

Econ 105: Introduction to Political Economy

Lecture Twenty-Four: Consumption

Topics covered:

1. Confronting Consumption: Princen
2. The Overspent American: Schor

Confronting Consumption: Princen

The concept of Sustainable development has become dominant in the mainstream environmental discourse. What does this mean?

The 1992 Earth Summit in Rio de Janeiro, Brazil gave prominence to this idea, which in a nutshell is expressed as development that meets the needs of current populations without endangering the livelihoods and prospects of future generations.

What are the needs of the present population? What constitutes “endangering the livelihoods of future generations?”

Conventionally sustainability is discussed in the context of:

1. Population (is it too large)
2. Technology (is it green enough)
3. Economic growth (not enough in the right places, too much in the wrong places)

Consumption does not enter the picture as frequently and when it does it is mostly in the form of an exhortation to consume green or recycled products.

The ever-increasing levels of consumption are not confronted and we do not mention the fact that recycling can actually be a reward for increased consumption.

One other thing that makes consumption a difficult topic to raise is that millions across the world and also in the US don't consume enough, rather than consuming too much, because they suffer from poverty.

Even though as a society, taken as a whole the US may consumer more than a proportionate share of the world's resources, within the US, significant

distributional problems exist. This makes it even more difficult to talk about stabilizing or reducing consumption growth.

So in raising the issue of consumption and its effects on the environment we must keep all these issues in mind.

Over the last few years a lot of work has been done on the issue of consumption.

The Overspent American, Affluenza, Center for Civic Renewal, Center for the New American Dream.

The cultural and economic phenomena that are being challenged include:

Consumerism: elevation of material acquisitions as the sole or dominant end of life, or a social paradigm.

Commoditization: Substitution of marketable goods and services for personal relationships, self-provisioning and other sources of human well-being.

Overconsumption: Using or consuming more than is necessary

A common response to the problem of increasing consumption and resource use all over the world is only a reflection of increasing population. But as the graph shows ***per capita consumption is on the rise everywhere, expanding in some instances 8-12 times faster than population growth.***

Another common response to the problem of consumption is that technology or productivity improvements are better ways to handle the problem of resource depletion rather than asking people to cut down on consumption.

However, as Princen reports, examination of technology improvements, for e.g. in fuel efficiency for cars, suggests that technology change may exacerbate resource use because it spurs ever more “consuming” behavior- driving more.

Two notions of productivity:

Further, in a capitalist society, increasing labor productivity, i.e. producing more with the help of technology, in a given unit of time, usually translates not into working less and producing the same amount of stuff, but working the same or even working more to produce even greater amount of stuff.

However, paradoxically, even though consumption remains a politically difficult issue in American society, many Americans do yearn for a less harried, less materialist and less time-pressed way of life. We will talk more about this at the end of class.

The Overspent American: Schor

Consumption is not only about individual choice (as mainstream economists often try to portray it) but also about social status and cultural values.

Juliet Schor makes the point that consumption is competitive or comparative. We consume not only to satisfy our desires but also to send a signal to those around us regarding status in life. Likewise we base on consumption decisions on what others around us are consuming.

This is not new. This aspect of consumption was noted as early as the late 19th century by the American economist Thorstien Veblen. And just after the way, “keeping up with the Joneses” was a familiar mantra was American families.

However, Schor argues that this social aspect of consumption has changes substantially in recent decades.

In the old days neighbors set the standard for what we had to have. They may have earned a little more than us or a little less, but their incomes were in the same ballpark as ours. Today the comparison groups are no longer just r perhaps at all, the neighbors.

Today the reference group may have an income 3,4,5 times our own. A national culture of upscale spending has emerged and this is what Schor calls the new consumerism.

We watch the way television families live, we read about lifestyles of the rich and famous, we consciously or unconsciously seek to emulate their consumption norms.

When a person who earns \$75,000 a year compares herself to someone earning \$90,000 the comparison is sustainable. But when a reference group includes people who make six or seven figure incomes, that’s trouble.

Next Schor raises the odd paradox that many of us don't feel like we are spending wastefully. Rather we feel we are just able to get by. And even more surprisingly this attitude is not restricted to those with say smaller than median incomes. It is a general feeling that exists across the income distribution.

Fully 27% of all households making more than \$100,000 in 1995, said they could not afford to buy everything they really needed.

Overall half of the population of the richest country in the world say they cannot afford everything they really need. And this is not only the poorer half.

Schor then speak so the rise of the consumer society in the 1920s. Let us look at this phenomenon before we return to her argument.

The rise of the consumer society

In Veblen's time in the late 1800s, conspicuous consumption was limited to the wealthier strata of society. But by the 1920s this was changing rapidly. A new type of society was being born, a type of society that was unprecedented in many ways.

The advent of mass production which became generalized across many industries by the 1920s made possible large-scale production of identical goods. Vast economies of scale were realized by setting up huge plants that could churn out mass produced items on assembly lines.

For example, with the development of the automobile assembly line, at Ford's pioneering plant the time required to produce one car went from 12 hours to 93 minutes.

“One of the most dramatic examples of the new continuous process machinery came in the tobacco industry. In 1881, James Bonsack patented a cigarette making machine that could...produce over 70,000 cigarettes in a ten-hour day. At that time even the most highly skilled hand workers were making 3000 a day.” (p. 249, Chandler)

Such vast increases in productivity set in motion a number of processes that resulted in the establishment of a mass-production-mass-consumption society.

Tremendous increases in productivity also created the problem of demand. Where would the demand for all these products come from? This was a real fear

confronting the emerging industries. What would happen to profits if people decided they had enough?

As workers became consumers, the pre-industrial work ethic which would have taken more productivity to mean less work and more time for leisure, was converted into an industrial work-ethic where increased productivity meant more stuff, more work.

In the 1920s the labor movement in the US stopped advocating a shorter workweek and instead focused on better wages.

The problem was solved in two main ways:

1. Wages rose dramatically as workers were themselves seen by employers as potential consumers (in other consumes were no longer the upper segments of society, but working class people). Henry Ford's \$5 a day wage is symbolic of this attitude.
2. Advertising emerged as a powerful medium to create demand for newer and more products.

Victor Lebow an early retail analyst proclaimed:

“ Our enormously productive economy...demands that we make consumption our way of life, that we convert the buying and use of goods into rituals, that we seek our spiritual satisfaction, our ego satisfaction, in consumption...” (quote in William Witt, “The Overconsumptive Society, “ op-ed, Chicago Tribune, Feb. 18, 1982)

Rising Inequality and Rising Consumerism

As we have seen before in this class, since the 1970s America has become more and more unequal as a society. Schor argues that rising inequality has changed the character of consumerism.

The reference group of many Americans is the so-called upper-middle class, or roughly top 20% of households, excluding the top few percent. The standard of living of this upper 20% is now widely watched and emulated. This group defines material success, luxury and comfort for those below them (the majority of the country).

All this has resulted in an upscaling of the American Dream.

Table 1.2 from, Schor

Social embeddedness of consumption:

How can simplicity and under-consuming be made cool?

Schor talks about “voluntary downshifting.” Americans who have chosen to opt out of the high-stress cycle of working and spending.

These are not necessarily only rich people who have plenty of money to begin with, but instead are found all across the income spectrum. And neither is this the first such movement in American history.

Quakers, transcendentalists, hippies are all forerunners. But today’s downshiffters are dropping out. They work at mainstream jobs, and live in urban, suburban areas.

Will consuming less wreck the economy?

It may seem strange to talk about consuming less at a time of economic crisis, when a fall in consumption is in part cause of the recession.

But in fact if we are going to develop a long term strategy of a sustainable economic path for American, then savings nothing, borrowing and consuming to the point of collapse is not the way to go.

As we discussed in class several European economies offer examples of a type of organization that uses increased productivity to acquire more leisure and family time rather than producing more by working the same amount or even working harder to produce more, so that we can earn more to buy more.

A transition to a “post-materialist” type of economy is possible for the US too, if the workers on America demand it.