can supplant the real world (Solomon, 1998).

3.2. Investing as integration

The second major metaphor for viewing consumption practices is integration. Integration refers to the process whereby the individual and the consumption object become more closely aligned. This can take on two different directions. That is, a consumer can manipulate objects of consumption to fit their own self concept or personal style, or a consumer can alter their own self identity or self concept to conform to the consumption practices in certain domains. One necessary process in achieving integration is *assimilating.* Assimilating entails becoming part of the game—becoming a natural player. In order to assimilate one needs to know the rules of the game, how it is played, how score is kept and how to practically engage in the given consumption domain. In short, consumers must master the experience-related processes mentioned above. Second, consumers engage in *producing* practices, or practices

that enhance the extent to which consumers actually feel as though they are participating in the game. Finally, in the integration dimension of consumption, consumers engage in *personalizing*. Personalizing involves practices whereby consumers try to take commodified, generic practices and make them seem like they are specific to themselves.

With regard to investing, *assimilation* means the process whereby those engaged in investing come to see themselves as "investors." Assimilation is not a trivial matter. For years, millions of people throughout the world have been investing through company or government-administered retirement plans, and nowadays millions more are investing through their own self-administered retirement funds. While all of them have been "investors" in an economic sense, however, only a minority would actually call themselves that, and such a self-identification has much to say about what it is they are really doing and why they are doing it.

There are a number of ways investors engage in assimilating, and numerous institutional resources provide opportunities for investors to assimilate the investing domain. Students can formally major in finance or take courses in investing. Countless books and other publications exist for newcomers to learn the tricks of the trade. Furthermore, actual investing for the average investor has become much easier with the advent of discount brokers and internet transactions. An explosion in information sources has occurred, including several financial television networks and numerous financial periodicals. Based on these sources, new investors or average investors are exposed to the language, conventions, and micro processes involved in investing. Finally, the actual number of investment vehicles has proliferated. A particularly interesting phenomenon related to assimilation of investing would entail the socialization processes that college graduates go through during the early days of their entry into the Wall Street domain. One would expect that these new entrants change their physical appearances, lifestyles, and value orientations upon entering this new world.

A particular instance in which consumption practices can powerfully become integrated with a consumer's self-concept is when consumers find themselves in liminal states (Belk 1988; Schouten, 1991; Celsi, Rose & Leigh, 1993). Liminal states occur when people are making major transitions in their lives. Such instances may include starting college, entering the workforce, moving to a new area, getting divorced, or retiring. In all of the instances, the familiar cultural and institutional settings that crucially impact self-identity change drastically along with personal financial situations. As such, consumption practices such as investing can be used to help construct/change/reinforce one's identity as well as to cope with the differing financial needs. Thus, it is not surprising that newly retired business people become highly involved in micromanaging their retirement portfolios as a way to maintain their existing self-concepts that have developed after years of being involved in business-related practices. They haven't just become more intent on trying to earn or preserve enough wealth for their golden years. Alternatively, investing may be a way to change or supplement an existing self-concept. For example, the popular press highlights investment clubs that are comprised of elderly women. It can be argued that such investment groups are sensational due to the fact that women have been excluded historically from the financial world. In fact, these investment clubs may be seen as attempts by women to alter their self-identities through accreting to their self-concepts an element that has been sociohistorically denied them.

With all of the resources and opportunities available to the average investor, *producing* is relatively unproblematic. However, the extent to which one really regards oneself as a "player" and how one defines what a "player" is may vary. For example, a person investing in mutual funds or using a broker to invest in individual stocks may not perceive themselves to be the same kind of player as Warren Buffett or Peter Lynch. However, they may attempt to become more like these stars by reading a lot about them, trying to follow similar investment strategies, predicting what the actors may do. At the extreme, investors may imagine what it would be like to be a celebrated investor or may live vicariously through these investment stars, imagining that investing in mutual funds is akin to what the stars do. To a certain extent, investing may be suited optimally for producing given that most of it involves statement of opinions and predictions. Furthermore, most of the professional prognosticators are often wrong, and very rarely are people held accountable for their past opinions and predictions.

In terms of *personalizing,* there seem to be many opportunities to personalize investing, transforming it from a mass enacted practice to a practice which is done uniquely by an individual investor. Investors can pick and choose from various investing strategies and incorporate them into their own personal style. The plethora of different investment vehicles and individual stocks, and so forth provides for a virtually infinite array of personalized investment portfolios. Indeed, with the advent of tremendous amounts of data available to the average investor, increased accessibility to enacting exchanges, and the popularization of investing in the mass media, investing may actually be more well-suited for integration than many other practices such as sports spectating in which the average person's ability to engage in the sport at the same level as the stars is limited. One need not be 7 feet tall, or 300 pounds, or possess extreme athletic talent. Rather, all one needs is a T.V. and maybe a computer and a little spare cash to become involved.

3.3. Investing as classification

The fact that an important role of consumption entails the classification of consumers was noted long ago by Veblen (1973), who coined the term "conspicuous consumption." Veblen argued that the goods people consumed not only fulfilled functional needs, but also symbolically communicated one's position in society. Likewise, investing can be seen as a practice through which people establish ties of affiliation with in-group members and distinguish themselves from out-group members. Classification practices can occur consciously and intentionally in groups that have strong solidarity and are explicitly recognized. Alternatively, classification can occur in a less-organized and strategic manner as well. Whereas Veblen posited a more conscious and strategic pursuit of distinction through consumption, Bourdieu (1984) chronicles how these acts of classification can occur in a more subtle and less intentional fashion.

In the context of investing, perhaps the most basic division among categories is between those who are actively involved in financial markets versus those who have no discretionary funds to invest. Among those who have discretionary funds there may be further classifications from those who keep their money under their mattresses, to those who keep their money in savings accounts, and proceeding from there all the way to those who invest in very

sophisticated instruments such as options and other derivatives. In addition, classification can occur in a more subtle manner than simply by reference to the types of investments held. As pointed out by Bourdieu (1984) the style in which goods are consumed can be at least as important for distinguishing categories as the actual goods themselves. Thus, two investors possessing derivatives in their portfolios may be distinguished based on the fact that one has had a professional investor make the decisions whereas the other has the expertise herself. In addition, the mere expertise and familiarity that one shows with an investment instrument during conversation may be distinctive as well.

The preceding discussion on the classificatory nature of investing may prompt some skepticism among those who point out that investing usually occurs in the privacy of one's office or home, and hence is not a practice amenable to conferring distinction. In the cultures in which most investment occurs, the details of one's financial affairs are considered a private matter. However, to appreciate the public nature of investing one need only be at party where one of the guests has been active in investing and is discussing the market in the midst of people who have never been in a financial position to even consider investing money to any extent. Indeed, one primary way that investing can become conspicuous is through story-telling. Just as Holt (1995) points out that a primary impetus for attending baseball games may be to gather grist for future stories, so too one may engage in active investing to acquire future war stories to be recounted on appropriate occasions. Following Bourdieu (1993), it is probably the case that a researcher may discern a relative status hierarchy of financial instruments that accords roughly with a status hierarchy of investors, both amateurs and professionals.

A final method by which classifications may be communicated is via mentoring. One can imagine the scenario where the young working class person consults the middle-aged professional down the street for advice as to how to invest his aging mother's retirement funds. The hierarchical, power-laden structure of classification is evident here. The young man becomes indebted to his neighbor and is mystified and perhaps even somewhat awed by the special and unique faculties that his neighbor possesses.

3.4. Investing as play

Perhaps the last metaphor used for understanding consuming, consuming as play, will be received with the most anathema when applied to investing. To those who have considered investment as the serious pursuit of monetary returns, to suggest that investing has a playful character may seem utterly objectionable. To be sure, people take money and investing seriously; however, it is not unheard of to hear someone characterize their investing as "dabbling in the market" or of someone setting aside a small sum to "play around with in the market."

One of the play-related forms that investing surely takes on is by providing an opportunity for communing and socializing. Just as sports takes on a social role that affords people from very different walks of life and with nothing in common the opportunity to communicate and socialize, so too can investing. In fact as we have noted above, a common point of discussion at many cocktail parties and other social gatherings may be the market's latest performance or breaking financial news. Investing may be particularly amenable to serving this function

due to its nature as we have also already noted—namely, investing invites differing points of view and debate without being such that any point of view is definitively correct. In fact, many forums in which professional investors offer their prognostications may be infused at points with a subtle "wink and a nod" suggesting that most understand that prediction is an intricate game which must be taken with a grain of salt.

Investing as a play activity that helps people commune must surely play a role in the investment clubs that have been receiving recent attention. This became most obvious to one of the authors when he was approached by his spouse about joining such a club. After initially offering notions about market efficiency and the random walk thesis, it became much clearer that joining the club was about much more than maximizing return on investment. Rather, it could be seen as being more akin to the Friday night poker game, a golf outing, or a crafts club. Investing simply serves as the focal medium for interacting with others.

4. Case analysis

In order to elucidate how Holt's matrix might be applied to investment, we have selected a popular book, *The Motley Fool Investment Guide* (Gardner & Gardner, 1997) to consider how investing might be targeted to appeal less to a potential investor's desire for financial security and more to meeting those other needs which we have discussed above. The book was chosen for its being the top-selling recommendation from the on-line bookseller Amazon.Com in the general investing category in August, 1999. In fact, four of the ten top-selling recommendations at that time were associated with AOL's investment discussion and advice sector conducted by the Gardners as the "Motley Fools."

The subtitle of the book is "How the Fool Beats Wall Street's Wise Men and How You Can Too." It does not mention finance at all; rather, it suggests investing as a social arena in which one class ("You" and "the Fool") is in contention with (in order to "Beat") another ("Wall Street's Wise Men"). This is amplified in the forward to the book in which its objectives are set out.

> This book will enable even the rankest novice to invest expertly on his or her own, enjoy the heck out of it, and *beat* the pants off the market averages . . . all things that too many people think takes an expert, a Wise man, or a market insider to do–those Foolish enough, that is, to believe that the market can be beaten at all. If you harbor the faintest intellectual curiosity, relish–not wilt from–risk and challenge, instinctively enjoy taking responsibility for your own future, and own a modem, today's investment environment is for you. (*ibid.,* page 10; italics in original)

This paragraph succinctly captures the popular American myth of the plucky ("harboring the intellectual curiosity," "relishing risk and challenge," "instinctively enjoying taking responsibility for their own future") underdogs ("rankest novices") taking on the system ("experts," "Wise men," "market insiders") and triumphing over it ("beating the pants off them").

Throughout the book, finance professionals and others directly and indirectly associated with financial markets and institutions (i.e., the media, academics, accountants) are disparaged in colorful terms. In contrast to these finance professionals, the book depicts the common person to whom it is directed in the most complimentary terms, terms in which

anyone would be pleased to be described. Of course the authors sometimes need to reassure readers, who might justifiably feel intellectually inferior, by indulging in some self-deprecation. Of course, their description of themselves as "Fools" makes self-deprecation an underlying theme of the book.

> Don't let those numbers confuse you; this is fifth-grade fare, and fortunately for Fools like us, that's about as tough as the mathematical work gets in this book. (*ibid.,* page 79)

In short, at most points this book looks less like an investment guide than an incitement to a populist rebellion, not only against established financial markets and institutions but also against the decadent way of life they represent. Even if one were not interested in participating in such a revolution, at the very least the book can lead us effortlessly to an idyllic domestic hyper-reality similar to that of Garrison Keilor's mythical hometown community Lake Wobegon, where among other things, "all the children are above average." It's content often has little to do with the economic rationality one would expect to underly an investment guide, with vivid imagery and metaphors that wander far afield. The entire Part VIII of the book "Here be Dragons: Investment Approaches to Avoid" containing Chapters 21 "The Carnival of Freak Delights" and 22 "The Leibniz Pre-Harmonic Oscillator" is exceptionally peculiar.

In the terminology of Holt's matrix, there is almost nothing in this book to recommend investing as an autotelic activity. Although it encourages investors to account for their portfolios and evaluate their results against market averages, it discourages any mastery of terminology or rules. These sorts of things are the domain of the inferior "Wise" and not the superior "Fools." Hence investing is not experience. And although it does suggest that you can "enjoy the heck out of it," investing is largely presented as something that you should get over with as quickly and easily as possible without any emotional involvement. Its recommendation of investment clubs has nothing to do with their social value. Hence investing is not play.

Throughout *The Motley Fool Investment Guide* runs the theme of investing as an instrumental action. It is difficult, however, to specify whether the book is more concerned with investing as integration or as classification. This book draws a sharp social distinction between finance professionals and their associates on one hand and "real people" on the other. When the book mentions any finance professional favorably it does so for the "down-to-earth" qualities the person shares with "real people" and attributes his success to them. In and through investing, you can classify yourself as either "Wise" or "Foolish," both terms being used with irony.

Implicit in any investment guide is investing as integration; that is, personalizing the process and taking charge of something yourself that had previously been entrusted to someone thought to be superior at it. But unquestionably this book promotes this in a special way to an exceptional degree. In *The Motley Fool Investment Guide,* financial markets and institutions are a metaphor for any system social, economic, or political from which the reader feels excluded. But according to the book, the "Wise" by whom and for whom these systems are run are not wise, and the "Fools" who are excluded from these systems are not foolish. The act of investing (in accordance with the prescriptions of the book) is integration in that it redefines the financial system as one that not only encompasses the "Fools "along

with the "Wise" but that in fact serves the "Fools" better than the "Wise," and in doing so makes the "Fools" feel better about themselves as fools.

That *The Motley Fool Investment Guide* promotes investing as classification and investing as integration has some confirmation in the comments on the book posted by readers on the Amazon.Com web site. Out of 62 comments, 17 (27%) explicitly expressed satisfaction as outsiders with the book's debunking of the "Wise" (classification) or described the empowerment they felt taking investments into their own hands. Interestingly, a couple of the readers indicated that the debunking was a common theme in investment guides, empowerment, as we have pointed out, being their *raison d'etre.*

Another observation we might make concerning the reader comments is that very few readers comment on the financial outcomes of following the book's advice. One reason, of course, is that it takes quite some time to accumulate meaningful results attributable to any investment strategy. But this does suggest that the consumption of investment books is a practice which itself might be amenable to analysis using Holt's matrix. Not only is investing itself a form of consumption, as we have argued in this paper, but embedded in investing are numerous more traditional forms of consumption. *The Motley Fool Investment Guide* and similar books may in fact be ends in themselves, read by people who have no intention of investing. Or they may represent yet another level (Level 6) of instrumentation; that is, consumption undertaken in order to undertake another form of consumption.

5. Conclusion

It does indeed appear that the practices of consuming and investing are undertaken for many of the same reasons and that Holt's typology of metaphors for consuming is applicable to investing as well. Although in an economic sense the two represent the alterative uses of output, in a psychological or sociological sense, they are very similar instrumental means to noneconomic ends. In fact, it is the notion that there are multiple layers of instrumentality involved in consuming and investing that links traditional perspectives on both activities to newer theories that might offer us greater insights into them.

Investing is more than an instrument for acquiring cash returns, as finance has traditionally viewed it, and the goods and services one can acquire with cash are more than instruments for enjoying the benefits these goods and services can provide, as marketing has traditionally viewed them. At the higher levels of instrumentation, the things which are consumed or invested in are instruments by which we are able to engage in the acts of consuming or investing, the acts of consuming and investing are interactions with objects which are instruments for interactions with other people, and the acts of consuming and investing are also instrumental actions for purposes of integration or classification in our lives. There may even be additional instrumental hierarchies layered on top of this process, since consuming or investing may be undertaken as instruments to facilitate or enable other acts of consuming or investing.

The particular phenomenon of investment guides exemplifies Holt's two instrumental metaphors for consuming. By their very nature, investment guides promote investing as integration; that is, personalizing the process and taking charge of something yourself that

had previously been entrusted to someone thought to be superior at it. Relatedly, the guides portray the act of investing as classification, drawing a sharp social distinction between finance professionals and their associates on one hand and "real people" on the other. While we believe that Holt's two autotelic metaphors, experience and play, can also apply to investing, we would expect investment guides to downplay the former lest the process appear too intimidating and the latter lest it appear too frivolous.

Financial services is a vast and expanding industry, whose size and growth seem disproportionate to its economic role. But if its "product" is more than the "allocation of funds from savings surplus units to savings deficit units," its structure and function make much more sense.

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