

Prairie U-U Society, Nov. 21, 1999 - Conspicuous Consumption

1. Musical Prelude on tape. Comment: This is to display the value of home production, in this case the production of culture.
2. Welcome
3. Chalice Lighting: For Thorstein Veblen, a real character from rural Manitowoc, like me a second generation Norwegian, one of Wisconsin's gifts to the world.
4. Joys and Sorrows
5. Round, "Why Shouldn't My Goose..."
6. Skit, HS kids and Lisa Glueck
7. Reading from **The Theory of the Leisure Class** — George Calden
8. Presentation:

a. First, a disclaimer. It's easy to be biased in talking about conspicuous consumption. Thus, — I have taste;

You engage in conspicuous consumption;

He is a newly rich overconsuming vulgar slob.

What is called "good taste" is often a way of making other people feel inferior. But I would celebrate the diversity of the tastes of people. Your tastes and mine need not be at one another's expense. Thus, I have a minority taste in the music of Arnold Schoenberg; if you don't share my taste, I think you're missing something and it's because you haven't listened closely enough and don't have enough experience. When you start appreciating Schoenberg's music, it won't cost me anything; on the contrary, I'll be delighted.

b. But in many cases, as Veblen pointed out, good taste is a way of making ourselves look superior at the expense of others, and in fact that is the basic reason for having those tastes. We are in a world of competitive consumers. In a kind of technical economic sense, that means that the value of any good to me is affected by whether or not another person consumes it or some alternative. My satisfaction with my Ford might be lessened after seeing you in your new Mercedes. This has rather deep implications for microneconomic theory. Note also that what Veblen called pecuniary emulation has moral implications. Moralists tend to condemn materialism, the pursuit of material goods. But, as Veblen said, competitive consumption is something different; we consume more not because of the goods themselves, but because we want to appear superior in the eyes of others. It is those others that are our primary concern, not the objects of consumption themselves; consumption is usually an activity in which we are making social comparisons.

c. I think that in most conspicuous consumption we try to keep up with others but not to

make ourselves superior to them. Conspicuous consumption is a kind of competitive consumption where we try to outdo others. We want to show clearly to others that we have wealth. While money is power, our wealth may have little influence on others if they don't know we have it. To display our wealth, and to get the respect of others, it is necessary to display it. As Veblen said, in small and stable communities, people know about one another's wealth and talents, and it isn't necessary to engage in conspicuous displays. Conspicuous consumption is most likely in big cities and in times of rapid change, when people don't know about the wealth and power of those with whom they interact. I think the most spectacular periods of conspicuous consumption have occurred when the bases for elite status have changed. In the waning of the middle ages, the upper classes depended less on their own landed estates and armed retainers and more on positions in the state. So in places like Elizabethan England one had extravagant conspicuous consumption, with enormous sums spent on gowns worn only once, feasts, and the like. (In our folk memory, "Sing a Song of Sixpence....") It is no coincidence that Veblen wrote in the gay nineties, when the newly rich industrialists were displacing the old merchants at the top of the status hierarchy. Veblen had lots to observe, big yachts, feasts, and the like.

d. In most of human history, most people have not been able to compete in consumption. But in the modern industrial world, and especially modern America, most of us can, and we do. I think most of us compete to be equal to those with whom we compare ourselves, our "reference groups."

Juliet Schor, in **The Overspent American**, reports some of her research that demonstrates such consumption. In one study she compared different types of women's cosmetics:

Lipstick is often applied in public places, and observers can see what you apply.

Mascara is sometimes applied in public places

Facial cleansers are usually used in the morning, shielded from public view.

Women use lipsticks that vary greatly in price, a ratio of 10-to-one from the highest to the lowest, at least. A **Consumer's Report** study found a set of 12 lipsticks equal in quality, despite the price range. In one case, the same lipstick was sold as a cheap brand and as an expensive brand; women bought the lipstick to show the brand label in public. [Caution?]

There was no correlation between price and quality for lipstick. But there was such a correlation for facial cleansers, which are not consumed in public. If you pay more for quality cleansers, you ~~pay~~ more, likely to get quality.

So also with many other commodities. If you want to show your taste in beer, and more importantly your ability to buy expensive beer, you have to show it. Connoisseurs of beer, so I'm told, say that draft beer is usually better than bottled beer. However, when you drink a glass of draft beer, people can't see it's brand, while they can if you drink from a bottle. So, if you want to show your taste in beer, as well as your wealth, buy the bottle of Heinekens rather than the Miller's, but make sure the bottle is in sight.

d. The same is true of many other commodities. [Discussion, but cut it off.]

e. The extent to which Americans engage in conspicuous consumption is associated with a number of personal characteristics. Not surprisingly, people who watch TV more also tend to consume more and save less; TV is not an alternative to other kinds of consumption. Education does not discourage conspicuous consumption; while well educated people tend to save more, it's because they earn more money: net of family income, saving goes down with increasing levels of education (Schor, p. 77).

People have reference groups with whom they compare themselves in a variety of ways, including how they consume. The most important reference groups are circles of friends, but reference groups may also include neighbors, co-workers, and even people seen on TV. We try to keep up with our reference groups. Naturally, these groups matter more for goods consumed in public than for goods consumed in private, more for outer garments than for underwear. If our income is lower than the incomes of our reference groups, that means we save less; if our income is higher, we save more.

High consumption standards make people feel poor. Juliet Schor has survey data showing that even among people whose household annual income is over \$100,000, 27% agree that "I cannot afford to buy everything I really need," and 19% agree that "I spend nearly all of my money on the basic necessities of life" (p. 7).

f. Competitive consumption in America is a serious problem. Most obviously, it is wasteful consumption. It means lower savings and greater debts. The indebtedness of Americans has increased significantly in recent decades. 63% of households with incomes between \$50,000 and \$100,000 have credit card debt. Debt service as a percentage of disposable income now stands at 18% (p. 19). The national savings rate has also plummeted. The average American household saves only 3.5% of its disposable income, about half the rate of a decade and a half ago. In 1995 only 55% of American households reported saving anything at all in the previous year — even among the college-educated, 1/3 of the families reported no saving. Low savings and high debts have led to record high levels of personal bankruptcy.

The waste also affects collective investments and collective consumption. The voter who has high personal debts is much more likely to vote against school bond referenda and against candidates for office who support social spending.

Obviously it is not only money that we waste but physical resources. The United States, for instance, is home to just 5% of the world's population but is responsible for 40% of the total consumption of global resources. Many of the resources we waste are nonrenewable, so our waste is at the expense of future generations.

To support high consumption levels, people work more hours. Hours of work have increased significantly in recent decades, and the average American employee works more than 200 hours per year more than his or her counterpart in Western Europe. Of course, most workers don't have much control of their work hours. Employers have some economic incentives to extend working hours, and American workers have been less able to resist such pressures than European workers. Longer work hours means more stress at work, and work stress is a significant cause of poor health. Conspicuous consumption may be both consequence and cause of longer working hours; given money and a lack of leisure time, we tend to go in for expensive leisure activities.

g. Competitive gift giving is related to competitive personal consumption.

Usually we try to give items to another person that cost about as much as the items given to us by that person; there are strong norms of reciprocity. But there are tendencies for inflation in gift giving. Out of simple affection we may spend more on a gift to a dear one than we would spend on ourselves. But then the dear one feels obligated to reciprocate with a gift of equal value.

Gift-giving can also enhance one's status with others beside the recipients of the gifts when the giving is visible to the others. Thorstein Veblen referred to "vicarious consumption" (p. 401). His example was the wife in a middle and upper-middle class family in his day. The husband had to work, so his wife would be induced to consume in order to display his wealth to others. Some of the visible characteristics of middle class wives were related to this. Women with tight corsets, high heels, and very long fingernails show others quite clearly that they are incapable of any really productive labor and don't have to engage in such labor.

That kind of vicarious consumption is less important today than in Veblen's time, but vicarious consumption by way of gift-giving is still with us.

Competitive gift-giving is of obvious importance in our society, as the upcoming Christmas season will make evident. Retail stores report that they do almost 25% of their total volume during the Christmas season (p. 88). Lots of this gift-giving is wasteful. One economist estimated that, of the roughly \$38 billion Americans spent on gifts in the 1992 Christmas season. Between \$4 billion and \$13 billion was absolutely wasted — up to 1/3 of the money spent gave no value to the receiver whatsoever (p. 90).

h. What should we do about the problem?

-1- We can try to control competitive consumption in the same way that businessmen have tried to control competition in their product and service markets: get together with our competitors and make a deal. Just as businessmen can conspire to fix prices and give one another a share of the market, we can get together with people in our reference groups to fix consumption practices. This means talking to people in our groups about the fact of our competition and agreeing to limit it.

-2- This kind of conspiracy isn't always easy, even for businessmen — members of cartels are strongly tempted to double-cross one another. Getting together is easier if there is a pre-existing community. Just as the decline of community leads to an increase in conspicuous consumption, as Veblen said, strengthening community bonds can lead to its decline.

-3- It should be easier to conspire to control competitive gift-giving, since it does tend to occur in fairly solidary communities. However, it does require deliberate action and may take some nerve. For years my siblings and I spent lots on Christmas gifts for one another. My brother would fly to my sister's place near Washington D.C. laden with gifts.....usually a shirt for me, usually light blue (I'm wearing one today, although he died 9 years ago).....I don't especially like light blue shirts, but these were the kinds he saw me wear, so he kept giving them. I finally declared that I didn't want any gifts and wasn't going to give any, except for tokens and amusements, like a rubber ducky for the bath tub. Naturally children were excluded. It has made life much easier.

-4- Any kind of deliberate collective action requires becoming aware of competitive consumption and defining it as problematic. This can be facilitated by consumer education, learning about products and prices. One can turn to publications like **Consumer Reports** and more specialized publications. One can also do one's own product testing. Here it's a good idea to do blind testing.....consume different brands of the same product without knowing price or brand name. I've done it with wine at Prairie circle dinners.....and found a perfect negative correlation between average preference and price. One could do the same thing with commodities like beer or butter.

-5- Another kind of rational response is to try to be rational in choosing our reference groups. This doesn't have to be a passive process. If we know that associating with a certain set of people leads us to engage in irrational behavior, we can choose to spend more of our time in association with others. If you keep coming to Prairie you probably won't do as much conspicuous consumption than if you went to some other churches, which I won't bother to mention.

-6- One can invert the saying of Polonius in Hamlet and assert, "Both a Borrower and a Lender Be." If you can borrow rather than buy, do so. Sometimes one can borrow from public agencies, such as the library. (Changes in technology can improve the quality of such borrowing, e.g., CDs vs. LPs.) One can borrow from commercial firms. And one can borrow from one's friends, and lend to them as well. There might be a role for groups like Prairie in facilitating such borrowing and lending.

-7- I am a bit skeptical about the effectiveness of preaching as a way of dealing with the problem, even if that's what I'm doing today. People often have a real interest in conspicuous consumption, and it can be catching. As more and more people buy expensive sport utility vehicles, it becomes more dangerous to drive an economy car, and I'll be sorely tempted to buy a big gas guzzler myself. I'm also skeptical about some of the preaching done about the problem in the UUA (see S-3 page 1, "possible actions"). Individual actions might have essentially no collective effect. The UUA list of possible actions doesn't include ridicule, but ridicule might be effective in preaching. Conspicuous consumption often is ridiculous, and writers for centuries have made fun of parvenus and of the emperor's new clothes.

-8- To the extent that are reference groups are large, much larger than a circle of friends, it won't be easy to conspire with others to control conspicuous consumption. That provides a role for governmental action. If you agree that conspicuous consumption is harmful, then you might agree that the government should use tax policies to discourage such consumption. A luxury tax is surely called for, although it isn't easy to design such a tax that doesn't become a tax on the poor.

The government might also act as a lender of goods so that people don't have to buy them. Offhand I can't think of goods beyond books and records that something like a public library might lend, but perhaps you can.

i. I think the problem of conspicuous consumption among children, particularly adolescents, is particularly difficult to deal with. I don't have any good ideas about dealing with the problem, although casual observation suggests that it is a serious one.

Parents are in a bind. One of the important things going on in our socialization of our children is teaching them to be independent of us. Being an independent personality is very important in our modern society. Pressures to be independent become greater in adolescence. But, after encouraging your child to be independent, how can you justify making decisions about what kind of clothing the child wears?

Besides, parents don't usually know the kinds of problems a kid faces in interacting with peers and with others at school. Children, simply because they are growing up, have to deal with constant change in what is expected of them. Also, because they are growing, they have to get new clothing almost every year, and that means making decisions about what kind of clothing. (Unlike people like myself...) Children in school are repeatedly tested by teachers and peers about their cultural sophistication, are repeatedly put in situations where they might appear dumb or ridiculous. (And, let's face it, they often are ridiculous.) There are enormous pressures to conform in manners of taste in clothing and leisure pursuits. In addition, I think that adolescents, not so well socialized in terms of modesty, might realize the importance of money in everyday interactions with others. ^{more than adults} If you have money, others will respect you. Thus, it's important not only to consume whatever is the current mode, but to be able to consume expensive items in order to display one's wealth. In this situation, Veblen's notion of vicarious consumption is again relevant. Parents can display their wealth by spending on their children. [For example, I am fairly confident that much of the spending for tuition in private schools and colleges is competitive consumption, and perhaps the most likely kind of really expensive competitive consumption that Prairie Society people are likely to engage in. There really isn't all that much evidence showing that the level of tuition of a college has any relationship to the achievements of its students, either in terms of academic tests or later socioeconomic status.] [This bracketed remark might be saved for discussion; it's a red herring, and rather sensitive.]

So children are driven to consume, partly by their parents. As I said, I don't have any good ideas. Those of you whose children have been able not to be conspicuous consumers might have some.....

9. Discussion

10. Song, "Simple Gifts," page 41 in Prairie Songbook

11. Introduction of Guests and Visitors

Prairie Announcements