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Measuring and Managing Expectations: Consumer Confidence as an Economic Indicator, 1920s–1970s

Abstract: This chapter explores the origins of consumer confidence measurements as a prognostic tool. Commercial consumer studies had gained in importance since the interwar decades as a "scientific" means of predicting market developments for corporations and advertisers. In the years surrounding World War II, government economists became equally interested in forecasting consumer behavior. Such forecasts required a new understanding of consumers, their attitudes and expectations, and of the role that psychological factors play in economic behavior. The chapter focuses on George Katona and several other European émigré scholars in this field to highlight the importance of transnational knowledge transfers. Finally, it considers consumer research as a means of economic forecasting in the context of attempts to socially engineer mass consumption and to "manage" consumer expectations on both sides of the Atlantic during the middle of the twentieth century.

Keywords: Consumer confidence, consumer research, George Katona, émigré scholars, behavioral economics, economic psychology

1. Introduction

Beginning in the 1950s, consumer confidence measurements became a critical indicator of economic development in the United States.[1] In America's "consumer's republic" (L. Cohen), economists and marketing experts identified "the consumer" as a crucial link between shifting cultural attitudes and social expectations on the one hand and market developments on the other (Cohen 2003). Accordingly, the study of consumer expectations and decision-making became a focal point of new research in behavioral economics and economic psychology. Since World War II, large-scale surveys kept track of consumer outlook regarding individual finances and overall

1 This chapter draws on my upcoming monograph *Engineered to Sell: European Émigrés and the Making of Consumer Capitalism* (Logemann 2019).

economic development. Their responses were now compiled into indices of consumer confidence that since have become a staple of popular economic analysis as well. While economists debate the prognostic value of consumer confidence measurements, newscasts today are full of reports about swings in consumer confidence, especially in times of crisis.[2]

This chapter, however, is less concerned with the accuracy of consumer attitude measures for predicting the movements of business cycles or consumer spending. Instead, I will ask about the historical contexts in which consumer attitude measurements emerged as a predictive tool. Why and in what ways do the middle decades of the twentieth century represent a point of transition for the history of economic forecasting? A growing interest in market studies among marketing specialists had contributed to the rise of consumer surveys already since the interwar years. They drew on early, psychologically-informed research on consumer behavior, which transformed prevailing assumptions about the expectations and decision-making of consumers and economic actors more generally. In the context World War II and postwar affluence, research in consumer psychology further complicated such notions of consumer decision-making and expanded the set of variables deemed relevant in this process. In a sense, these consumer researchers presaged a shift from focusing on adaptive and rational expectations to predict economic behavior to psychologically and socially framed "fictional expectations" that informed consumer behavior (Jakob, Nützenadel and Streb 2018).

Focusing on the life and career of George Katona, the economist responsible for the original consumer sentiment index, the chapter highlights the transnational origins of consumer confidence measurements and of early consumer research more broadly. Katona, an émigré who came to America fleeing the Nazi regime in 1933, was part of a larger group of other émigrés who brought insights of continental European social and Gestalt psychology into mid-century U.S. debates about marketing and economic behavior. Katona theorized about the interplay of experiences

2 In January of 2009 the Conference Board Consumer Confidence Index fell to its lowest level since 1967 which was widely reported as a sign of additional future woes: (Clifford 2009). For a critical assessment of the predictive value see Croushore (2004).

and expectations of economic actors, drawing on psychological research to critique and supplement rational actor models of consumer behavior. Understanding and forecasting consumer behavior was a complex matter, Katona argued, involving close attention to socio-psychological dynamics.

More fundamentally, the chapter finally raises the question in what ways economic forecasting has been employed as a means of managing the expectations of consumers as economic actors and influencing their attitudes and behavior.[3] Indicators such as Katona's Index of Consumer Sentiment were intimately tied to corporate and government attempts at shaping and engineering mass consumption. Consumer research not only became a marketing tool for companies, but also a means to predict macroeconomic development used by government experts and academics. Economists such as Katona saw their work as part of larger social efforts to spur economic development and ultimately stabilize consumer capitalism. Katona was an outspoken champion of consumer-driven growth and he believed that "framing" consumer expectations was a crucial aspect of managing aggregate consumer buying and demand as well as inflation (Horowitz 1998). In bringing consumer forecasting "back" to Germany and Western Europe during the postwar decades, Katona was not simply interested in transferring economic knowledge. Instead, he believed, such indicators presented a way of fostering a collective mindset adjusted to a dawning age of affluence in which European consumers, too, would embrace consumer capitalism during the Cold War.

2. A Tool for "Scientific Marketing": Interwar Consumer Research and Psychological Transfers

The growing use of market research and consumer surveys during the interwar years constituted one important context for the emergence of consumer surveys as a prognostic tool. Early, sporadic efforts by producers, retailers and advertisers to track and survey their customers in order to improve sales and distribution date back well into the nineteenth century (Schwarzkopf 2016). After World War I, American marketing experts were actively searching for new methodological input from the academic

3 On the management of expectations in economic systems see Beckert (2013).

world and calls for "Scientific Marketing" in analogy to "Scientific Management" built on work by scholars such as Walter Dill Scott and Arch W. Shaw (Kreshel 1993; Usui 2008, Ch. 3; Ward 2009). Advertising agencies were among the first to apply new academic concepts to practical marketing research. J. Walter Thompson (JWT) emerged as the prototypical full-service agency with a "scientific" approach to advertising as they proclaimed to their clients in 1928: "Advertising must be scientifically prepared. Nothing must be taken for granted" (Kreshel 1993, 66). Predicting markets to plan marketing campaigns became increasingly important for advertisers.

At the same time, specialized market research firms began to offer market analyses to forecast consumer behavior. The A.C. Nielsen Company (est. 1923) compiled consumer demand projections based on household studies that asked consumer panels about what they stocked in their pantries. Studies in media use for marketing purposes had been pioneered by the Curtis Publishing Company (*Saturday Evening Post*, *Ladies Home Journal*), which set early standards for consumer reception research (Root and Welsh 1942; Lockley 1950; Kreshel 1993). Institutions specialized in public opinion surveys such as the firms of Archibald Crossley (est. 1926), Elmo Roper (est. 1937) and the American Institute of Public Opinion, founded in 1935 by George Gallup in cooperation with advertising executive David Ogilvy, also conducted commercial consumer research. The Market Research Corporation of America (est. 1934) likely had the largest contingent of interviewers across the United States, conducting elaborate surveys and publishing the trade journal *Market Research* (Jones and Tadajewski 2011). By the 1930s, consumer research had become part of the American marketing landscape and its significance would only grow in the wake of the Great Depression.

Interwar consumer research, however, was confined to advertising agencies and large corporations and was not particularly sophisticated in its methodology. This changed over the course of the 1930s and 1940s. Corporate marketing specialists increasingly engaged in what they termed "merchandising": they planned products based on customer expectation and demand (Usui 2008, Ch. 4). Marketing experts envisioned a "new consumption era" in which the distribution of goods would be transformed by insights from the social sciences and earlier, "spasmodic" efforts in salesmanship would give way to “more definitively and scientifically planned campaigns for the consumption of goods” (Hess 1935, 16). As forecasting increasingly became a business, claims to scientific expertise opened doors in the corporate world. The new *Journal of Marketing* closely tracked ongoing academic consumer research across universities in the United States, emphasizing the connection of commercial practitioners to academic investigation (Taylor 1936). As marketing professor Edmund McGarry observed, scientific credentials created high expectations among businessmen: “[business men] are prone to look upon a scientific expert as one who has remarkable and mysterious powers of foresight […]. He must be a prophet who can foretell, where profits are to come from. He is expected to know the unknown, to foresee the unforeseeable” (McGarry 1936, 83).

Traditional, mechanistic models of economic forecasting, however, did not fare particularly well during the years of interwar market crisis, as historian Laetitia Lenel has recently noted (Lenel 2018). Increasingly, companies became interested in empirical consumer research, which took psychological factors into account. Historians have demonstrated the growing influence of psychology on advertising research and the linkages between consumer studies and the emergence of empirical social science research (Igo 2007; Samuel 2010). Already in the 1920s, J. Walter Thompson had employed prominent behaviorist psychologist John Watson to systematically study consumer responses to advertising. His stimulus-response research explored the possibility of not just forecasting, but of conditioning consumers to react to advertising stimuli (Benjamin 2004). Similarly, the Psychological Corporation had been established in 1921 by psychologist James Cattell.[4] Its “psychological sales barometer” drew on the expertise of 60 academic psychologists to survey changing customer preferences regarding various brands in an effort to systematically predict consumer behavior (Link and Lorge 1935). In this context, several émigré psychologists such as Paul Lazarsfeld, Ernest Dichter and George Katona from Vienna, Berlin and elsewhere in Europe were able to bring

4 Cattell had been a student of German psychologist Wilhelm Wundt at Leipzig. On consumer research before and during the Great Depression see Igo (2007) and Robinson (1999, 15–18 and 39–63).

new insights from European individual, social and Gestalt psychology to American consumer research.[5]

The émigrés contributed to a transnational exchange between academic and commercial research, which allowed them to shape American consumer psychology (Kasserdjan 1994). They helped push the field beyond behaviorist assumptions of stimulus and response mechanisms, which largely left actual decision-making processes as a "black box." Much like theoretical economists, the psychological behaviorists had subscribed to a theory of "adaptive expectations," which assumed a linear connection between past experiences (stimuli) and expected behavior (response). Building on insights from the émigrés, this notion was increasingly made more complicated in three ways:

1. Depth psychology: systematic research into (conscious and subconscious) motives by Lazarsfeld and others increasingly opened up the "black box" of decision-making processes.
2. Social psychology: the social context in which stimuli were processed and endowed with meaning received more scrutiny e.g. through the work of émigré psychologist Kurt Lewin.
3. Cognitive (Gestalt) psychology: The research of émigrés such as Kurt Koffka, Wolfgang Köhler and Max Wertheimer directed attention towards cognitive processes and the perceptions and misperceptions of stimuli as they informed decision-making processes (Logemann 2017).

Consumer expectations (and, by extension, their decisions and future behavior), these psychologists argued, could not be understood as a simple function of past experiences or of present conditions such as income. Instead, the way consumers made choices regarding the future was informed by a complex interplay of conscious and subconscious motives, of the social dynamics in which information was received and decisions processes took place and, last but not least, of the cognitive processes which (mis)guided human perception. Taken together, these three strands of psychology influenced by émigré scholars informed the way American consumer research began to reevaluate the connection between experiences

5 On interwar market research in Vienna see Fullerton (1990) and Fullerton (2013).

and expectation in consumer behavior. When the American Marketing Society published its first handbook on *The Technique of Marketing Research* in 1937, for example, Viennese émigré Paul Lazarsfeld contributed several chapters (Wheeler 1937). Beyond the field of marketing, too, the academic input of European émigrés contributed to the transformation of prevailing perceptions of consumers and to the study of their motivations, attitudes and social dynamics, which could help understand and predict consumer behavior.

3. Consumer Expectations and Decision-Making: George Katona and Wartime Attitude Research

During World War II, state actors and economists similarly developed an interest in surveying and predicting consumer behavior. Their wartime studies provide another important context for the emergence of consumer forecasting, and émigré psychologist George Katona came to play a prominent role in efforts to predict and control home front consumption. Along with Kurt Lewin, Katona was instrumental in transforming ideas regarding the social psychology of consumption. He focused on the formation and impact of consumer attitudes on inflation and macroeconomic development. Both Katona and Lewin came from within the larger orbit of the Berlin Institute for Experimental Psychology where Max Wertheimer and Kurt Koffka had been leading protagonists of Gestalt psychology before fleeing to the United States during the 1930s (Mandler 1969). Katona applied their research to problems of the psychology of mass consumption during the war, contributing to the U.S. government's fight against inflation.

An early exponent of behavioral economics, George Katona's work challenged prevailing assumptions of consumers as "rational actors" by highlighting the role of psychological attitudes in economic decision-making. His career was both transatlantic and genuinely interdisciplinary, moving between the fields of psychology and economics. He was born in Budapest in 1901 where he enrolled in the University in 1918, but moved to Germany not even a year later after the revolutionary government of Bela Kun had come to power. Katona earned his doctorate in psychology at Göttingen University, developing an interest in sensory perception and the work of the Gestalt school (Katona 1924). He subsequently moved to Frankfurt where he continued his research in experimental psychology, but also worked for a commercial bank at a time of severe economic strain in Germany. The experience of the 1923 hyperinflation was formative for Katona's pursuit of economic psychology, because it led him to explore what he saw as an intimate connection between economic developments and the collective psychology of economic actors. In Berlin, where he had moved in 1926, Katona continued to pursue his dual-track career in psychology and economics: he remained an experimental psychologist studying and working with Max Wertheimer and Kurt Lewin, but also developed a second career as a financial journalist for Gustav Stolper's *Der Deutsche Volkswirt*. Long before his emigration, Katona had thus begun to think about the relationship between social psychology and economic behavior.[6]

During the war, properly forecasting inflation presented a challenge to U.S. economists and Katona brought Gestalt psychology into the field of economics to address this problem. He had emigrated to the United States following the Nazi seizure of power in 1933. Struggling to establish himself in American academia, Katona and Stolper initially joined a New York investment office, which advised European investors on the U.S. market. Through fellowships and a lecturer position at the New School's "University in Exile," Katona also stayed in close contact with Max Wertheimer while working on the psychology of learning from a Gestalt perspective (Katona 1940). With the advent of the war Katona returned to the interplay of psychology and economics. Émigré economist Jacob Marschak invited him to Chicago where Katona conducted surveys for the Committee on Price Control and Rationing as part of the so-called Cowles Commission. Here, he used detailed interviews with opened-ended questions to probe business and retailer reactions to price controls and inflation (Katona 1945).

In 1942, Katona published *War without Inflation*, a book-length essay, which argued for the importance of utilizing psychological insights to address problems of the war economy (Katona 1942). Drawing on his prior

6 On Katona's life and career see Horowitz (1998), Curtin (1984), Freie Universität (1982), and Strumpel et al. (1972).

economic work in Germany as well as on more recent work in the psychology of learning he argued for the potential of managing consumer expectations through “social framing” as discussed by Kurt Lewin. In his social psychological experiments conducted in exile in Iowa, Lewin had demonstrated that perceptions of and reactions to various stimuli depended on the “social field” and on the “frame of reference” in which they were received. The impact and meaning given to a message directed at consumers, for example, thus varied according to the social and cultural context in which it was embedded. Its effect depended on the way the message was framed and on the means by which it was communicated (e.g. Lewin 1943a). Katona’s study now claimed that it was possible to avoid inflation, if the necessity of economic measures was properly conveyed to the public, which would adapt its economic expectations and consumer behavior to match wartime conditions. Favorably received by American economists and marketing experts for its methodological innovations, the book spoke to an overarching interest in shaping consumer behavior to meet wartime needs (Katona 1942).

Wartime studies directed at the consuming public and home-front propaganda efforts still count among the largest attempts in mass persuasion in American history.[7] Between 1942 and 1945, the U.S. government spent over $200 million on propaganda activities at home and abroad (Glander 2000). State agencies became involved in surveying consumer behavior and molding consumer opinions and expectations. As hundreds of social-scientists moved to Washington, D.C., the number of researchers employed by the federal government almost doubled during the first six months of the war and included leading communications scholars such as Harold Laswell, Hadley Cantril, and Samuel Stouffer. Commissioned and coordinated especially by the Office of War Information (OWI), survey research reached new qualitative and quantitative dimensions (Converse 1987; Sudman and Bradburn 1987).

In the context of the war, many were eager to employ consumer psychology in social engineering efforts. Public relations experts, however, grew increasingly skeptical towards simplistic assumptions about the

7 On the home front experience in comparative perspective see Berghoff, Logemann and Römer (2017).

impact of propaganda on malleable “masses.” Instead, consumers came to be seen as part of diverse and socially contextualized groups, which were not as easily swayed by mass media messages. As in market research, communications scholars increasingly understood consumer behavior and attitudes as complex phenomena. Forecasting audience behavior thus required more sophisticated models that incorporated an understanding of changing attitudes, expectations, and social dynamics. This, too, was part of broader transatlantic exchanges in the social sciences as Viennese émigrés around Paul Lazarsfeld not only offered new survey methodologies to probe motivations. They also contributed to a new understanding of communication flows to consumers, which emphasized the “limited effects” of mass media messages and their social mediation through “opinion leaders” (Lazarsfeld and Katz 1955; Fleck 2011). Lazarsfeld’s wartime research research helped him develop these very insights. He served as a consultant to the Research Branch of the U.S. Army’s Division of Morale as well as to the OWI’s Bureau of Intelligence (and to its predecessor, the Office of Facts and Figures (OFF)). As a group, wartime social researchers advised on survey studies and on forecasting and manipulating civilian morale (Converse 1987, 162–65).

Consumer attitudes and expectations presented a central object of this research on home front morale and behavior (on attitude research: Jahoda and Warren 1966). Katona’s studies on inflation dovetailed nicely with the survey work of Paul Lazarsfeld and other scholars studying the U.S. war economy. With its emphasis on “framing” public opinion to influence inflation, *War Without Inflation* immediately caught the attention of Lazarsfeld. Katona’s suggestions about survey methodology with regard to attitudes and expectations, he observed in a 1942 memo to OFF staff, “go beyond the things we thought of ourselves” (Lazarsfeld 1942). A couple of years later, Katona, too, moved to Washington to join the Bureau of Agricultural Economics’ (BAE) Program Surveys Division, directed by the social psychologists Rensis Likert, which conducted research on consumer attitudes towards household spending and saving and towards food consumption, two core concerns to home-front management efforts.

Predicting consumer behavior became one aim of government survey work that interlinked with broader development in consumer research. Research on the Treasury Department’s war bond sales conducted by

Lazarsfeld's Bureau of Applied Social Research at Columbia University, for example, was later used as a model for forecasting buying behavior more generally (Garon 2011, 204–10). Rensis Likert, who had received his Ph.D. in psychology from Columbia University in 1932 for a study on attitude measurements, also came to the BAE with experience in commercial market research (Likert 1932). During the 1930s, he (like Lazarsfeld) had been affiliated with the Psychological Corporation. Indeed, Likert was well acquainted with Lazarsfeld and much of his approach to detailed interviews and open-ended survey questions was developed in exchange with Vienna émigrés (Lazarsfeld 1961). As Likert moved to the BAE in 1939, he pushed for an expansive survey program that soon went beyond strictly agricultural questions. By 1942, his agency conducted thirty-seven "special" studies on a variety of other wartime issues for agencies ranging from the OWI and the Treasury Department, to the War Productions Board and the Office of Price Administration (Likert 1942). Survey topics ranged from "Attitudes toward Buying and Shortages of Consumer Goods" (Program Survey Division 1943) to "What Housewives Eat for Breakfast" (Program Survey Division 1944). Their studies sought to understand the American consumer's views on rationing and shortages, they asked about future buying plans and about assessments of the current situation.

The BAE studies emphasized the importance of attitudes and expectations and the necessity of "understanding" consumer perspectives towards "sacrifice." George Katona initially worked on BAE surveys of the use of wartime incomes, which were conducted at request of the Board of Governors of the Federal Reserve (Campbell and Katona 1946). The household surveys sought to capture both economic and psychological data with a mix of quantitative (statistical area sampling) and qualitative (open interviewing) approaches. Katona's surveys asked how savings habits were acquired and how future spending behavior could be predicted. He emphasized the importance of segmenting consumers, for example, by paying special attention to affluent households. Their attitudes towards saving and spending not only differed from the rest of the population, Katona argued, but they had the most significant impact on the sale of war bonds and on overall domestic economic development during the war (Katona and Likert 1946).

Understanding consumer attitudes could help to predict as well as to shape consumer behavior. Building on the surveys he had conducted in Chicago and at the BAE, Katona theorized about the importance of studying attitudes and expectations for economic policy formation. In contrast to stimulus-response models of mass communication, Katona proposed to involve audiences and consumers in an active learning process. Citing Gestalt psychologists Wertheimer and Koffka, Katona employed their insights on cognitive processes along with Lewin's concept of social frames of reference to understand the formation of consumer expectations and attitudes: "All experience is organized within a framework. A stimulus does not give rise to an isolated experience; the meaning of the stimulus changes according to the greater whole of which it is part" (Katona 1944, 342). Consumer expectations thus crucially depended on the social and cultural contexts in which they arose. What consequences a stimulus (such as e.g. a change in prices or income) would have for consumer actions could differ depending on the circumstances and the way such a stimulus was framed.

For (wartime) consumer research to impact aggregate behavior, Katona believed, the task was to make people think in "appropriate frames," bringing about a genuine understanding of "changed field conditions." Such an "appropriate frame" of reference could be that of a war economy with shortages and a threat of inflation, requiring consumers to limit their spending and to save. In a postwar economy by contrast, Katona believed consumers would need to learn continuous spending to ensure sustained growth: "The task of the teacher and the molder of public opinion is, then, to help the public to gain a general orientation for war and for post-war conditions" (Katona 1944, 346). Katona thus proposed to use the insights of psychology to socially engineer consumer behavior on a macroeconomic level. The analytical and prognostic tools he developed in the context of the war economy would come to full fruition during the era of postwar affluence.

4. Framing the Affluent Society: Consumer Sentiment Surveys as Behavioral Economics

In the context of the postwar consumer society, predicting consumer behavior was first and foremost a tool for increasing sales. Corporate efforts in market and consumer research expanded, building in part on wartime studies. Paul Lazarsfeld stressed the insights of wartime research in a 1952 speech before the American Marketing Association. People were affected by mass media differently depending on the personal environment in which they found themselves, he noted, and they received the content of mass media messages not directly, but rather secondhand through so-called "opinion brokers." Directors of advertising, he warned, were "not sufficiently aware of how greatly people are influenced by the groups in which they live" (Lazarsfeld 1952). By the 1950s, consumer researchers in advertising institutes and corporate marketing departments increasingly sought to forecast consumer decisions and future buying behavior both in terms of social dynamics and of psychological motivations and frames.

Economists and government offices interested in macroeconomic steering and the development of aggregate demand equally furthered their efforts in surveying consumers. George Katona now emerged as a leading expert on consumer sentiment and a champion of psychologically informed "behavioral economics" in the United States. Postwar economic growth, he believed, required a thorough understanding of how changing consumer attitudes impacted macroeconomic trends and growth. Now at the University of Michigan, he refined methods to forecast and predict changes in consumer spending, focusing on the role of expectations, decision-making and the socio-psychological framing that contributed to it. To Katona, consumer sentiment measurements not only presented a way to track consumer attitudes but also to engage prevailing consumer mindsets, adjusting them to, what he believed, would be an era of almost boundless growth and prosperity. Attitudes of optimism, Katona felt, would lead to increased economic confidence and growth, which his surveys were meant to study and foster.

With the end of the war, Katona and many of Likert's former staff moved to the University of Michigan's newly-founded Survey Research Center (SRC). The group brought with them several contracts from Washington, including the Federal Reserve survey on economic behavior and motives. These wartime survey studies provided the organizational and methodological foundation for one of postwar America's most influential centers for empirical social research (Frantilla 1998). In 1949, the SRC was joined with Kurt Lewin's Research MIT Center for Group Dynamics to form the

Institute for Social Research at Michigan (Lewin 1943b). At the university, George Katona held a dual appointment as professor in economics and psychology, and he initiated the "Economic Behavior Program" to pursue a comprehensive set of consumer attitude studies, which included the "Survey of Consumer Finances" (conducted for the Federal Reserve until 1971).

A new, recurring "Survey of Consumer Attitudes" was introduced by the SRC for the Department of Commerce. This study asked representative samples of households about their perceptions and expectations regarding their own finances, the general state of business, and of overall economic development. Initially, the survey was based on personal interviews with respondents selected through random area sampling. By the 1960s, telephone interviews were included and beginning in 1978, the survey was conducted through a random digit dial process. Respondents were part of revolving panels and thus confronted repeatedly with the same qualitative questions about their expectations regarding their own personal finances, their overall economic outlook and their plans for major outlays such as housing, automobiles, major durable purchases (Curtin 1982). Utilizing this data, Katona's team began to calculate an index to predict consumer behavior in the near future. First published as the "Index of Consumer Sentiment" in 1952, it later became part of the Commerce Departments' Leading Indicator composite index.

While Katona and his colleagues touted the reliability of their index to track and predict business cycle swings, the method faced critical scrutiny from the start. In 1955, the Federal Reserve board appointed a committee to assess the quality of the data, which produced a rather skeptical report regarding its predictive qualities (Dominitz and Manki 2004). During the early 1960s, too, several economists cautioned against a heavy reliance on the Michigan index (e.g. Juster 1964). For marketers, the index frequently proved too general to make specific predictions about consumer spending changes with regard to specific markets of products. It contained a seasonal bias (with April and October as recurring high- and low-points of consumer expectations) and did not differentiate between different market segments and target groups within an increasingly differentiated consuming public. Still, many others saw value in the index' seeming ability to forecast recessions or dips in growth about six-months out; and by 1967 the Conference Board's Consumer Confidence Index was established as a second rivalling prognostic tool (Linden 1982). Similar to Katona's survey in its overall approach, the new index asked a bit more concretely about personal purchase intentions and differed slightly in the way the index was calculated.

The basic premise of these consumer confidence indices was the same, however: to gauge attitudinal factors that would help predict consumer ability and willingness to spend. Projections based on income and the ability to spend or extrapolations of past behavior, Katona believed, were not sufficient to forecast consumer spending if they left aside current expectations and attitudes informed by persistent cultural frames as by recent political events (Katona 1975, 61–83). Consumer sentiments, he believed, were highly situational and needed continuous monitoring through surveys. Whether in the context of wartime shortages or under conditions of postwar affluence, the consumer's "frames of reference" needed to be assessed and then adapted whenever necessary. Referencing Kurt Lewin's concept of "life-space," Katona sought to reconstruct consumer perceptions of the present and the past in order to predict future behavior: "The immediate purpose of psychological studies and of economic surveys as well is diagnostic: we want to obtain as complete an account as possible of the current situation, and this account must include people's expectations, aspirations, plans, fears and many other forward-looking (*ex ante*) variables" (Katona 1949). On the macro-level, his interest in forecasting consumer behavior based on psychological data played into the hands of Keynesian economists concerned with steering levels of inflation or aggregate demand. On the micro-level, marketing experts similarly paid attention to Katona's efforts to analyze the psychological dispositions of American consumers. Their attitudes, expectations, and experiences were now seen as relevant variables in understanding purchasing decisions (Pratt 1972).

In many ways, George Katona was an early proponent of behavioral economics, which seeks to bring insights from cognitive psychology to problems of economic decision-making (Hosseini 2011). The conventional "rational actor" models of neoclassical economists, he believed, needed to be augmented with sociological and psychological assumptions about group norms, attitudes and individual motivations (Katona 1947). Much like later behavioral economists, Katona disagreed with the notion of consumers as cost-value optimizers whose behavior could be easily delineated from a simple set of variables such as income and price incentives (Sent 2004; Heukelom 2014). Katona's (1951) *Psychological Analysis of Economic Behavior* argued that attitudes and expectations formed on the basis of an complex interplay of variables rather than mere physical needs or available income became increasingly important in determining household spending patterns as consumers in affluent societies enjoyed more disposable income. Rejecting behaviorist stimulus-response models in favor of Lewin's social psychology (stimulus – organism – response), Katona analyzed decision-making processes which had long been a "black box" to psychologists and economists alike by introducing motivations and attitudes as intervening variables (Katona 1951).

Already in a 1946 article in the *American Economic Review (AER)*, Katona had called on economists to improve their conception of the interplay of experiences and expectations in forecasting economic behavior by integrating social and cognitive psychology findings into their research (Katona 1946). Consumers, he again emphasized drawing on insights from his empirical survey work, were imperfectly informed and partially impulse-driven, mirroring notions of "bounded rationality" which emerged around the same time (Simon 1955; Edwards 1954). Economic theory needed to do justice to the complexity of human decision-making in preparing prognostic models. Consumers were able to learn and to change their behavior and economic modelling had to take account of this in Katona's view: "How can [traditional] theory be improved?" he asked in another *AER* article in 1968, "One possible way is by making the underlying assumptions more realistic. The introduction of principles of social learning and of expectational dynamics into economic theory promises progress in this direction" (Katona 1968a, 19–20; Katona 1968b, 149). While largely ignored by economists at the time, this behavioral perspective increasingly informed marketing scholarship and departments, consumer activists as well as government regulators.

Katona's work on consumer attitude surveys exemplifies what marketing scholar Harold Kassarjian has called a "cognitive revolution" in American consumer research during the postwar decades (Kassarjian 1994). During the 1950s and 1960s, a wealth of publications attested to a broad-based social-scientific interest in consumer behavior, increasingly intertwining social science and marketing research (Festinger and Katz 1953; Lazarsfeld and Rosenberg 1955). Marketing science opened itself up to new behavioral research first in specialized journal articles and, by the 1960s, increasingly in encompassing surveys and edited volumes intended for classroom use (Blankenship 1949; Clawson 1949; Brown 1950; Alderson 1952; Heller 1956; Cox et al. 1964; Newman 1966). European émigrés contributed prominently to this shift. The Gestalt theorists, Kurt Lewin's social psychology and especially George Katona's economic psychology informed a new cohort of consumer researchers in the United States interested in sensory perception as well as in the social fields and cognitive frames of reference within which such perception took place. They brought experimental research designs to the marketing field and combined this approach with mathematical models and statistics (Kassarjian 1994, 271–72; Pietrykowski 2009, 54–78). A massive 1960s anthology of *Consumer Behavior and the Behavioral Sciences*, for example, prominently featured the research of émigré scholars with contributions from George Katona, Paul Lazarsfeld, Kurt Lewin and many others (Britt 1966). Through a wider range of psychological approaches and through a more complex understanding of consumer behavior they fundamentally altered consumer forecasting during the middle of the twentieth century.

5. Framing and Managing Expectations in the Cold War: More Transatlantic Transfers of Consumer Survey Methodology

If consumer confidence was "a key to the economy" as Katona claimed, it was also a fickle friend (Katona 1960). His research cast doubt on exuberant expectations of Keynesian macroeconomic steering that reliable predictions of consumer behavior were possible by simply using a few long-term indicators. The inclusion of rather volatile consumer attitudes in his surveys, he argued, instead allowed his index to out-perform other indicators in times of crisis, e.g. in forecasting the economic recessions of the early 1970s. Yet, consumer confidence was not simply ephemeral in Katona's assessment, but rather based on relatively stable dispositions rooted in the social basis of a society. Thus, Katona, the longstanding analyst of American consumer psychology, also turned to the comparative, transatlantic inquiry of reactions to affluence during the postwar decades. Katona, I argue, regarded his social science methodology as a tool in winning Europeans over to American-style mass consumption, and to manage and adapt consumer expectations during the Cold War.

Promoting mass consumption as a crucial element of the "American Way of Life" was an important focus of the Cold War social sciences (Solovey and Craves 2012). Few scholars were more vocal in their enthusiasm for the American consumer citizen than George Katona (Katona and Mueller 1953; Katona and Mueller 1956; Horowitz 1998). Fostering consumer confidence and its underlying attitudes towards acquiring new goods were vital to consumer capitalism as Katona observed in 1960: "Lasting prosperity calls for sustained high demand [… and for] general striving for higher standards of living […]. Prosperity requires self-reinforcing optimistic attitudes based on sound reasons" (Katona 1960, 173). His attitude research and the work of fellow economic psychologists advanced this agenda: "Consumer psychology, by providing a better understanding of the factors on which consumer demand depends, will contribute to ironing out excessive economic fluctuations and to assuring a greater rate of growth in our economy" (Katona 1961). Consumer research, Katona and many of his colleagues believed, served a larger public purpose.

This broader social impact of his work became especially significant with regard to postwar Europe. Katona returned to Europe several times during the early 1950s as a government advisor for consumer research. He surveyed research institutes at the behest of the American government, helping to assess the state of market and opinion polling in postwar Germany. Because of his prior work in Germany, Katona observed in one report, German people, "usually, talked to me without considering me a representative of the Occupation Authority or a foreigner" (Katona 1950c, 1). Participating in international conferences during the postwar decades, Katona also built up numerous academic connections, including financial economist Günther Schmölders in Cologne who shared his interest in "behavioral economics" and in the psychological determinants of economic development (Schmölders 1971). Translations of several of his major works appeared with the German publisher Econ-Verlag, which also translated books by émigré motivational researcher Ernest Dichter in an effort to make American consumer modernity accessible to German readers (Katona 1962a; Dichter 1964).

Returning émigrés and exiles were particularly influential as facilitators of transatlantic transfers during postwar reconstruction in the early years of the Cold War (Krauss 2001; Krohn and Schildt 2002). Emigration scholars have demonstrated that West-German society was transformed in numerous fields with the help of returning émigrés whose work was frequently tied up within larger American reconstruction and reeducation efforts sponsored by the U.S. State Department or organizations such as the Ford Foundation (Berghahn 2002; Bauerkämper 2005; Hesse 2008). As they returned to postwar Europe, émigré consumer researchers felt they came back with new insights to share, touting the achievements of American scientific marketing, which – with their active involvement – had blossomed over the course of the 1930s and 1940s. Historian Nepomuk Gasteiger finds that returning émigrés were instrumental in disseminating an understanding of consumers as members of discreet sociological market segments whose behavior was influenced by psychological desires and motivations to be explored and exploited by marketing experts (Gasteiger 2010, 19 and 32). Katona in particular helped to bring behavioral approaches back to Europe, familiarizing colleagues on the continent with the marketing applications of Lewinian social psychology (Gasteiger 2010, 142–43). In a keynote address at a 1950 Frankfurt conference on opinion research, Katona discussed recent "American" achievements in the field of opinion research. He stressed the importance of behavioral and attitude research in American consumer studies. Citing Kurt Lewin's insights into group dynamics along with wartime motivation and attitude surveys, Katona offered his German audience the prospect of democratic consumer research contributing to economic growth and a coming age of mass consumption (Katona 1950a).

This was not a simple story of "Americanization," however, as German consumer research dated back to the interwar years and had expanded under the National Socialist regime (Wiesen 2011; Hirt 2013). After the war, these researchers were not always eager to embrace methodological innovations from across the Atlantic. Indeed, Katona encountered resistance to new methodologies perceived as "American" in the social sciences, as he reported to the Allied High Commission. "Germany is, of course, different from the United States," was one objection Katona would hear from his German colleagues who tended to prefer qualitative studies to the more empirical "American" approach he offered (Katona 1950b). When Katona studied German survey research organizations in 1950, he found their number to be "surprisingly large," but most were small, underfunded, and methodologically not quite up-to-date by American standards (Katona 1950c). Still, postwar European consumer research was frequently intertwined with political reconstruction efforts during the Cold War. The well-known Allensbach Institute highlights this intersection of consumer surveys with political attempts to shape a new consuming public (Brückweh 2011; Schwarzkopf 2012).

Consumer confidence and expectations in many European countries, however, appeared to be "lagging behind" in optimism compared to the United States in the eyes of contemporary observers. Katona worried that European consumers had not yet adapted to a mind-set of affluence, which, he feared, could present a major obstacle to continuous growth in Western Europe. In surveys of buying plans, for example, the acquisition of consumer durables was apparently not as important to West German consumers during the postwar decades as to their American counterparts. Indeed, plans to make "major outlays" for consumer durables actually declined among West German households after the late 1950s from 84 % in 1956 and 69 % in 1962 to as low as 54 % in 1967 according to one study. When asked "why not" buy more, more than half of West German consumers (especially middle class households of salaried employees, civil servants and professionals) stated that they "ha[d] everything" while less than 20 % stated lack of money as the reason. In the even more affluent United States, by contrast, cars and new houses topped the Christmas wish lists during the 1950s (Jacobs 2005, 249). Katona wrote drawing on his survey findings that there was "no indication of any increased feeling of saturation on the part of the American people" (Katona, Strumpel and Zahn 1971, 70–72).

George Katona therefore saw it as his mission to persuade Europeans to adopt a frame of reference and attitudes towards consumption, which he considered to be more "appropriate" for affluent societies. In this, changing European attitudes towards consumer credit was a crucial step, as he explained at a 1962 Eurofinas credit conference in Vienna.

Consumer financing, he believed, helped consumers to better budget their finances and to “raise their level of human aspirations” to ensure future prosperity through consumption driven growth (Katona 1962b). In contrast to optimistic Americans striving for more and more goods, Katona found Europeans to still be “maladapted” to modern mass consumption. Psychologically, he noted as late as 1970, Europeans had an “apprehensive” and “defensive” posture towards consumption. The American émigré therefore collaborated with European colleagues to analyze what they saw as a “gap between the reality of a rapidly developing mass-consumption society [in Western Europe] and its perception by the people” (Katona, Strumpel and Zahn 1971, 173–78).

In this context, Katona’s index of consumer sentiment ultimately found its way across the Atlantic. During the 1960s, the Gesellschaft für Konsumforschung in Nürnberg (GfK) and the DIVO Institute had already conducted sporadic surveys of consumer sentiment. In 1972, the European Community introduced surveys of consumers in 12 European countries based on the methodology of the Michigan survey. In Germany, the quarterly survey with twelve questions is today still conducted by the GfK, which calculates the so-called Konsumklimaindex based on its results (Caspers 1992). While these consumer attitude surveys were initially less publicly prominent than in the U.S. and some methodological differences remained, their arrival speaks to the way to which Western European societies, too, increasingly began to understand themselves as mass consumer societies by the early 1970s (Fabian 2016; Köhler 2018). Here, too, “the consumer” (and his or her psychological dispositions) now increasingly became a central figure when it came to understanding the economy and predicting its future development. The consumer researcher Katona rejoiced in 1971 that the material conditions had changed tremendously in Western Europe: “Economic development is now much more than before determined by the behavior of consumers [and especially by] their wishes and desires” (Katona, Strumpel and Zahn 1971, 12).

6. Conclusion

Since the 1970s, the prognostic prowess of traditional consumer sentiment measurements has declined somewhat as markets became even more differentiated and more volatile than in the immediate postwar decades. Recently, new tools such as Google trends have outperformed survey-based indicators of consumer behavior in predictive accuracy (Schmidt and Vosen 2009). Still, consumers and their attitudes and expectations remain an important aspect of economic forecasting. The emergence and enduring success of consumer attitude measurements during the second half of the twentieth century, this chapter has suggested, has to be understood within several larger contexts.

First, how and with what indicators economic forecasting was conducted needs to be historicized. In the context of the rise of the mass consumption society, both "the consumer" as an economic actor and disposable household consumption came to play such a significant economic role, that economic forecasting needed to incorporate a gauge of present and future consumer activity. Both corporate and government interests drove the development of consumer research in the United States, which was marked by a mid-century caesura during the 1930s and 1940s. The experience of crisis of the Great Depression as well as the home front needs of World War II spurred on more systematic research into consumer attitudes and expectations. This research came to fruition during the postwar "consumer's republic" when consumer psychology and behavior research informed both corporate marketing and macroeconomic forecasting.

Second, the example of consumer confidence measurements underscores the degree to which economic forecasting was part of an increasing scientization of social and economic process in the mid-century decades of "high modernity" (Brückweh et al. 2012; Logemann, Cross and Köhler 2019). Consumer research promised to provide seemingly predictive and "scientific" data on the development of consumer markets. On the one hand, this was part of a broader search for predictability within corporations and state organizations during these decades. On the other hand, there was a distinctly political and ideological dimension to the rise of consumer confidence measurements. That economic forecasting can be tool for subtly shaping consumer behavior appears obvious in the context of corporate marketing. The case of Katona suggests that forecasting can also be seen as part of more comprehensive efforts in social engineering in the context of economic policy making during World II and the Cold War. Rather than outright manipulation, however, Katona used his consumer attitude surveys in an effort to involve consumers as market participants in an active learning process. By changing their frames of reference he hoped to influence as much as forecast future economic developments. In this, Katona and his fellow consumer researchers engaged in managing expectations in the way recently discussed by economic sociologist Jens Beckert.

Third, the quest to manage markets not only led to the professionalization of consumer research, but also to numerous transnational exchanges that defy simplistic notions of "Americanization." European émigré scholars in psychology, sociology and other behavioral sciences informed the increasingly complex and psychological approach to consumer research of U.S. corporate and government institutions. After the war, they helped transfer new research concepts and methods back to Europe. Katona's contributions to early behavioral economics through insights from social- and Gestalt-psychology speak to this process of transatlantic knowledge exchanges, which was more reciprocal and multifaceted than often assumed.

The development of the consumer sentiment index, finally, is part of a larger story about a changing understanding of the dynamics of markets and the economy. Properly forecasting economic developments, the attitude research suggested, needed to take social and psychological dynamics more comprehensively into account. In this, it went beyond the more mechanistic models of interwar economic forecasting and the simplistic assumptions of early stimulus-response behaviorism. While one should be weary to speak of "scientific progress," consumer research certainly became more rigorous and refined in its methodology e.g. with regard to surveys. Through the work of Katona, Lazarsfeld and many others, the field betrayed a much greater reflexivity and awareness with regard to behavioral factors and social dynamics as they relate to economic and market developments. Through his work on wartime inflation and on postwar buying, George Katona in particular emerged as an early theorist of the interplay of experience and expectations. Building on his empirical research, he sought to bring a more sophisticated understanding of the social and cognitive contexts and of the various intervening psychological stimuli, which informed consumer decision-making, into economic modeling. While he may have not had the impact on economic theory afforded to later behavioral economists, Katona's work can still offer valuable insights on this relationship as it relates to economic forecasting.

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