Chapter 7
Consumerism

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Consumerism is the belief that personal wellbeing and happiness depends to a very large extent on the level of personal consumption, particularly on the purchase of material goods. The idea is not simply that wellbeing depends upon a standard of living above some threshold, but that at the center of happiness is consumption and material possessions. A *consumerist society* is one in which people devote a great deal of time, energy, resources and thought to "consuming". The general view of life in a consumerist society is consumption is good, and more consumption is even better.

The United States is an example of a hyper-consumerist society. People are constantly bombarded with advertisements urging them to buy things. As shown in figure 7.1., the average child aged 2-11 sees over 25,000 ads on television a year, while the average adults sees 52,500. This means that children in the United States spend over a week of their lives every year (10,700 minutes) watching television advertisements; adults spend over two weeks a year in the same activity. Such advertisements promote not simply specific products, but also a vision of "the good life" and what it takes to be happy. Shopping is experienced by many people as an exciting recreational activity. People go deeply into debt in order to buy things beyond basic necessities: a larger house, a giant television, a fancy car. These are all the hallmarks of a society within which consumption is at the center of life.

-- Figure 7.1 about here --

Nothing illustrates the problem of consumerism better in the United States than the growth in the average size of new houses since the early 1980s.[1] From the 1960s until the early 1980s, the median size of a new home in the United States varied up and down around 1,500 square feet. As Figure 7.2 indicates, from 1983 from 2007 this increased from 1,500 square feet to over 2,200 square feet. In the early 1980s about 25% of all new homes were under 1,200 square feet in size while 15% were over 2,500 square feet. By 2007 less than 3% of new homes were under 1,200 square feet and over 40% over larger than 2,500 square feet (Figure 7.3). What is more, this dramatic change in the size of new homes occurred in a period when average family size was declining, so this constitutes an even greater increase in the amount of living space per person. These large new houses, of course, need to be filled with stuff, and this too reflects hyper-consumerism: bigger

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[1] The data reported here were provided by Rachel Dwyer using the Survey of Construction Data, US Census Bureau. (Single family detached houses only). See Rachel E. Dwyer, "Expanding Homes and Increasing Inequalities: US Housing Development and the Residential Segregation of the Affluent." *Social Problems* 54: 23-46. 2007

televisions and “home theaters”, exercise equipment, spacious designer kitchens, three car garages.

-- Figure 7.2 and 7.3 about here --

So, why is this a problem? It sounds arrogant to say to someone: you are too preoccupied with consumption; you spend too much time shopping; you would be happier if you were less focused on acquiring material possessions. Aren’t people the best judge of their own desires and preferences? And doesn’t the free market simply translate those preferences into choices, so if people are buying huge houses doesn’t this just mean that they want big houses?

We have already identified one problem: environmental sustainability. This one is simple. The planet is simply incapable of supporting American-style consumption everywhere. Either we need to stop buying so many “toys” or our consumption of nonrenewable “natural capital” has to become orders of magnitude more efficient and restorative. Either, of course, would imply massive change in consumption patterns. But hyper-consumerism raises other issues as well. Toys cost money, and money takes time to earn. Many people in contemporary American society feel enormous “time binds” in their lives, in part because they are caught in a work and spend treadmill. Time scarcity is a continual source of stress, but the cultural pressures and institutional arrangements that accompany consumerism make it difficult for people individually to solve these problems. A good case can also be made that hyper-consumerism leads to less fulfilling and meaningful lives than does a less manically consumption-oriented way of life. Research on happiness tells us something that we have always sort of known, but that competitive consumption tends to crowd out. Happy people are those that feel they are interested in their work and think I is useful, feel part of a community, and have some time with friends and family. Nobody on their death bed says “gee, I wish I had had more toys and spent even less time with my spouse, my friends, and my kids.”

If people would really be better off with a less hyper-consumerist lifestyle, why then do they embrace consumerism? The basic idea here is that through various mechanisms there is a *systematic consumption-bias* in the decisions people make. If this bias were eliminated, people would in fact make different choices, consume less and in the end be happier. The issue, then, is not really that there is anything intrinsically wrong with shopping and consuming as such, but rather that the nature of the market system in which we live shapes peoples preferences and choices excessively in favor of consumption over other values.

In the rest of this chapter we will examine some of the critical processes in play in contemporary American society that foster this strong consumerist culture.

1. The consumption bias in capitalist profit-maximization strategies

Perhaps the most fundamental process that generates consumerism is the nature of profit-maximizing competition in a capitalist economy. One of the great virtues of capitalism is that the competition among firms puts pressures on firms to innovate, and many of these innovations increase productivity over time. Productivity refers to the amount of inputs needed to produce a given amount of output. More specifically, increasing productivity means that it takes less laboring time to produce a given quantity of output. When productivity increases, therefore, there are two sorts of things that in principle can happen: we could produce the same amount of things with less total labor input, resulting in more “free time”, or we could produce more things with the same amount of labor input. The “consumption bias” of capitalism means that there is a strong tendency for increases in productivity to lead to increased production of goods and services rather increased “free time”. This may not be such a bad thing in a poor country which does not produce enough to provide adequate nutrition, housing and other basic necessities for everyone. But when a society is already extremely rich there is no longer any intrinsic reason why growth in average levels consumption at the expense of increasing free time is desirable.

The dynamics of capitalist profit-driven market competition imposes a strong pressure in even wealthy capitalist economies to grow in total output, not just in productivity. From the point of view of profits, if productivity in a capitalist economy doubles, which is better: doubling leisure time and keeping consumption levels constant, or doubling consumption levels and keeping leisure time constant? Capitalist economies thrive when capitalist firms make profits, and profits are made from selling goods and services. Capitalist firms, competing with each other, thus constantly attempt to increase their production and their sales. Enormous resources are devoted to this specific task, most clearly in the form of advertising and marketing strategies, but also in terms of government policies that systematically facilitate expansion of output over increases in free time. In the aggregate this means that productivity growth is channeled into the continual expansion of markets, and this creates a tremendous bias in favor of a growth in consumption rather than leisure.

The consumption bias inherent in capitalist economies is particularly sharply revealed in times of economic crisis. In an economic downturn, governments attempt to “stimulate” the economy by, in various ways, encouraging people to consume more by reducing taxes, by reducing interest rates so borrowing is cheaper or, in some cases, by directly giving people more money to spend. In the severe economic crisis that began in 2008, economists warned that not only was consumption declining because of rising unemployment, but people were beginning to save more and this would only make matters worse. In order to get the economy back on track it was essential that people start spending more, saving less. Since private consumption constitutes some 70 percent of the economy, reinvigorating mass consumerism was a condition for reinvigorating capitalism.

The critical point here is that these arguments by economists and policy makers are correct, given the nature of the economy in which we live: it is essential for the health of a capitalist economy that people buy things in the market. If large numbers of people were to say “enough is enough” and opt for a life style of “voluntary simplicity” by rejecting consumerism, the economy would face very serious difficulties. Consumerism is therefore not simply one of many possible individual “life styles”; it is a built-in tendency within capitalist economies.

2. Advertising and Consumption Norms

The fact that the profits of capitalist firms in general are enhanced when increased productivity is turned into greater consumption rather than increased free time by itself would not lead to consumerism. People also have to be motivated to want ever-higher levels of consumption. One view is that this is simply a question of human nature: we are naturally acquisitive, and when possible, will always want more stuff. Consumption, in this view, is like happiness itself: the more the better. An alternative view is that once basic needs are comfortably met, there is no “natural” tendency for people to prefer more stuff over more free time. An incessant desire for things, therefore, requires specific social institutions which foster such preferences.

Perhaps the simplest mechanism fostering a mass culture that underwrites consumerism is marketing. Advertising is everywhere: on television, on billboards, in newspapers and magazines. Corporations pay enormous sums for “naming rights” of public facilities so that their brand is kept in people’s minds. Educational news programs provided free to schools contain advertisements directed at children. Marketing research devises ever more sophisticated means of reaching the public and shaping people’s preferences. This includes intensive advertising directed at young children. Lucy Hughes, the director of strategy for the large communications management company, Initiative Media, has done extensive research developing advertising strategies to exploit what she calls the “Nag Factor.”[2] The basic problem is simple: since children don’t have a lot of money to spend themselves, how can advertisers get their parents to buy things for them? The solution is to help cultivate the art of nagging by modeling effective nagging behavior in advertisements. In an interview, Hughes reports that “the way a child nags to the parent will have an impact on whether or not the parent will buy the product.”[3] Her research has demonstrated that “anywhere from 20 percent to 40 percent of purchases would not have occurred unless the children had nagged the parents.”[4] So, instead of directing advertisements for children’s products mainly at parents, children are the targeted and shown how to nag for good results. By some estimates, spending by businesses for marketing directed at children increased from around $1-2 billion in 1990 to over $15 billion fifteen years later.[5]

Defenders of advertising point out that advertising provides valuable information to people. Ads inform people of new products and provide information about the virtues of one product compared to others. If this is all that advertising did, then perhaps it would not be an important component of consumerism. But ads do much more than simply transmit information: they display and reinforce certain values, constantly affirming the association between happiness and consumption, between success in life and buying things, between sexual attractiveness and particular forms of consumption. These

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[2] This description of advertising and nagging comes from interviews with Lucy Hugh reported in Joel Bakan, *The Corporation: the pathological pursuit of power*: The Free Press, 2004), pp. 119-122.

[3] Lucy Hughes, quoted in Bakan, *The Corporation*, p. 120.

[4] Ibid p.121.

[5] These figures come from personal communication with Juliet Schor, author of *Born to Buy: the commercialized child and new consumer culture* (New York: Schribner, 2004). It is very difficult to make accurate estimates of the amount of money being spent on marketing directed towards children, both because many forms of marketing may be directed at both children and adults, and because a considerable amount of marketing does not take the form of a advertisements.

associations and images are part of the taken-for-granted culture that Americans learn from early childhood and make a life heavily oriented to consumption seem natural.

Advertising in particular, and the mass media more generally, have contributed to a gradual ratcheting up of what can be called the consumption norms in American society. Consumption norms refer to the level of consumption that people see as needed to be living well. One way of thinking about this is in terms of basic sociological concept of a "reference group." A reference group is the category of people to which one refers when trying to figure out how well one is doing or how one should behave. This idea has very wide application in sociology. Among teenagers this is very important in terms of understanding such things as school achievement. Here the term often used is "peer group". A bright student who is part of a peer group in which academic achievement is regarded as uncool is much more likely to do badly in school than an equally bright kid who is part of an academically-oriented peer group.

A "consumption reference group" refers to the category of people with whom one compares oneself around consumption norms. Most people do not compare themselves to Bill Gates and say "I am doing badly because I don't live as well as that". So, the question for consumerism is: what are the standards of living that people use to define "doing well" and has this changed?

There was a time, not in the distant past, when for most people consumption norms were defined largely by people very much like themselves in their immediate social environment. Today, consumption norms are heavily shaped by images that people see in the mass media, especially on TV, rather than simply by the actual standards of living of people like themselves. The reference group for consumption is no longer just defined by "keeping up with the Joneses next door" – a very local, neighborhood reference group – but keeping up with the Joneses on TV as displayed in advertisements and sitcoms. Consider a typical commercial for television sets shown during a football broadcast: the TVs that are advertised are not modest sets costing a few hundred dollars, but giant flat screen TVs hung on the wall. The homes and apartments in most sitcoms are not the typical kind of housing lived in by a family earning around the median income, but the living quarters of affluent yuppies in fashionable apartment buildings or expensive suburbs. Research on the impact of television has suggested that viewing television increases people's estimates of how affluent American society is.[6] The mass media conveys a picture of consumption standards of an average "middle class" life style that actually corresponds to the upper end of the income distribution. The result is a large gap between what most people can afford and what they feel they should consume. Consumption norms outpace earning capacity.

3. Credit Cards

Advertising may promote a hyper-consumerist life style, and the shift upward in a typical person's consumption reference group might make people want to consume at higher level than they can really afford, but people still need to be able to buy things. One way this could be organized is for people to buy their basic necessities from their earnings,

[6] See, for example, O'Guinn, Thomas C. and L.J. Shrum, 1997 "The Role of Television in the Construction of Consumer Reality", *Journal of Consumer Research*, 23 (4), March.

and then save what is left over until they have accumulated enough to purchase the wonderful forms of consumption promoted in the consumerist life style. The problem, of course, is that a culture of consumerism fosters desires to consume things right now. The delayed gratification of careful saving goes very much against the grain. An alternative is to devise a system in which people can easily borrow money to buy things now and pay back the loans over a long period of time. This is what consumer credit accomplishes, and nothing has fueled consumer credit more than the credit card.

Until the 1950s, credit cards were in very limited use, mostly in the form of cards issued by specific merchants or groups of merchants. In 1958 the general purpose credit card was born when Bank of America created a bankcard that eventually became the Visa card. In 1966 a group of banks joined together to create what became Mastercard. Since then the credit card industry has grown by leaps and bounds, making significant amounts of consumer credit available to nearly everyone with minimal screening.

The basic facts about consumer debt in the United States are astounding:

- The size of the total consumer debt grew (in constant dollars) nearly 3 times in size from $898 billion in 1980 to $2.6 trillion in 2008.[7]
- Between 1970 and 2004, there percentage of families with credit cards grew from 51% to 75%, and the percentage carrying a balance on their cards, and thus paying interest on credit card debt, increased from 37% to 56%.[8]
- In 1968, consumers' total credit card debt was $8.8 billion (averaged over the year, in 2008 dollars). By 2008 the total averaged over $942 billion.[9]
- The average American household's credit card debt in 1989 was about $3000. In 2007 it was $7,300.[10]
- U.S households received approximately 5.2 billion offers for new credit cards in 2007.[11]
- 41% of college students with credit cards carried a balance from month to month, and the median amount was $1,000.[12]

Credit card companies have aggressively promoted this expansion of consumer debt. They advertise their cards by showing how pleasant life is when you use a credit card to buy what you desire and by sending unsolicited cards to millions of people a year. While

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[7] http://www.money-zine.com/Financial-Planning/Debt-Consolidation/Credit-Card-Debt-Statistics/

[8] Board of Governors of the Federal Reserve System, "Report to the Congress on Practices of the Consumer Credit Industry in Soliciting and Extending Credit and their Effects on Consumer Debt and Insolvency" (Washington, D.C.: Federal Reserve, 2006), Table 2, p.6

[9] http://www.creditcards.com/credit-card-news/federal-reserve-credit-card-report-april-2008.php

[10] Federal Reserve Board survey of consumer finances, 1989-2007

[11] Figures are reported by Synovate, a global market research company that tracks credit card services, see entry for 2007 at http://mailmonitor.synovate.com/news.asp

[12] American Council on Education. "Credit Card Ownership and Behavior among Traditional-Age Undergraduates, 2003-04." ACE Issue Brief, July 2006., p.1

credit card companies make money off of each transaction, since merchants have to pay a fee to the credit card company, they make most of their money off of late fees and interest payments. In a sense, therefore, the credit card company is particularly eager to get people to use credit cards to buy things that are more expensive than they can really afford, for this is precisely the kinds of purchases that are hard to pay off. In 2007 about half of credit card users on average did not pay off their bills each month. According to a 2006 report by the Government Accounting Office, around 70% of the revenues of credit card issuers came from interest charges on unpaid balances, and another 10% come from penalty fees.[13]

4. Market failures in leisure

So far we have examined forces which encourage a consumerist culture and which enable people to buy into that culture through easy credit. Consumerism is also generated by what can be called a failure in the "market" for leisure. If we had a "perfect market" for leisure, then people would be able to easily choose the amount of work and leisure they preferred. This is not the case. Labor markets and employment relations in the United States are organized in such a way as to make it difficult for individuals to choose a less consumerist life style in favor of more free time.

Let's begin by looking at some basic facts. US workers work longer hours than workers in all other comparably developed countries. As shown in Table 7.1, Americans who worked for pay in 2006 worked, on average, 1,804 hours during the year.[14] Among economically developed countries, only workers in Italy worked nearly as many hours.[15] Japan, which historically has had highest number of annual hours worked by its workers, reduced the annual hours worked by 342 hours (the equivalent of about two months of 40-hour work weeks) from 2,126 in 1979 to 1,784 by 2006. In the same period, the figure for the United States declined by only 57 hours. In part this greater number of hours worked per year reflects the fact that, on average, employed workers in the United States put in longer working hours each week than most other developed countries. Mandatory overtime is common, and stable, well-paid part-time work with full benefits is relatively rare. The result is that the percentage of people who work very long hours per week in the

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[13] Government Accountability Office, "Credit Cards: Increased Complexity in Rates and Fees Heightens Need for More Effective Disclosures to Consumers." Report to the Ranking Minority Member, Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, U.S. Senate, September 2006, p.67

[14] Several words of caution about these aggregate annual average hours worked statistics: First, these figures are *average* hours worked per employed worker. If in a country there are lots of part-time workers, this number will be lower. This is one of the main reasons why the figures for the Netherlands are so low: a much higher proportion of the Dutch labor force (especially women) work part time than in most other countries. These statistics are also sensitive to the demographic structure of a society: young people tend to work fewer hours per week the people in the middle of their careers, so if there are relatively fewer young people in a country this will show up as an increase in the mean annual hours worked. Finally, even among rich countries, countries vary in the quality of their national statistical offices

[15] We are uncertain – and somewhat skeptical – of the accuracy of the data for Italy reported in Table 7.1. As Figure 7.4 indicates, Italians have, on average, about 4 weeks more paid vacations than Americans.In order for them to work roughly the same numbers of hours per years as Americans, therefore, they would have to have a much longer average work week, which does not seem to be the case. We have not, however, been able to identify the source of this inconsistency in the available statistics.

United States in greater than in most other countries. Among dual-earner families in the United States 30% of husbands work over 50 hours a week. In most other countries the figure is in the 20-25% range. (See Table 7.2). But even more important, American workers have much shorter vacations than their European counterparts. As Figure 7.4 indicates, in 2005 U.S. workers averaged only 3.9 weeks of vacation and holidays, whereas European workers had between a low of 5.7 weeks in Ireland and a high of 7.9 weeks in Italy.

-- Table 7.1, Table 7.2 and Figure 7.4 about here --

Perhaps these long work hours simply reflect the preferences of American workers for work and the earnings that come from work over leisure. There is some data that suggest things are not quite as straightforward as this. As indicated in Figure 7.5 when workers are asked how much of *future* pay raises they would be prepared to give up in order to have more leisure time, nearly half of all people say that they would give up 100% of a pay raise in the future for more free time.[16] Suppose that over the past 50 years or so this preference for reduced work over pay increases had actually been followed: that is, suppose all productivity gains in the half century from 1958-2008 had gone into reductions of work time rather than increases in pay and consumption. If this had happened, how many hours a week would the average person have to work today? To really answer this question is probably impossible since if people always opted for shorter hours whenever they were offered a choice of less work or more pay the whole economy would have a different dynamic. But if we simply treat this as an arithmetic problem of making the choice between using productivity increases to smoothly reduce the time of work while keeping output constant, then over the last half century the average number of hours worker per year would have been reduced by roughly 66% -- either in the form of a much shorter worker week or much longer vacations. This would mean an average work week in the vicinity of 15 hours a week or so.[17] Even if half of the productivity gains were turned into more consumption, this would still mean an average work week of less than 30 hours a week.

[16] These figures come from Juliet Schor, *The Overworked American: the Unexpected Decline of Leisure* (New York: Basic Books 1991). The preference for more leisure over future pay raises does not imply that in the future there would be a symmetrical preference for pay cuts in exchange for more leisure. If you ask people today the question “would you rather (a) keep your current income and work half as many hours, or (b) work the same hours and double your income,” most people would prefer to reduce their work time at the same income level. If, twenty years later when their income has in fact doubled you ask them the symmetrical question, “would you rather (a) keep your present income and work hours or (b) work half as many hours with half the income,” they would generally choose (a). Two psychological issues are in play here: first, since people cannot turn productivity into leisure, they become habituated to higher incomes, and readjust their expectations about acceptable levels of consumption, and second, as a general psychological matter people care more about losses than about gains of the same magnitude.

[17] These estimates are based on data from the Bureau of Labor Statistics “Major Sector Productivity and Costs program” data for output per hour of nonfarm private sector businesses, which show that productivity (the amount of value produced for every hour of work) was 2.9 times greater in 2008 compared to 1958. This means that at the end of that half century it would have been possible to produce the same amount of output as in 1958 with one third the amount of labor input, or three times the output with the same amount of input.

Even if, perhaps, people are overstating their preference for more leisure over more income a bit, the data in Figure 7.6 do suggest that people have real preferences for more leisure time and would be prepared to forego pay raises to get this. If we had a perfect market in leisure, then workers would be able to make this choice. Why don't they? If people want leisure, why do they work so hard?

For a variety of reasons it can be difficult for people to choose greater leisure over long hours of full time paid work. Employers often prefer to hire fewer workers for more hours a year because it is cheaper than hiring more workers each working fewer hours. There are a number of reasons for this. In most jobs there are some fixed overhead costs associated with each employee, such as paperwork costs for pay and taxation, and some fringe benefit costs that are not strictly proportional to the number of hours worked. This is a particularly acute issue in the United States because of employer-funded health insurance. In countries with universal health insurance provided by taxes, this is no longer a work-based fringe benefit that employers have to pay. In many jobs there are also training costs associated with hiring workers, both formal training and the more subtle on-the-job informal learning that makes a more experienced worker more productive than a less experienced worker. The result is that in general employers only offer reduced hours work with very large earnings penalties and greatly reduced or nonexistent fringe benefits.

Given that employers have strong incentives for creating jobs with relatively long hours, in the absence of some countervailing power able to counteract these employer preferences by regulating working hours, it will be difficult for workers in a "free market" to find good jobs which pay adequate wages with long vacations and moderate working hours per week. There are two principle forms that this countervailing power takes in capitalist societies: the labor movement and the affirmative state. In the United States unions are weak and fragmented and generally unable to impose on employers collective forms of regulation of working hours and the work/leisure balance. Government regulation, in the United States, has also been weak or non-existent. In most European countries workers are entitled by law to 4-5 weeks of paid vacation. In the US there are no requirements for any paid vacations, and in most jobs in which paid vacations exist, employers voluntarily provide only 2-3 weeks. In the absence of strong unions and government regulation, this situation is very unlikely to change.

5. Increasing inequality ratchets up consumption demands

At first glance it might not seem that inequality as such would have any effect on overall pressures on consumption standards. Inequality refers to the economic distance between the top and the bottom, but why should this have any impact on the consumption norms of people in the middle? The economist Robert Frank argues convincingly that many kinds of consumption involve "positional goods", goods whose subjective value is heavily dependent on comparisons with what other people consume.[18] Where such goods are present, then increasing inequality tends to fuel what Frank calls "positional arms

[18] The idea of positional goods is elaborated in a clear and compelling way by Robert H. Frank in *Falling Behind: How Income Inequality Harms the Middle Class,* Berkeley: University of California Press, 2007.

races", much like "the familiar metaphor in which everyone stands up to get a better view, yet no one sees any better than before."[19]

Two kinds of processes underlie the salience of positional goods. The first is the psychological process in which the satisfaction one derives from owning something depends in part of one's perception of what other people own. Frank gives a vivid example of this in a thought experiment. Consider the choice between two possible worlds: "World A, in which you will live in a 4,000-square-foot house and others will live in 6,000-square-foot houses; and World B, in which you will live in a 3,000-square-foot house and others in 2,000-square-foot houses."[20] If the only thing people cared about was their absolute level of consumption, everyone would choose A, but this is simply not the case. Many, perhaps most people, would choose the second world. Part of this might be because of a desire to avoid envy of everyone else in World A or to feel superior to everyone else in World B, but mostly, Frank argues, the choice of World B reflects the fact that the subjective meaning and value of a given size of house depends heavily on the context, on the frame of reference of comparison within which a person lives.

The second mechanism behind the consumption of positional goods is less a question of the subjective meaning or status linked to particular kinds of consumption, than the ways in which other important interests that people have become linked to positional goods. Consider, again, the problem of choosing a house size, but now in the empirical context of the dramatic increase in the size of new home construction in the United States since the early 1980s. The access of children to good schools depends to an important extent on the neighborhood in which they live. As overall economic inequality increases, inequalities across neighborhoods increase, and this will tend to increase inequalities in schooling. This increases pressure on middle class people to try to live in more expensive neighborhoods than they can easily afford. People feel pressure to buy large, expensive houses not simply because of a consumption desire for big houses as such or because of the subjective sense of relative deprivation in living in smaller houses, but in order to move up the neighborhood hierarchy and thus gain access to better schools. The consumption norm for housing for the "middle class," therefore, is driven in part by the increasing inequality in income above the middle of the income distribution.

Of course, not every good that people consume has this positional quality. Frank gives another example in which you choose between a world in which you have four weeks of annual vacation and everyone else has six-week vacations, and a world in which you have a two-week vacation and everyone else has a one-week vacation. In this case most people would choose the first world. This is because the length of vacations has a much less positional character than the size of houses.

The tremendous increase in income inequality beginning in the last quarter of the twentieth century has contributed to a significant escalation in these positional arms races. Writing in 2009, Robert Frank describes the problem this way:

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[19] Robert H. Frank, "Post-Consumer Prosperity: finding new opportunities among the economic wreckage", *The American Prospect,* Volume, 20:3, April, 2009. p.12

[20] *Ibid.* p2

> Hedge fund managers need a 40,000-square-foot house and a Gulfstream jet only because their peers have them. Evidence suggests that it top earners all spent less on such things, their lives would be no less fulfilling than before….
>
> For the last three decades, virtually all income gains in the United States have gone to top earners. Recipients have spent most of their extra income on positional goods, things whose value depends heavily on how they compare with similar things bought by others….Additional spending by the rich shifts the frame of reference that defines what the near rich consider necessary or desirable, so they too spend more. In turn this shifts the frame of reference for those just below the near rich, and so on, all the way down the income ladder.[21]

In every economy, both kinds of goods – positional and nonpositional – exist. The key point in the present context is that increasing inequality tends to increase the weight of positional goods in many people's consumption basket, and this, in Frank's words, "diverts resources from nonpositional goods, causing large welfare losses."[22] This is reflected in the example of housing. Frank explains it this way:

> When people contemplate working longer hours to buy larger houses, they anticipate additional satisfaction not only from having a larger house in absolute terms, but also from having a larger house in relative terms. For the move to appear attractive, the anticipated sum of these two gains must outweigh the loss of satisfaction associated with having fewer hours of leisure. When all make the same move in tandem, however, the distribution of relative house size remains essentially as before. So no one experiences the anticipated increase in relative house size. When the dust settles, people discover that the gain in absolute house size alone was insufficient to compensate for the leisure that had to be sacrificed to get it. Yet failure to buy a larger house when others do is not an attractive option for the individual, either. As in the familiar stadium metaphor, all stand to get a better view, but when all stand no one sees better than when all were seated".[23]

Leisure, in this example, is a nonpositional good – it is valued for its own sake – but it is displaced by the drive for positional goods through longer commuting times and longer hours of work.

The escalation of positional consumption driven by increasing inequality works its way down the income structure, having a particular negative impact on people around the middle. At least in the case of people at the top of the income distribution their incomes have increased substantially as inequality has increased. People around the median of the income distribution have not seen significant increases in their income, yet they experience increased pressures for positional consumption. The result is increasing debt.

[21] Robert H. Frank, "Post-Consumer-Prosperity: finding new opportunities amid the economic wreckage", *The American Prospect,* April, 2009, pp. 12-13.

[22] *Ibid.* p.3

[23] *Ibid.* p.4

6. Decline in public goods and abandonment of public consumption by the affluent

In a society with very good public amenities – good public schools, good libraries, well constructed and attractive public swimming pools, good public transportation, etc. – individuals have a readily available alternative to private consumption in order to satisfy many of their needs. The erosion of the quality of public goods makes private substitutes more attractive. There are many examples:

- Private schools become more attractive because of the deterioration of public schools.
- Gated communities become more attractive because of the deterioration policing and public safety.
- Private swimming clubs and private home pools become more attractive because of the deterioration of public recreation facilities.
- Private cars become more attractive – and more essential – because of the deterioration of public transportation.

In each of these cases, the deterioration of public goods generates a vicious cycle: as the more affluent pull out of public goods consumption they reduce their political support for the provision of those public goods which – since they are politically influential – leads to a further deterioration of the public goods, which leads to more people withdrawing to private, more costly, substitutes. This cycle fuels consumerism – the intensified preoccupation with private consumption.

This is what has happened in some areas of the country for schooling. In California an anti-tax initiative passed in 1978, "The People's Initiative to Limit Property Taxes" put a severe cap on funds available for public schools. The result was a deterioration in public school quality in the period between 1970 and the 1990s. In 1970, the pupil-teacher ratio in California public schools was only 8% above the national average; by 1997 this had risen to 38%. Some wealthy parents then began buying private substitutes for public consumption, putting their children in higher quality private schools. In 1970 only about 13% of families in the top income decile in California sent their children to private schools. This was well below the national rate outside of California of just under 20%. By 2000 the California figure rose to 22.6%, while the national had hardly changed at all, rising only to 21.9%.[24] While most families, even relatively rich families continued to use the public school system, the exit from the public system of significant numbers of children of influential parents reduced their interest in improving public education. This also increased the incentive for less wealthy parents, if they could afford it, to send their children to private schools.

*

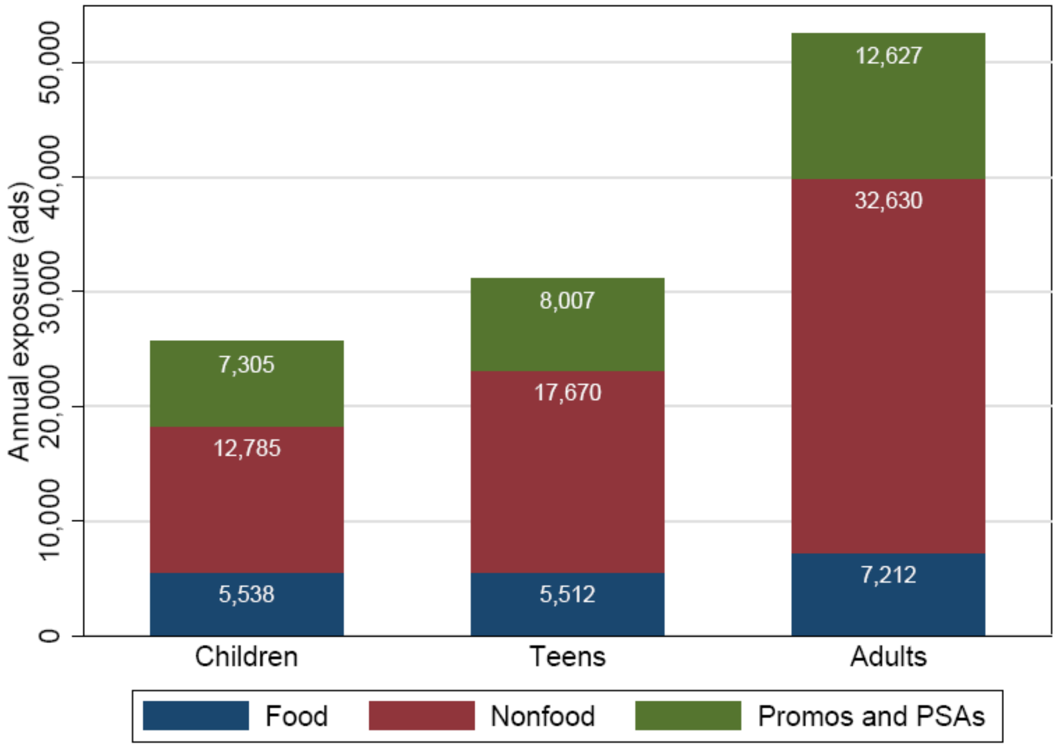
[24] Eric J. Brunner and Jon Sonstelie. "California's School Finance Reform: An Experiment in Fiscal Federalism," Economics Working Papers, Department of economics, University of Connecticut, 2006, p.20. Available at: http://digitalcommons.uconn.edu/econ wpapers/200609,

The six factors we have reviewed in this chapter – the consumption bias in capitalist markets, advertising and consumption norms, consumer credit, market failures in leisure, increasing inequality, and the decline in public goods – collectively underwrite hyper-consumerist life styles in American society. Of course, there are always some people who reject consumerism as a way of life. There are cultural currents in the United States that embrace "voluntary simplicity" and advocate a slower pace of life with less concern with material consumption. There are people who give up well paying jobs and leave the "rat race" of large urban centers and move to rural areas. More broadly, perhaps, growing environmental consciousness means that many people are increasingly prepared to devote resources for more ecologically responsible forms of consumption, especially around energy use.

These counter-tendencies to consumerism, however, are likely to remain weak and fragmented in the absence of any serious public policies designed to reign in consumerism. One general kind of strategy to counteract hyper-consumerism is to introduce new forms of taxation directly designed to reduce the more destructive forms of consumerist behavior. High gasoline taxes, for example, would be a way of reducing the consumption of large, low-efficiency cars. Some have proposed a progressive consumption tax to replace the current income tax as a way of creating disincentives for lavish consumption. A progressive consumption tax works like this: People are not taxed on their total income, but only on that part of their income which they consume. They would not be taxed on income that was turned into savings or investments, but only on that part of income turned into consumption. The tax on consumption would be steeply progressive, meaning that the rate of taxation increases with the level of consumption. Such a tax structure makes it much more expensive to turn discretionary income into lavish consumption and would thus dampen the "positional goods arms race."

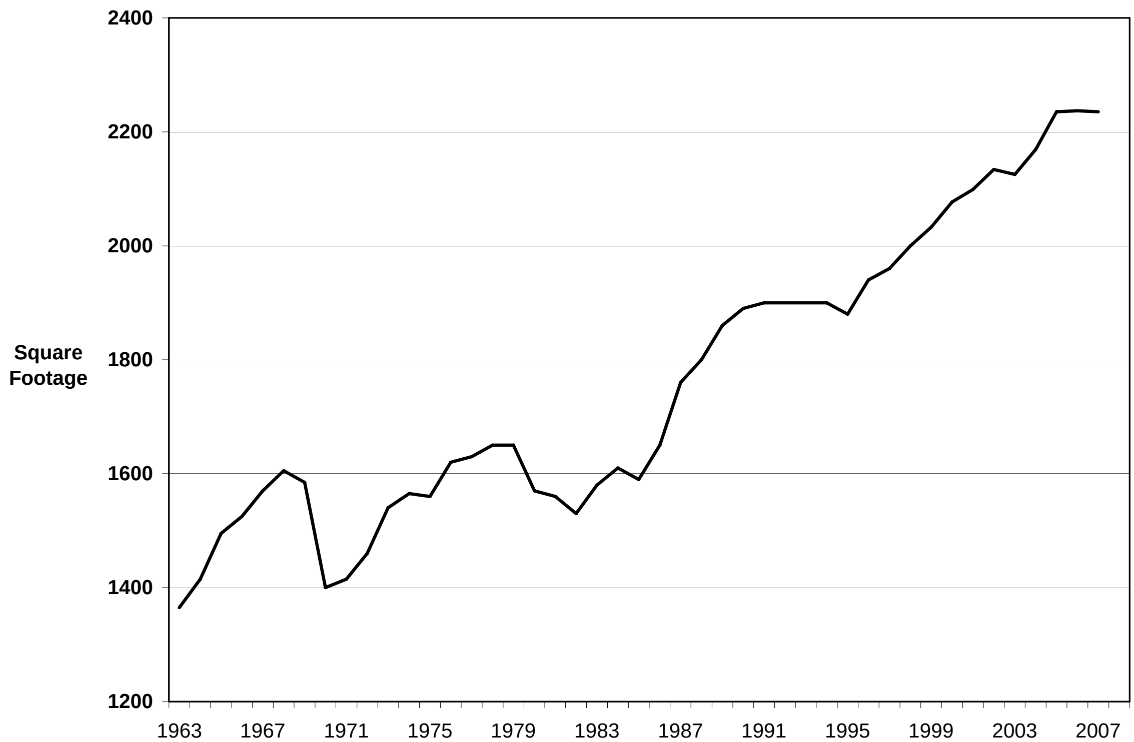
New forms of taxation are only part of the solution to hyper-consumerism. Without a strong effort to expand the quality and availability of public goods, privatized consumption will remain the preferred alternative for many people. Without significant reversal of the high levels of economic inequality in the United States, consumption norms will continue to ratchet upwards. Without new legally-enforced rules to require paid vacations on European standards and shorter work weeks, working hours will remain long and leisure time scarce. Consumerism may be an inherent tendency within capitalism, but nevertheless it is possible to move away from hyper-consumerism through a reinvigorated democratic affirmative state that helps create the context for more balanced patterns of public and private consumption, work, and leisure.

FIGURES AND TABLES FOR CHAPTER 7



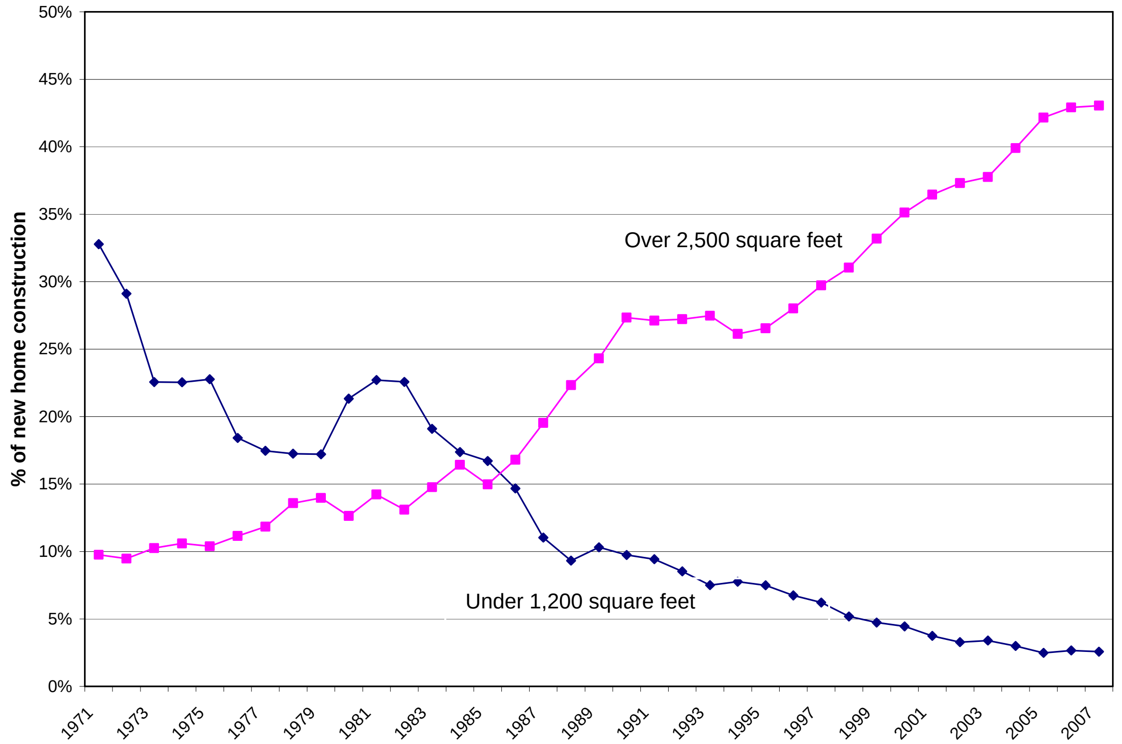
Source: Debra J. Holt, Pauline M. Ippolito, Debra M. Desrochers, and Christopher R. Kelley, "Children's Exposure to TV Advertising in 1977 and 2004: Information for the Obesity Debate" Federal Trade Commission, Bureau of Economics Staff Report (Washington, D.C. Federal Trade Commission, 2007), p. ES-2

Figure 7.1
Americans exposure to TV ads, 2004



Source: Source: *Survey of Construction Data*, Single family detached houses only, US Census Bureau. Analysis of provided by Rachel Dwyer.

Figure 7.2
Growth in median size of new home construction in the U.S., 1963-2007



Source: *Survey of Construction Data*, Single family detached houses only,
US Census Bureau. Analysis of provided by Rachel Dwyer

Figure 7.3 Construction of Small & Big houses, 1973-2007

	1979	**1994**	**2006**
United States	1,861	1,842	1,804
Italy[1]	1,949	1,857	1,800
New Zealand	x	1,849	1,787
Japan	2,126	1,898	1,784
Spain	2,022	1,816	1,764
Canada	1,832	1,780	1,738
Finland	1,869	1,775	1,721
Australia	1,823	1,771	1,714
United Kingdom	1,818	1,740	1,669
Switzerland	1819	1,725	1,659[2]
Austria	x	x	1,655
Ireland	x	1,883	1,640
Sweden	1,530	1,621	1,583
Denmark	1,624	1,494	1,577
Belgium	x	1,646	1,571
France	1,856	1,675	1,564
Germany	1,770[3]	1,547	1,436
Norway	1,580	1,505	1,407
Netherlands	x	1,411	1,391
Average excluding U.S.	*1,821*	*1,705*	*1,635*

1. We are uncertain of the reliability of the data for Italy, see footnote 15 in text.
2. 2005 data
3. 1979 data are for West Germany

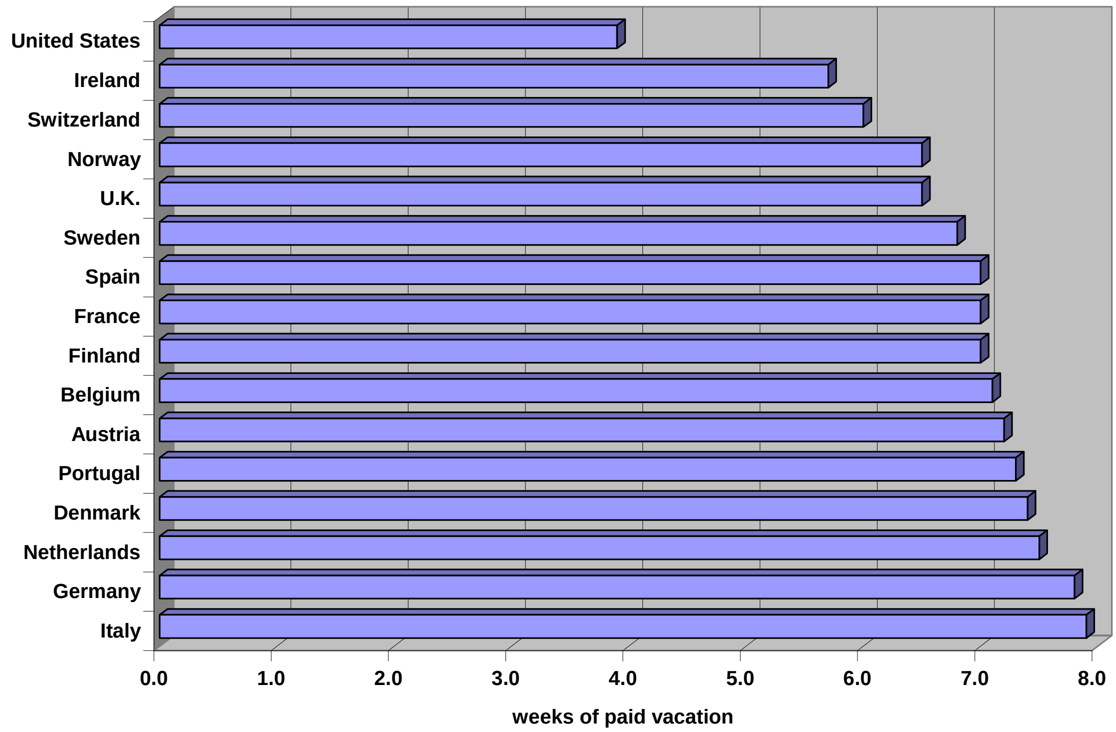
Source: Lawrence Mishel, et. al., *The State of Working America 2008/9* (Washington, D.C.: Economics Policy Institute, 2009), Adapted from table 8.4, with supplementary data from OECD excel file.

Table 7.1
Annual hours worked per paid worker in the United States and other rich countries, 1979-2006

	Mean hours worked by dual-earner couples per week	% of men in dual earner couples who work more than 50 hours/week	% of women in dual earn couples who work more than 50 hours/week
United States	81.2	30.3%	10.2%
Belgium	79.0	27.2%	10.1%
Italy	78.2	26.7%	10.0%
Finland	77.4	10.4%	2.6%
Canada	77.0	23.0%	7.1%
France	76.3	18.1%	4.7%
Germany	75.1	24.7%	6.3%
U.K.	74.3	24.3%	4.0%
Sweden	69.3	2.8%	0.4%
Netherlands	64.0	15.8%	1.7%

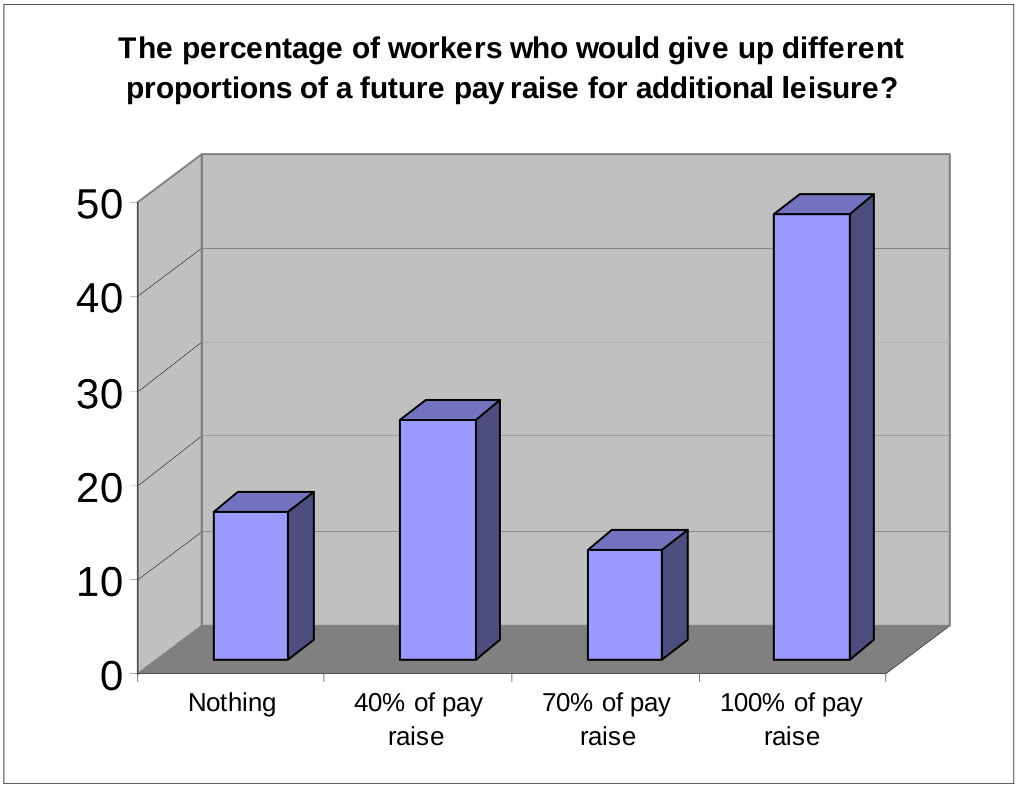
Source: Jerry Jacobs and Janet Gornick, "Hours of paid work in dual earner couples: the United States in Cross-National Perspective," *Sociological Focus*, vol. 35:2, pp. 169-187, May 2002. adapted from Tables 1 and 3.

Table 7.2
Hours worked per week by men and women in dual earner couples



Source: Giulia Faggio and Stephen Nickell, "Patterns of Work Across the OECD", *The Economic Journal*, 117 (June), F416-F440. p. F419

Figure 7.4
Weeks of paid vacation in 16 wealthy countries



Source: Juliet Schor, *The Overworked American*, p. 130

Figure 7.5
Workers attitudes towards more leisure vs higher pay