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Consumption and the Consumer Society

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An ECI Teaching Module on Social and Environmental Issues in Economics

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NOTE – terms denoted in **bold face** are defined in the **KEY TERMS AND CONCEPTS** section at the end of the module.

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1. INTRODUCTION

Economists define **consumption** as the process by which goods and services are put to final use by people. But this rather dry, academic definition fails to capture the multifaceted role of consumption in our lives. As one researcher put it:

> For a start, it is immediately clear that consumption goes way beyond just satisfying physical or physiological needs for food, shelter, and so on. Material goods are deeply implicated in individuals' psychological and social lives. People create and maintain identities using material things… The "evocative power" of material things facilitates a range of complex, deeply ingrained "social conversations" about status, identity, social cohesion, and the pursuit of personal and cultural meaning.[1]

Until recently, most economists paid little attention to the motivations behind consumer behavior. As we'll see below, the standard economic model of consumption simply assumes that the vast majority of people consume rationally to maximize their utility. But as suggested in the quotation above, perhaps no other economic activity is shaped by its social context more than consumption. Our consumption behavior conveys messages to others about who we are and how we fit in with, or separate ourselves from, other people.

Modern consumption must also be placed in a historical context. When can we say that "consumer society" originated? Furthermore, is consumerism as experienced in the United States and other countries something that is ingrained in us by evolution, or is it something that has been created by marketing and other social and political forces?

Finally, it is impossible to present a comprehensive analysis of consumption without considering its environmental context. Specifically, ecological research suggests that consumption levels in the United States and many other developed countries have reached unsustainable levels. According to a 2022 analysis, if everyone in the world had the same living standard as the average American, we would need over five earths to supply enough resources and process all the waste.[2] So any serious discussion of sustainability must consider the future of consumption patterns throughout the world.

This module is intended to complement a standard economic presentation of consumer behavior. We do not provide the details of that model here. Instead, this module explores the more meaningful questions such as why do we consume and what are the social and environmental impacts of our consumption. The module ends with a discussion of policy debates related to consumption and consumerism.

2. ECONOMIC THEORY AND CONSUMPTION

2.1 Consumer Sovereignty

Adam Smith once said, "Consumption is the sole end and purpose of all production and the welfare of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer."[3] The belief that satisfaction of consumers' needs and wants is the ultimate economic goal and that the economy is fundamentally ruled by consumer desires is called **consumer sovereignty**.

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[1] Jackson, 2008, p. 49.

[2] Anonymous, 2022. Estimate based on an overshoot day of March 13 for the United States. Thus, 365 days divided by 72 days (31 in January, 28 in February, and 13 in March) equals 5.1.

[3] Smith, 1930, p. 625.

Consumer sovereignty suggests that all economic production is ultimately driven by the preferences of consumers. For example, consider the fact that sales of sport utility vehicles (SUVs) in the United States have been increasing in recent years, while sales of small cars and sedans have declined.[4] The theory of consumer sovereignty would suggest that the primary reason for the growth of SUV sales is that consumers prefer larger vehicles over cars. The possibility that the increase in the demand of SUVs has been driven primarily by automakers' marketing efforts to sell large vehicles with higher profit margins would not be consistent with consumer sovereignty.

But we should consider whether consumers really do "drive the economy." Perhaps consumers can be significantly swayed by advertising. We will consider the impact of advertising in more detail later in this module. We can also ask the subjective question of whether people's preferences, as consumers, should drive all economic decisions about what to produce and how to produce it. People are more than just consumers. While some of our goals may be attained through consumption, other goals cannot be met by buying things. An economy that made people moderately happy as consumers but absolutely miserable as workers, citizens, or community members could hardly be considered a rousing success. We evaluate the relationship between consumption and well-being further toward the end of this module. But first we briefly consider the standard neoclassical model of consumer behavior.

2.2 The Neoclassical Consumer Model

The standard, or neoclassical, economic model of consumption is based on several assumptions of consumer behavior, including:

- Consumers are rational. They know what they want and tend to make consumer decisions that are best for them.
- Consumers have "perfect" information. They don't necessarily know everything when making consumer decisions but know when additional information is not worth the cost of acquiring that information.
- Consumer preferences are stable in the short term and consistent. Consumers don't make random decisions and their decisions aren't contradictory.

Based on these assumptions, the neoclassical model demonstrates, mathematically and graphically, how such a consumer would maximize her **utility** subject to an income constraint. Utility is defined as the pleasure or satisfaction individuals receive from consuming goods, services, or experiences. Economists then make assumptions about how one's utility changes with additional consumption of various goods and services. The model typically incorporates the assumption of **diminishing marginal utility**—that successive "units" consumed of some good or service yield smaller utility than previous units. So, for example, one's first candy bar eaten might yield a relatively high amount of utility, the utility from a second candy bar would be smaller, and the third candy bar might even make one worse off.

The "solution" of the model, which can be presented graphically and mathematically, indicates that utility is maximized when the consumer adjusts her spending such that the additional, or marginal, utility per dollar is constant across different products. Thus, the

[4] Voelk, 2020.

model can tell us how a theoretical consumer should allocate her budget to get the highest level of overall utility.

While logically precise, the neoclassical model is limited in at least two significant ways. First, the model provides no insights into why people decide to buy some products and not others. It says nothing about why some consumers become compulsive shoppers. It says nothing about whether advertising contributes to household indebtedness. It says nothing about why many people buy products that end up disappointing them. And it says nothing about whether consumers' decisions can be improved with well-designed policies. This module will focus on these issues.

The other main limitation of the neoclassical model is that modern research finds that the assumptions above are often invalid. We consider this research next.

2.3 Behavioral Economics

A growing body of research suggests that the behavior of actual consumers does not follow the assumptions of the model. Referred to as **behavioral economics**, this research gathers insights from numerous disciplines, including economics, psychology, sociology, anthropology, neuroscience, and biology, to determine and predict how people actually make economic decisions. Rather than simply making assumptions about consumers, behavioral economics emphasizes using experiments and other empirical data to test hypotheses.

Consider one classic experiment from behavioral economics. Graduate students from MIT were first asked to write down the last two digits of their Social Security numbers.[5] They were then asked whether they would pay this amount, in dollars, for various products, including a fancy bottle of wine and a cordless keyboard. Assuming rational behavior, the last two digits of one's Social Security number should have no relation to one's willingness to pay for a product. However, the subjects with the highest Social Security numbers indicated a willingness to pay about 300 percent more than those with the lowest numbers! Apparently they used their Social Security numbers as an "anchor" in evaluating the worth of the products.

Other research shows that consumer preferences can be significantly influenced by companies. The high-end kitchen equipment company Williams-Sonoma sold a bread maker for $279, with disappointing sales. But then the company started offering a "deluxe" model for $429. Although they did not sell too many of the deluxe model, sales of the $279 model almost doubled because now it seemed like a relative bargain.[6]

Another important point is that when consumers decide to purchase a good or service, they are essentially making a prediction about the utility that the purchase will bring them. Daniel Kahneman, widely considered to be the founder of behavioral economics and winner of the 2002 Nobel Price in Economic Sciences, distinguishes between *predicted* utility and *remembered* utility. Predicted utility is the utility that you expect to obtain from a purchase (or other experience), whereas remembered utility is the utility that you actually recall after you have made a purchase. Kahneman finds that these two utilities often differ – have you ever experienced buyer's remorse? This finding contradicts the expectation of the standard

[5] Example from Ariely, 2010.
[6] Lee, 2013.

consumer model with rational decision makers, in which predicted and remembered utility should match relatively closely.

Economists have traditionally assumed that having more options from which to choose can only benefit consumers, but recent research demonstrates that there is a cost to trying to process a lot of information. In fact, having too many choices can actually "overload" our ability to evaluate different options. Consider a famous example demonstrating the effect of having too much choice.[7] In one experiment, researchers at a supermarket in California set up a display table with six different flavors of jam. Shoppers could taste any (or all) of the six flavors and receive a discount coupon to purchase any flavor. About 30 percent of those who tried one or more jams ended up buying some.

The researchers then repeated this experiment but, instead, offered 24 flavors of jam for tasting. In this case, *only 3 percent* of those who tasted a jam went on to buy some. In theory, it would seem that more choice would increase the chances of finding a jam that one really liked and would be willing to buy. But, instead, the additional choices decreased one's ability to make a decision about which jam to buy. A 2010 article from *The Economist* addressed this topic:

> As options multiply, there may be a point at which the effort required to obtain enough information to be able to distinguish sensibly between alternatives outweighs the benefit to the consumer of the extra choice. "At this point," writes Barry Schwartz in *The Paradox of Choice*, "choice no longer liberates, but debilitates. It might even be said to tyrannise." In other words, as Mr. Schwartz puts it, "the fact that *some* choice is good doesn't necessarily mean that *more* choice is better."[8]

These examples, along with numerous other findings from behavioral economics, suggest an alternative model of consumer behavior, with the following main principles:

1. *People try to choose the best option available to them, but they often make mistakes.* While people may seek to maximize their utility, they sometimes aren't successful due to insufficient or inaccurate information, poor judgment, limited resources, and other issues. We might think of economic decisions as being a somewhat "muddled" process, rather than the maximizing process envisioned by the neoclassical model.
2. *People make economic decisions using various reference points to help them.* We saw above how people's choices can change based on their Social Security number or the price of other products.
3. *People have self-control problems.* Most people have a "present bias" when making decisions with long-term impacts. The fact that most people fail to adequately save for retirement is perhaps the most obvious, and important, example of this problem. Running up large credit card debts is another example.
4. *People can be influenced to make bad (or good) decisions.* Advertising can clearly be effective, leading to choices that are unhealthy and unwise. Advertisers can also take advantage of anchoring and present bias to influence people to buy things they don't really need. But the fact that people's preferences aren't always fixed, or even known to them, also means that policies can be designed to help them make healthier,

[7] Iyengar and Lepper, 2000.
[8] Anonymous, 2010.

wiser choices. We'll consider the policy implications of this model of economic behavior further in the final section of this module.

3. CONSUMPTION IN HISTORICAL AND INTERNATIONAL CONTEXT

To help answer questions about why consumers make particular decisions, we must recognize the historical and social nature of consumption. In most developed countries we are so immersed in a culture of consumption that we can be said to be living in a **consumer society**, a society in which a large part of people's sense of identity and meaning is achieved through the purchase and use of consumer goods and services. Viewing consumption through the lens of a consumer society is quite different from looking at consumption from the neoclassical model of consumer behavior.

We first consider the historical evolution of consumer society, along with the institutions that allowed consumer society to flourish. Then we take a look at consumer society around the world today.

3.1 A Brief History of Consumer Society

When can we say that consumer society originated? Historians have placed the birth of the consumer society variously from the sixteenth century to the mid-1900s.[9] To some extent, the answer depends on whether we consider **consumerism**, understood as having one's sense of identity and meaning defined largely through the purchase and use of consumer goods and services, as an innate human characteristic. In other words, does consumerism come naturally to humans or is it an acquired trait?

Before the eighteenth century, most people simply could not afford to lead a consumerist lifestyle. Even when families and communities acquired more than enough to meet basic needs, they did not automatically respond by becoming consumers. Religious value systems generally taught material restraint. Patterns of dress and household display were dictated by tradition, depending on the class to which one belonged, with little change over time. Unlike the norm in modern times, in the past community spending was prioritized, such as for a new church, as opposed to private spending.

The historical consensus is that consumer society as a mass phenomenon originated in the eighteenth century in Western Europe. Although it is no coincidence that this time and location coincides with the birth of the Industrial Revolution, consumer society was not solely the result of greater prosperity. The Industrial Revolution clearly transformed production. It is less obvious, but equally true, that it transformed consumption, as much through the social changes it produced as through the economic changes.

> The arrival of consumerism in Western Europe involved truly revolutionary change in the way goods were sold, in the array of goods available and cherished, and in the goals people defined for their daily lives. This last—the redefinition of needs and aspirations—is the core feature of consumerism.[10]

[9] Material from this section is drawn primarily from Stearns, 2006.
[10] Stearns, 2006, p. 25.

The large-scale emigration of people from the agricultural countryside to cities in search of work brought significant social disruption. Instead of finding personal and social meaning in tradition and community, as they had in the past, people sought new ways to define themselves, often through consumer goods. Advertising became more prevalent at this time, along with more social acceptance of displays of wealth by “common” people.

Although consumerism took root in the eighteenth century, it took some time before it fully blossomed. At the dawn of industrialization, it was not at all clear that workers would become consumers. Early British industrialists complained that their employees would work only until they had earned their traditional weekly income and then stop until the next week. At first, employers responded by lowering wages and imposing strict discipline on workers to force them to work longer hours. Over time, however, organized workers, political reformers, and humanitarian groups pressured for better wages, hours, and working conditions, while rising productivity made businesses more open to meeting some of these demands. With higher incomes, workers increasingly began to spend the excess on consumer goods. In the United States, the “worker as consumer” view was fully entrenched by the 1920s, when the labor movement stopped advocating a shorter workweek and instead focused on better wages and working conditions.

Other historical developments were important to the spread of consumer society. One was the invention of the department store in the mid-nineteenth century in England, which quickly spread to other countries. Featuring lavish displays, department stores presented shoppers with the opportunity to purchase an entirely new lifestyle, all under one roof. Department stores introduced the idea of shopping as “spectacle,” with entertainment, elaborate interiors, seasonal displays, and parades.[11]

Modern shopping malls originated in the United States in the early twentieth century. Suburbanization in the United States in the mid-twentieth century was supported by the construction of large shopping malls far from city centers but easily accessible by automobile. By the 1980s and 1990s enormous shopping malls, such as the Mall of America in Minnesota, were being constructed with entertainment options including indoor roller coasters and aquariums.

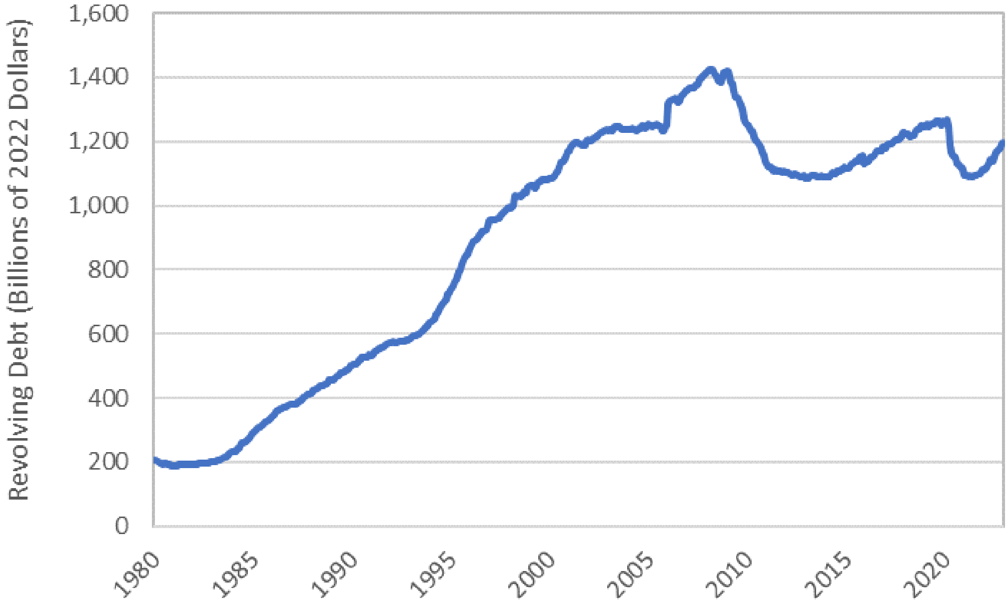
Another institution created to support consumerism was expanded consumer credit, particularly the invention of credit cards in the 1940s. Although some cardholders use them only for convenience, paying off their balances in full each month, about half of cardholders use them as a form of borrowing by carrying unpaid balances, on which they pay interest, with annualized rates that can exceed 30 percent.[12]

Figure 1 illustrates the growth of revolving credit debt in the United States over the past several decades, adjusted for inflation.[13] We see that credit debt increased by a factor of seven from 1980 until about 2007, when the Great Recession caused households to reduce their debt, as spending declined and credit became less available. Credit card debt increased again during the economy recovery of the 2010s, only to decline again due to the COVID-19 pandemic. At the end of 2022, total outstanding revolving debt in the United States was

[11] Ritzer, 1999.
[12] Wolff-Mann, 2016.
[13] Revolving debt allows consumers to borrow money against a line of credit, without the requirement that the amount borrowed be fully paid off each month. Thus the balance from one or more months can carry over, or "revolve," to the next month.

about $1.2 trillion, equivalent to more than $9,100 per household. However, given that about half of households do not carry an unpaid monthly balance on their credit cards, those households that do carry a balance had an average credit card debt of around $18,000.

Figure 1. *Revolving Credit Debt in the United States, 1980–2022, Adjusted for Inflation*



Source: Federal Reserve Bank of St. Louis, Federal Reserve Economic Data (FRED).

3.2 Limits to Modern Consumerism

Can we say that consumerism is now a global phenomenon? It is true that people all over the world are increasingly exposed to similar commercial messages and images of "the good life," but consumer society is not yet universal for two main reasons. First, most people around the world are simply too poor to be considered modern consumers. Over 700 million people, nearly 10 percent of humanity, live in "extreme" poverty, defined by the World Bank as living on less than $2.15 per day.[14] Further, about 85 percent of the world's population lives on less than $30 per day (equivalent to about $11,000 per year – an amount insufficient to support a modern consumerist lifestyle).[15]

The second reason consumerism is not yet universal is that in numerous places around the world cultural and religious values exist that seek to restrain, or even reject, the consumer society. For example, the Muslim concept of *riba* prohibits charging interest on loans. Buddhism teaches a "middle path" that emphasizes material simplicity, nonviolence, and inner peace. Various passages of the New Testament of the Bible emphasize the spiritual dangers of wealth, such as the saying that it is easier for a camel to pass through the eye of a needle than for a rich man to enter heaven.

In some countries, consumerism is associated with foreign, typically American, values. Social norms and government policies in various European countries aim to promote nonconsumerist values. For example, many retail stores in France, Italy, and other European

[14] World Bank, 2022.
[15] Roser, 2021.

countries normally close at lunchtime and on Sundays. European policies on vacation time, parental leave, and flexible working hours tend to emphasize a work–life balance.

Even in the United States, the spread of consumerism has not been an even, uninterrupted process. The history of consumer society in the United States reveals periodic movements against consumerism. The Quakers in the eighteenth century, the Transcendentalists of the mid-nineteenth century (most famously, Henry David Thoreau), the Progressives at the turn of the twentieth century, and the hippies of the 1960s all espoused a simpler, less materialistic life philosophy.[16] More recently, starting in the 1980s the idea of voluntary simplicity, which we discuss further later in the module, has attracted a following among Americans motivated by objectives such as reducing environmental impacts, focusing more on family and social connections, healthy living, and stress reduction.

Further, consumption behavior changes across generations, with evolving and often conflicting values. For example, while greater concern for environmental issues tends to reduce levels of consumerism, the expansion of online shopping has the opposite effect. For more on generational changes in consumer behavior, see Box 1.

BOX 1: CONSUMPTION BEHAVIOR OF GEN X

College-age students are part of Gen Z – those born between 1995 and 2010. According to a 2018 analysis, Gen Z's consumption objectives differ from those of previous generations.[17] Gen X, born between 1960 and 1979, primarily consumes for status, buying brand names and luxury items. Millennials, born between 1980 and 1994, mainly consume experiences rather than goods. Gen Z, meanwhile, consumes to express uniqueness and ethical concerns.

Rather than having a single clear identity, many members of Gen Z are willing to experiment with "different ways of being themselves." One example of this is through gender fluidity, preferring clothes and other items that are unisex as opposed to labelled as male or female. Given Gen Zers connections through social media, they are more likely to associate with those from different regions of the world, with different cultures and preferences. Driven by a desire for uniqueness combined with extensive access to digital information, Gen Zers are less likely than older generations to habitually shop specific brands. However, while millennials have moved primarily to online shopping, members of Gen Z, somewhat surprisingly, are likely to shop at both physical and online sites. Again, this seems to reflect their search for unique products that express a range of identities.

Another key feature of Gen Z is consuming access to products rather than products themselves. For example, Gen Zers often use car-riding services such as Uber and Lyft rather than buying cars. This may be partly due to the high cost of owning a car, but also a result of concern about personal environmental impacts. Gen Zers are more likely than previous generations to choose products and services produced by companies that share their ethical positions. They are also more likely to display "eco-indulgence," paying extra for products that are sustainable or produced by environmentally-responsible companies.

[16] See Shi, 2007.
[17] Francis and Hoefel, 2018.

4. CONSUMPTION IN A SOCIAL CONTEXT

As mentioned at the beginning of this module, in modern consumer societies consumption is as much a social activity as an economic activity. Consumption is tied closely to personal identity, and it has become a means of communicating social messages. An increasing range of social interactions are influenced by consumer values.

> Consumption pervades our everyday lives and structures our everyday practices. The values, meanings, and costs of what we consume have become an increasingly important part of our social and personal experiences. . . . [Consumption] has entered into the . . . fabric of modern life. All forms of social life—from education to sexual relations to political campaigns—are now seen as consumer relations.[18]

4.1 Social Comparisons

As social beings, we compare ourselves to other people. Our income and consumption levels are some of the most important ways in which we evaluate ourselves relative to others. Whether people consider themselves poor often depends on the condition of those around them.

You have probably heard of the saying "Keeping up with the Joneses." This saying refers to the motivation to maintain a material lifestyle that is comparable to those around us. A **reference group** is a group of people who influence the behavior of consumers because they compare themselves with that group. Most people have various reference groups, traditionally including our neighbors, our coworkers, and members of our family. We also are influenced as consumers by **aspirational groups**, groups to which a consumer *wishes* he or she could belong. People often buy, dress, and behave like the group—corporate executives, rock stars, athletes, or whoever—with whom they would like to identify.

Economist Juliet Schor argues that the nature of social comparisons related to consumption has changed in the past several decades. She suggests that in the 1950s and 1960s the idea of "Keeping up with the Jones" emphasized comparisons between individuals or families with similar incomes and backgrounds. Because prosperity was broadly shared in the postwar decades, people did not want to feel left out as new consumer goods and living standards emerged. More recently, however, she has observed that reference groups have become more "vertically elongated," such that "people are now more likely to compare themselves with, or aspire to the lifestyle of, those far above them in the economic hierarchy.[19]

Schor presents the results of a survey to support this view, which indicates that 85 percent of respondents aspire to become someone who "really made it" or is at least "doing very well." But the survey results also show that only 18 percent of Americans are members of these groups based on income.[20] If 85 percent of people aspire to be in the top 18 percent, obviously most will end up disappointed.

Changes in economic inequality are also relevant to her hypothesis. During the 1950s and 1960s, economic inequality in the United States was decreasing—that is, the gap between different levels of the income hierarchy was generally shrinking. However, beginning in the

[18] Goodman and Cohen, 2004, pp. 1-4.
[19] Schor, 1999, p. 43.
[20] Schor, 1998.

1970s economic inequality began to increase, thus making it difficult to even maintain the existing distance between an individual and his or her aspirational group.

Schor also finds that media representations of wealthy lifestyles have become more common. In the 1950s and 1960s, most television shows depicted middle-class lifestyles. But starting in the 1980s, television shows as well as advertisements increasingly depicted upper-class lifestyles. Her research indicates that the more television a person watches, the more he, she, or they is likely to spend, holding constant other variables such as income. Higher rates of television watching have also been associated with having materialistic values.[21] Other research has found that heavy television watchers are likely to overstate the percentage of the population that owns luxury items, such as convertibles and hot tubs, or that have maids or servants.[22]

Schor's conclusion is that identifying with unrealistic aspirational groups leads many people to consume well above their means, acquiring large debts and suffering frustration as they attempt to join those groups through their consumption patterns but without sufficient incomes. As people tend to evaluate themselves relative to reference and aspirational groups, with increasing inequality some may feel as if they are falling behind even if their incomes are actually increasing.

> The more our consumer satisfaction is tied to social comparisons—whether upscaling, just keeping up, or not falling too far behind—the less we achieve when consumption grows, because the people we compare ourselves to are also experiencing rising consumption. . . . The problem is not just that more consumption doesn't yield more satisfaction, but that it always has a cost. The extra hours we have to work to earn the money cut into personal and family time. *Whatever* we consume has an ecological impact. . . . We are impoverishing ourselves in pursuit of a consumption goal that is inherently unattainable. In the words of one focus-group participant, we "just don't know when to stop and draw the line."[23]

The result is the creation of widespread feelings of **relative deprivation**—the sense that one's own condition is inadequate because it is inferior to someone else's circumstances. Relative deprivation is a condition that exists in all countries to some extent.

The government-defined poverty level in the United States was $30,000 for a family of four in 2023.[24] In developing countries a family income of $30,000 would be considered wealthy. While it may be possible to buy the bare physical necessities of life for this sum in some regions of the United States, it is likely that most of the Americans who fall below the poverty level (13 percent of the population in 2022[25]) do not feel able to enjoy a "normal" American lifestyle. They clearly do not have the resources to buy the kinds of homes, cars, clothing, and other consumer goods commonly shown on American television.

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[21] See Shrum *et al.*, 2005.
[22] O'Guinn and Shrum, 1997.
[23] Schor, 1998, pp. 107-109.
[24] https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines.
[25] Benson, 2022.

4.2 Advertising

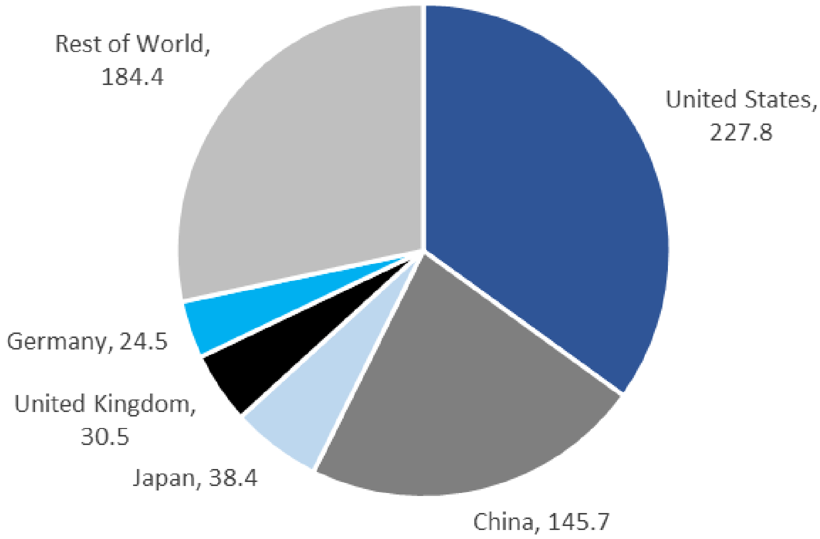
Although advertising has existed as a specialized profession for only about a century, it has become a force that rivals education and religion in shaping public values and aspirations. We already saw that advertising spending in the United States totals about $600 per person annually. According to one estimate, Americans are exposed to 4,000 to 10,000 ads per day.[26]

Global advertising expenditures were about $650 billion in 2020, equivalent to the national economy of Switzerland or Sweden. About one-third of global advertising spending takes place in the United States (see Figure 2). China recently became the world's second-largest advertising market. Per-capita advertising spending in China increased from just 9 cents in 1986 to $104 in 2020.

Advertising is often justified by economists as a source of information about products and services available in the marketplace. Although it certainly plays that role, it also does much more. Advertising appeals to many different values, emotional as well as practical needs and a range of desires and fantasies. The multitude of advertisements that we encounter carry their own separate messages; yet on a deeper level, they all share a common, powerful cultural message.

> What the vast amount of advertising really sells is consumer culture itself. Even if advertising fails to sell a particular product, the advertisements still sell the meanings and values of a consumer culture. As Christopher Lasch writes, "The importance of advertising is not that it invariably succeeds in its immediate purpose, . . . but simply that it surrounds people with images of the good life in which happiness depends on consumption. The ubiquity of such images leaves little space for competing conceptions of the good life."[27]

Figure 2. *Advertising Expenditures (Billions of US Dollars), by Country/Region, 2020*



Source: Advertising Age, 2021.

[26] Simpson, 2017.
[27] Goodman and Cohen, 2004, pp. 39-40.

According to one estimate, the typical American will spend about three years of his or her life watching television ads.[28] We have already mentioned how watching television can influence people's spending behavior and values. Other research details how television watching, and advertising in particular, is associated with obesity, attention deficit disorder, heart disease, and other negative consequences. Furthermore, advertising commonly portrays unrealistic body images, traditionally for women but more recently for men as well. (See Box 2 for more on the effects of advertising on girls and women.)

BOX 2: WOMEN AND ADVERTISING

A 2007 report by the American Psychological Association concluded that advertising and other media images encourage girls to focus on physical appearance and sexuality, with harmful results for their emotional and physical well-being.[29] The research project reviewed data from numerous media sources, including television, music videos and lyrics, movies, magazines, and video games. The report found that 85 percent of the sexualized images of children were of girls.

The lead author of the report, Dr. Eileen L. Zurbriggen, said, "The consequences of the sexualization of girls in media today are very real and are likely to be a negative influence on girls' healthy development. We have ample evidence to conclude that sexualization has negative effects in a variety of domains, including cognitive functioning, physical and mental health, and healthy sexual development.

Three of the most common mental health problems associated with exposure to sexualized images and unrealistic body ideals are eating disorders, low self-esteem, and depression. A 2020 report estimates that 29 million Americans suffer from an eating disorder during their lives, with women twice as likely to have an eating disorder. About 20 percent of anorexics will eventually die from the disorder.[30] Women are more likely than men to compare their bodies to images in the media, which typically present unrealistic body types.[31] According to a 2020 article, the average size of a Victoria's Secret model is lower than ever, at a size 4, while the average American woman is between a size 16 and 18. [32]

Jean Kilbourne, an author and filmmaker who holds a Ph.D. in education, has been lobbying for advertising reforms since the 1960s. She has produced four documentaries on the negative effects of advertising on women, most recently in 2010, under the title *Killing Us Softly*. Kilbourne notes that virtually all photos of models in advertisements have been touched up, eliminating wrinkles, blemishes, extra weight, and even skin pores. She believes that we need to change the environment of advertising through public policy.[33] Dr. Zurbriggen concludes, "As a society, we need to replace all of these sexualized images with ones showing girls in positive settings—ones that show the uniqueness and competence of girls."

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[28] Holt *et al*., 2007.
[29] Anonymous, 2007.
[30] Deloitte Access Economics, 2020.
[31] Blackford, 2020.
[32] Wolfe, 2020.
[33] Jean Kilbourne Web site, www.jeankilbourne.com.

4.3 Private Versus Public Consumption

The growth of consumerism has altered the balance between private and public consumption. Public infrastructure has been shaped by the drive to sell and consume new products and the availability of public and private options, in turn, shapes individual consumer choices.

In the early 1930s, for example, many major U.S. cities—including Los Angeles— had extensive, relatively efficient, and nonpolluting electric streetcar systems. Then, in 1936, a group of companies involved in bus and diesel gasoline production, led by General Motors, formed a group called the National City Lines (NCL). They bought up electric streetcar systems in 45 cities and dismantled them, replacing them with bus systems that also tended to promote automobile dependency.[34] U.S. government support for highway construction in the 1950s further hastened the decline of rail transportation, made possible the spread of suburbs far removed from workplaces, and encouraged the purchase of automobiles.

Many of the choices that you have, as an individual, depend on decisions made for you by businesses and governments. Los Angeles would look much different today—more like the older sections of many East Coast and European cities—if it had been built up around streetcar lines rather than cars and buses. Even today one can see tradeoffs between public infrastructure and private consumption. As more people carry cell phones and bottled water, pay telephones and drinking fountains either cease to exist or become less well maintained, leading more people to carry cell phones and bottled water.

5. CONSUMPTION IN AN ENVIRONMENTAL CONTEXT

The production process that creates every consumer product requires natural resources and generates some waste and pollution. However, we are normally only vaguely aware of the ecological impact of the processes that supply us with consumer goods.

> The problem is that we do not often see the true ugliness of the consumer economy and so are not compelled to do much about it. The distance between shopping malls and their associated mines, wells, corporate farms, factories, toxic dumps, and landfills, sometimes half a world away, dampens our perceptions that something is fundamentally wrong.[35]

Most of us are unaware that, for example, it requires about 600 gallons of water to make a quarter-pound hamburger or that making a computer chip generates 4,500 times its weight in waste.[36] (For another example of the ecological impacts of consumption, see Box 3.)

34 https://en.wikipedia.org/wiki/National_City_Lines.
35 Orr, 1999, pp. 145-146.
36 Ryan and Durning, 1997.

BOX 3: THE ENVIRONMENTAL STORY OF A T-SHIRT

T-shirts, along with jeans, are perhaps the most ubiquitous articles of clothing on college campuses. What is the environmental impact of each of these T-shirts?[37] Consider a T-shirt constructed of a cotton/polyester blend, weighing about four ounces. Polyester is made from petroleum—a few tablespoons are required to make a T-shirt. During the extraction and refining of the petroleum, one-fourth of the polyester's weight is released in air pollution, including nitrogen oxides, particulates, carbon monoxide, and heavy metals. About *10 times* the polyester's weight is released in carbon dioxide, contributing to global climate change.

Cotton grown with nonorganic methods relies heavily on chemical inputs. Cotton accounts for 10 percent of the world's use of pesticides. A typical cotton crop requires six applications of pesticides, commonly organophosphates that can damage the central nervous system. Cotton is also one of the most intensely irrigated crops in the world.

T-shirt fabric is bleached and dyed with chemicals including chlorine, chromium, and formaldehyde. Cotton resists coloring, so about one-third of the dye may be carried off in the waste stream. Most T-shirts are manufactured in Asia and then shipped by boat to their destination, with further transportation by train and truck. Each transportation step involves the release of additional air pollution and carbon dioxide.

Despite the impacts of T-shirt production and distribution, most of the environmental impact associated with T-shirts occurs *after purchase.* Washing and drying a T-shirt just 10 times requires about as much energy as was needed to manufacture the shirt. Laundering will also generate more solid waste than the production of the shirt, mainly from sewage sludge and detergent packaging.

How can one reduce the environmental impacts of T-shirts? One obvious step is to avoid buying too many shirts in the first place. Buy shirts made of organic cotton or recycled polyester or consider buying used clothing. Wash clothes only when they need washing, not necessarily every time you wear something. Make sure that you wash only full loads of laundry and wash using cold water whenever possible. Finally, avoid using a clothes dryer—clothes dry naturally for free by hanging on a clothesline or a drying rack.

5.1 The Link Between Consumption and the Environment

In quantifying the ecological impacts of consumerism, most people focus on the amount of "trash" generated by households and businesses. The U.S. economy generates about 300 million tons of municipal solid waste per year, which consisted mostly of paper, food waste, and yard waste. Although the total amount of municipal solid waste generated has increased

[37] Material drawn from Ryan and Durning, 1997.

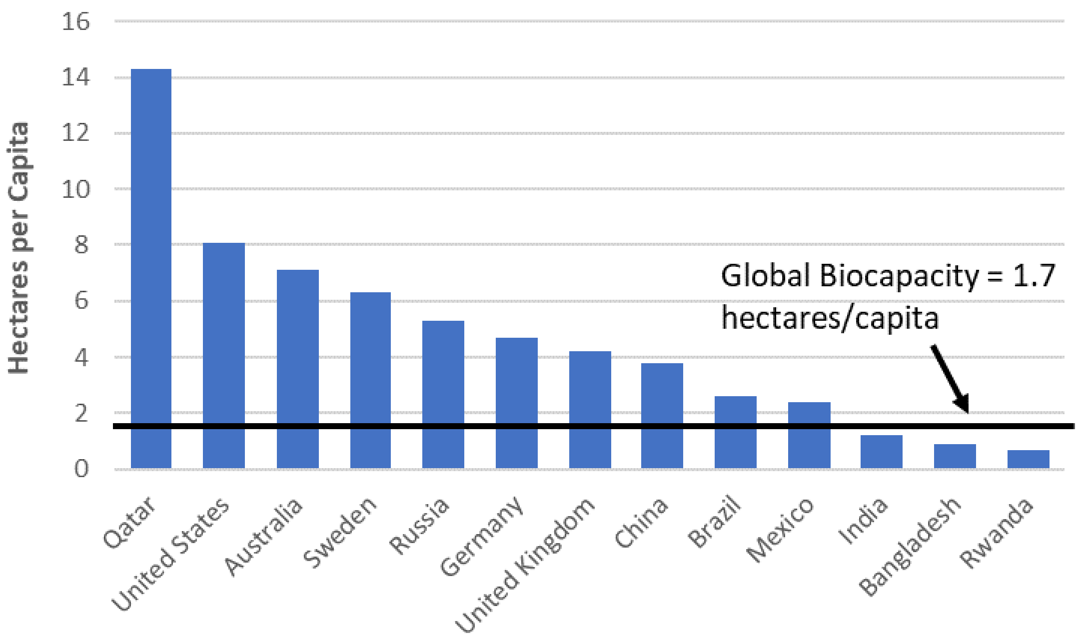
in recent decades (an increase of about 200 percent since 1960), the portion recycled or composted has increased from around 6 percent in the 1960s to about 35 percent today.[38]

But most of the waste generation in a consumer society occurs during the extraction, processing, or manufacturing stages—these impacts are normally hidden from consumers. According to a 2012 analysis, the U.S. economy requires about 8 billion tons of material inputs annually, which is equivalent to more than *25 tons per person*.[39] The vast majority of this material is discarded as mining waste, crop residue, logging waste, chemical runoff, and other waste prior to the consumption stage.

Perhaps the most comprehensive attempt to quantify the overall ecological impact of consumption is the **ecological footprint** measure. This approach estimates how much land area a human society requires to provide all that it takes from nature and to absorb its waste and pollution. Although the details of the ecological footprint calculations are subject to debate, it does provide a useful way to compare the overall ecological impact of consumption in different countries.

We see in Figure 3 that the ecological footprint per capita varies significantly across countries. The United States has one of the highest per-capita ecological footprints (the per-capita footprints of only four countries are higher, including Qatar and Luxumbourg).[40] The average European has a footprint about 40 percent lower than the U.S. level, while the typical Chinese has a footprint 53 percent lower. The average Indian has an ecological footprint seven times lower than the average American.

Figure 3. *Ecological Footprint per Capita, Select Countries, 2018*



Source: Global Footprint Network, 2023.

[38] US Environmental Protection Agency, https://www.epa.gov/facts-and-figures-about-materials-waste-and-recycling/national-overview-facts-and-figures-materials.
[39] Gierlinger and Krausmann, 2012.
[40] Global Footprint Network, 2023.

Perhaps the most significant implication of the ecological footprint research is that the world is now in a situation of "overshoot"—our global use of resources and generation of waste exceeds the global capacity to supply resources and assimilate waste, by over 60 percent. As seen in Figure 3, the total amount of productive area available on earth (the "biocapacity") is only 1.7 hectares per person. In other words, for humans to live in an ecologically sustainable manner, the average person's ecological impacts could only be about that of the average Indian. Obviously, the situation is much worse when we consider that an increasing number of people in the world seek to consume at a level equivalent to the typical American. If everyone had the same ecological impacts as the typical American, we would require 4.8 earths to provide the needed resources and assimilate the waste.

5.2 Green Consumerism

Green consumerism means making consumption decisions at least partly on the basis of environmental criteria. Clearly, green consumerism is increasing: More people are recycling, using reusable shopping bags and water containers, buying hybrid or electric cars, and so on. Yet some people see green consumerism as an oxymoron—that the culture of consumerism is simply incompatible with environmental sustainability.

Whether green consumerism is an oxymoron depends on how we define it. Green consumerism comes in two basic types:

1. "shallow" green consumerism: consumers seek to purchase "ecofriendly" alternatives but do not necessarily change their overall level of consumption
2. "deep" green consumerism: consumers seek to purchase ecofriendly alternatives but also, more importantly, seek to reduce their overall level of consumption

Someone who adheres to shallow green consumerism might buy a hybrid or electric car instead of a car with a normal gasoline engine or a shirt made with organic cotton instead of cotton grown with the use of chemical pesticides. But those who practice deep green consumerism would, when feasible, take public transportation instead of buying a car and question whether they really need another shirt. In other words, with shallow green consumerism the emphasis is on substitution while in deep green consumerism the emphasis is on a reduction in consumption. Note that people who buy so-called ecofriendly products such that their overall consumption increases, or as status symbols, could hardly be said to be practicing green consumerism.

Ecolabeling helps consumers make environmentally conscious decisions. An ecolabel can provide summary information about environmental impacts. For example, stickers on new cars in the United States rate the vehicle's smog emissions, on a scale from one to ten. Ecolabels are placed on products that meet certain certification standards. One example is the U.S. Environmental Protection Agency's Energy Star program, which certifies products that are highly energy efficient. The Forest Stewardship Council, headquartered in Germany, certifies wood products that meet certain sustainability standards.

In addition to environmental awareness by consumers, many businesses are seeking to reduce the environmental impacts of their production processes. Of course, some of the motivation may be to increase profits or improve public relations, but companies are also becoming more transparent about their environmental impacts. The Global Reporting Initiative (GRI) is a nonprofit organization founded in 1997 that promotes a standardized approach to environmental impact reporting. By 2020, nearly all (96 percent) of the world's 250 largest companies use GRI standards to report on their environmental impacts.[41]

6. CONSUMPTION AND WELL-BEING

Assuming that the goal of economics is to enhance people's well-being, then we need to ask whether current levels of consumerism are compatible with well-being goals. If not, then what should we do about it?

6.1 Does Money Buy Happiness?

As we already mentioned, the neoclassical model of consumption assumes that people try to maximize their utility. But utility is a somewhat vague concept, one that cannot be easily measured quantitatively. However, a large volume of scientific research in the past few decades suggests that we actually can obtain meaningful data on well-being rather simply—just by asking people about their well-being. Data on **subjective well-being (SWB)** can provide insight into social welfare levels and the factors that influence well-being.

Collecting data on SWB involves surveying individuals and asking them a question such as: "All things considered, how satisfied are you with your life as a whole these days?" Respondents then answer based on a scale from, typically, 1 (dissatisfied) to 10 (satisfied). How much credence can we give to the answers to such questions?

> Research has shown that it is possible to collect meaningful and reliable data on subjective as well as objective well-being. Quantitative measures of [SWB] hold the promise of delivering not just a good measure of quality of life per se, but also a better understanding of its determinants, reaching beyond people's income and material conditions. Despite the persistence of many unresolved issues, these subjective measures provide important information about quality of life.[42]

One of most interesting questions that SWB research can address is the relationship between income level and life satisfaction. Researchers have studied the relationship between income and SWB in three main ways:

1. Within one country, are those with higher incomes happier, on average?
2. Is average happiness higher in countries with higher average incomes?
3. Over time, does average happiness increase as a country's average income increases?

One of the most comprehensive studies addressing the first question was a 2010 paper that was based on the results of more than 400,000 surveys conducted in the United States, which found that higher income does tend to be associated with higher SWB, but at a decreasing rate.[43] This finding is consistent with the concept of diminishing marginal utility; additional income does increase utility, but each additional dollar tends to result in smaller utility gains. It is also consistent with the idea that people evaluate themselves relative to others.

The paper went on to measure well-being in a different way, referred to as "emotional well-being," which asks people to describe the positive and negative emotions that they feel on a

[41] KPMG, 2020.
[42] Stiglitz *et al*., 2009, p. 16.
[43] Kahneman and Deaton, 2010.

daily basis. In this case, higher income was associated with more positive, and fewer negative, emotions, again at a decreasing rate, *but only up to a point.* At an income level of around $75,000, further increases in income did not improve emotional well-being. The authors conclude that "high income buys life satisfaction but not happiness, and that low income is associated both with low life evaluation and low emotional well-being."

Other studies have produced similar results. A positive, but declining, relationship between income and well-being was also found in a 2013 study that analyzed the 25 most populous countries.[44] For all 25 countries there was no evidence that people reach a satiation point beyond which average SWB levels off with further increases in income.[45] A 2019 analysis found that financial stress was the dominant factor explaining low SWB among low-income households in Canada, but that the positive relationship between income and SWB diminished at higher income levels.[46] The finding that income gains eventually fail to increase emotional well-being was also found in a 2016 paper, though the income at which emotional well-being leveled off differed.[47] The study concluded that the prevalence of negative emotions declined steadily up to an income of $80,000, continued to decline but at a lower rate up to an income of $200,000, and then did not decrease further with higher incomes.

The evidence also indicates that richer countries do tend to be happier than poorer countries.[48] Again, the relationship seems to support the concept of diminishing marginal utility. So, each dollar of additional income doesn't increase SWB by the same amount; instead each percentage increase in income tends to increase SWB by about the same amount. We can see this is Figure 4, which plots average incomes along the *x*-axis on a natural log scale.[49] Each dot represents the average SWB and average income of one country, with data from 2019 for 138 countries. The black line plots the overall trend, showing that countries with higher incomes do tend to have higher average SWB.

Finally, we consider whether the average SWB in a country increases as it becomes richer. Early studies on this topic found that average SWB stays relatively constant as a country becomes richer, suggesting that people continue to evaluate themselves relative to others, even as they become richer in an absolute sense. However, most of these studies looked at the United States, which seems to be an exception rather than the rule. The most recent research finds that countries do tend to become happier as average incomes increase.[50] One reason this may not have happened in the United States is that higher income inequality means that the income gains that have occurred have not been widely shared.

Overall, the evidence is rather convincing that higher income is associated with higher well-being. However, note that this doesn't necessarily imply that higher consumption leads to higher well-being, although of course it is true that those with higher incomes tend to consume more. Further, we can't conclude that a consumerist lifestyle necessarily leads to

[44] Stevenson and Wolfers, 2013.
[45] The results of Stevenson and Wolfers (2013) were verified by Lien et al., 2017.
[46] Brzozowski and Visano, 2019.
[47] Clingingsmith, 2016.
[48] Stevenson and Wolfers, 2013.
[49] A natural log scale uses the number "e" (2.718281) as its base. Thus 8 on a natural log scale represents e^8, or 2,981. A 10 on a natural log scale would be 22,026.
[50] Sacks *et al*., 2010.

high well-being. Instead, the opposite tends to be true based on research on the relationship between well-being and consumer values.

Figure 4. *The Relationship Between Average Income and Average Subjective Well-Being Across Countries, 2019*

Source: Helliwell et al., 2021.

Psychologist Tim Kasser and his colleagues have studied the mental and physical consequences of holding materialistic values. They have used surveys to determine how oriented different people are toward financial and material goals, by asking whether it is important that, for example, they "be financially successful," "have a lot of expensive possessions," and "keep up with fashions in hair and clothing." Respondents were also asked about their SWB, as well as questions about how often they experience negative mental and physical symptoms such as depression, anxiety, headaches, and stomach aches. Based on results for both college students and older adults, their results were clear:

> [Those] who focused on money, image, and fame reported less self-actualization and vitality, and more depression than those less concerned with these values. What is more, they also reported experiences of physical symptoms. . . . This was really one of the first indicators, to us, of the pervasive negative correlates of materialistic values—not only is people's psychological well-being worse when they focus on money, but so is their physical health.[51]

Additional research by Kasser and others finds that people who hold materialistic values tend to be less happy with their family and friends, have less fun, are more likely to abuse drugs and alcohol, and to display antisocial symptoms such as paranoia and narcissism.

[51] Kasser, 2002.

Several recent papers[52] reviewing the literature on the relationship between materialism and well-being both conclude that the majority of studies find a negative relationship between the two. For example, a 2016 article concludes that "materialistic tendencies can have a detrimental effect on well-being" and that "people persistently . . . pursue materialistic goals rather than pursue goals that may be more beneficial for their well-being."[53] However, a 2020 study from Australia finds that engaging in conspicuous consumption that differentiates one from others in their reference group tends to increase SWB.[54] A 2020 analysis of Mauritius, a middle-income country in Africa, found that consumption on leisure and entertainment tended to increase happiness, while consumption for fashionable products decreased SWB.[55]

For some individuals, consumerism itself can be addictive. According to a 2016 meta-analysis of studies from 16 countries, about 5 percent of adults are considered compulsive shoppers.[56] Addictive shopping is more prevalent among younger people, particularly females. According to one analysis from the United States, compulsive shoppers are more likely to experience depression and anxiety, suffer from eating disorders, and have financial problems.[57]

6.2 Affluenza and Voluntary Simplicity

Economists have traditionally assumed that more income and more goods are always better, holding all else constant. But we can never hold all else constant. One of the main lessons of microeconomics is that we should always weigh the marginal benefits of something against its marginal costs. In the case of consumerism, these costs include less time for leisure, friends, and family, greater environmental impacts, and negative psychological and physical effects. In short, there can be such a thing as too much consumption—when the marginal benefits of additional consumption are exceeded by the associated marginal costs.

As we have seen, people tend to evaluate themselves relative to other people. The situation of rising consumption levels has been compared to a theater in which one row of people stands up in order to see the show better. Then, the row behind them has to stand up, just in order to see as well as before. The same with the row behind them, and so on. Eventually, everyone is uncomfortable standing up, and no one is really seeing any better. Everyone would be better off just sitting down.

Economist Robert Frank discussed this problem in his 1999 book *Luxury Fever*. [58] He suggests that the lavish spending of the superrich, whose incomes have increased dramatically in recent decades, creates pressure on the merely rich to ratchet up their spending as well. This pressure then eventually trickles down to middle- and even low-income individuals. Again, we must consider the cost of this competitive spending.

> Even among those who can easily afford today's luxury offerings, there has been a price to pay. All of us—rich and poor alike, but especially the rich—are spending more time at the office and taking shorter vacations; we are spending less time with

[52] Ditmar *et al.*, 2014; Kaur and Kaur, 2016; Górnik-Durose, 2020.
[53] Kaur and Kaur, 2016, p. 45.
[54] Wu, 2020.
[55] Jaunky *et al.*, 2019.
[56] Maraz *et al.*, 2015.
[57] Koran *et al.*, 2006.
[58] Frank, 1999.

> our families and friends; and we have less time for sleep, exercise, travel, reading, and other activities that help maintain body and soul. . . . At a time when our spending on luxury goods is growing four times as fast as overall spending, our highways, bridges, water supply systems, and other parts of our public infrastructure are deteriorating, placing lives in danger.[59]

Two public television specials, as well as a book,[60] refer to the problem of "affluenza"—a "disease" with symptoms of "overload, debt, anxiety and waste resulting from the dogged pursuit of more." Some people see the solution to affluenza as rejecting consumerism as a primary goal in life. The term **voluntary simplicity** refers to a conscious decision to live with a limited or reduced level of consumption, in order to increase one's quality of life.

> [W]e can describe voluntary simplicity as a manner of living that is outwardly more simple and inwardly more rich. . . . Simplicity in this sense is not simple. To maintain a skillful balance between the inner and outer aspects of our lives is an enormously challenging and continuously changing process. The objective is not dogmatically to live with less, but is a more demanding intention of living with balance in order to find a life of greater purpose, fulfillment, and satisfaction.[61]

The motivations for voluntary simplicity vary, including environmental concerns, a desire to have more free time to travel or raise a family, and to focus on nonconsumer goals such as social advocacy or spiritual pursuits.[62] Perhaps the unifying theme for those practicing voluntary simplicity is that they seek to determine what is "enough"—a point beyond which further accumulation of consumer goods is either not worth the personal, ecological, and social costs, or simply not desirable. Unlike traditional economics, which has assumed that people always want more goods and services, voluntary simplicity sees these as only intermediate goals toward more meaningful final goals.

A 2021 review of 23 studies, most from developed countries, found that over 80 percent of studies found a positive relationship between voluntary simplicity and subjective well-being.[63] The main reason seems to be that practicing voluntary simplicity gives one more control over their consumption decisions, creating a feeling of autonomy that leads to higher well-being. The authors conclude:

> Many people, at least in Western cultures, have bought into the 'American Dream' that having a higher income and accumulating more possessions will result in higher levels of well-being. However, this 'dream' has not been supported by psychological research. Materialism has not consistently led to happier, more satisfying lives. … Instead of accumulating money and possessions, [voluntary simplicity allows] people to reduce the excess in their lives so they can focus on living a meaningful life marked by purpose.

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[59] Ibid, p. 5.
[60] de Graaf *et al*., 2005.
[61] Elgin, 2000, p. 93.
[62] Aidar and Daniels, 2020.
[63] Hook *et al*., 2021.

6.3 Consumption and Public Policy

It is unrealistic to expect that a majority of people in rich countries will become adherents of voluntary simplicity. If we accept that overconsumption is problematic, for reasons of ecological impacts, social cohesion, or personal well-being, then we must consider whether government regulations are needed to curb consumerism.
Of course, some people will argue that government intrusion into personal consumption decisions is unwarranted. But current government regulations already influence consumer decisions—for instance, high taxes on products such as tobacco and alcohol discourage their consumption to some extent. On the other hand, subsidies are often used to increase the demand for certain products. Taxes and subsidies can be justified for several reasons, including as a response to externalities or to achieve some social goal. Buyers of new electric vehicles in the United States are eligible to receive a $7,500 federal tax credit, a subsidy that reduces the environmental externalities of transportation and encourages a shift away from fossil fuels.

Rather than dictating consumer behaviors, thoughtful regulations can encourage people to make choices that better align with social and personal well-being. The book *Nudge*, co-authored by Nobel Prize-winning economist Richard Thaler, proposes that we can use the approach of "libertarian paternalism" to have a dramatic influence on people's behavior.[64] The approach encourages people to make specific decisions while still leaving them with their full range of choices. Often this relates to changing the default option for a particular choice, such as whether one is enrolled in an organ donation or retirement savings program. People are still entirely free to opt out of such programs, but making enrollment the default choice can significantly increase participation rates. We now consider a few other policy ideas to regulate consumerism.

Flexible Work Hours

Allowing for more flexibility in working hours has been proposed as an effective way to reduce consumerism. Current employment norms, particularly in the United States, create a strong incentive for full-time employment, if available. Employees typically have the option of seeking either a full-time job, with decent pay and fringe benefits, or a part-time job with lower hourly pay and perhaps no benefits at all. Thus even those who would prefer to work less than full-time and make a somewhat lower salary, say in order to spend more time with their family, in school, or in other activities, may feel the imperative to seek full-time employment. According to one survey, two-thirds of Americans would prefer a job with less pay in exchange for shorter hours and more flexibility.[65]

Europe is leading the way in instituting policies that allow flexible working arrangements. Legislation in Germany and the Netherlands gives workers the right to reduce their work hours, with a comparable reduction in pay.[66] An employer can only refuse such requests if it can demonstrate that the reduction will impose serious hardship on the firm. A Dutch law also prohibits discrimination between full-time and part-time employees regarding hourly pay, benefits, and advancement opportunities. Some government policies encourage part-time employment particularly for parents, such as a Swedish law that gives parents the right to work three-quarter time until their children are eight years old. Norwegian parents also have the right to work part-time or combine periods of work with periods of parental leave.

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[64] Thaler and Sunstein, 2008.

[65] Brownstein and National Journal, 2014.

[66] Hayden, 2003.

Such policies encourage "time affluence" instead of material affluence. Economist Juliet Schor argues that policies to allow for shorter work hours are also one of the most effective ways to address environmental problems such as climate change.[67] Those who voluntarily decide to work shorter hours will be likely to consume less and thus have a smaller ecological footprint.

Advertising and Credit Regulations

Another policy approach is to focus on the regulation of advertising and credit cards. Government regulations in most countries already restrict the content and types of ads that are allowed, such as the prohibition of cigarette advertising on television in the United States. Additional regulations could expand truth-in-advertising laws, ensuring that all claims made in ads are valid. For example, laws in the United States already restrict what foods can be labelled "low fat" or "organic."

Children are particularly susceptible to advertising, as they generally cannot differentiate between entertainment and an ad intended to influence consumers. Again, European regulations are leading the way. Sweden and Norway have banned all advertising targeted at children under 12 years old. Regulations in Germany and Belgium prohibit commercials during children's TV shows. At least eight countries, including India, Mexico, France, and Japan have instituted policies to limit children's exposure to junk food ads.[68]

Another option is to change the tax regulations regarding advertising expenditures. In the United States, companies are generally able to fully deduct all advertising costs s tax deductions. Restricting the amount of this tax deduction (or eliminating the deduction entirely) would create an incentive for companies to reduce their advertising.

Credit card companies can increase their profits by charging late fees, increasing interest rates, and marketing to those unlikely to pay their balance each month. In 2009 the United States enacted the Credit Card Accountability Responsibility and Disclosure Act, which contains a number of provisions to discourage excessive credit card debt, including:[69]

- a ban on retroactive interest rate increases
- limiting companies' ability to market to people under age 21, such as banning free gifts with applications or marketing during university-sponsored events
- notifying customers how much they will pay in interest charges if they only pay the minimum amount each month.

Consumption Taxation

Economics tell us that one of the ways to reduce the extent of any activity is to tax it. Taxes on foods considered unhealthy are increasingly common. At least 30 countries tax unhealthy food products such as sugary drinks and food with a high fat content.[70] For example, in 2013 Mexico instituted a 10 percent tax on soft drinks and a 5 percent tax on junk food. According to a 2017 analysis, the tax has reduced soft drink consumption by 6.3 percent.[71] Another

[67] Schor, 2010.
[68] Tsai, 2016.
[69] https://en.wikipedia.org/wiki/Credit_CARD_Act_of_2009.
[70] https://en.wikipedia.org/wiki/Sugary_drink_tax.
[71] Colchero *et al*., 2017.

study estimated that the taxes reduced diabetes cases in Mexico by 189,000 and resulted in 19,000 fewer deaths over 2013-2022.[72] Japan's "Metabo" law, passed in 2008, is perhaps the most ambitious attempt to discourage obesity. The law requires everyone between the ages of 40 and 74 to have their waistlines measured annually. Regions that exceed set targets are penalized, while individuals can be required to attend weight loss classes.[73] While the United States does not have a national-level tax on sugary drinks, local taxes have been instituted in Seattle, San Francisco, Philadelphia, and other cities.[74] The World Health Organization supports taxes on sugary drinks, concluding that the taxes reduce obesity rates and health-care costs, while raising revenue that can be used to improve health-care systems and encourage healthier diets.[75]

Other taxes can target specific luxury items that are seen as representing conspicuous consumption—consumption primarily for the display of high economic status. For example, from 1992 to 2002 the United States imposed luxury taxes on new automobiles that cost more than $30,000. Australia is one country that still collects a luxury tax on new vehicles; it applies to vehicles that sell for more than about US$50,000 as of 2022, with a tax rate of 33 percent assessed on the price above the threshold.[76]

Rather than classifying particular goods and services as luxuries, some economists prefer broader tax reforms. In *Luxury Fever*, Robert Frank proposes replacing the current emphasis in the United States on taxing income with taxes on consumption.[77] Under his proposal, the tax on a household would be determined by the amount it spends each year. Rather than saving receipts, taxpayers would calculate their annual spending simply as the difference between total income and savings. A certain amount of spending would be exempt from taxation so that low-income households would be exempt from the tax—Frank suggests $30,000 per family. Beyond that, consumption would be taxed at successively higher rates. For example, while the first $30,000 of spending would be nontaxable, he suggests that the next $40,000 of spending be taxed at a 20 percent rate. Then the next $10,000 of spending might be taxed at a 22 percent rate. In his example, consumption tax rates on spending above $500,000 rise to 70 percent. He argues that such high tax rates on conspicuous consumption are necessary:

> If a progressive consumption tax is to curb the waste that springs from excessive spending on conspicuous consumption, its rates at the highest levels must be sufficiently steep to provide meaningful incentives for the people atop the consumption pyramid. For unless their spending changes, the spending of those just below them is unlikely to change either, and so on all the way down.[78]

Frank notes that both conservatives and liberals have expressed support for a shift from taxation of income to taxation of consumption, although they disagree on the details. Exempting all savings from taxation would increase savings rates, which he suggests is reason enough for the shift. But the main objective would be to reduce the pressures toward consumerism and promote true well-being.

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[72] Sánchez-Romero *et al*., 2016.
[73] Choudhury, 2021.
[74] https://en.wikipedia.org/wiki/Sugary_.drink_tax.
[75] World Health Organization, 2016.
[76] Rodwell, 2021.
[77] Frank, 1999.
[78] Ibid, p. 216.

> We currently waste literally trillions of dollars each year as a result of wasteful consumption patterns. Much of this waste can be curbed by the adoption of a steeply progressive consumption tax. Taking this step would greatly enhance every citizen's opportunity to pursue independent visions of the good life.[79]

[79] Ibid, p. 224.

7. KEY TERMS

aspirational group: the group to which an individual aspires to belong

behavioral economics: a subfield of economics which gathers insights from numerous disciplines, including economics, psychology, sociology, anthropology, neuroscience, and biology, to determine and predict how people actually make economic decisions.

consumer society: a society in which a large part of people's sense of identity and meaning is found through the purchase and use of consumer goods and services

consumer sovereignty: the idea that consumers' needs and wants determine the shape of all economic activities

consumerism: having one's sense of identity and meaning defined largely through the purchase and use of consumer goods and services

consumption: the process by which goods and services are put to final use by people

diminishing marginal utility – the tendency for successive "units" consumed of some good or service to yield smaller utility than previous units.

ecolabeling: product labels that provide information about environmental impacts, or indicate certification

ecological footprint: an estimate of how much land area a human society requires to provide all that the society takes from nature and to absorb its waste and pollution

green consumerism: making consumption decisions at least partly on the basis of environmental criteria

reference group: the group to which an individual compares himself or herself

relative deprivation: the feeling of lack that comes from comparing oneself with someone who has more

subjective well-being (SWB): a measure of welfare based on survey questions asking people about their own degree of life satisfaction

utility: the pleasure or satisfaction received from goods, services, or experiences

voluntary simplicity: a conscious decision to live with limited or reduced level of consumption, in order to increase one's quality of life

8. DISCUSSION QUESTIONS

1. Considering what you know about the societies in which your grandparents or great-grandparents grew up, would you say that they lived in a "consumer society"? How do you think their views on consumerism as young adults might have differed from those of you and your friends?
2. What do you know about views on consumerism in other countries, either from what you have read or what you have observed from traveling? Which societies, if any, do you find too focused on consumerism? Which societies, if any, do you think have appropriate views on consumerism?
3. What are your reference groups? Describe why you consider these your reference groups? What are your aspirational groups? Why do you aspire to be a member of these groups?
4. Think about at least one fashion item you own, such as an item of clothing, jewelry, or accessory, that you think says a lot about who you are. What do you think it says about you? Do you think others interpret the item in the same way that you do? How much do you think that you were influenced by advertising or other media in your views about the item?
5. Think about one product you have purchased recently that is not mentioned in the text. Try to list the environmental impacts of this product, considering the production, consumption, and eventual disposal of it. What steps do you think could be taken to reduce the environmental impacts associated with this product?
6. Do you think that green consumerism is an oxymoron? Do you think that your own consumer behaviors are environmentally sustainable? Why or why not?
7. In what ways do you think money can buy happiness? In what ways can having a lot of money decrease one's happiness? How does money enter into your own conception of what happiness means?
8. Do you believe that the government has a right to influence or otherwise interfere in consumer decisions? What additional policies, if any, do you think are needed regarding consumer behaviors?

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