

# OBJECTIVIST EPISTEMOLOGY AS THE FOUNDATION OF MARKETING THEORY\*

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## ABSTRACT

Identifying concept-formation as a mathematical process and demonstrating that the essence of a concept is objective, rather than intrinsic or subjective, Ayn Rand claims to have solved the “problem of universals” in philosophy and to have paved the way for the validation of scientific induction. Rand’s theory holds profound implications for marketing theory.

## INTRODUCTION

After reviewing the demise of logical empiricism as the foundation of marketing theory, Anderson (1983) suggests that the current trend in research is moving either toward epistemological relativism or the cognitive sociology of science, which is a form of Marxism. Kumcu (1987) confirms this view. Hunt (1991), on the other hand, argues that relativism is self-defeating and has given way to new developments in historical empiricism and scientific realism; indeed, Hunt maintains, the assaults on objectivity in marketing theory and research cannot be maintained without contradiction (1993). One view in the current marketing theory debates that has not been given a hearing is the epistemology of Ayn Rand. It is a theory of realism that preserves the integrity of objective science as the discovery of universal laws; the name of her philosophy is Objectivism.

The purpose of this paper is to present the Objectivist theory of concepts, a theory that claims to have solved the “problem of universals” in philosophy and, thus, to have paved the way for the validation of scientific induction. Justice, however, cannot be done to the breadth and depth of Rand’s theory in so short a space as this essay. The author’s aim, therefore, is only to demonstrate to marketing scholars that Ayn Rand’s epistemology is worthy of examination. The first section of the paper consists of an exposition of Rand’s theory. The second section indicates how the theory can be used to provide a foundation for theoretical research in marketing, and, as integrated with ideas from the Austrian school of economists, a definition of marketing.

## THE OBJECTIVIST THEORY OF CONCEPTS

In philosophy, Rand does not begin—as many philosophers in the past, and especially philosophers of science in the twentieth century, have begun—midstream in epistemology without naming her starting point, or axiom. Her axiom is this statement: “Existence exists,” which, she says, “is a way of translating into the form of a proposition, and thus into the form of an axiom, the primary fact which is existence” (1990, p. 3). The full statement reads: “Existence exists—and the act of grasping that statement implies two corollary axioms: that something exists which one perceives and that one exists possessing consciousness, consciousness being the faculty of perceiving that which exists” (1961, p. 124). From this starting point, Rand goes on to demonstrate the validity of her theory of concepts, thus providing the basis for scientific induction.

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## The Problem of Universals

The nature and origin of concepts is a major problem in philosophy. Known as the “problem of universals,” it asks the question: how do we get universal concepts in our minds from the concrete particulars that exist in the external world? We perceive individual men, but we hold in our minds the universal concept of “man.” The question is, to what in individual men does the concept “man” refer? Or, where is the “manness” in men?

Traditional realism holds that universals are real and, therefore, exist intrinsically in the world external to our minds either as archetypes in another dimension of reality (Plato) or as metaphysical essences in the concretes (Aristotle). The standard objection to realism is the “I can’t find it” argument, namely: reality presents us with no evidence either of another dimension or of a nugget of manness in men; consequently, the theory must be false. Nominalism, on the other hand, the dominant theory of universals today, holds that universals are entirely the subjective products of our minds and, therefore, are mere “names” we assign to groups of concretes based on their concrete vague and shifting “family resemblances.”

In the modern period of the history of philosophy, post–Renaissance philosophers failed to solve the problem of universals; their failure led, in the eighteenth century, directly to Humean skepticism and Kantian subjectivism. In the contemporary period of the nineteenth and twentieth centuries, logical positivism (and later, logical empiricism), took up the banner of science, but without attempting to solve the problem of universals, or considering its solution possible. Thus, all twentieth–century philosophy of science is based on the nominalist theory of concepts. As a result, the twentieth century has seen the flowering of the philosophy of pragmatism and of various forms of subjectivism, relativism, skepticism, and nihilism—all amply discussed in Hunt (1991). The failure to solve this problem has led marketing theorists—most, if not all, of whom are unaware of the philosophical problem qua problem—to become disillusioned with logical empiricism and, consequently, to experiment with the above–mentioned forms of relativism and Marxism.

Ayn Rand’s theory of concepts proposes to put an end to this trend away from science as a quest for universal, objective principles.

### Concept Formation

Conceptualization, according to Rand, is our distinctive method of cognition, the method by which we organize perceptually given data and thus expand our knowledge beyond the level of perceptual concretes. Specifically, conceptualization is our ability to regard entities as units—to regard an existent “as a separate member of a group of two or more similar members” (1990, p. 6). This, animals cannot do.

To form a concept, we first isolate two or more perceptual concretes from a wider background or category; that is, we differentiate them from the background according to their similarities. Then, we integrate the concretes into a new mental unit by omitting their differences; this new mental unit is the concept, and the differences omitted are of measure or degree, not kind. Thus, abstraction, according to Rand, is essentially a process of measurement omission. Finally, the concept is symbolized by a word and identified by a definition; the concept is defined by naming

the background category from which the concretes were differentiated (the genus) and by naming the fundamental characteristic(s) by which the concretes were differentiated from the background (the differentia). Thus, “a concept is a mental integration of two or more units possessing the same distinguishing characteristic(s), with their particular measurements omitted” (1990, p. 13).

For example, to form a basic, first-level concept, such as “table,” we (in childhood) observe several objects in the household—one in the kitchen, one in the dining room, and one in the living room. We isolate or separate them from the other objects present in the household by noticing that they all have a certain similarity in terms of their shape. Shape is a measurable characteristic. Hence, we form the concept “table” in two steps: (1) by perceptually differentiating tables from other types of furniture, and (2) by integrating the perceptions into a new mental unit called a “concept.”

The differentiation is achieved by noticing that the measurements of the shapes of tables are similar when compared to the measurements of the shapes of chairs and beds. The integration is achieved by omitting the measurable differences among the individual tables—that is, the precise measurements of shape, as well as the height, area of tabletop, number of supports, material from which made, etc. The differences in this case, and in most cases, are measured only implicitly and only approximately, e.g., shorter and taller, bigger and smaller. The word “table” is then assigned to the concept, and the definition—a piece of furniture consisting of a flat, level surface and supports on which other, smaller objects are placed—identifies the referents of the concept by naming the concept’s genus and differentia. (The child, of course, would not formulate this precise definition until much later, if at all; it is not essential, according to Rand’s theory, that we formulate explicit definitions of directly perceivable concretes. It is essential with more central and more abstract concepts such as “man” and “freedom.” The use of “table,” therefore, is for illustration purposes only.)

The concept now formed is universal because it is “open-ended.” It stands for and identifies all concretes of this type, past, present, and future, and it is valid because it is rooted in reality. The concept refers to real similarities as differentiated from a background of other concretes, and it refers to a characteristic that is possessed by all of the concept’s units, which differ only in measure or degree; the concept does not refer to the concretes from which it was differentiated because these other concretes do not possess the characteristic within the range in question.

Thus, the problem of universals is solved by pointing out that the process of abstraction as measurement omission yields universals that are based on and derived from the facts of reality. The universal is neither in the concretes (the realist position) nor is it an arbitrary, subjective name that has no connection to the facts (the nominalist position). It is objective, because it is a product of our distinctive mode of cognition that is created through strict adherence to the object of cognition, the factual concretes. Objective concepts, in other words, refer to facts in the world—real similarities—as processed by our means of cognition.

### Prerequisites

Before expanding on the meaning of “measurement omission” and the role of measurement in forming concepts, several presuppositions to the Objectivist theory of concepts must be stated.

The first two of these premises stem directly from Rand's above-stated axiom. (For Rand, axioms are self-evident truths, not arbitrary assumptions (1990, pp. 55–61).)

One presupposition is the “primacy of existence,” which means that reality is real—it is what it is—independent of anyone's mind, wishes, fears, or thoughts; as Rand puts it, “Existence is Identity,” or A is A (1961, p. 125). A second presupposition is that man possesses consciousness, which is our faculty of awareness of that which exists; or, as Rand puts it, “Consciousness is Identification”—of reality (p. 125). Third, the possession of consciousness implies as a corollary that we have a means of consciousness, that is, our senses are valid to perceive reality. (Rand denies the dichotomy between primary and secondary sense qualities; the proper distinction is between man's unique form of perception and the object of perception, because “Everything we perceive is perceived by some means” (1990, p. 281, emphasis added), that is, we perceive both color and length through our eyes.) Fourth, reason, through concept-formation, is our faculty of perceiving, identifying, and integrating the material provided by our senses; that is, reason, guided by logic, is our only means of knowing the facts of reality. And finally, reason, our faculty of conceptualization that generates, directs, and controls our awareness of reality, is volitional; that is, we can make mistakes, forming concepts (or other ideas) that contradict the facts of reality. Logic, and the (Aristotelian) laws of logic, is the tool we use to insure that the content of our minds matches or corresponds to the external facts.

Every one of the above premises today is disputed by contemporary philosophers. Space in this paper does not permit lengthy polemics, but every one of the issues is addressed to some extent by Rand in her work on epistemology, as well as elsewhere in the Objectivist literature (Rand 1990, pp. 55–61, 150–152, 240–263; Binswanger 1986, pp. 177–180, 478–479). Suffice it to say that Ayn Rand's epistemology is not unlike the conviction of a precocious child-scientist who might say, in effect: “There's a wonderful universe out there, of which I am a part; let me use my senses to their fullest and focus my mind—my reason—firmly on the facts, with logic as my guide, to grasp and understand this universe.”

### The Role of Measurement

The essential original discovery in Rand's theory of concepts is that concept formation is a mathematical process. Measurement is the identification of a “quantitative relationship established by means of a standard that serves as a unit” (Rand 1990, p. 7). Once a standard is established, additional units may be counted; the standard that serves as the unit, however, must be appropriate to the attribute being measured; indeed, the standard itself must be a concrete instance of the attribute being measured. Entities, for example, are measured by their attributes, and we measure human beings by such attributes as height and weight. Height is measured in inches (the inch being a concrete instance of length, or height), not pounds, and weight is measured in pounds (the pound being a concrete instance of weight), not inches.

The purpose of measurement (and conceptualization) is to expand the range of man's consciousness beyond the directly perceivable. We cannot, for example, directly perceive a distance of 10,000 miles, but we can conceive it. By establishing the inch or foot as a directly perceivable and specific length, we can measure distance. By relating the inch to the foot, the foot to the mile, and one mile to 10,000 miles, we can grasp the distance of 10,000 miles conceptually. Measurement makes an unlimited range of knowledge available to us by reference to a directly

perceivable concrete. “The process of measurement is a process of integrating an unlimited scale of knowledge to man’s limited perceptual experience—a process of making the universe knowable by bringing it within the range of man’s consciousness, by establishing its relationship to man” (Rand 1990, p. 8). This, also, is precisely what conceptualization achieves.

The Conceptual Common Denominator. For Rand, conceptualization and measurement, are two forms of the same process. One uses measurement implicitly—concept formation; the other explicitly—numerical measurement. Thus, the role of measurement in concept formation is that we implicitly identify a quantitative relationship among concretes. This is achieved by identifying a characteristic of the concretes that is commensurable, that is, a characteristic that can be measured by using the same standard unit. (The requirement of commensurability, please note, means that concepts cannot be formed arbitrarily; the facts of reality dictate whether or not two concretes possess commensurable characteristics. Note also that we do not have to know numerically how to measure a concrete to form a concept of it. Our concepts of the color spectrum were formed long before the method of measuring color was discovered.)

Thus, “shape” is a commensurable characteristic of the concept “table”; that is, all tables possess a similar shape (along with other commensurable characteristics), differing only in their specific measurements. Because shape is the characteristic by which we distinguish tables from other types of furniture, the shape that pertains to tables—flat, level surface with supports—is retained in the formation of the concept and the particular measurements of shape and all other measurements of tables (height, area of tabletop, number of legs, and so forth) are omitted.

Rand designates a commensurable characteristic as a “conceptual common denominator,” or CCD for short, and defines it as “the characteristic(s) reducible to a unit of measurement, by means of which man differentiates two or more existents from other existents possessing it” (1990, p. 15). The distinguishing characteristic (or DC) of a concept represents a range of measurements within the CCD. Thus, the CCD of “furniture” is shape, but the DC of “table” is the particular kind of shape—flat, level surface with supports—that falls within the range of shapes possible for all types of furniture.

“Some but Any” Principle. In forming concepts, measurement omission does not mean that the existence of the measurements is denied. “It means that measurements exist, but are not specified. That measurements must exist is an essential part of the process. The principle is: the relevant measurements must exist in some quantity, but may exist in any quantity” (1990, p. 12; emphasis in original). Thus, Rand refers to concept formation as the “algebra of cognition,” because a concept is like the variable in an algebraic equation: it must be given some numerical value, but it may be given any. In this way, too, as with the algebraic variable, a concept does not specify the number of concretes subsumed under it; it represents all such concretes, past, present, and future.

Thus, as Rand’s intellectual heir, Leonard Peikoff (1991, pp. 90–91), puts it in his systematic exposition of the philosophy of Objectivism:

Mathematics is the substance of thought writ large, as the West has been told from Pythagoras to Bertrand Russell; it does provide a unique window into human nature. What the window reveals, however, is not the barren constructs of

rationalistic tradition, but man's method of extrapolating from observed data to the total of the universe.

What the window of mathematics reveals is not the mechanics of deduction, but of induction. Such is Ayn Rand's unprecedented and pregnant identification in the field of epistemology.

### Advanced Concept Formation

Because the science of marketing is an advanced concept—a concept of one of the products of consciousness—it is necessary, before applying Rand's theory to the discipline, to go into still more detail.

Abstraction from Abstractions. To expand our knowledge beyond first-level, directly perceivable concretes, we form wider integrations and more precise differentiations by treating our first-level concepts, epistemologically, as the concrete data of further abstraction. In other words, a child who first learns the concepts “table,” “chair,” and “couch,” eventually learns the wider integrations “furniture,” “household goods,” and “man-made objects”; in the other direction, this same child comes to acquire such subdivisions of the concept “table” as “dining table,” “end table,” and “desk.”

Wider integrations require more extensive knowledge and a new conceptual common denominator. Subdivisions require more intensive knowledge and a narrower range on the CCD of the concept being divided (Rand 1990, pp. 19–28). The more removed we get from directly perceivable entities, by forming wider or narrower abstractions, the more vigilant we must become in retaining the steps by which these wider or narrower abstractions were formed. For if we do not know or remember the steps, our knowledge will become disconnected from reality. To avoid the fallacy of “floating abstractions,” Rand states, we must be able to reduce higher level concepts to the perceptual concretes that gave rise to them. An important implication of this hierarchical structure of knowledge is Rand's conception of proof: proof means retracing the hierarchical steps of cognition, the steps by which the inductive generalizations used in the formation of concepts and propositions were made. Proof, in other words, is not synonymous with deductive syllogism, and all cognition, fundamentally, is inductive.

Concepts of Consciousness. Consciousness is our faculty of awareness—awareness of the facts of reality that are external to our minds, and awareness of the contents of our minds. Man becomes self-conscious through the formation of such concepts of consciousness as “thought,” “imagination” (which gives us such fictional concepts as “gremlin”), “evaluation,” and “emotion,” and such concepts of the products of consciousness as “knowledge,” “science,” and “physics.”

These concepts of consciousness are formed by focusing on two fundamental attributes, which constitute their conceptual common denominator: the content of consciousness and the action of consciousness with respect to its content. The content of consciousness is some aspect of the external world, or some derivation from it, and is measured by the methods applicable to the external world. The actions of psychological processes are measured in terms of their intensity, and

then only approximately—because there exists as yet no exact method of measuring all the actions of consciousness.

Therefore, Rand (1990, pp. 31–32) states:

A concept pertaining to consciousness is a mental integration of two or more instances of a psychological process possessing the same distinguishing characteristics, with the particular contents and the measurements of the action's intensity omitted—on the principle that these omitted measurements must exist in some quantity, but may exist in any quantity (that is, a given psychological process must possess some content and some degree of intensity, but may possess any content or degree of the appropriate category).

For example, the concept “thought” is formed by focusing on and then omitting both the content of any particular thought process and the intensity—the length of the conceptual chain involved—of the intellectual effort. Hence, “thought” is defined as a “purposefully directed process of cognition” (p. 32).

Concepts pertaining to the products of psychological processes “are formed by retaining their distinguishing characteristics and omitting their content.” The nature of the psychological process, not its intensity, is what is relevant here. Thus, “knowledge” is the “mental grasp of a fact(s) of reality, reached either by perceptual observation or by a process of reason based on perceptual observation” (1990, p. 35). The particular facts are omitted.

### Definition

The final step in concept formation is the definition. A definition, according to Rand, identifies the nature of a concept's units by naming the wider category, or genus, from which the units were differentiated and the units' fundamental distinguishing characteristic, or differentia. Thus, a definition (through its genus) establishes the context in which the concept arises and the hierarchical relationship of one concept to another, and (through its differentia) it identifies the essential characteristic that makes a unit what it is, an essential characteristic being a fundamental characteristic, that is, the one that makes the greatest number of other distinguishing characteristics possible and explains the greatest number of others. But concepts—and this is an important point in Rand's theory—stand for all of the characteristics of an entity, even those not-yet-discovered; they are not analytical tautologies that simply equal their definitions (Peikoff 1990, pp. 94–106).

Further, the essence of a concept—and this is another one of Rand's original identifications—is objective, not intrinsic (the traditional realist view) or subjective (the nominalist view). Essences are classification devices of our—specifically human—method of cognition based on the identification of characteristics that exist in reality. Essences are “determined contextually and may be altered with the growth of man's knowledge” (Rand 1990, p. 52). Hence, they do not exist, as it were, as little banners sticking up from the concretes (cf. p. 139), nor are they subjective creations of our minds; they are neither revealed nor invented. Essences are the products of our way of classifying, condensing, and integrating the facts of reality; they can and do change as our knowledge grows. (Following the same reasoning, according to Rand, values,

also, are concepts and are, therefore, objective, not intrinsic or subjective. See Rand (1966, pp. 21–27).)

Concepts, consequently, according to Rand’s principle of “unit–economy” (1990, pp. 62–65), are condensations of vast amounts of knowledge, “which make further study and the division of cognitive labor possible” (p. 65). Man’s mind is limited and can hold in conscious awareness at any one time only a few units. Concepts, therefore, perform (as do numbers, when we make numerical measurements) the indispensable cognitive function of reducing large quantities of knowledge to a few retainable units; these units, then, become the equivalent of perceptual concretes from which we can perform further abstraction. It is the principle of unit–economy that identifies the cognitive ability—and power—of man’s consciousness. It is this principle that explains why definitions must be stated in terms of essential characteristics and why man, for example, in a discussion—if his concepts are correctly formed and defined—can recall instantaneously all, or most, of the information he has acquired to date that is contained in the concepts he is using. As a prescriptive principle, therefore, “unit–economy” says: reduce and economize as much as possible the number of concepts used in the formulation of definitions and propositions. The more economical our knowledge, the easier it is for us to go on to the discovery of new knowledge.

Concepts, to use Rand’s metaphor, are file folders in which new information is stored as it is acquired. The quantity of knowledge that a child holds about “man” may differ from that of an adult, and an average adult’s knowledge may differ from that of a medical doctor or of a psychologist. But the concept (the file folder) remains the same for everyone. What may change, as our knowledge grows, is the definition of the concept, which includes the choice of essence. Man’s consciousness, therefore, is a highly complex storehouse of knowledge that requires constant maintenance. Definitions are the means—the summary means—by which we reduce and retain the quantity of knowledge that represents one concept and names the relationship of that concept to all others (Rand 1990, pp. 62–29; Peikoff 1990, pp. 102–104).

## APPLICATION TO MARKETING THEORY

The Objectivist theory of concepts can now be applied to marketing theory, with the following disclaimer: the application below of Objectivist epistemology to marketing theory is solely the author’s interpretation. Ayn Rand did not apply her theory to any of the special sciences.

### Marketing Is a Concept of Method

In Rand’s theory of concepts, a sub–category of concepts pertaining to products of consciousness is called “concepts of method.” These concepts “designate systematic courses of action devised by men for the purpose of achieving certain goals. . . . [They] are formed by retaining the distinguishing characteristics of the purposive course of action and of its goal, while omitting the particular measurements of both. . . . All the applied sciences (that is, technology) are sciences devoted to the discovery of methods” (1990, p. 35–36). The “purposive course of action” need not be purely psychological but, as in the case of the applied sciences, may require both psychological and physical actions.



Logic, as an example of a purely psychological method, is defined as the art of non-contradictory identification of the facts of reality. This definition names the distinctive actions of consciousness that constitute a process of logical inference (non-contradictory identification) and the goal of logic (knowledge). It omits “the length, complexity or specific steps of the process of logical inference, as well as the nature of the particular cognitive problem involved in any given instance of using logic” (1990, p. 36). Logic, Rand states, is the fundamental concept of method; it is the necessary tool by which we acquire and maintain objective knowledge. Medicine and the method of drilling for oil, for example, are concepts of method requiring both psychological and physical actions.

Rand’s epistemology indicates that marketing is a concept of method, an applied science devoted to discovering the proper methods of creating customer satisfaction. The goal of marketing is the satisfaction of customers; the purposive course of action, that is, the means to the goal, is market identification and development of the traditional four P’s. As an applied science marketing is positioned on the same level in the hierarchy of sciences as medicine and engineering (cf. Hutchinson 1952). This means that marketing derives its most basic principles from more fundamental sciences. Marketing, indeed, does rest on the sciences of psychology and economics, just as engineering rests on the sciences of physics and chemistry. All of these sciences, in turn, rest on the most fundamental science of all: philosophy, specifically, epistemology.

The implication here for the applied sciences is that to the extent that a science is applied, it will be deductive; this means that marketing’s most basic premises must be deduced from the more general principles of psychology and economics. The problem to date in applying these sciences to marketing is that neither psychology nor economics has been founded on a sound epistemology and, consequently, many of their principles correspond rather dubiously to the facts. Induction, to be sure, plays a crucial role in all sciences—because fresh observations of an aspect of reality heretofore not studied are what give rise to new sciences. The epistemological principle that emerges here is (Rand 1990, p. 28):

The process of observing the facts of reality and of integrating them into concepts is, in essence, a process of induction. The process of subsuming new instances under a known concept is, in essence, a process of deduction.

Thus, the method of arriving at marketing theory will require both deduction and induction—deduction from the more fundamental sciences of psychology and economics and induction from observation of the actions of practitioners.

### Theoretical Research in Marketing

A theory, according to Rand, is “a set of abstract principles purporting to be either a correct description of reality or a set of guidelines for man’s actions” (1982, p. 17). Thus, theories can be either descriptive or prescriptive—most probably are both, as is marketing, because descriptive principles can readily be converted into guidelines for man’s action. A large number of prescriptive principles of marketing is already known and taught, namely, the ones now taught in Principles of Marketing courses, such as “know your market,” “without a good product, you have nothing,” “develop price leadership by keeping costs low and quality high,” “the execution

of an advertisement must not upstage its selling message,” and “treat your middlemen and suppliers as intermediate customers.” All of these principles have been formulated inductively by observing the actions of marketing practitioners.

What is not as well known are the principles that integrate marketing as an applied science with its parent disciplines: psychology and economics. Psychology as a science is still in its infancy—it “has not yet found a Plato, let alone an Aristotle, to organize its material, systematize its problems and define its fundamental principles” (Rand 1988, p. 24). Further, the dominant schools of thought today—psychoanalysis and behaviorism—do not acknowledge that man is conscious or that he has volitional control over his own life. Cognitive psychology, at least, is a step forward, because it does acknowledge that man is conscious, but it still denies free will. The current, undeveloped state of the science of psychology—aside from other polemical, methodological issues, which cannot be discussed in this short paper—should cast doubt on the value of much consumer behavior research that is now conducted. Needless to say, in the author’s judgment, a great deal of theoretical research must be done first in psychology before it can be applied fruitfully to marketing.

Economics, on the other hand, does have a developed theory, which can give foundation and insight to marketing theory, but it is not the “perfect competition” theory of the “neoclassical” or “Chicago” schools. The developed theory is that of the Austrian school of economists (Menger 1981; Böhm–Bawerk 1959; Wieser 1956; Mises 1966), which has not hesitated to dismiss “perfect competition” as not just an impractical concept, but also as false. The reason Wroe Alderson and his colleagues abandoned economics as a foundation of marketing is that they, too, saw “perfect competition” as a theory transparently incompatible with the facts of marketing reality. As a result, they struck out on their own to construct, independently of economics, a theoretical foundation of marketing. Today, there still is no developed or generally accepted theory of marketing.

Unfortunately, few of Alderson’s followers picked up on the ideas of the Austrians. Alderson (1957, pp. 22 & 80; 1967) was at least familiar with Mises and Böhm–Bawerk. For recent work applying Austrian economics to marketing theory, see Reekie and Savitt (1982) and Kirkpatrick (1982; 1991; 1994). For an attempt to integrate a basic principle of economic theory—namely, that there is a tendency toward the establishment of a uniform rate of profit across all industries in a free market—with the concepts of the product life cycle and the wheel of retailing, see Kirkpatrick (1986). It is such work—the application of sound economic principles, specifically the principles of the Austrian economists, to marketing theory—that needs to be done in the coming years.

### The Definition of Marketing

Over the past ninety years, the quantity of knowledge about marketing has increased rapidly. This growth in knowledge has affected the definition of the discipline (a phenomenon, incidentally, that Rand’s theory of the contextual nature of definitions explains). At first, marketing was viewed essentially as the distribution function of business. Later, it was conceived as advertising, selling and distribution. Today, with a full array of functions comprising the marketing mix—whether it be Borden’s (1964) twelve or McCarthy’s (1960) four—marketing is viewed as one of the two or three fundamental, operating functions of a business. Using Rand’s

theory of concepts as epistemological precondition for arriving at objective definitions and the Austrian economists' theory of entrepreneurship as essential context for forming business concepts, a definition of marketing now can be formulated. (Rand and the Austrians do disagree significantly in epistemology and ethics, but agree substantially in politics and economics.)

There are only two fundamental, operating functions of a business: finance and marketing. These two concepts are units of a single genus: entrepreneurship. Entrepreneurship is the business activity of perceiving ahead of anyone else profit-making opportunities that exist in the marketplace and, more importantly, of acting to take advantage of those opportunities (cf. Mises 1966, pp. 327–329, Kirzner 1973, pp. 30–87). The financial entrepreneur provides the capital to the marketing entrepreneur who creates the product and then delivers it to the market. Both are risk takers in the sense usually applied to entrepreneurs. The crucial characteristic of entrepreneurship, however, that applies both to finance and to marketing is the initiation of action ahead of anyone else. The entrepreneur, as the French etymology indicates, is the one who “undertakes” action. (There are, of course, many “Platonic” entrepreneurs, many of them inventors, who have better ideas ahead of anyone else but fail to put the ideas into action; true entrepreneurship, however, is “Aristotelian,” that is, true entrepreneurs are the ones who act on their ideas.)

The conceptual common denominator, using Rand's terminology, that is, the commensurate characteristic, that unites finance and marketing with entrepreneurship is the specific kind of awareness (of profit-making opportunities ahead of the competition) that both must have, and what differentiates the two is the specific kind of action (of taking advantage of the opportunities) that each must initiate. The financial entrepreneur raises capital, issues debt, and in general provides, metaphorically, the financial superstructure of a profit-making skyscraper. The marketing entrepreneur, so to speak, provides the floors, windows, and offices (the product) and the elevator and stairs (the product's means of distribution).

Indeed, using Rand's principle of “unit-economy,” the traditional five functions of marketing (market identification and the four P's) can be further condensed to two. These two functions—innovation and delivery—in the author's judgment, better indicate the entrepreneurial nature of marketing. The innovation function consists of market research or market identification (that is, market research for the purpose of market identification), and, of the four P's, product and pricing strategies. The delivery function, of the four P's, consists of promotion and distribution strategies.

The purpose of entrepreneurial marketing is to innovate—to come up with new ideas (new products) at prices that consumers can afford and are willing to pay—by conducting research to identify what the consumers' needs and wants are, then to deliver the new idea or product to the consumers. Promotion is a part of the delivery function because information must be “delivered” to the consumer just as the product itself must be delivered. Thus, the definition of marketing is: the entrepreneurial function of business that creates need- and want-satisfying products, then delivers them to consumers.

Note that these two functions of entrepreneurial marketing are similar to the two functions of entrepreneurship proposed by Drucker (1974, pp. 61–64), namely, marketing and innovation. Drucker, however, seems to be using the term “marketing” in a narrower, more tactical sense

than the present writer; that is, according to Drucker, someone else generates the new product idea but the marketer's job is to conduct market research for the purpose of delivering the good to customers. (The present writer's definition focuses more on the strategic aspects of marketing than does Drucker's.) In other words, Drucker, is using "marketing" in the sense that the author is using the concept of "delivery." The present definition of marketing as entrepreneurship, nevertheless, basically concurs with Drucker's (cf. Kirkpatrick 1982; Reekie and Savitt 1982; Simmonds 1986).

Note also that operations has been subsumed under marketing. ("Production" is too broad a term to use here, for it means, in its economic sense, the creation of value, which applies not only to manufacturing but also to the provision of services, as well as to advertising, selling, and distribution.) The operational function of a business—the part of the business that makes the product, be it a good or service—must be subservient to, or rather be a part of, marketing, because all decisions about making products must be made with the satisfaction of consumer needs and wants in mind. The incorporation, therefore, of manufacturing and engineering into marketing is, in the judgment of the present writer, the ultimate consequence of the movement toward the adoption of the "marketing concept."

## CONCLUSION

For more than forty years, marketing scholars have been searching for a theoretical foundation of their discipline. Marketing scholars should take seriously the ideas of Ayn Rand.

Rand's ideas are radical; they are indeed controversial; and they are, to be sure, not widely accepted. Lack of acceptance, however, or their controversial nature, is hardly a rational criterion by which ideas should be kept from scholarly debate. Rand's theory of concepts provides original answers to fundamental questions. If studied and applied to other areas, it could well revolutionize the philosophy of science. Academia used to be called the "citadel of reason," the battleground of ideas and the stronghold of the dispassionate search for the truth. Marketing scholars are invited to "join the discussion," to open themselves up to an examination of Objectivist epistemology, and of Objectivism, generally, and to apply Rand's philosophy to the fundamentals of marketing theory. Let the challenge of the new, not the stagnation of the old, stimulate your thinking.

Ayn Rand's theory of concepts, in the author's judgment, therefore, is offering scholars nothing less than an epistemological revolution.

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