

directly secure her well-being but would cost so much that she could not afford necessary food and health care. We must therefore employ practical rationality in order to address the advantages and disadvantages of each specific option, deliberate, and finally judge which abode (and larger consumer pattern) is, on balance, best for us.

In order to focus on the nature of well-being and the effects of consumption on ourselves, I began this essay by setting aside other important questions about consumption choices: those involving our moral obligations toward the environment, societal institutions, and other people. In the course of the argument, I have suggested that the pursuit of higher goods does not necessarily require the sacrifice of well-being. Nonetheless, it is true that consumption choices which are ostensibly good for us may well harm nature, society, or others, and that the norm of our own well-being is not sufficient for assessing these choices. Some of the materials for such an assessment may be found in other essays in this issue.

— David A. Crocker

The author is indebted to architect Amanda Martocchio for her comments on an earlier draft. Other sources: Alan Thein Durning, *How Much is Enough: The Consumer Society and the Future of the Earth* (W. W. Norton, 1992); Stanley Lebergott, "Pursuing Consumption Limits," paper presented at the Maryland conference on "Consumption, Global Stewardship, and the Good Life" (September 1994); Juliet B. Schor, *The Overworked American: The Unexpected Decline of Leisure* (Basic Books, 1992); Frederick Turner, "The Return," quoted in Chandra Mukerji, *From Graven Images: Patterns of Modern Materialism* (Columbia University Press, 1983); Michael Schudson, "Delectable Materialism: Were the Critics of Consumer Culture Wrong All Along?" *The American Prospect* (Spring 1991); Victor Lebow, *Journal of Retailing* (Spring 1955); Robert E. Lane, "Does Money Buy Happiness?" *The Public Interest*, vol. 111 (Fall 1993); Aristotle, *Nicomachean Ethics*, trans. Terence Irwin (Hackett, 1985); Amartya Sen, *Resources, Value, and Development* (Harvard University Press, 1984); Martha Nussbaum, "Aristotelian Social Democracy," in *Liberalism and the Good*, edited by R. B. Douglass, G. Mara, and H. Richardson (Routledge, 1990); Martha C. Nussbaum and Amartya Sen, eds., *The Quality of Life* (Clarendon Press, 1993); Partha Dasgupta, *An Inquiry into Well-Being and Destitution* (Clarendon Press, 1993); James Griffin, *Well-being: Its Meaning, Measurement and Moral Importance* (Clarendon Press, 1986); T. M. Scanlon, "Value, Desire, and Quality of Life," in *The Quality of Life*, edited by Nussbaum and Sen; T. M. Scanlon, "The Moral Basis of Interpersonal Comparisons," in *Interpersonal Comparisons of Well-being*, edited by Jon Elster and John Roemer (Cambridge University Press, 1991).

A New Economic Critique of Consumer Society

In contrast to growing numbers of scholars in other fields, economists have contributed relatively little to recent critiques of consumer society. With a few notable exceptions — among them John Kenneth Galbraith, E. J. Mishan, James Duesenberry, Tibor Scitovsky, Robert Frank, and Amartya Sen — contemporary economists have been hesitant to entertain questions about the relationship of consumption to quality of life. Their reluctance is not difficult to explain. Most economists subscribe to a model which holds that as long as standard assumptions are satisfied, consumption *must be* yielding welfare; otherwise, it wouldn't be occurring. (Actually the implications of the model are even stronger, as we shall see.) Economists, moreover, are typically unwilling to engage in critical discussion of values and preferences.

In the absence of such discussion, it is easily assumed that the existing configuration of consumer choice is optimal.

To understand the peculiarity of this approach to consumption, we must recall that the field was once very different — that an earlier economics tradition in the United States had quite a lot to say about values as they relate to consumer behavior. Thorstein Veblen's *Theory of the Leisure Class* (1899), a work that exerted tremendous influence, is a classic in this tradition. Over the past hundred years, however, the discipline of economics has undergone a dramatic transformation, and a much more sanguine approach to consumer society has prevailed both within the profession and in society more generally.

Optimism and Resistance

Simon Patten, one of Veblen's contemporaries, was a central figure in initiating this process. Patten held a deep optimism about consumer society. In his 1889 essay "The Consumption of Wealth," he argued that it was time to emerge from the age of scarcity to the age of abundance. "We have built a new mansion on the hill," he wrote, "but we still prefer the cottage in the valley." Patten argued that consumers would have to change, to embrace the new consumer economy, and that this change was not only positive, but ethically desirable. Not incidentally, Patten was an advocate of mind cure, a sunny religious movement which believed in "salvation in this life." As he saw it, much of that salvation was to come through material goods.

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Optimists such as Patten met with considerable resistance. In addition to critiques such as Veblen's, which questioned the desirability of consumerism, there was a long-standing fear among businessmen, economists, and others that consumer society might not be viable: it would fail to generate sufficient consumer demand to grow and prosper. This "stagnationist" view was based on the distinction between two types of consumer goods: necessities and luxuries. It was thought that luxury goods held limited appeal as compared to necessities. For this reason, many economists believed that as wages rose, people would find their needs for consumer goods satisfied and reduce their labor supply. The reduction of labor supply at higher wages — the so-called "backward-bending" supply of labor — was the basis of fears of stagnation brought on by rapid productivity growth. If workers/consumers chose to take increasing amounts of leisure, then there might not be sufficient consumer demand to keep the nation's expanding productive apparatus operating at full capacity. Prosperity might lead to depression.

Paul Douglas's classic empirical study (1930) on the relationship between wages and labor supply supported the existence of a backward-bending supply curve. And the idea of inadequate demand leading to stagnation had a long if somewhat subterranean history within the profession, going back to the debates between Malthus and Ricardo, and to Marx. This idea would of course eventually gain many adherents with the onset of the Depression and the publication of Keynes's *General Theory*.

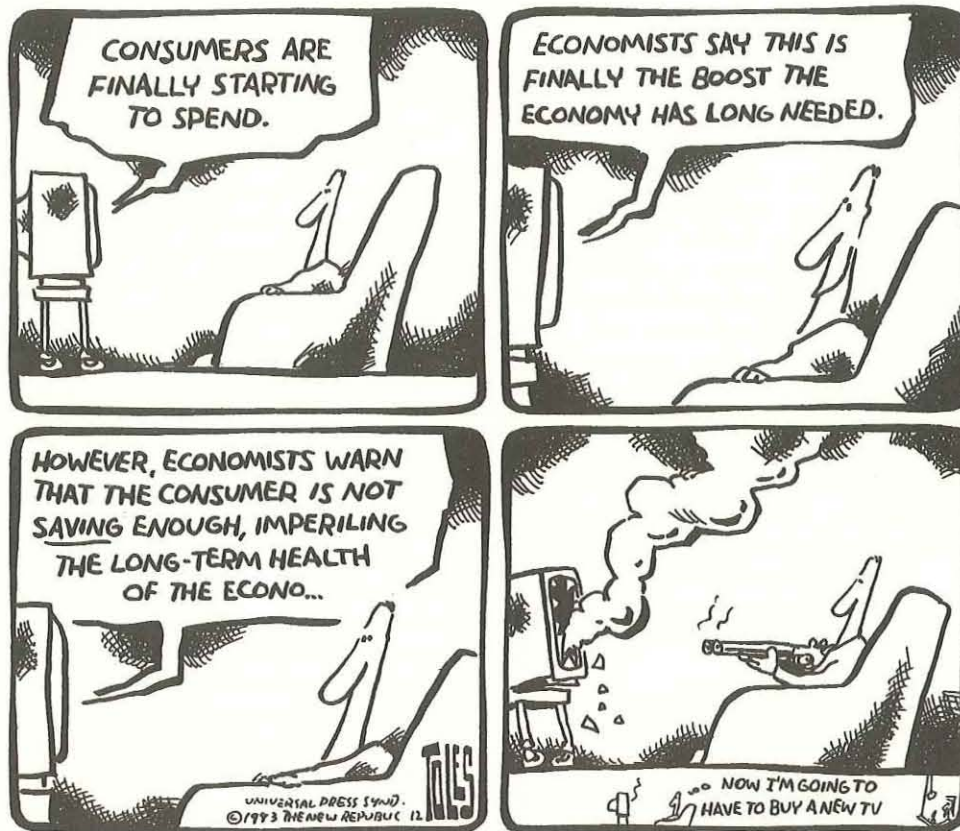
Nevertheless, Patten's views did triumph. In the 1920s, as the mass production economy boomed, economists such as Hazel Kyrk, Theresa McMahon, and Constance Southworth criticized the needs/wants dichotomy; they presented the logical possibility of unlimited wants, and argued that a new type of consumer was (and should be) emerging. In the actual world of commerce, advertisers and marketeers began doing their best to create such a consumer. Charles Kettering of General Motors invented the idea of the perpetually "dissatisfied" consumer, who would always desire the new automotive model. Advertisers began to tie personal identity to products. In a mass consumption society, this would eventually lead individuals to a continuous quest for new products and new identities in order to keep ahead of the crowd.

The Postwar Era and Beyond

Despite the eventual triumph of the "consumerist" vision, there were important and vibrant prewar debates about its legitimacy and viability. Economists took seriously the question of how consumption relates to the quality of life. Even inveterate optimists such as Patten worried about "higher" and "lower" pleasures in consumption. Political movements for shorter working hours contributed to the national discourse about consumerism, for the alternative to "work and spend" was leisure time and public culture. Empirical economists studied household budgets, looking at both "necessities" and "luxuries." Home economics was a serious scholarly field.

Over time, however, these issues virtually disappeared from the economics profession. As neoclassical theory came into its ascendancy, many previously important problems were ruled out of court, and economists came to accept the relationship between goods and satisfaction as straightforward and uninteresting. In neoclassical thinking, the consumer came to be characterized by a few simple principles, such as insatiability (more is always better) and independence (one's individual preferences are unaffected by those of others). The challenge became one of maximizing consumption subject to a budget constraint. If *homo economicus* could manage that problem right (and the Chicago school told us he always could), then his utility would be maximized. Economists stopped worrying about whether he would buy enough and left the field to marketeers. Indeed, by the last quarter of the century they were worrying about the reverse: why he was buying *so much* (and not saving enough).

In the contemporary period, the stress laid on competition in economic theory has had important implications for the relationship between consumption and quality of life, providing the foundation for the twin doctrines of worker and consumer sovereignty. In the



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standard competitive model, workers' choices about how much to work and how much income to earn are said to represent their preferred choices, with competition ensuring that what workers want is available in the labor market. Similarly, consumers choose the basket of goods and services which maximizes their satisfaction, and competition ensures that the products they want are for sale. Production technologies and the cost of capital affect the prices of goods, but enterprising capitalists will be sure to supply those goods for which demand exists.

If worker and consumer sovereignty hold, then there is no ground for worrying about how goods affect satisfaction, well-being, or quality of life. If consumers aren't getting their monies' worth in these terms, they can simply change their buying patterns. Similarly, trade-offs between time and money are unproblematic; if people are working long hours, it is only because they prefer more money to more free time. In this worldview, leisure is just another commodity. Thus, although economists have devoted extensive effort to testing theories about the *timing* of consumption, they have not often tested theories or critiques which abandoned the usual maxims about consumers or the

assumptions of worker and consumer sovereignty. Once the neoclassical assumptions are relaxed, however, we are free to consider other possibilities.

Market (and Other) Failures: Four Bases for a Critique of Consumerism

Stanley Lebergott, who has dealt harshly with critics such as Galbraith and Scitovsky, argues that their objections to American consumption patterns are largely grounded on their own aesthetic preferences, and hence elitist. There is some truth in this charge. Still, an economic critique of consumerism can offer important insights — not by making aesthetic judgments about specific consumer goods, but by raising questions about consumer society versus alternative ways of living. Consumer society has generated opposition throughout its existence and will continue to do so, because the consumerist path has real costs, and precludes other, desirable possibilities. We can begin to explore the costs by considering the market (and other) failures which characterize the consumer economy.

Market Failures in the Natural Environment. There is now widespread recognition that the market calculus

Melting into Air

The fact that people have chosen to spend money on an item is generally taken as a valid indication that the item is what they want, and that it yields the satisfactions they expect it to. Behind this assumption is a seemingly appealing and democratic way of thinking. Who, the economist asks, is in a better position to determine what people want and what brings them satisfaction than the person who is choosing to buy or not to buy?

Up to a point, the economists are right: there are dangers in supposing that people make choices that are not consistent with their real interests. Paternalism or, even worse, dictatorial imposition of the leaders' views of what people should want, is at least a potential consequence of excessive zeal in this direction. But there are also dangers in failing to recognize the human capacity for self-deception.

A number of studies suggest that economic growth, and the increases in consumption it brings, do not yield an increase in feelings of satisfaction or well-being, at least for populations that are above a poverty or subsistence level. Although we may often experience considerable pleasure or satisfaction with regard to particular items we have purchased, we encounter paradoxical consequences when we look at the overall impact of these purchases on our satisfaction with our lives. Each individual item seems to yield an increment in satisfaction or well-being, but when totaled up the whole is much less than the sum of its parts. Like a wad of cotton candy, the seeming amplitude melts into thin air as we try to taste it.

Indeed, the sum of all our efforts to improve our lives through purchases may actually be negative. Taking into account all of the experiences and requirements associated with continually increasing consumption, we may well find ourselves worse off than before we began. For the ways we mobilize ourselves, both as individuals and as a society, in order to produce and to have "more," turn out to undermine some of the most important sources of enduring and sustaining satisfaction.

— Paul L. Wachtel

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fails to price and incorporate environmental or natural capital — a failure which results in the underpricing of goods and services. As a result, there exists "excess" consumption of goods and services in general, as compared to what the optimal level of consumption would be if no external effects existed. (The extent of the excess consumption varies among goods and services, based on their respective environmental effects.) The intergenerational dimension of this market failure — future generations cannot express their preferences — increases the power of the environmental critique of consumer society.

Market Failures in the Constitution of Community. Robert Putnam's recent work on "social capital" shows that strong community ties yield substantial benefits in terms of efficient government, law-abidingness, and quality of life. Has consumerism led to a weakening of community, and thus to a loss of such benefits? Although there is little empirical evidence on this question, it has been argued that consumer society, by relying on marketized exchanges rather than reciprocity, reduces the bonds between individuals and makes community more difficult to sustain. Moreover, research indicating a decline of free time outside the workplace in modern consumer society suggests a further, indirect link between consumption and a decline in community ties, which depend on people's ability to spend time with one another.

Failure to Meet Conditions of Worker and Hence Consumer Sovereignty. New approaches to labor markets indicate that the standard model notwithstanding, conditions for worker sovereignty are not typically present. In the postwar United States, for example, employers did not offer workers the option of taking productivity increases in the form of increased leisure time. Instead, employers routinely shared productivity gains as higher income. Employees (as consumers) then spent that higher income and, in the process, adjusted their preferences through a process of habit formation. This "work and spend cycle," as I have called it elsewhere, led to an "inverse-neoclassical" world. In the neoclassical schema, workers get what they want. In the "work and spend world," they want what they get.

If employees do not have free choice in hours, one cannot infer that the current consumption path is even desirable, much less optimal. It may be that people would be better off with shorter hours and less money. At present, however, that is an unattainable equilibrium. If employers demand large penalties for shorter hours, they introduce a large pro-consumerist bias into the economy. Under these conditions, worker preferences may remain latent, and thus fail to exert much pressure in the labor market.

Collective Action Failures. Almost a half-century ago, Jim Duesenberry formulated a theory of consumption

based on relative position. He argued that what mattered in terms of utility was not people's absolute level of income, but their income relative to those around them. This phenomenon, colloquially known as "keeping up with the Joneses," has dramatic implications for assessing the welfare implications of consumer society. If it is relative income that really matters, then rising material standards of living do not necessarily yield rising welfare and quality of life. (Judith Lichtenberg explores this theme elsewhere in the *Report*.) Where status is relative, moreover, collective action problems arise that can only be resolved through the intervention of a central authority. Restraints on competition — rules requiring school uniforms, limitations on spending in holiday gift exchanges, and zoning restrictions, for example — have a strong rationale when cooperation fails.

Toward a New Critique of Consumerism

I believe the four problems listed above are sufficient to serve as the basis for a new critique of consumerism. I say "new" because, insightful as they have been, existing critiques suffer from some serious flaws. The economists' critique, with its basis in aesthetics, has often been elitist. The environmentalists' critique, as it is usually made, relies largely on a moral appeal, but the centrality of consumer goods in American society blunts the effectiveness of a primarily ethical approach. In a society in which consump-

tion is structurally positioned as the answer to so many needs, desires, and problems, and in which alternatives are structurally blocked, moral suasion is insufficient. Asking people to act ethically is important, but we must also analyze and transform the structures which make it difficult for them to do so.

In my view, a new critique should be positively oriented; that is, it should argue in favor of a better way of organizing the economy and society. For example, it should press for regulations and tax incentives which create genuine choice in working hours; it should promote "community solidarity" by suggesting alterations in the economic incentives for private and public consumption; it should encourage us to think about sensible restrictions on consumption in order to solve collective action dilemmas. It should also avoid an error common to virtually all previous critiques — a failure to recognize both the allure of consumer goods and the ways in which "things" do meet needs.

For various reasons, I believe an attitudinal sea change has occurred in recent years which makes the American people far more receptive to such a message than they have been previously. In part, this is a generational change, marked by the decline of material values and the rise of post-materialist ones. In part, it is a response to the macroeconomic climate, which has made "the American dream" seem increasingly costly and out of reach, so that people are rationally adjusting their behavior to attain other goals. And in part it is the result of mounting social and psychological problems, problems which have not been solved by a half-century of growth in consumption. As a result, those who favor new approaches to consumption are presented with a tremendous opportunity.

— Juliet B. Schor

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Juliet B. Schor, senior lecturer on economics at Harvard University and professor of economics of leisure at Tilburg University, Netherlands, is the author of *The Overworked American: The Unexpected Decline of Leisure* (Basic Books, 1992). Sources: John Kenneth Galbraith, *The Affluent Society*, 4th edition (Houghton Mifflin, 1984); James S. Duesenberry, *Income, Saving and the Theory of Consumer Behavior* (Harvard University Press, 1949); Tibor Scitovsky, *The Joyless Economy: The Psychology of Human Satisfaction* (Oxford University Press, 1992); Robert H. Frank, *Choosing the Right Pond: Human Behavior and the Quest for Status* (Oxford University Press, 1985); Simon N. Patten, *The Consumption of Wealth* (University of Pennsylvania Press, 1889); Paul H. Douglas, *Real Wages in the United States, 1890-1926* (Houghton Mifflin, 1930); Stanley Lebergott, *Pursuing Happiness: American Consumers in the Twentieth Century* (Princeton University Press, 1993); Robert D. Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton University Press, 1993).