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Lecture by

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Why Do We Consume So Much?

by

Dr. Juliet B. Schor

"Why do we consume so much?" Observers of consumption have answered this question in many ways. Because it's our human nature. Because ads tell us to. Because we can't help ourselves. Because our economic system needs us to. Because we are trapped in a fruitless dynamic of desire, acquisition, and disappointment. Because he who dies with the most toys wins. Just because we can.

These answers are inadequate. But I believe we can find more satisfying ones by a critical application of both economic and sociological theory, which will not only help to explain why we consume the way we do, but also how we might start to live differently. But before proceeding I need to clarify two points. Whom do I mean by "we"? And what do I mean by "so much"?

The "we" is straightforward. I do not mean the "global" we. Indeed, the "global" we hardly consumes so much. Rather economic globalization, militarization, corruption, the monopolization of environmental resources, and the legacies of colonialism have meant that the global "South" doesn't consume enough—at least not in terms of basics such as food, clothing, shelter. In 1999, per capita GDP in the Less Developed Countries (or "global South") was $3,410 (measured as purchasing power parity). By contrast the Developed Countries ("global North") enjoyed average per capita GDP of $24,430, a gap of about eight times. One third of the population in the global South (1.2 billion) lives on less than $1 per day; 2.8 billion live on less than $2 per day. Together, this 4 billion comprises two-thirds of the world's population.

The "we" also does not cover everyone in the US. As you are all aware, despite this nation's enormous wealth, there continue to be significant numbers of people whose incomes are below poverty, and who lack access to basic consumption needs, such as adequate and nutritious food, decent shelter, reasonable transportation, health care, education, and other basic needs. Although poverty rates have declined, more than 30 million Americans have incomes below the poverty line, and probably twice that number do not have what most of would consider an adequate standard of living. Indeed, it is remarkable how little the long economic boom did to alleviate material deprivation. Thus, my "we" this evening stands for the majority of Americans—those whose basic needs are met, who have discretionary income, the large middle classes whose standard of living have risen so dramatically over this century.

And what about "so much?" By this phrase I intend to signal the material abundance of contemporary US consumption. Abundance in historical terms. In comparative terms. In ecological terms. And in absolute terms. Our lives are suffused with consuming—of material objects, experiences, services, media. There is increasingly little that we do which is not a consumption experience. Material abundance has only intensified in recent years, with the booming economy of the 1990s, and early 21st century. Indeed, it is hard to describe our current consumer patterns in terms other than excess. For example, the average US home has increased by more than 50% since the 1970s, rising more than 400 square feet, from 1,905 in 1987 to 2,322 in 1999 alone. (At the same time, there are an estimated 2 million homeless Americans, about 40% of whom are family groups.)

The number of vehicles per person has increased; as has the size and luxuriousness of those vehicles. The culture of excess has yielded $20,000 outdoor grills; $17,000 birthday parties for teen girls at FAO Schwarz; diamond studded bras from Victoria's Secret; a proliferation of Jaguars, Porsches and other luxury cars; status competitions in stone walls; professional quality appliances for people who are never home to cook; designer clothes for six year olds; and bed sheets costing a thousand dollars apiece. If these examples seem extreme, consider the more mundane example of clothes. Even ordinary ones. Clothing used to be costly, both because of materials and labor. Now, because of the combination of foreign sweatshops that don't even pay workers enough to eat, and artificially cheap materials, clothes are so plentiful that you can find them sold like beans or rice—by the pound. Charities are inundated with enormous amounts of superfluous clothing, for which there are no takers in our country. It's sent abroad in enormous quantities—sometimes to the detriment of local economies.

Americans spend more on cosmetics every year (in excess of $8 billion) than the extra expenditure needed to bring universal access to basic education for all children in the developing world. The US and Europe together spend $17 billion a year on pet foods, more than the $13 billion increment it would cost to ensure basic health and nutrition around the world. And so on.

You can see from the direction of my examples that there is a sense in which I am also getting at the claim that "so much" is "too much." Indeed, that will be the core of my argument this evening. I mean this not merely in a semantic or an analytic sense, but in a critical one. For I believe that the culture of consumption excess which now pervades this country is wreaking havoc in many important ways. It is ecologically unsustainable, and those impacts are reaching crisis levels, with global warming, species depletion, deforestation, depletion of water supplies, and a variety of other pressing ecological effects. It has become socially unsustainable, as Americans work ever longer hours to support the dizzying rise in consumer norms which has characterized the last decade. It is financially unsustainable for many households, as consumption patterns are maintained by depleting savings and taking on debt. And finally, I believe that the culture of excess is partly responsible for a rising culture of social exclusion—two decades of increasing income and wealth inequality have yielded a society in which Americans are more likely to join gated communities, to tolerate poverty in their midst, to disavow responsibility for others and to abdicate a sense of community responsibility or common purpose. The events of Sept 11 have called attention to our growing callousness, and we are experiencing a surge of community feeling at the moment. But whether that remains durable, we will have to see.

These are strong claims. And they go very much against the conventional wisdom, both in economics, and throughout the culture more generally. What is that conventional wisdom? First, that consumption is good. That new and "improved" products really are improvements. That we consume because we love to. And that consuming has made our lives richer, fuller, more enjoyable, and better, in meaningful and important ways. Second, that more is always better. (After all, economics argues, if it weren't one could always ignore the extra consumption and be at least as well off as one was without it.) This superiority of more implies that sufficiency (or what some in the emergent simplicity movement like to call "enoughness") is never attained *in toto*. (We may easily reach satiation with particular commodities, but not for consumption as a whole.) And third, the conventional wisdom argues that the consumer market is best left relatively unattended by public policy, with the exception of some special cases (e.g., dangerous products). The consumer is sovereign and knows what he or she likes far better than the "government." Attempts to improve social welfare by steering consumption in particular directions will only backfire.

Now these are not conclusions that follow *logically* from economic theory. Rather, they represent the consensus view from the discipline, consumer economics and history as it has been practiced. As I shall argue shortly, I believe that much of this consensus is based on faulty assumptions about how and why we consume. Assumptions that, if altered, can lead to some very different conclusions.

On the other side, there is also a conventional wisdom among the critics of consumer culture. They begin with the view that while consumption may at one time have contributed significantly to human welfare, once basic needs have been satisfied, it is far less capable of doing so. New Coke is no better than Old Coke (and in some cases, such as this particular one, may even be worse). Besides, the critics say, we drink too much Coke anyway, and it's not good for us. Far better to drink water. So why are we paying scarce dollars for a can of sugar water that rots our teeth? Answers range from the observation that it's addictive, to the fact that it's everywhere (through monopolistic practices, such as exclusive contracts in schools.) And most importantly, in the critics' accounts, we're seduced into consuming by powerful advertising images, which equate the product with being cool, young, vital, sexy, or becoming an object of desire. The theme of many critiques of contemporary consumption is that consuming is a false god—our new religion—and that it takes us away from the true and durable satisfactions life has to offer. Consuming provides only temporary pleasures, is excessively hedonistic and seductive, and speaks not to the best in us, but often the worst. Most of these critiques center on the role of advertising, marketing, and the media, to account for how we get trapped into unsatisfying consumerist lifestyles.

I have sketched the two ends of the spectrum of belief about consumer society. While each contains important truths, I believe both are flawed. I accept the proposition that consuming is generally a "good" to the individual—the idea that people persistently act in ways which are so detrimental to their well-being is hard for an economist to swallow. (I say "generally" because there is plenty of empirical validation for cases in which consumption is out of control at the individual level.) But I agree with the critics that, as a society, we have too much of it. Instead of focusing on advertising and marketing, I argue that there are structural features in the operation of the economic system that have led us down a path of excessive consumerism.

What are those structural features and how do they operate?

The Cycle of Work and Spend

The first is what I have called "the cycle of work and spend." In the standard economic story, the level of consumption is set mainly by people's choices about how much to work, and therefore how much income to earn. (Unearned income is another matter, which I abstract from here.) The individual chooses between hours at work (which yield income) and leisure (a "good" in itself, but a costly one because it entails foregoing income). The income earned then determines the level of consumption. (*When* that income gets spent—now or later—has been a major preoccupation of economists but is not particularly relevant to my argument here.)

Thus, individual workers/consumers choose the level of working hours and the quantity of consumption. In this story, there is no possibility of "too much" or "too little" consumption. Those terms make no sense. Here, it is individuals' preferences that determine the quantity of consuming and free time. And whatever quantity is chosen must be optimal.

Now consider a situation in which individuals are not free to choose their hours of work, because employers set work norms and schedules, and those are tied to jobs. The individual has the ability to choose whether to work or not. But having taken a job, the hours are relatively inflexible. Furthermore, imagine that employers have a bias against allowing part-time or what I have called "short hour" jobs. Why is this? Because benefits are paid per person, not per hour; because employers prefer to hire fewer people; and because employees who work longer hours are more financially dependent on the firm. So the option of working less and earning less is not fully available. To see the point, consider that where employees do have the option to work short hours, they must pay large penalties—in the form of fewer or no benefits, and a significant reduction in upward career mobility.

There is also a dynamic aspect to this configuration: when productivity growth occurs, employers do not offer their employees the option of using it to reduce hours of work, but pass it on as income. And that turns into consumption. (There are a variety of technical and empirical aspects of this model which I gloss over here, such as the role of preferences, why innovative employers don't come along and offer short hours jobs, and indeed why there is an incomplete market to begin with.)

If there is not a freely functioning market in hours, and employers inhibit hours' reductions, then there is no sense in which one can describe the quantity of consumption as optimal. Rather, we get too much income and not enough leisure. It is not advertising, or marketing, or addictive commodities which create this "too much." It is the fact that more leisured, less consumerist lifestyles are structurally blocked—in the labor market. Having been offered only the long hours, high-income choice, it's hardly surprising that people choose to do lots of consuming. After working so hard, they feel deserving of their consumer comforts and luxuries. Indeed, consumption is the major form of reward for long hours and a harried pace of work. And consumer expenditures have become one means by which people with frenetic lives keep it all going—whether it's stress-busters like vacations, massages, or restaurant meals; the contracting out of household services; or the purchase of time-saving commodities. (Now why people don't work hard for a while, save up lots of money and leave the labor market is another question, which I will come to in a few minutes. And, as working hours have risen, there are plenty of people trying to do that.)

The too much work, not enough leisure story is more than theoretically possible. Average annual hours per capita have risen by 178 since 1973. Although some of the rise in hours of paid work has been accounted for by a shift from women's unpaid household production into employment, the picture from a household basis is unambiguous. The average household is devoting hundreds of additional hours to paid work in order to maintain its standard of living. According to the Council of Economic Advisers, between 1969 and 1999, annual hours of work for married-couple households rose 18% (497 hours) and 28% in single-parent households (297 hours).

This has led to a widespread sense of time-squeeze. The fraction of Americans reporting that they "almost never" have time on their hands rose from 41% in 1982 to 56% in 1995.

In the National Survey of the Changing Workforce done by the Families and Work Institute, between a quarter and a third of all employees reported fairly serious and frequent problems of inadequate time for family, being in a bad mood or being too tired. A third of parents and a quarter of non-parents reported that "often or very often" "they do not have the energy to do things with their families or other important people in their lives."

The growth of work effort and time stress has resulted in increased desires for more time off the job. The National Survey of the Changing Workforce found that 63% of all employees said they worked more hours than they wished to, with median overwork at 11 hours per week. This represents a large increase to support my contention of a "cycle of work and spend."

The Ecological Bias

The second structural feature that creates too much consumption is the overuse of "natural capital" (i.e., the ecological resources of the earth). This is a well-known argument within economics about particular kinds of pollution. If "air" is a free resource, corporations will pollute it "too much" because they do not have to pay for their pollution.

In practice, ecological resources are treated as externalities or free goods—afterthoughts in a world where production is created by capital and labor. The discipline of economics, and society more generally, has failed to consider the overall effects of treating natural capital so cavalierly. One result is that we consume too much, *in toto*. If we correctly accounted for the costs of ecological resources, or committed to using them sustainably (so that they would renew, rather than degrade over time), we would likely be producing less overall (and taking more leisure). Why? Because consumption would become more costly relative to free time.

What we consume would also shift, toward less ecologically damaging (and costly) products and services. Fewer SUVs and airplane trips. More organic farming. Fewer plastics and chemicals. Smaller but more durable wardrobes, cotton grown with fewer or no pesticides. (10% of the world's pesticide use is for cotton.) Less meat, more grain. Shade grown coffee. Solar and wind power. Instead of rising, as it has in the last decade, residential energy use would fall, as people economized on space and shifted toward energy-efficient practice. Ditto paper use, which incredibly enough given the introduction of computers, is rising in the United States

Is the ecological bias a serious one?

Ecological models suggest yes, that the rates at which resource use, pollution and ecological degradation are occurring far exceed the earth's absorption capacity. Meadows' and Meadows' W3 model, using reasonable assumptions for economic output, population and consumption, consistently produces its worst outcome of overshoot and collapse. One reason is that we have already undermined a significant amount of the earth's absorption capacity, so that some regenerative mechanisms are no longer able to reverse the overshoot. Downward spirals begin to dominate positive feedback loops. The model's effects can be seen in the concrete problems of:

Global warming Warmer climate is associated with toxic algal blooms, increased flooding and droughts, thawing of the permafrost, increased weather uncertainty, deforestation through insect damage, and increased transmission of vector-borne infections. The United States, with 5% of the world's population, is responsible for 24% of global carbon dioxide emissions.

Species extinction Among birds and mammals, species are now going extinct at rates that are estimated to be 100 to 1,000 times the natural rate of extinction. One in eight known plant species is threatened with extinction.

Ecosystem depletion. Since 1970, freshwater ecosystems have declined by 50%, marine ecosystems have declined by 30%, and world forests have declined by 10%. This rate of depletion is unprecedented in human history. Indeed, current rates of environmental resource use dwarf human usage in all of human history. (A comprehensive analysis of world ecosystem indicators by the World Resources Institute, the World Bank, the United Nations Development Programme, and the United Nations Environment Programme finds that in virtually all types of ecosystems around the world, quality is deteriorating.)

Water shortages. Approximately 1/3 of the world's population now lives in areas with moderate to heavy stress on water supplies, and if current trends continue, that number is expected to be 2/3 in 30 years. Already, 28% of the world's population lacks access to safe drinking water, and 5 million people die each year from inadequate access to water.

Deforestation and soil erosion. Some researchers believe that humans have now reduced the earth's original forest cover by up to 50%. The World Resources Institute estimates that we are losing 9 million hectares a year and rates of deforestation in tropical forests have accelerated, not declined in the 1990s, compared to the 1980s. It is now estimated that two-thirds of agricultural land has been degraded in the past 50 years, and 40% has been strongly or very strongly degraded.

The disequilibrium between pollution sources and sinks has been caused by the rapid increases in economic output over the last fifty years, made possible by advances in production technology. World industrial production has been accelerating at an exponential rate. Global consumption has tripled between 1980 and 1997. At the current rate of growth of the world economy, output doubles every 21 years. A mere one percent increase, to 4%, leads to doubling every 15 years. Yet, we are already well beyond a sustainable relationship with the earth. And when we consider the ongoing worldwide replication of US lifestyles, the prognosis is even grimmer. Ecological footprint analysis (which looks at the global impact of any given consumer lifestyle) suggests that for the rest of the world to live as Americans do, we will need four additional planets to provide the necessary natural resources. Unless we act soon, the planet is facing ecological collapse.

Consumption Competitions

I come now to my third argument, which is that we consume too much in part because consumption has become a social competition, something we engage in for the esteem, recognition, status, and even envy it confers. We consume conspicuously, and excessively, because consumer lifestyles have become such an important part of how we are defined and how we fit into socially differentiated communities. Veblen made this point most famously a hundred years ago. His analysis was based mainly on the wealthy and the would-be wealthy, for whom attaining and displaying visible wealth had become the *sine qua non* of social standing. But the phenomenon is far broader today, with the large majority of the population participating. Today it is less insidious in some ways, because it's not only offensive (I get the big diamond because my best friend doesn't have one), but has become defensive. (I get the big diamond because my best friend *does* have one.)

In *The Overspent American*, I discussed the ways in which this process has changed. Fifty years ago it was a comparison among peers. "Keeping up with the Joneses"—the colloquial description of consumption competitions, occurred mainly within a neighborhood setting. Because neighborhoods are relatively homogeneous in terms of the social status and economic resources of their members, the folks keeping up with the Joneses tended to be their equals. They did aspire, but rarely more than to increase their consumer expenditures by 10-20%. Smiths wanted the Joneses Chevy and nifty fridge, not the Rockefellers' mansions and art collections.

That has changed. The "reference groups" (to use the sociological term) that Americans now use to calibrate their consumer aspirations have become more vertical and less horizontal (vertical in terms of economic and social standing). Now Rockefeller, rather Bill Gates, has become an important aspirational target for millions of Americans, especially young ones. And even more importantly, the upper twenty percent of the population (roughly those making $100,000 a year or more) have become an aspirational target throughout society. A decent or comfortable standard of living—once a widespread goal—is no longer enough. Now the dominant goal is for status products, and luxury. There is plenty of survey evidence, some of which I discussed in my book, which shows the increasing importance of earning a lot of money, earning more than others, getting rich, and acquiring the trappings of upper middle class or truly wealthy lifestyles—second homes, swimming pools, foreign travel, expensive wardrobes, etc. Perhaps most telling is the fact that getting rich is now the number one aspiration of American youth, more important than being a famous athlete or celebrity, or being really smart.

How this happened is an interesting story, but I believe one of the major factors has been the decline of community and sociability, especially on a neighborhood level, and the growing importance of media, and especially television, in purveying "information" about consumption. We are now less likely to go into our neighbors' living room to see how they spend their money than we are to get into Frazier's. We find out about new consumer "trends" from movies and TV, print media both newspapers and magazines, and also the Internet. Our new "friends" are the ones we find on TV.

One consequence of this "up scaling of desire" is that consumer norms have risen faster and higher than in a world with more moderate consumer aspirations. This is partly because the target that everyone is chasing has become so prosperous—in addition to large increases in the *level* of income and wealth garnered by the top 20%, they have also increased their *share* dramatically. Between 1983 and 1998, the top 20% increased their share of income from 51.9% to 56.2%; their share of financial wealth rose from 81.3% to 83.4%. (So much for people's capitalism. The share of total financial wealth held by the top 1% stands at a stunning 47.3%, up from 42.9% in 1983. The bottom 60% holds no financial wealth at all, on average.) Unlike previous economic booms, this one did not yield a more equitable distribution of income and wealth.

The problem with consumption competitions such as the one we find ourselves in, is that they are difficult for individuals to resist. If everyone else is buying that SUV, we tend to want one too. And if we hold out for a while, avoiding the seductive message that the SUV will get us back to nature, and the simpler, slower, more meaningful life we crave. (Never mind the hypocrisy there: it's more likely we'll be working longer to meet the car payments and ignoring the contribution the SUV makes to global warming.) Then practical considerations start to weigh in. Everyone else has one, I'm no longer safe in a small vehicle. I can't see past all those behemoths; better elevate myself as well. Similarly with the up scaling to cell phones, or computers, or the kinds of lessons and cultural enhancements our children need to achieve in today's competitive world, or the kind of kitchen we have, and so on. We might all be happier driving slightly older cars, having fewer gizmos and gadgets, with a fashion style that didn't change quite so frequently, and maybe even with slightly smaller homes. In return we'd get with less debt and

more financial security, more time outside of work, less anxiety about keeping up, and a healthier environment.

But in a consumption competition none of us can do it alone. Without a coordinating influence (be it the government, the church, the community, any social institution will do...) each of us is trapped in what I once called the upward creep of desire. (Except that in recent years it has turned into a gallop.) So collectively we are in what game theorists call a Prisoner's Dilemma, where we could all benefit from a slowing down. It's like a ballgame when people start standing to get a better view. The first few do succeed. (Those are the "early adopters" of new consumer trends, the Joneses we're all following.) But as everyone starts to stand, the quality of the view goes back to what it was, and everyone's legs get tired. Those who sit down on their own are drastically worse off. And the collective good can only be reached through the announcer's call: "Baseball fans, please sit down." I think that's where we've been in the last half-decade or so.

Conclusion

These then are my three arguments about why we consume too much: we are locked into a "cycle of work and spend," we have failed to value the earth's capital, and consuming has become a means to social esteem and belonging. In the process, we are undermining our quality of life. We fail to take enough leisure, and live excessively busy and stressful lives. We are poisoning the planet. And we find ourselves needing to earn too much money or going into debt, or getting stressed out by the rapid rise in consumer norms. Community, security, and the peace of mind that comes from having reached a state of sufficiency are increasingly elusive.

The standard economic analysis sees precious little of this. More is always better. Individuals will act in their interest to avoid these traps. Collective action failures or externalities are rarely more than small problems. Similarly, the consumer critics have failed to understand the structural dynamics that make consuming a rational choice for the individual, even if it is irrational one for society as a whole. They take an excessively dim view of people's abilities to act well for themselves. And they underestimate how important consumption can be in a society organized around it. But they are certainly right, that excessive consumption has become a serious problem—from the standpoint of our daily lives, our ethical obligations to others around the world, from the standpoint of the earth and its sacred bounty.

In recent years, increasing numbers of Americans have come to these and similar conclusions. They are individually escaping "the cycle of work and spend," by downshifting (working less and spending less). They are joining the emerging voluntary simplicity movement, living modestly, volunteering their time, spending their days doing the things they are passionate about. They are joining study groups in their workplace and churches. Some are even organizing an anti-consumerist movement, participating in Buy-Nothing Day (the Friday after Thanksgiving) or designing sub-vertising (anti-ads which turn the tools of advertising and marketing against itself). They are protesting corporate globalization of the economy. They are joining organic farms and drinking shade grown coffee. They are riding bicycles. And they are opposing the corporate co-optation of their lifestyles, as the Gap, Honda, Starbucks and Time-Warner try to make money selling "simplicity" as the latest hip consumer trend.

But they (we) need more Americans to join. The domination of the consumer culture remains impressive, and as patriotic appeals to consume have become common in the weeks since Sept 11, we should resist the temptation to run to the mall. Instead, let us take this very painful but special time to step back and ask some fundamental questions. We do we consume so much? What are the effects of that consumption? And how can we create a community that respects the earth, respects each and every human being upon it, and truly meets human needs?

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