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Understanding the New Consumerism
Inequality, Emulation and the Erosion of Well-Being

PSW-paper 2002/2

april 2002
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Op 6 maart 2002 kwam Juliet Schor naar Antwerpen op uitnodiging van de doctoraatsopleidingscommissie van de faculteit Politieke en Sociale Wetenschappen van de Universiteit Antwerpen. Zij gaf die dag een lezing in het Hof Van Liere over veranderende consumptienormen. In dit nummer van *PSW-papers* is de tekst van de betreffende lezing opgenomen. Wij danken Prof. Schor voor het ter beschikking stellen van de tekst en zijn verheugd dat we onze paperreeks met een dergelijke internationale bijdrage van hoog niveau kunnen verrijken.

Katrijn Vanderweyden, namens de redactie
I. Introduction

The United States has just ended a long economic expansion, and appears poised to begin another. One of the most salient characteristics of the 1990s boom was the extraordinary extent to which income and wealth flowed to the top 20% of the distribution. While this phenomenon has been widely studied, there has been virtually no attention to how this marked shift in distribution has affected developments in the consumer sphere. (Two exceptions are my own book, *The Overspent American*, and Robert Frank’s *Luxury Fever.*) In this essay I will argue that the long boom is associated with a marked shift in both the ideology and practice of consumer practices and attitudes. I call this shift the “new consumerism.” Its essential features are a change in the operation of reference groups, and a shift from a model of consumer emulation characterized by horizontal or proximate comparisons to one dominated by vertical emulation. This shift has enormous consequences for consumer satisfaction, social competition, civil society, and ultimately collective and personal well-being. For the most part, I argue, this shift has gone undetected in the academic literature on consumption. Perhaps ironically, while scholars were busy distancing themselves from approaches to consumption that emphasized comparative, or competitive theories of the formation of consumer desires, a substantial intensification of competitive competition was occurring. Instead of recognizing it, the academic literature has veered off into increasingly marginal postmodern theories of fantasy consumption, an under-theorized notion of identity consumption, emphasis on “simulacra” and spectacle, and the positing of the consumer as a sovereign agent, unaffected by structural constraints of income, social class, or processes of preference formation. What I shall argue for is the need to return to approaches to consumption which are grounded in economic processes, and in particular, the distribution of income, the structure of the labor market and the work process, and empirical knowledge about how people spend their time, i.e., what we might call the flow of daily life.

My story is first and foremost an American one, developed from the US experience of the last decade. But I believe it is relevant to other countries and regions as well. By the mid-1990s, it seemed that similar developments were occurring in Western Europe. However, I leave that to subject others to explore.

II. The New Consumerism

Before specifically engaging the notion of “new consumerism” it is necessary to set forth some basic features of my approach. In contrast to the dominant approach of economics, I take the point of view of other social sciences such as anthropology and sociology, that consumption is primarily a social process, and that in societies such as our own, much of the function and motivation for consumption derives from social
communication and symbolic action, rather than the drive to meet basic needs such as food, shelter or clothing. We create our culture and the quality of social connection through our consumption practices.

This may seem to be an obvious, indeed banal point, but curiously enough, in the US at least, such a perspective is absent from the political and policy discourse on consumption. Rather, the dominant view comes from neoclassical economics, in which consumption is primarily about satisfying non-social needs, and inter-personal or social analyses of consumption are ruled out by assumption. The economic approach also rules out almost all welfare analyses of the level of spending or its pattern across goods and services. (For a representative approach, see Lebergott 1993.) I will return to this point later.

Secondly, consumption continues to be importantly, although not exhaustively, structured by socio-economic distinctions such as social class. Here I intend a more or less Bourdieu-style analysis of the ways in which the cross-sectional pattern of consumer taste and choice reflects socio-economic difference. (Bourdieu 1984; for the US, see Holt 1998) Both consumer objects and also tastes and practices differ by class and sub-class. Of course other factors such as ethnicity, geography, age, and gender also structure consumer patterns. But socio-economic variables continue to be important, as witnessed by the thriving industry of market research in which residential location (as a proxy for economic capital) strongly predicts consumption patterns and preferences. In the United States, the “census block” is an enormously powerful predictor of households’ consumer tastes and possessions.

What is the new consumerism? I define it first and foremost by an unusually large increase in the dominant norm of consumer aspiration. The previously dominant norm of “comfort” has been replaced by a norm of “affluence” or “luxury.” In structural terms, this can be described as a shift to a situation in which the upper 20% of the income and wealth distribution (whose consumer patterns are roughly synonymous with affluence and luxury) become a widespread emulative target throughout the society. (This is what I have called vertical, or hierarchical emulation.) That is, we have switched from a model of “keeping up with the Joneses” to one of “keeping up with the Gateses” (Bill and Melinda, the world’s richest couple). In fact, the Gateses are not strictly the emulative target. More precisely, the dominant target is an upper middle class lifestyle, roughly speaking, a style of life that is attainable on a $100,000 and higher annual income. (In 1999, the average income level of the top 20% was $144,000, the bottom of the quintile was about $90,000. See Mishel et al 2001, Table 1.8, p.53) Gates does become a more relevant target within the top 20%, where a similar process of more vertical emulation has also occurred.

To make this shift clearer, let us consider the “old consumerism.” This is the world of Thorstein Veblen, to some extent Pierre Bourdieu, but most importantly, James Duesenberry. Duesenberry’s 1949 classic Income, Saving and the Theory of Consumer Behavior, outlined a model in which consumer aspirations and
expenditures were prompted by comparative processes that were mainly horizontal and proximate. Writing about the postwar United States, Duesenberry’s model fit a world in which increasing numbers of people were being incorporated into the suburban middle-class and the social structure was getting far more homogeneous. The phenomenon of “keeping up with the Joneses” was mainly neighborhood based, and operated through face-to-face contact. Mrs. Smith went next door to see Mrs. Jones’ new refrigerator, or new Chevy, or backyard grill. Visual contact (what Duesenberry called “demonstration effects”) led to consumer desire and then purchase. Because neighborhoods are relatively economically homogeneous, these processes tended to be economically proximate—that is, Smiths and Joneses were of roughly similar economic status and consumption comparisons were mainly intra-class. Furthermore, the growing equality of the income distribution during this time fostered proximate comparison, as did high levels of domestic labor and active neighborhood sociability. These of course were the structural features that would change, triggering the shift to new consumerism.

Of course, Veblen also uses a proximate comparison model. Social classes aspire to the patterns and status of those just above them. There is a linear hierarchy in which everyone was cognizant of their place and attempts to move up to the next level. He described an urban, rather than suburban context, and focused mainly on the rich and nouveau rich. Proximate comparison is also relevant, although less central to Pierre Bourdieu’s model, I would argue.

At least three factors led to the demise of “old consumerism” and the development of a new emulative process. The first was the dramatic growth in income and wealth inequality that has occurred over the last 20 years. The US has recently gone through a period of unprecedented increase in inequality. This reversal of the equalizing trend began in the 1970s, but the major growth in inequality occurred during the next two decades. Most importantly, the top 20% of the distribution has have also increased their share dramatically, while the bottom 80% have lost considerable ground. According to analyses of the Federal Reserve’s Survey of Consumer Finances by Edward Wolff, between 1983 and 1998, the top 20% increased their share of total income from 51.9% to 56.2%; their share of net worth rose from 81.3% to 83.4%. Furthermore, within the top 20% there was also a worsening of inequality. The share of net worth held by the top 1% rose from 33.8% to 38.1% over this period; their share of total financial wealth rose from 42.9% to a stunning 47.3%. (Unlike previous economic booms, the 1990s boom did not yield a more equitable distribution of income and wealth.) The shares of income, net worth and financial wealth of the bottom 80% all declined. (Wolff, 2000, Table 2)

Second, levels of income and wealth of the top 20% rose significantly. For example, the mean income of the top 20% rose from $121,700 to $147,000 between 1982 and 1997. Average net worth rose from $864,500 to $1.127 million between 1983-1998. (Among the top 1%, average income rose from $602,700 to $869,800 and net worth from 7.175 million to 10.204 million.) By contrast, incomes were relatively stagnant
for the next 80%, with a roughly 10% gain for the second quintile, and virtually no gain for the next 60%. (Wolff 2000, Table 3)

What was the effect of the changing income distribution on consumption aspirations and expenditures? The growing level and share of the top 20% led to a boom in luxury spending (what Robert Frank has called a “luxury fever”) which reached its apex at the end of the 1990s boom. The upper middle class and the wealthy spent profligately and highly visibly. The culture of consumer excess can be seen in the growth of McMansions (i.e., mass-produced Mansions); the proliferation of Jaguars, Porsches and other luxury cars; $20,000 outdoor grills, $17,000 birthday parties for 12 year old girls; diamond-studded brassieres; professional quality appliances for people who are never home to cook; designer clothes for six year olds; bed sheets at a thousand dollars apiece; and status competitions in stone walls.

Trends in housing exemplify the consumer upscaling. Since 1987, the fraction of new homes that are larger than 2400 square feet has risen from 21 to 34%, and the fraction with four or more bedrooms has risen similarly. The average ratio of lot size to home size has declined markedly, as buyers try to pack more status onto smaller plots. Consumer preferences in housing features, luxury amenities and so forth have similarly increased. Analyses of trends in vehicles, apparel, jewelry, tourism, consumer electronics, household appliances, and many other consumer categories would yield similar conclusions. Americans are buying more and higher priced consumer goods and services.

The second and third factors that led to the shift toward vertical emulation are tied to the decline of the neighborhood as a social site, and the rise of two alternate sites of sociability, the workplace and the make-believe world of television. In the old consumerism, people learned about consumer trends through extensive face-to-face contact. They socialized in each other’s homes. They spent time in the backyards. The 1950s and the 1960s were a period of high levels of civic engagement and neighborhood socializing. Women met together in morning “coffee klatches;” they talked together at playgrounds and schools; they entertained in “cocktail hours.” This fostered the horizontal, proximate consumer comparisons described earlier. By contrast, the decline of neighborhood as a site of sociability has led to new patterns of socializing. The first was the rise of the workplace as a site of social interaction. As increasing numbers of married women entered the workplace, particularly those with college educations, they entered hierarchical organizations in which they interacted with people of higher corporate rank and position. At the innumerable corporate and other meetings that characterize professional and managerial work, consumer information was shared. Women discussed vacation plans, school choices, children’s extra-curricular activities, and home remodeling projects. They displayed designer wardrobes, jewelry, watches, and new cars. But because the corporation is a more hierarchical organization than the neighborhood, women were increasingly exposed to the consumer choices of those above them. And this fuelled vertical aspiration.
The third factor was the media. Since the 1970s, Americans have been interacting less with their neighbors, families and friends. Robert Putnam finds declining levels of informal socializing, neighborhood socializing, game playing, getting together in restaurants and other activities. Instead, people are spending far more time with media, and in particular television. (Putnam 2000, chs. 6, 13) The media has two important functions in fostering new consumerism. First, it has served as a major conduit of information on the consumption patterns of the top 20%. This is primarily through the special sections of newspapers (home and garden, technology, fashion, food), magazines, television shows devoted to lifestyle, and to some extent movies. The second effect of media, and especially television is that it imparts an upward bias on individual’s sense of the prevailing consumer norms. This is because media, and in particular television and movies tend to depict styles of life and possession of consumer goods at levels that are far above the actual norm. Television and the movies vastly over-represent the prevalence of the wealthy and super-wealthy, and they tend to depict the “average” household at a lifestyle which is in fact at the upper middle (or above). Studies have shown that people who are heavy television viewers greatly overestimate how the average American lives and the possessions they have. This effect, I argue, is responsible for my finding that television watching is positively correlated with consumer expenditures and negatively correlated with savings. (For more detail on this point, see O’Guinn and Shrum 1997 and Schor 1998). With respect to the growth of new consumerism, what is particularly relevant is the large increase in television viewing time among the US public. Increased electronic media use (television and movies) coupled with declines in informal sociability has resulted in a situation where consumers increasingly get their information and had their desires stimulated not in face-to-face settings, but through the media.

The result of these three shifts (in the wealth and income distributions, of women out of the neighborhood and into corporate hierarchies, and of the growing importance of electronic media) has been an escalation of Americans’ consumer aspirations. I review some of the survey evidence on this upscaling in my book. In short, what it shows is that the amount of money Americans aspire to has increased, that “earning a lot of money” has become a widespread financial goal, that views of what is necessary has shifted to include former luxuries, that stated income requirements have increased, that materialist aspirations are high, and that the non-material components of what is considered “the good life” have declined (i.e., things like a meaningful job, children and a happy marriage) and the material components (having a job that pay a lot more than the average job, having a really nice wardrobe, having a second home, a second car, and owning other consumer products) have all increased substantially. For example, consider the following survey question, which Americans have been asked repeatedly: “We often hear people talk about what they want out of life. Here are a number of different things. When you think of the good life—the life you’d like to have, which of the things on this list, if any, are part of that good life as far as you personally are concerned?” The percentage who considered “a home you own, a yard and lawn, and a swimming pool” as part of the good life rose
from 86, 60, and 34% respectively, in 1988, to 92, 70 and 36% in 1996. (Roper Reports 1997-1, p. 141). Similarly, in a survey by marketing researchers Susan Fournier and Michael Geary that asked people what their financial goals were, 85% of respondents reported they desired to have “really made it” or to “be doing very well.” They then identified the necessary levels of income to satisfy these goals as $250,000 and $100,000 respectively. (cited in Schor 1998)

What has been the larger the impact of this shift in consumer emulation? First, the simple economics of vertical emulation suggest an ongoing problem of what I call the aspirational gap. If most of the population desires an affluent lifestyle (for which a $100,000 plus income is necessary) but median income is only half that, aspirations will be frustrated. During the 1980s, and 1990s, the economic resources and consumption levels of the top 20% increased far more rapidly than those of the bottom 80%, whose income and wealth mainly stagnated. This meant that the middle and lower middle class had difficult keeping up with a rising aspirational target. They responded by reducing their savings (Household savings have plummeted for two decades from roughly 8% a year in 1980, to 4% in 1990 to zero at the end of the 1990s, to about 1.5% now—savings typically rise in recessions.) They took on record levels of consumer debt. (Credit card debt rose dramatically during the 1990s, especially for households in the $50,000-$100,000 range). One result was record numbers of personal bankruptcies, which have risen substantially for two decades (from about 200,000 per year in 1980 to about 1.4 million currently). Financial insecurity increased for many households. The fraction of households without any assets grew substantially, the fraction in debt increased, and those living without health insurance and retirement provisions rose.  (These issues are more fully discussed in Schor 1998.)

Households also added extra earners and increased their working hours in order to keep up with rising income requirements. Average annual hours rose by additional 75 per year between 1989 and 1998. (Mishel et al 2001, Table 2.1, p. 115) The fraction of the population working continued to rise in the 1990s, as did women’s labor force participation. (Council of Economic Advisers 2001 Table B-39, p. 321)

Financial insecurity and excessive working hours have led to stress and worry for millions of households. They feel pressed for time, and that their lives are out of control. (Schor 1991) The squeeze on the middle class has facilitated conservative political forces drive to cut income taxes and reduce non-military public services, and this has rebound effects on consumer pressures. (As public goods deteriorate, middle class families increasingly feel they must use for private alternatives—schools, security, recreational facilities, etc. further raising their income requirements.)

Quality of life is affected in at least three other ways. First, the upsurge in materialist values itself is negatively correlated with well-being, as a now-extensive body of psychological literature shows. (See Kasser, forthcoming 2002, for a comprehensive review of this literature.) The causal relations involved as complex because
materialist values both affect well-being and are a product of it. However, it increasingly appears that there is also a causal link from materialist orientation to well-being.

Second, the strength of what I have called “the cycle of work and spend” (that is, long hours at work, high consumer aspirations) appears to be destructive of time-intensive social connections and well-functioning communities. As the demands of the consumption competition intensify, the sources of durable well-being (friendships, healthy families and communities) are increasingly in jeopardy.

Finally, consumer upscaling has been disastrous for the natural environment. Economic growth in general tends to be destructive of natural capital, but the trends in US consumer patterns have been especially damaging—the growth in housing has led to a reversal of what had been declining residential energy usage and much greater use of materials; the shift to luxurious vehicles has led to a reversal of what had been declining fuel use per vehicle; trends in tourism have led to far more damaging patterns (lots of short air trips, use of higher-impact hotels); trends in apparel consumption have led to increased numbers of garments, produced under ecologically damaging conditions; and so on. (On recent trends, see Taylor and Tilford 2000 and Schor 2001.)

Let me end by turning to the academic literature and its failure to recognize and interpret the development of the new consumerism. Curiously, as the income distribution worsened, scholars began to turn away from analyses of consumption that are grounded in economic conditions in favor of alternative approaches. The competitive consumption models of Veblen, Duesenberry and Bourdieu came under attack as outmoded. (For a review of the recent literature, see Miller 1995; for a critique of the status models, see Holt 2000) The consumer, it was argued, was now a postmodern agent, engaging in projects that had mostly to do with other goals than status. (For a description of post-modern consumption, see Firat and Venkatesh 1995.) Consumption came to be seen as mainly an identity project, and a source of personal creativity, rather than a class affiliation. Consumption practices were theorized as inter-temporally variable or inconsistent, that is, one day this identity project would lead to one style of consumption and the next day to another. Consumers were not wedded to class-based consensual status symbols (the visible trappings of wealth emphasized by Veblen) but choose their own personal (highly variable styles). Pastiche, bricolage, performance and creativity are the buzzwords of this postmodern approach. Similarly, other theories (such as that of Colin Campbell 1987) emphasized the idea of consumption as a private, hedonistic activity, an escapist act in which display and status played no role. Others emphasized consumption as media-spectacle, and the attempt to deny reality, lead consumers into a hyper-reality of fantasy consumption. (e.g., Baudrillard 1994) Finally, some have gone so far as to argue that the act of consumption itself is mainly resistant, a challenge to a larger social order of class and domination, rather than a practice which reproduces that order. (Fiske 1995)
While these approaches differ in some respects, they have tended to share a set of assumptions about the tradition in which my analysis of new consumerism is located. First, they reject the existence of consensual status symbols. They argue that “lifestyle” clusters have led to a proliferation and amalgamation of goods and styles of life that make decoding status goods impossible. And additionally, these clusters are seen as purely elective affinities mainly unrelated to class groupings. Second, they argue that there has been a breakdown of status hierarchies, as for example in the collapse of the distinction between high and low culture and a popularization of all culture and consumer goods. Along these lines they argue that consumption is now a profoundly democratizing force that erodes class differences and is equally open to all people. (Lipovetsky 1994) Third, emulative trajectories are no longer seen to follow a trickle-down pattern, but are thought to emanate from the bottom of the social hierarchy. This is a kind of bubble-up process in which consumer culture is “democratized” because innovation is driven by groups conventionally thought of as “low status.” (I refer here to descriptions of the emergence of rap music, ghetto fashion, graffiti art, etc.) Fourth, the pursuit of personal identity (“differentiation from the Joneses”) is thought to have superseded class-based identity formation as a dominant consumer motive. (Giddens 1991)

Overall, the major themes in the consumption literature of the past twenty years are to reject class analysis, to reject the importance of the distributions of income and wealth, and to divorce consumption from production. (In a welcome corrective to the excessive Marxian focus on production, too many contemporary analyses (eg., Baudrillard 1994) have eliminated production-side factors altogether. Ironically perhaps, the new analyses of consumption share much with neo-liberal thought, in their celebration of the market, their uncritical acceptance of the consumer of consumer sovereignty, their reliance on an a-social consumer doing his or her individual thing, their belief that consumption is a democratic, egalitarian sphere, and their rejection of analyses of constraints on consumer behavior. Analyses of the postmodern marketplace, while not intentionally formulating such a perspective, are unwittingly reproducing much of the ideology of neoclassical economics. While I appreciate the need to avoid the totalized, overdetermined accounts of the Frankfort School and related Keynesian-inspired models (for example Galbraith 1998 or Friedan 1963) the contemporary swing has been both extreme and in the wrong direction. There remains a place for sophisticated consumer critiques that both respect the needs and desires of consumers, but understand that they live in a highly stratified social context, of which consumption is a major arena. Indeed, as I have argued, the abandonment of older, sociological model has proved to be ill-timed. Just as the postmodern story emerged, consumers have gone all out to acquire the status symbols of years gone by—fancy homes, showy cars, ostentatious watches, fat diamonds, stone walls, expensive art and over-the-top luxuries are the symbols of a new Gilded Age. Perhaps it’s Veblen’s Revenge.
Let me end with a few words about the task before us, that is, a response to the new consumerism. For those of us in the academy, sociologists and social scientists, my analysis suggests the need for an integrated treatment of both consumption and production. I believe the dynamics of those two spheres are now highly integrated, both through obvious mechanisms such as income, but also through other factors, such as time-use and time-scarcity, which is increasingly a major component of daily life and well-being. Second, social analysis must explore the ways in which rational individual behavior is yielding irrational social outcomes (eg., Prisoner’s Dilemmas, ecological collapse). This perspective is absent from both traditional economics and most contemporary analyses of consumption, which are locked in an often fruitless debate between the ideas of consumer agency and consumer manipulation. Finally, we need to take seriously, far more than we have, the ways in which “new consumerism” and the work-and-spend cycle are destroying the planetary ecology, and integrate those effects into our analysis. For if we do not, our ability to understand will be seriously compromised and our ability to transform tragically impaired.
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