

***AN INTRODUCTION TO THE  
ECONOMICS OF ABUNDANCE***

**WORKING PAPER FOR THE POST-KEYNESIAN  
STUDY GROUP**

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## **Abstract**

This paper provides a frame of reference for analysing the economic dimensions of inequalities in the human condition in different, but interrelated, economic systems. It introduces the three distinct economic systems – those of scarcity, sufficiency and abundance. The anchor for making inter-system comparisons is the system of scarcity and those who experience it – the people of poverty. From the perspective of the people of poverty it is obvious that other peoples – the peoples of sufficiency and plenty – experience very different economic conditions.

The focus of this paper is on the system of abundance and the people of plenty. The aim is to provide a proper appreciation of the distinctive characteristics of a system of abundance – especially the role of the institution of marketing. In the process a contribution to the analysis of the economics of abundance will be developed.

## ***a) Introduction***

In the *Affluent Society* John Kenneth Galbraith threw down a challenge to the economics profession. Surrounded by the generalised prosperity of North America in the 1950's Galbraith called on economists to face up to "the economics of affluence of the world in which we live" (Galbraith, 1998, p. 131). Galbraith's challenge has sadly been ignored by economists for the last sixty years. This paper seeks to contribute parts of the answer to the Galbraithian challenge. In other words it begins the task of constructing a different type of economics – the economics of abundance.

All beginnings are difficult, especially when introducing the economics of abundance. For of the term "abundance" questions the most powerful shibboleth within the economics profession – the conventional wisdom relating to the existence of universal scarcity. As Galbraith notes the enemy of all conventional wisdom is the march of events. The capitalist world moves on rapidly whilst conventional wisdom remains static, and eventually change must occur. This book makes a contribution to breaking with the old mindset of universal scarcity.

In its place it offers an economics that recognises the divergent economic conditions and the different economic systems that peoples around the globe experience. It divides the global population into three broad categories. First there are the people of poverty who live in the economic system of scarcity. It is therefore important to appreciate that this book does not deny that a system of scarcity exists, nor that billions of people around the globe endure it.<sup>1</sup> It argues rather that the system of scarcity must be placed in its proper context

– as one economic system that the poorest of the global population – the people of poverty - experience.

There are however two further economic systems that span the globe. One is the system of sufficiency experienced by the people of sufficiency whose material conditions allow them to have enough. Last, but most important for this book is the system of abundance experienced by the people of plenty. The people of plenty make up a minority of the global population but are the most affluent responsible for much the greatest proportion of spending power and resource usage in the global economic system.

Put simply the peoples of the globe experience different economic sub-systems of the global capitalist economy and this explains the very different economic dimensions of the human condition. The dominant characteristic of the economic dimension of the human condition is one of immense inequality. This vast and odious global inequality is multi-dimensional – spanning huge inequalities of income and wealth, of levels and patterns of consumption, of access to resources and assets, of life chances, and of gender.

This paper provides a frame of reference for analysing the economic dimensions of inequalities in the human condition in different, but interrelated, economic systems. It introduces the three distinct economic systems – those of scarcity, sufficiency and abundance.<sup>2</sup> The anchor for making inter-system comparisons is the system of scarcity and those who experience it – the people of poverty. From the perspective of the people of poverty it is obvious that other peoples – the peoples of sufficiency and plenty – experience very different economic conditions.<sup>3</sup>

But the focus of this paper is on the system of abundance and the people of plenty. The aim of this paper is to provide a proper appreciation of the distinctive characteristics of a system of abundance – especially the role of the institution of marketing. In the process a contribution to the analysis of the economics of abundance will be developed.

Section b considers the characteristics of systems of scarcity and sufficiency which are experienced by the vast majority of the global population. Section c examines the system of abundance enjoyed by the so-called people of plenty. This stage of development is experienced by less than one in three of the global population who are also the most affluent. Crucial to this system is the priority it gives to consumption, driven on by the institution of marketing. Section d examines the symbiotic relationship between the three economics systems, based on mutual interdependencies, that collectively makes up a generalised system of global capitalism. Section e places the dynamic system of abundance in historical context, beginning with mid-eighteenth century England and spreading progressively around the globe.

Section f examines the different economic problems faced in the stages of development; the economic problems are similar for both the systems of scarcity and sufficiency, but quite distinctive in a system of abundance. Section g sets out some of the choices and trade-offs that have to be made by reasoning and informed people in the different stages of development. Once again the choices and trade-offs available in a system of abundance are very different from those endured in both scarcity and sufficiency.

Finally in section h sets out some initial comments about the constraints on and drivers of spending at each economic system. In a system of abundance

the dominant constraints on and drivers of consumption spending are different and much more complex than in either scarcity or sufficiency. What is more, in a system of abundance the institution of marketing actively works to relax the constraints and amplify the drivers of spending.

### ***b) Systems of Scarcity and Sufficiency***

In the world today roughly 70% of the global population of 6.5 billion people experience the systems of sufficiency and scarcity. Those who endure the system of scarcity can rightly be called the *people of poverty*; their lives are from the perspective of the people of plenty ones of abject poverty, where the basic necessities of life are hard to come by. These nearly 2 billion people have diverse experiences. First this people include the poorest of the global poor. The poorest of the poor includes the marginalised rural people on the least fertile land of the Third World (husbanded mostly older men, women and children); it covers the refugees from various natural and man-made catastrophes; moreover it encompasses the poorest inhabitants of the gigantic shantytowns that surround the mega-cities of the Third World (Latouche, 1993). The economic realm these people experience is founded on a massive variety of low skill manual jobs in a informal social networks that have an economic dimension. Right at the base are the young women who work for a fraction of a dollar a day in sweated workshops in Casablanca producing fabrics that go to make fake *Lacoste* T-shirts sold by local hawkers to affluent tourists. It encompasses those who work to transform old car tyres into cheap shoes to be sold in Shantytowns, or those in a scrap iron recycling business or making bronze statuettes from crank-cases, or working in a small

fast food shop, or street hawkers selling their wares along the street; it might even include the younger members of a local criminal gang

The living conditions of these people are, from a Western perspective, appalling; especially in the mega-cities of the Third-World, each one inhabited by some 10 to 20 million people. These people of poverty live in slum housing, in over-crowded conditions, with no sanitation, clean water, electricity or waste disposal systems. Education is a luxury that cannot be afforded by these families, even when it is available, for children are important wage earners. Access to available health care services is severely restricted, and when the services exist they are expensive and beyond their reach. This is why the people of poverty endure very high death rates. Roughly 40,000 children under the age of five die *each day* due to a lack of food, clean water and basic medical facilities; that is 10 million avoidable deaths per year, or the equivalent of an Auschwitz every three months.

A second category of the global population is the roughly 40% who experience what can be called a system of material sufficiency. From the perspective of the people of poverty the people who live in the system of sufficiency experience distinctly better material conditions even though both groups are usually located in the same urban areas. The *people of sufficiency* have moved beyond the shantytowns or have larger more fertile farms. They are however not spatially divorced from the people of poverty. Often they will live cheek by jowl with each other or perhaps a few streets away. The people of sufficiency include those who have stable but low level jobs in the formal economy and those of middle rank in informal social networks. The latter include the supervisors of the workshop where the cheap Lacoste T-shirts are

made, the owner of the car repair garage, the foreman of the scrap metal business, the middle ranking criminal gang member.

Something like 2.5 billion people may be counted as part of the people of sufficiency. The people at least enjoy the necessities of life - plentiful food, clean water, and decent but often overcrowded homes with access to forms of electricity and sanitation. They have limited access to health care and primary, perhaps secondary, education. This portion of the global population can also experience some decencies – furniture in every room, carpets, decorations – and the occasional luxury – books, children’s toys, attending a sports event, access to transport.<sup>4</sup> But without comprehensive welfare systems (e.g. unemployment benefits, health insurance, and pensions) the threats of genuine hardship are real for those who suffer unemployment, ill-health and old age. This means that although the people of sufficiency live one or two steps above the material conditions of the people of scarcity they face the persistent threat of falling back down if unfortunate circumstances arise.

As Lacoste (1993) notes without a nebula of sophisticated social networks, with shared culture and strong reciprocal ties, there is no way in which the peoples of scarcity or sufficiency could survive, especially in urban centres. Lacoste calls this the *informal*, an array of diverse social networks with an economic dimension which he contrasts with the *formal economy* of contracts and legal obligations common in the system of abundance. According to Lacoste, some 50% to 80% of urban populations in the Third World live in or from these informal social networks with an economic dimension. Businesses

therefore are created not to maximise profits or expand capital accumulation but to sustain social networks of family, clan or tribe. The relationship between those working in these informal small scale businesses is not necessarily that of owner and worker, but more like that of uncle and nephew or aunt and niece. The reciprocal nature of gifts and credit provided in these social networks not only sustains people but reinforces group identities and shared cultures. And when profits are made they are not necessarily reinvested but might fund a events to reinforce the social ties within the social network.

The informal allows the peoples of scarcity and sufficiency to survive through tough times. Lacoste for example estimates that for a family of twelve living in the poorest districts of Dakar these social networks might when necessary have access seven times their “official” income. It is in these ways that the peoples of scarcity and sufficiency are not just passive a victim of economic hardship, but respond positively to create new social and economic conditions for themselves.

For the peoples of scarcity and sufficiency man made or natural catastrophe is a permanent fear. Unequal access to important resources such as good farming land or clean water generates local conflicts. For those living on the land the harvest is reliant on the climate. Extreme weather conditions can destroy harvests, causing mere existence to quickly degenerate into famine conditions. For those living in the Shantytowns of the mega-cities the greatest fear is unemployment without the safety net of social ties to a clan or family that will provide support. Both result in rapidly rising mortality rates – especially for the young and old.

From a western perspective key resources are scarce (or inaccessible), especially in terms of skilled workers, advanced equipment and information technology. This means that the economic systems are unable to produce the essentials of everyday life. Indeed the economic systems are so backward it means that producing more of one product involves the trade-off of producing less of another. The incomes of the peoples of scarcity and sufficiency are either low or extremely low requiring them to be carefully managed to extract as much benefit as possible from spending.

Even then the productive potential of the systems of scarcity and sufficiency are so limited that they are often unable to match the demand for many absolutely essential products. The “lifestyles” – if that is what they can be called – of the peoples of scarcity are extremely basic. Put bluntly the necessities of life are a luxury. Therefore for all practical purposes “wants” – for unadulterated food, clean water, secure homes, decent clothing, essential health care, primary education etc – can be assumed to be unlimited. The people of sufficiency can also be said to have unlimited wants, even though the products they demand are different. Hence this group aspire to buy products associated with affluence - such as new cars, washing machines, computers and computer games, fashion products, designer kitchens and the like.

Therefore in an economy experiencing either material scarcity or sufficiency low or extremely low incomes and the absence of formal credit act as serious constraints on what can be purchased. But these people have no need to be persuaded to want. There is no need to generate a consumer culture or a morality of indulgence. Actually the culture and morality is usually shaped by

an ascetic morality based on long-standing social and religious convention where gender inequality is the norm. This ascetic morality encourages abstinence and thrift, and discourages indulgence and excess, which is entirely consistent with limiting demand to the restricted capacity to produce (Horowitz, 1985).

In an economy experiencing scarcity or sufficiency, marketing products is the last thing that concerns the under-developed business sector. When the economy provides additional products the availability is quickly communicated to consumers by a network of personal relationships and through queues outside stores. In an era of scarcity or sufficiency the most difficult task for business is how to squeeze higher output from the available resources, whilst selling what is produced is easy.

### ***c) The System of Abundance***

Finally we come to the third portion of the global population, the roughly 30% (or about 2 billion people) who experience a system of abundance – the *people of plenty* (Potter, 1973). From the perspective of both the people of sufficiency and, most importantly, the people of poverty it is self-evident that the people of plenty enjoy vastly superior material conditions. In the most affluent nations the people of plenty stretch across all the social classes. The people of plenty also include the most, and the more, affluent citizens of the Second and Third Worlds. It even includes those at the very top of the informal social networking pyramid that support the peoples of sufficiency and poverty. It follows that the people of plenty is wider and more diverse than that originally postulated by Potter in his seminal work.<sup>5</sup>

Put another way the people of plenty are the fortunate ones living in a world saturated by branded products.<sup>6</sup> Products inhabit every aspect of their every day practical lives. This is no surprise, for the system of abundance has massive productive capabilities to produce a rich cornucopia of products, unparalleled in human history. The system of abundance achieves this productive potential by utilising the most up to date technology, the most advanced equipment, and the most highly educated workers. Its retail sector – both bricks and mortar stores and internet sites – has extremely extensive and sophisticated channels of distributing products to consumers 24/7.<sup>7</sup> Moreover the system of abundance encourages entrepreneurial corporations to perpetually create new products, better techniques of production, new organisational models etc that further extend productive capacity. Put simply this economic system is founded on fundamental capitalist principles – the institution of marketing, corporate-guided markets, entrepreneurship, investment and growth

The very success of capitalist production means that the most affluent 2 billion people enjoy consumer lifestyles that are immeasurably more prosperous than the other 4.5 billion people around the globe. For the people of plenty the necessities and decencies of life are all provided. Education – from primary through to higher education - is universally available often free at the point of delivery. High standard health care is almost always accessible to all and often either free or heavily subsidised.<sup>8</sup> Reliable supplies of clean water, good standard housing, electricity etc, are treated as necessities even for the poorest of the affluent.

Moreover the people of plenty enjoy affluent lifestyles. Consider what might be reasonably expected as a lifestyle for the average household. They can expect to own their own home or have access to decent rented accommodation. They will enjoy various multiples – of car ownership, televisions, computers, mobile phones, wash rooms and bedrooms, holidays abroad and credit cards. They will buy new fashionable clothing – with new designs and colours - each season. They expect as a norm to have different meals every day, and the occasional meal out. They expect a fitted kitchen, with a fridge, a freezer, a washing machine even a dish washer. They will be able to “spoil” their children with plentiful supplies and varieties of food and drink, fashion clothing, electronic equipment and toys. They expect to be able to regularly redecorate their homes, buy a new car, and insure their homes and personal possessions (including their pets). They will spend money on personal grooming, new handbags and new gadgets; they may even consider cosmetic surgery. They expect to have access to many digital television channels and be able to download music when they want. They will spend much of their leisure time shopping – retail therapy – or on-line 24/7; they will also have access to a wide variety of branded cultural and sporting events, especially in urbanised areas. Moreover they expect to be able to finance parts of their affluent lifestyles by access to abundant sources of credit provided by sophisticated financial systems. Finally they expect to be consumer-citizens, who can symbolise their success and self-identity through their spending decisions, and who have power and influence in society because they spend.

But a focus on the average household masks the extensive inequality in the share of abundance enjoyed by the people of plenty. The “richest” members of this 30% have what can only be described as a life of extravagant opulence – grand homes, often multiple homes in different countries, palatial grounds, the most expensive couture, lavish holidays, impressive personalised jets and majestic private yachts with personalised submarines (Frank, 2008). They even have extravagant personalised staff – the “people” who acts as servants, bodyguards, fitness trainers, public relations specialists, lawyers etc. This contrasts starkly with the “poorer” members of the 30% who may be on state welfare payments, but who still enjoy access to more than sufficient food, decent housing, free education and health care and the occasional treat. The vast majority of the people of plenty live in between these two extremes in contented affluence, or what Galbraith (1992) calls a “culture of contentment”. In this contented state the majority think that their unequal share of abundance is just based on their own “personal virtue, intelligence and effort” (ibid, p 18), and continued inequality is tolerated.<sup>9</sup>

The inequality experienced within the 30% of the most affluent of the global population however is nothing compared to the inequalities between the richest and poorest of the global population. As Latouche notes its as if they lived on a different planet. Even the experience of the average household of the people of plenty bears no relation to the average household enduring an era of scarcity. Indeed in global terms, the poorer members of the people of plenty are some of the “richer” members of world community.

The types of economic issues experienced in a system of abundance are profoundly different from those in an era of material scarcity or sufficiency.

The system of abundance has a massive productive capacity to churn out a vast cornucopia of products of inestimable variety each day. Moreover the defining characteristic of abundant capitalism is economic growth; aggregate output tends always to move upwards, though unevenly and with occasional recessions of varying severity and duration. This growth in the system of abundance is driven on by ever-rising consumption spending by the people of plenty. Growth of course requires the constant creation of new and larger markets; this provides the profitable opportunities for higher investment spending in order to create more productive capacity. Higher consumer spending drives on greater production, increasing profits and high investment. Like a shark the system of abundance survives as long as it keeps moving.

Potter is one of the first to recognise the distinctive nature of the economic issues in the system of abundance. For Potter in an ever expanding abundant system:

*“the productive capacity can supply new kinds of goods faster than society in the mass learns to crave these goods or regards them as necessities. If this new capacity is to be used, the imperative must fall upon consumption, and society must be adjusted to a new set of drives and values in which **consumption is paramount.**”*

[Potter, 1973, p 173; emphasis added]

The system of abundance grows and prospers because it *spontaneously* generates the appropriate *institutional* arrangement which gives priority to consumption – *the institution of marketing*. Put another way this institution is the spontaneous result of profit seeking corporations trying to ratchet up

spending on corporate-guided markets.<sup>10</sup> The institution of marketing works to condition the people of plenty to emote, think, and act in shared ways consistent with continued and expanding spending. The institution is successful in persuading the people of plenty to keep spending by becoming the dominant cultural force in an ever more commercialised society. But precisely what is the institution of marketing?

Let's begin by asking in what sense is the institution of marketing an "institution"? The term institution is applied in a "loose" sense. It covers groups of people, agencies, interest groups, associations and corporations (in whole or in part) that share a common mindset, or frame of reference (Mead, 1964). The members of the institution are defined by their shared assumptions, shared ways of looking at problems, and shared ways of responding to issues. In the institution of marketing, for example, it is commonly assumed that people must be persuaded to buy, that the dominant problem is how to keep spending on a rising trend and that the only constant is change. But within the shared mindset there is always plenty of scope for variety, originality, flexibility and, of course, competitive rivalry.

The institution of marketing can therefore be described as a gigantic, global economic network of diverse groupings whose overarching purpose is to give priority to spending. The institution straddles all sectors of an economy. It embraces a multitude of corporations, media, agencies and talented professionals.<sup>11</sup> Its "output" is the communication of a glut of commercial messages to buyers that share a common purpose: they are *intended to persuade buyers to spend more, both in volume and value terms.*<sup>12</sup>

Put simply the institution is a huge propaganda mechanism that is remarkably successful in persuading affluent people give priority to spending. The institution is most effective in the realm of consumption when:

- people are persuaded to spend more of their time on and direct more of their attention to consumption;
- people who are already existing consumers are persuaded to increase their spending levels;
- people in increasing numbers are persuaded to act as consumer-citizens, thereby increasing the pool of consumers who want to spend;
- people of all ages are persuaded to see themselves as active consumer citizens, again increasing the pool of wanting consumers;
- people are persuaded to share the dominant morality of indulgence.

One straight-forward way of getting to grips with the idea of an institution of marketing is to define its boundaries, in terms of what it does - its “work” and its “outputs”. Broadly the boundaries of the institution relate to four main areas of activity:

- the product and its brand image;
- the managed market-place;
- the active persuaders and the mass media
- and brand management

What follows is a shortened version of what is set out in much greater detail in chapter 2 below. The work of the institution of marketing always starts with *the product* and its design and development. Design focuses on the shape of the product, its tactility, colour, size, movement, even style, which makes it the

object of consumer desire. When the design “works”, consumers want to purchase the product despite the fact that they already own products that fulfil a similar function. Good design alters the way products are viewed and makes them more marketable (Forty, 2002). The same is true of product packaging, which not only contains and protects a product but is the final link in the marketing chain (Pilditch, 1973).

To keep people buying, the institution perpetually provides new reasons and justifications for further bouts of spending. One way this is done is by designing-in distinctive features to similar products. Consider shampoo as an exemplar; Schwartz (2004) observed in his local general store an amazing differentiation in this product class, some 360 distinctive types of shampoo. A second way to create reasons to spend is by continuous product development – both new novel products and the continuous upgrading of existing products. The Walt Disney Corporation is an exemplar of continuous product development. In the late 1990’s it claimed that it produced a new product – a film, comic book, CD etc – every five minutes (Calver, 2004).

Crucial to allowing people to distinguish between products is that corporations give the product a name - that is they must *brand* the product. This allows consumers to distinguish one product from an array of others. This distinctiveness can be further reinforced by a proposed brand symbol or colour, which is especially important when selling to customers across different cultures and languages. If the corporation can associate in the minds of consumers the brand name/symbol/colour with a reputation for prestige and reliability, this acts as a further powerful selling point for the product.

Finally the most effective product marketing requires the creation of a persuasive *brand image*. A brand image summarises the features of the product into a manageable chunk of digestible information – that is into its key, salient selling points. The best brand image encapsulates the distinctive features of the product – especially focusing on things like product design, packaging, distinctive brand name and brand symbol – and importantly what they provide for consumers (Leiss *et al*, 1986). The very best brand images can be summarised in a short, succinct, yet meaningful slogan. The work of the institution is to *propose* brand images to consumers.

The *managed market-place* is made up of two components: first the store environment and second the out-of-store environment. Both are designed to communicate powerful commercial messages to consumers and stimulate the volume of consumption spending. The persuasive impact of the managed market-place is all the more powerful as it occurs at the very point when people are involved in consumption transactions.

The store environment is a three-dimensional space in which branded products can be “staged” in the most favourable conditions; put another way the store showcases attractive branded products. Moreover stores are designed so that the branded products are surrounded by a multitude of commercial signs that are reinforced by customer-facing staff members who humanise the shopping experience. The store environment therefore acts as a *container* for commercial messages. Consumers:-

*“step inside this container, and it tells them things...*

*[It is] a great big three dimension walk-in TV commercial. ”*

[Underhill, 2002, p. 62]

The onset of new innovative technology is, however, beginning to change the managed market-place. The internet now generates a “virtual” store environment, via websites that include *electronic store fronts*, where consumers can spend in their own homes (Kotler, *et al*, 2001; Underhill, 2002).

The wider out-of-store environment is often a cluster of stores concentrated in city centres, shopping malls, airports, themed shopping and leisure complexes, and even includes leisure villages that combine the attributes of tourist destination and department store. The out-of store environment is like a three dimensional commercial on a grand scale, where consumers are bombarded with commercial messages to encourage consumption in general. The institution of marketing incorporates a range of *active persuaders* in order to communicate commercial messages to a wide audience. One group of active persuaders are public relations (PR) specialists operating on the cusp between corporations and the mass media. PR is about generating “free” and favourable media coverage about branded products, the corporations that provide them and the celebrities that endorse them. Another group of active persuaders are the agents of paid for advertising. They are responsible for purchasing advertising space in the mass media, designing persuasive advertising campaigns and conducting research to assess the effectiveness of the advertising.

The messages communicated by public relations specialists and advertising can be humanised by “celebrity” endorsers – the last group of active persuaders. Put succinctly a celebrity is “a person known for his [her] well-knownness” (Boorstin, 1992, p 57).<sup>13</sup> Celebrities are people that consumers

quickly recognise, feel they know and trust, and with whom they empathise. Many consumers like to observe celebrities in general and emulate their favourites – they try to look like them, dress like them, talk like them, think like them and consume like them. The best celebrity endorsers therefore stimulate sales.

Finally to maximise the coverage of commercial messages the medium for the messages must have a mass appeal. The institution of marketing therefore utilises an array of *mass media* – television, internet, cinema, newspapers, magazines - to disseminate its messages to a mass audience and target groups within that audience.

Clearly the work of communicating commercial messages is a complicated business. It is a process that requires managing. Therefore the final constituent part of the institution of marketing is the work of *brand management*. For deChernatony (2001) the best brand management is multi-disciplinary, requiring team work to co-ordinate different corporate functions and priorities. The purpose of brand management is to ensure every aspect of a corporation communicates consistent messages about its products.

The overall impact of the mass of persuasive commercial messages which pervades the every-day lives of the people of plenty has an unexpected but desirable side-effect. It fosters and encourages a consumer culture. The collective efforts of the institution condition people into shared ways of emoting, thinking and acting in the realm of consumption. The work of the institution ensures a culture in which persuasive messaging invades all aspects of everyday life and public space. People commune increasingly in

the planned market-place, accept celebrity endorsers as opinion-formers, share a common brand-based language, create “brand communities” of those who consume the same products, and “celebrate” cultural rituals (e.g. Christmas) by abundant spending.

In this consumer culture all social life is viewed through the prism of the consumption. Hence political parties apply marketing techniques to attract votes and re-brand themselves when unsuccessful. Top football clubs are taken over by billionaires because they represent a prestige brand that can be developed globally. Even welfare claimants are called clients, as if they are paying customers. Moreover as Potter notes the institution in creating a shared consumer culture also produces an extremely effective and sophisticated form of social control. This social control is applied, not through coercion, but by individuals exerting self-control in order to act as the shared culture requires and the economy demands - as good consumers.

But a consumer culture is also “hot” – that is it is subject to constant change and evolution (McCracken, 1990). The driver of cultural change is the institution working to provide new reasons and justifications for more spending by affluent consumers. Heating up a culture requires the continuous reshaping of the shared ways of emoting, thinking and acting in the realm of consumption. An excellent exemplar of this is the way the institution makes strenuous efforts to continually reformulate what is “fashionable” to wear, especially for younger consumers, and then makes equally strenuous efforts to convince people they must keep buying to conform to these new fashion norms. Another example of cultural heat is the way the institution keeps offering new ways by which lower status groups can seek to emulate parts of

the patterns of consumption of higher status groups; it then proposes ways in which higher status consumer groups can protect their status by new more expensive spending patterns. The institution therefore drives cultural change forward because culturally “hot” societies are the perfect breeding ground for ever greater abundant spending.

The perpetual heating up of the consumer culture however allows abundant capitalist societies to move beyond rigid mono-cultures. A consumer culture is diverse, made up of a variety of sub-cultures who define themselves by what they buy, where they buy it, how they finance the purchase, where they consume, and with whom they commune when consuming. The vast array and diversity of products available in an era of abundance allows these sub-groups to enjoy their own distinct spending patterns without threatening the consumption of other groups. The result is that the people of plenty enjoy prosperity, diversity and a large measure of peaceful co-existence.

The preceding analysis should not, however, lead the reader to conclude that consumers are manipulated victim of commercial forces in the system of abundance. For consumers and the institution of marketing genuinely interact in the realm of consumption. The institution can propose commercial messages but it is never inevitable that sufficiently large numbers of consumers will be so persuaded to buy products at a sufficient rate to make it profitable for corporations. History is littered with failed marketing campaigns and discontinued products. Moreover groups of consumers, led by fashion and taste leaders, can instigate important cultural changes to which the institution of marketing must respond. Perhaps a better way to think about the relationship is that the institution sets the broad boundaries of choices

available but that consumers have considerable discretion about the choice of specific patterns of consumption.

Finally, a proper appreciation of the economic role of the institution has profound implications for understanding how markets work and how corporations maximise profits in an era of abundance. It opens up the possibility of considering the dominant market type in an era of abundance – that of *corporate-guided markets*. This topic is discussed in much greater detail in chapter 6 below.

#### ***d) The Symbiosis of the Three Economic Systems***

It is important to appreciate that the three economic systems – scarcity, sufficiency and abundance - recognise no national boundary or city limits. Actually each system interacts with the others; and all symbiotically act as sub-systems of a wider global capitalist system.

The most obvious interaction occurs through foreign direct investment by massive transnational corporations. The transnational movement of capital has been and remains a persistent trait of capitalism; the dominant movements are from the system of abundance to the systems of sufficiency and (less so) scarcity. The transnational corporations then increasingly locate production facilities in the systems of sufficiency and scarcity and export the resulting outputs to the system of abundance. The low cost output generated in the systems of sufficiency and scarcity allows transnational corporations expand profits in the system of abundance. They do this, first, by widening markets to new groups of affluent consumers by lowering product class prices

whilst retaining profits per unit steady and, second, by keeping product prices steady and increasing profit margins.

A second way in which the systems of development interact is through the transnational movement of people around the global economy. Service and agricultural sector corporations in the system of abundance willingly employ people who have emigrated from systems of scarcity or sufficiency. These immigrant workers – often with few labour rights or protections – are important sources of low cost labour for corporations who want to protect profit margins whilst offering “value for money” to affluent consumers. The immigrant workers, although poorly paid, still receive in one week what they might earn in one or two months in their home country. Immigrant workers, moreover, will often send back money to their family’s at home, often financing the education of younger family members.

But the different economic systems are not just inter-nationally distinct, with “advanced” nations being categorised separately from newly developing and lesser developed nations. The distinctive systems can also appear intra-nationally – within a given country. The exemplar of this is India, which whilst enjoying rapid economic growth and rising affluence for some still has a large proportion of the population suffering serious malnutrition. It is also possible to observe the different stages of development within the same city – especially in the mega-cities of the newly industrialising nations. Lagos is an exemplar with over 20 million people living within its limits experiencing vastly divergent lifestyles, from unsafe slums to opulent mansions.

### ***e) Abundance in historical context***

The existence of separate domains of scarcity, sufficiency and abundance is not new. For millennia there have been distinctions between rich and poor and those in-between. But over the last 250 years of human history economic development has been extremely rapid. The first major economic upheaval really occurred in mid-eighteenth century England. According to McKendrick *et al* (1982) and Appleby (1993) eighteenth century England was the first society to experience a more generalised consumption revolution. Indeed Appleby claims this rise in domestic consumption spending “sustained England’s manufacturing expansion in the eighteenth century” (Appleby, 1993, p 196), creating the demand conditions that fostered the industrial revolution.

The rich elite of English society during this period embarked on an orgy of conspicuous consumption, which included magnificent mansions, fine paintings, high quality furniture, wonderful gardens, porcelain and pottery of the highest standard and even collections of exotic animals. Excess, novelty and self indulgence was the norm of the rich elite of the time. But two things mark out eighteenth century England as distinct from earlier periods. First was the upsurge in consumption amongst the middle ranks of society, emulating the rich, especially in possessions and fashion. Second was the expansion of the “enticements of commercial propaganda” (McKendrick *et al*, 1982, p 11) by the first systematic stirrings of the institution of marketing.

A pattern emerged in this frenzy of consumption: luxuries were soon seen as the decencies of life, and decencies were soon perceived as necessities. And as the physiological needs of many consumers had long since been met,

there was a need to stimulate the psychic desires of customers in order to keep demand rising. McKendrick *et al* consider as an exemplar of the trend fashion designers who continually created new, and ever more outrageous, styles for hair, wigs, shoes, dresses in order to keep up consumer interest and spending. Hence by the end of the eighteenth century many social groups had long surpassed material sufficiency, but wanted even more. And the institution of marketing, although far from fully developed, with its assiduous advertising, persistent promotion of product images, repetition of brand names, ensured spending was amplified.

During the last quarter of the nineteenth century the epi-centre of abundance shifted from England to the urban centres of the United States of America. Abundant consumption was particularly evident in the major cities. Due to large-scale immigration the American population exploded in the seventy years up to 1910. In 1840 the population was just 17 million, by 1900 it had increased to 76 million and by 1910 was up to nearly 92 million (Koehn, 2001; Gilbert, 1997). Much of the influx of new Americans went to live in the major cities - Cincinnati, Milwaukee, Pittsburgh, and Chicago and of course New York. In these major urban centres a degree of generalised abundant consumption emerged – stretching to the lowest social classes - that had never been previously witnessed.

An exemplar of this is provided by Heinze's (1990) seminal work on the experiences of Jewish immigrants in the poorer quarter of New York from 1870 until World War 1. First, Heinze explains that even in 1870 the urban poor of New York had a range of possessions - beds and linen, chairs, tables,

kitchen utensils, dishes, knives and forks, clocks, mirrors, sideboards, china closets, and carpets. It was into this condition of emerging material abundance that many immigrants were amazed to find themselves. Heinze notes that by 1900 a new definition of the minimum standard of life was applied in America in order to define poverty. This minimum standard included a plentiful diet, spacious accommodation, sanitary facilities and a *summer vacation*. For Heinze this new definition of poverty marked for America “a triumph over the struggle for subsistence” (*ibid.*, p 23). Such was the desire to participate in abundant consumption that as the nineteenth century progressed poorer households used consumer credit (i.e. instalment plans) in order to finance domestic furnishings and little luxuries. Heinze notes that using debt to finance consumption was seen as socially acceptable as long as it was for the betterment of the family; but increasingly poorer households, and from a range of ethnic backgrounds, saw frugality and saving as almost un-American.

The extent of American material abundance was most visible to immigrants from parts of Europe where material scarcity was a fact of life for the lower and even the middle ranks of society. In Eastern Europe the condition of middle class families was quite appalling. The average diet in Lithuania consisted of:

“cottage cream and sour cream, beet soup, onions, cabbage, potatoes and rye and raisin bread...Fresh milk was rarely enjoyed, and butter, considered a luxury...Tea and coffee were rare, the main drink being water.”

[Heinze, 1990, p. 35]

In the Jewish Pale Settlement in Russia the conditions were more appalling, especially in terms of living space. Many poor families shared one room, and calculated the ownership of the scarce space in terms of 30-second time blocs that could be bought and sold between inhabitants. Just as traditional economic theory predicts material scarcity brought out economising behaviour. Heinze notes that even in middle class Jewish homes in the Pale Settlement there were no pictures to adorn the walls, no ornaments (apart from religious objects), no books and for children no toys and no games.

It is not surprising that Jewish immigrants coming to New York in the late nineteenth and early twentieth century were literally overwhelmed by the material abundance which poorer households enjoyed. For many Jewish immigrants America was the new Jerusalem, a heaven on earth.

But increasing material abundance did not happen independently of the institution of marketing. Just as in England a century earlier the business problem was how to persuade consumers who had what they needed to buy even more. The effort to persuade consumers to spend can be gauged by the rising tide of advertising spending by American business. Potter notes that by 1900 US corporations, especially manufacturers, were spending \$95 million each year on advertising, which was a tenfold increase over that in 1865. By 1919 advertising spending had increased another fivefold, exceeding \$500 million. But advertising was just one of many marketing efforts business undertook to persuade consumers to spend more.

Two examples can be set out to illustrate the developing work of the institution of marketing. First, the marketing effort of American business increasingly focused on the impact of brand names. As Heinze explains Nabisco in 1899

launched a new biscuit to be kept fresh through a revolutionary “In-er-seal”. Nabisco took great care on the choice of the brand name, trying to pick the one which would most appeal to consumers. Many names were canvassed - Taka Cracker, Hava Cracker, Usa Cracker, Wanna Cracker. In the end the name chosen was Uneeda Biscuit. It was a great success with sales of 10 million packets in the first year after its launch.

Second during the late nineteenth century the managed market-place was transformed by the opening of department stores. One of the most famous was the work of Marshall Field in Chicago (Koehn, 2001). Field realised that consumers wanted to purchase quality products but also enjoy the shopping experience in stylish surroundings. His marketing efforts involved the first money back guarantee, tea rooms for the tired shopper, and female salespeople to service the predominately female clientele. In the department store shoppers had the freedom to roam and examine products. But Field insisted that the proposed prices for products were non-negotiable – bargaining was banned. Field’s innovations were successfully emulated by others and soon the department store became an accepted part of the managed market-place.

The final great leap forward to a system of generalised abundance occurred during what is now known as the *Golden Age* of economic growth that advanced nations experienced from roughly the start of the 1950’s until the early 1970’s. During this time there was a dramatic improvement in the quantity, quality and variety of abundant consumption. Moreover this improvement stretched to all social classes in all advanced nations in a way

never before seen. The extent of the great leap forward during the *Golden Age* can be expressed in statistical terms. Hence in the short period between 1950 and 1973 France saw its GDP per capita increase by 250%, West Germany's and Italy's grew over 300% and in Japan it leapt by 600% (Crafts, 1999). An economic miracle occurred.

Hobsbawm (1995) provides some vivid examples of abundant consumption to put meat on the statistical bone. He notes the growth of US tourism into South America and the Caribbean, expanding from 150,000 tourists prior to 1940 up to around seven million by 1970; or Spain that had virtually no tourists in the late 1950's, but welcomed 54 million people just twenty years later. Or that in 1971 there were world-wide about 270 million telephones, but just ten years later this number had doubled. What was true of the telephone was equally true of the refrigerator, the private washing machine and the motor car. All these products had at the start of the period been viewed as luxuries, but by the end were perceived as necessities and quite often necessities, even for the working class.

A further aspect of this period was rapid product development, driven on by the institution of marketing, to give new reasons and justifications for spending. This revolutionised consumption by opening up a host of new products that had never previously been available to anybody. Hobsbawm provides an illustrative list of products newly available to consumers:

“television, vinyl records (LP's came in 1948); followed by tapes (tape cassettes came in the 1960's) and compact discs; small portable transistor radios;...digital watches, pocket calculators...and then the rest of domestic electronic, photo and

video equipment.”

[Hobsbawm, 1995, pp. 265-266]

By the end of the Golden Age the lives of all social classes and age groups were utterly transformed. Through genuinely mass consumption all became fully integrated into the consumer society and its consumer culture; they all became fully fledged members of the people of plenty. As Hobsbawm notes even for the working class new vistas opened up in the years before marriage. They became “luxury spenders and the...couture and beauty business from the 1960’s on immediately responded” (Hobsbawm, 1995, p 307). Young people began to become an important social group because it represented “a concentrated mass of purchasing power” (*ibid.*, p 326) in a way not previously seen before. This group was particularly open to new, novel products and, through fashion and music, remarkably global in its tastes. And as women increasingly became significant wage earners they became a key consumer group with discretionary income to be spent. By the end of the Golden Age therefore the average person could “live as only the wealthy had lived in their parents’ day” (*ibid.*, p 264).<sup>14</sup>

As an exemplar of the shift towards abundant consumption during the Golden Age it is useful to consider the experiences of working class families in post-war West Germany (Wildt, 1998). Germany is an intriguing case as the vast majority of German citizens had suffered genuine material scarcity in the first half of the twentieth century. It started with the infamous *Steckrubenwinter* - the turnip winter - of 1916 when at the height of the World War 1 turnips were almost the only foodstuff available to working class families. Just as bad was

a short period just after World War 2 when the spectre of starvation blighted many German lives.

From such inauspicious circumstances the next twenty-five years saw the most rapid economic development and improvement in living standards ever experienced by Germans. For during the *Golden Age* West Germany experienced an economic miracle - *Wirtschaftswunder*. This miracle is said to have taken the form of a number of waves - first the food wave, then the clothing wave and finally the travel wave. The food wave can be used as an exemplar of the German working class experience. Wildt explains that working class family budgets increasingly allowed a more varied consumption of food as the 1950's gave way to the sixties. Hence by the early 1960's:

“the consumption of butter and poultry increased, and cold meats and ham could be found in abundance in working class households. Independent of season and region fruit supplies rose dramatically and the variety of fruits...expanded remarkably. Canned food and other prepared items became increasingly a part of everyday meals.”

[Wildt, 1998., p 305]

But the institution of marketing was also playing a role in these changing circumstances, transforming the managed market-place with self service stores. These stores had a profound influence on people previously conditioned by material scarcity. German consumers were overwhelmed by the wealth of products available. Consequently the problem facing German consumers changed; it was no longer *scarcity* and choice, but one of *abundance* and choice. And in the system of abundance the choices did not

become easier, they were far more numerous and complex. Gone was the storekeeper who could explain to the customer the attributes of the limited supply of undifferentiated goods in a shop. It was replaced by large stores in which consumers were free to browse, but in which they had to navigate “through a complex, unstable and confusing world of new commodities [and] learn the new language of advertisers” [*ibid.*, p 313]

Since the end of the golden age in 1973 further economic developments in South-East Asia and more recently in China, India and Russia have massively expanded the numbers who enjoy the system of abundance, and will continue to do so in the future. Yet as more enjoy abundance the jarring differences between them and what the other 70% of the global population must endure becomes more abhorrent.

Looking to the future one “solution” to the crass levels of global inequality is to expose the poorest parts of the world – central Africa, central Asia and much of South America – to capitalist “development”. That is over time to extend the system of abundance to all parts of the globe and pull up the poorest towards the most affluent lifestyles. Of course this requires that all are exposed to a mass consumer culture, driven on by the institution of marketing, and that global production and energy usage soars. This challenge is however that much greater given that the global population is expected to rise to 9 billion people by 2050. Whether the planet, or energy resources, can survive such a solution is quite another matter.

If the planet cannot take further economic development a second “solution” is to halt economic growth and re-distribute the material abundance more

equitably amongst the global population. The poor will get richer and the rich will get poorer. The main downside to this option is that the rich must decide to stop spending, and donate resources to others, which is hardly likely. And what of the economic dislocation as production shifts from luxuries to necessities and decencies?

Yet another “solution” is to ignore global inequalities and focus on saving the planet. In this case global inequalities will be entrenched but the damage caused by economic development will slow. Put simply the choices that will face the global community in the 21<sup>st</sup> century are stark and there are no easy options available.

#### ***f) Different Systems, Different Economic Problems***

But what of the economic problems of today, experienced at the different stages of “development”? In systems of either scarcity or sufficiency the dominant economic problem is that of unlimited wants and scarce and under-developed resources. Moreover, given the very restricted stage of economic development the available workforce lacks even the most basic skills – reading, writing and arithmetic. What is more, the capital stock of machines, buildings, technical knowledge and transport infra-structure is very deficient. Certainly the productive capacity cannot meet all people’s needs and wants. This means that the productive capacity is extremely limited – output is “scarce” – requiring stark “choices” to be made about which products to produce and not to produce.

In systems of scarcity and sufficiency the economic problem is predominantly one of production and distribution. In these eras of development three fundamental questions must be addressed.

1. What products should be produced?
2. How should products be produced?
3. Who should receive the products produced?

There are a number of ways that these questions can be addressed. It could be that religious leaders applying long-standing social conventions decide the products to be produced and how they should be produced and for whom – especially at a time of a religious festival. Or it could be an authoritarian State who imposes it will to decide the answers to these three key questions. Finally it is possible to use a simple market mechanism. Hence a market decides if a product should be produced – are there sellers willing to sell and buyers willing to buy. Those who supply the products to the market decide how they should be produced. And anyone who is willing and able to pay the market price for the product will receive it. This simple market mechanism applies for the undifferentiated, non-branded products (economists call them homogeneous) such as potatoes, corn, fish, fruit, razors etc. available in systems of scarcity or sufficiency.

Flowing on from limitations of the economic system there are a range of other problems for those experiencing an era of scarcity or sufficiency. In the social sphere they are things like high levels of infant mortality and malnutrition due to lack of food, combined with rapidly rising populations, inadequate health facilities and educational opportunities. In the economic realm the problems relate to things like widespread corruption, child labour, labour trafficking and conflicts over land and water ownership.

In a system of abundance the character of the economic problem is very different. The potential productive forces available in the system of abundance are enormous. Put another way this economic system has solved the production problem: every day it produces vast numbers of richly diverse products; every day in an array of stores in the managed market-place a cornucopia of products are available; and every day new, novel products are being offered to entice extra sales. The economic system can do this because it utilises highly educated and skilled workers, the most up-to-date machines and building, and most advanced technology. It then allows entrepreneurs to perpetually innovate in order to increase production from existing resources. The economic system is also characterised by significant levels of new investment that expands capacity and allows aggregate output to grow.

The key economic problem for a system of abundance is how to stimulate spending – especially greater consumer spending. In this system four fundamental questions must be addressed.

1. How can the massive productive forces be utilised at profitable rates of return and justify the expansion of these forces?
2. How can products be designed and developed to make them more marketable and give affluent consumers new justifications for spending?
3. How can affluent consumers be persuaded to keep buying branded products and product classes at an ever-expanding rate?

4. How can a consumer culture be perpetually heated up, and reinforced by a morality of indulgence, to create the most propitious conditions for new abundant spending?

The institution of marketing spontaneously provides the answers to these questions in a system of abundance. Corporations, working with and within the institution of marketing, operating on corporate-led markets, implement strategies to keep spending rising and the system growing. Indeed there are times when the institution is so effective in increasing overall demand for products (economists call this aggregate demand) that the State has to intervene to slow the economy down for fear of rising inflation. At other times, often when consumers have over-extended themselves with debt, aggregate demand can slow down and the State must intervene to stimulate the economy.

The considerable successes of the economic system generates of a variety of other problems for the people of plenty. On the corporate side these problems include how to find secure energy resources to fuel the massive productive capacities, how to develop sustainable transportation systems to deal with the mass movement of products and people, and how to ensure economic activity minimises its carbon foot-print. For consumers the wider problems relate to things like how to deal with the stress of managing work-life imbalances, or being cash rich but time poor, and even how to counter an “epidemic” of obesity caused by excessive food consumption and lack of exercise.

### ***g) Different Systems, Different Choices***

Choice is at the core of all economics. Moreover economists suppose that choices made in an informed and intelligent manner. To evaluate choices reasoning people must consider the likely consequences of different options – in terms of benefits and costs - and make comparisons between them. Most importantly people must assess what is being given up when choosing a specific outcome – it is what economists call *opportunity cost* i.e. the options forgone when a decision is made.

All choices involve opportunity costs. In part opportunity costs are ultimately a function of the human condition and the constraints it imposes. Hence for humans time is linear and a specific point in time can never be repeated; it is not possible for a human to be in two places at once; a thirsty feeling need only be quenched once; a human stomach has a capacity at which the person feels “full”; cognitive capacity has constraints which means humans can only remember and concentrate on a limited number of things at a time.

These “constraints” are part of the human experience that cannot be avoided; they apply to all people – those living in the systems of scarcity, sufficiency and abundance. Put simply no-one can have it all, and trade-offs are inevitable when choices are made. Informed and intelligent choice is about ensuring the choices made in some way maximise the benefits gained from the option chosen and minimise the costs endured from those forgone.

There is another aspect to opportunity cost that relates to all people and is a central component relating to the affordability of spending. It is that a given amount of money cannot be spent twice; once the amount of money is

exchanged for products it is not available to conduct further exchange. This constraint applies unequally to all. It applies as a cruel reality for a family barely existing on above \$1 a day in the system of scarcity; and it applies with very much less force to a multi-billionaire enjoying an opulent lifestyle in the system of abundance. In what follows this will be referred to as the *affordability constraint*.

What is more, the character of opportunity costs is not identical for different peoples in the different economic systems. The first way in which differences occur between peoples living in different systems relates to the scale of the opportunities forgone. Consider, for example, a family making informed and intelligent choices in a system of scarcity. The choices available are simple and stark: they are things like should we eat meat or potatoes, pay for food or for medical care, work or starve. In such a restricted world it is safe to assume that the opportunity cost of a choice is the restricted to the *next best* alternative forgone. This can be categorised as *simple* opportunity cost – where the trade off of consuming good X is not consuming good Y.

In a system of abundance people are surrounded by a cornucopia of choice and making comparisons between different options becomes far more complex. Consider the case of affluent consumers making choices. The complexity begins with the sheer variety of choice within any specific product class – as Schwartz notes in one store a consumer can be faced with 275 varieties of cereal, 75 different instant gravies, and 175 variations of salad dressing. To navigate their way through such complexities and make informed choices, reasoning consumers must select what can be called the

most “easily available” options from which to choose, which massively reduces the complexity of making a decision. But the time spent making a decision is time not spent doing other things and entails an opportunity cost. Take choosing a magazine. In the UK there are some 3000 consumer magazines published on every conceivable topic from astronomy to football, tattoos to yachting, science to fishing, politics to economics, and genealogy to gardening. Let’s say a consumer wants to purchase a golf magazine. This first entails selectively searching for a store that sells a selection of magazines. Next the consumer must selectively search for golf magazines amongst the wide array of magazines on other topics. Finally consumer is faced with an array of choice of different golf magazines, each with its own attractive and distinctive features. Luckily consumers develop a variety of efficient decision-making strategies to economise on the time making decisions; this economising is also facilitated by the efforts of the institution of marketing to simplify decision-making. Yet in a system of abundance the people of plenty have a profusion of choice; and the greater the choices, and the more decisions that are made, the more often opportunity costs must be estimated.<sup>15</sup>

Moreover, assessing the opportunities forgone associated with a specific choice is not a simple matter in the system of abundance. Consider an affluent couple evaluating the options for an evening’s leisure. The easily available options are a romantic dinner alone at a good restaurant; a quick dinner and on to watch a play; going to an all-night dancing club; attending a sports event; visiting family armed with gifts; or staying at home watching a pay per view film. If the dinner at a good restaurant is the couple’s

preference, even more choice awaits – what genre of cuisine, what wine to accompany the meal, what method of payment? And every choice requires consideration and comparison of the trade-offs. This is “the downside of abundant choice” (Schwartz, 2004, p 119).

Therefore in the system of abundance *every easily available option forgone, not just the next best alternative, contributes something to the opportunity cost of a specific choice.* Consider again the example of the couple picking an evening’s leisure time option who prefer the romantic dinner. They have forgone the opportunities to have their emotions stimulated (the play, the sports event), to release tensions and exercise (all-night dancing), strengthen group bonds (visiting family), and relax and chill out (watching the film). Picking the romantic dinner means forgoing *all* of these opportunities, with each one contributing something to the trade-off experienced. What is true of this couple is true for all consumption decisions in a system of abundance.

But there is another dimension to assessing opportunity costs for affluent consumers. For socialised consumers use patterns of consumption to communicate symbolically in social interaction with others. Consumers choices about patterns of consumption act as a flexible and nuanced “language” through which to communicate to others, *sotto voce*, a diversity of messages relating to things like self-identity, social ties, status, distinctiveness, sameness, affective commitments, inquisitiveness etc. Consumers, individually and jointly, can therefore use patterns of consumption to define public images around which to build social interactions with others. Most importantly through these public images consumers, individually and jointly, seek to propose the status with which they should be

held by others in a group setting. Put another way consumers, individually and jointly, encode meanings into patterns of consumption which can then be decoded by others with whom they socially interact.

This means that any specific choice of buying a branded product must “fit” into a wider pattern of spending if reasonably consistent messages are to be communicated to others. Making the “right” – or message reinforcing – choice of branded product supports the existing terms on which social interaction is conducted by consumers in a group setting. However making a “wrong” consumption choice, a consumption *faux pas*, that communicates messages inconsistent with the desired public image, has potentially significant opportunity costs. In forgoing the opportunity to make the “right” choice and choosing the “wrong” option consumers risk undermining these terms of social interaction.

Consumers in a system of abundance therefore face a *complexity of opportunity costs*, where easily available option forgone contributes something to a complex trade-off of choice.<sup>16</sup> The greater the number of competing options, the greater the variety of trade-offs involved, and the more complex the opportunity cost associated with any specific decision.<sup>17</sup>

In a system of abundance the problem for intelligent decision-makers is to properly assess complex opportunities costs to make informed choices. But it is easy to over-estimate this problem. It is as nothing compared to those faced by the people of poverty in a system of scarcity. For although all peoples face the problem of choice when spending, the people of poverty must make harsh, often life and death, decisions about how to spend their

meagre incomes. The “problem” of choice that the people of plenty deal with, although more numerous and complex, is trivial in comparison.

***g) Consumption – the constraints and drivers***

All choices are subject to constraints. In a sense all economics is about how people make choices that maximise benefits or minimise costs, subject to constraints. When people act in this way they are said to be *efficient*. Consider, for example, the case of a student wishing to learn new knowledge. Learning requires that students organise new information in the brain in ways that make it easy to *retain* knowledge and *recall* it when required. The degree to which material is properly learnt will be related to the length of time which it is retained and the ease with which it is recalled. Economists predict that students will learn new knowledge efficiently. Efficient learners will either *acquire the maximum amount of new information with a fixed use of brain power and time, or acquire a given amount of new information with the minimum use of brain power and time.*

In other words students will economise in that they do – they will avoid the needless waste of resources. They do not waste effort or time when achieving an objective, or choose a more costly way of doing something when a cheaper option is available. What is true for students is true for all people be they business leaders or workers or, most importantly, consumers. In all the decisions that they make these “agents” seek to economise – that is to be efficient and to maximise benefits, or minimise costs, subject to constraints.

So what are the constraints on consumer spending? They can be broke down into a number of categories. The first is the *affordability constraint*. This constraint on spending relates to the monetary side of matters. Things like the current income of the household, the prices for products that the household want to purchase, the availability of credit to finance this spending and the level of interest rates on such credit.

The affordability constraint is said to be “hard” when product prices are expensive, incomes are low, access to credit is restricted or not available, and interest rates on borrowed money is high. In these circumstances those who spend increasingly share a concern to avoid needless waste. In practical terms an economising consumer will be one who will avoid paying a higher price for a specific branded product if a lower one is easily available, who calculates the best value for a specific money purchase, and who refrains from paying a higher rate on a loan if a lower one is on offer.

Clearly the affordability constraint is extremely “hard” in a system of scarcity and quite stringent in a system of sufficiency, especially when credit is limited or non-existent. In these systems the dominant influences on the willingness or ability of consumers to buy a specific product is the price and the available income to spend.

In a system of abundance, however, the affordability constraint, though still evident, is much “softer”; and for the richest of the people of plenty the constraint is largely irrelevant.<sup>18</sup> The average household has considerable amounts of discretionary income – the income that remains after all the essential services are paid for – which can be spent or to saved. Affluent households do save, accumulating wealth in various assets which in

successful economies rise in value over time. They make even enjoy wealth passed on to them from past generations, and are even able to pass on wealth to future generations. Furthermore affluent households benefit from being able to buy in bulk – there are often sizeable price discounts for large purchases; they also have access to abundant credit provided by an advanced financial service sector, offering credit limits most households never get close to exceeding. And for super-rich consumers the constraint simply melts away, as they can access astronomical sums of income and wealth that are impossible to spend in a lifetime.<sup>19</sup>

Moreover the institution of marketing assiduously works to relax the different dimensions of the affordability constraint on spending. Therefore in order to stimulate spending corporations will, working with and within the institution, bombard consumers with information about seasonal sales, promotional price discounts, buy one get one free deals, payment holidays (i.e. buy now pay later), extra sources of new cheaper credit, any purpose loans, consolidating existing debt, interest free financing, liquidising bricks and mortar assets (i.e. equity release) and much more. Indeed the financial sector is extremely innovative in offering new novel financial products that allow the affordability constraint on spending to be relaxed more effectively. To appreciate how successful these efforts are one has just to peruse the huge increases in consumer credit over the last twenty years in advanced economies (Jentzsch and Amparo, 2006). In the USA in 2002 for example citizens held more than 1.5 billion credit cards using them to finance \$1.6 trillion of spending (Hunt, 2006).<sup>20</sup>

In systems of scarcity and sufficiency however there is another constraint on spending which powerfully reinforces the affordability constraint. It is the *socialised constraint* which relates to the dominant morality of society. In many societies founded on the economic systems of scarcity and sufficiency a *morality of restraint* is generally accepted, reinforced by the institution of religion. For centuries in western societies the morality of restraint was largely derived from Judeo-Christian religion.<sup>21</sup> But the ethics of restraint are not confined to the western world. It is as prevalent in eastern cultures. Muslim, Hindu and Buddhist ascetics have a long tradition of preaching abstinence and self-discipline as a defence mechanism against indulgent desires (Masson, 1976). Whatever its appellation this morality of restraint values the virtues of production, hard work, sacrifice, frugality, prudence, modesty, humility, sobriety and deferred gratification. This morality is entirely consistent with economic systems which experiences severe constraints on production. The morality of restraint therefore acts to counter over-ambitious claims for generalised affluence that systems cannot sustain.

Yet in a system of abundance a morality of restraint is a serious threat to the imperative to stimulate ever-greater spending. For most consumers are not just animals that want, they are also moral animals. Consumers instinctively need to feel that their consumption is justified, operating within a system of beliefs that defines right from wrong. Yet on the criteria of morality, the very success of abundant capitalism in fashioning generalised affluence threatens its continuation. For as the people of plenty perpetually consume more and more generates strong moral repugnance, especially when it highlights the chasm between the rich and poor of the global community and the destruction

of the environment (Levine, 2006). If in a system of abundance affluent consumers become open to the morality of restraint then ever-greater spending is threatened. An ascetic morality can therefore act as a significant socialised constraint on consumption. In the system of abundance this raises the spectre of lower profits, unused productive capacity and slower economic growth.

In order to sustain the system of abundance the institution of marketing must counter the ascetic morality by promoting a new hedonism for the masses - an *indulgence morality for generalised abundance*. This distinct morality is characterised by an acceptance, even a promotion, of indulgent consumption that is not restricted to a rich elite but experienced by all.

Although the socialised constraint on spending is successfully relaxed in a system of abundance two other constraints – the subjective and cognitive constraints – become more salient and threaten ever-expanding spending. These constraints become more salient in a system of abundance because the people of plenty already have large accumulations of possessions and experiences. These affluent consumers don't "need" to spend that much to live quite tolerable lives; most consumer expenditure in a system of abundance is therefore discretionary. Put succinctly affluent consumers can choose to spend or not to spend. It is in this context subjective and cognitive constraints become more influential.

Consider first the subjective constraint on spending which has a number of dimensions. One is related to the sheer volume of choice in a system of abundance. Given the tyranny of plentiful choice in a system of abundance, and the desire of consumers to think efficiently, consumers might live in

strong affective states such as high anxiety and fear about making the “wrong” choice. That is high anxiety about the possibility of buying a faulty product, or “lemon” (Akerlof, 1970)<sup>22</sup>; or the fear choosing a specific product(s) inconsistent with a pattern of consumption that communicates the wrong social meanings to others – a consumption *faux pas*. Another dimension of the subjective constraint emerges when influential groups of consumers share an affective commitment not to buy a specific product class (e.g. such as fur products). If these taste leaders convince large numbers of consumers to share their affective commitment this can be an extremely powerful constraint on spending.

The subjective constraint on spending causes the institution of marketing to make considerable, and largely successful, efforts to relax such fetters. One function of branding, for example, is to act as markers of repute that consumers can rely to ensure the products they buy are of merchantable quality. Branding therefore acts as a quality control system allowing consumers to overcome the fear of buying lemons. Brands can also act as markers of status. One way of around the fear of committing a *faux pas* is for consumers to purchase a high prestige brand, which is generally recognised as a marker of status, as part of a wider pattern of consumption. Finally the institution can design new products that overcome strongly negative affective commitments for certain products (e.g. synthetic fur products) in order to keep consumers spending.

There is also a cognitive constraint on spending that emerges because of the cornucopia of choice in a system of abundance. This requires affluent consumers to think a great deal about decisions. Yet there are limitations on

the cognitive capacities of humans. First is the very restricted limits on working memory capacity; second is the thinking time required by humans to ponder competing options; third is the mental effort required by humans to think – thinking is hard work (Simon, 1979; Anderson, 1995; Baddeley, 1999).<sup>23</sup> Not surprisingly consumers therefore want to think efficiently by using a variety of cognitive short-cuts. But give the sheer scale of choice to be made, which requires a large input of mental effort and time to make decisions, another option becomes available to affluent consumers. Because affluent consumers already have so much, they can easily choose not to choose and not to spend; this is not an option for the peoples of scarcity and sufficiency. Affluent consumers for example might choose to apply their cognitive capacities outside the realm of consumption. This possibility is such a potentially serious constraint on spending that the institution works assiduously to counter it by making consumption decisions as simple as possible (even trivial). In a world saturated by products proposed brand images are exemplars of the way thinking consumers are supplied by the institution with simple heuristics which considerably speed up thought processes associated with making choices.

Yet the novel part of the economics of abundance is not about the more precise specification of the constraints on spending, important though this is. What is really distinctive about the economics of abundance is a thorough and comprehensive analysis of what motivates consumers to spend – that is the drivers of spending. The analysis of the drivers of spending must address two

key questions. Why do consumers consume? And how are the most affluent consumers of the global community persuaded to consume more?<sup>24</sup>

The answers to these questions might be straightforward in the systems of scarcity and sufficiency. But this is not true in a system of abundance where the essential subjective-physiological drivers of spending – for unadulterated food, decent clothing, clean water, secure shelter, basic health care – are long since satisfied. In this system the economic problem is how to convince the affluent consumers to keep spending on an ever-greater scale on an ever-wider array of products.

Katona and Maslow (1970) provide some insights about how this might be done. Both argue that what is required is a multi-motivational, or multi-drive, theory. Intriguingly Katona suggests that consumer demand is related to the number of mutually-reinforcing drivers working together. He argues that the intensity of demand for branded products is stronger when there are many reinforcing drivers of spending working on the feelings, thoughts and actions of consumers. What is more, Maslow claims that those desires/needs that are already satisfied do not motivate people. Rather it is unsatisfied desires that compel people to act.

In this book the insights of both Katona and Maslow are used as a foundation and then extensively developed. Specifically the broad drivers of abundant consumption are categorised under three general headings - *socialised, subjective and cognitive drivers*. But within each broad category there are more detailed multifaceted drivers of spending. For example multifaceted socialised spending is driven by a number of influences. One driver is conspicuous consumption, first made famous by Veblen (1994; 2005). This is

the urge of a social group to communicate its separateness from other groups by choosing a distinctive pattern of consumption. Another driver of socialised spending, first identified by Katona, is inconspicuous consumption. This is the urge of people to symbolise their membership of a social group by consuming in ways that are similar to other group members. Other socialised drivers of spending are individualised spending that is subject to social and cultural influences, ritual-based consumption and inconspicuous consumption

In terms of the multifaceted subjective drivers an intriguing factor is that of self-identity construction and reconstruction through spending. This means that the people of plenty increasingly use patterns of branded products to define and symbolise, their subjective sense of self-identity to others. Moreover the culture in which the people of plenty exist encourages the constant deconstruction and reconstruction of self-identity requiring further bouts of spending. It also means that affluent consumers are usually prepared to pay premium prices for patterns of products that symbolise, and even define, a subjective sense of self-identity. The other subjective drivers of spending are subjective-physiological spending and generalised affective consumption.

Finally, the key cognitive driver of spending is inquisitive consumption. This is spending that facilitates the asking of questions – about the paradoxical, intriguing, strange, confusing, mysterious and even chaotic – and the seeking of answers. Once one question is answered however people look for new questions; in this sense inquisitiveness is insatiable. Of course for the people of plenty the ever-changing realm of consumption is a rich source of inquisitiveness that fuels spending.

The many multi-faceted drivers of spending are often related to and connect with each other; they interact together in ways that reinforce and strengthen the urges to spend. A similar reciprocal determinism will be found to apply to the different constraints on spending. Once all the drivers of and constraints on spending are fully examined the question of why consumers consume can be properly addressed.

There is of course is no reason to suppose that consumers, left to their own devices, will consume at the pace required by corporations who want to keep capacity growing and profits rising. This is why the institution of marketing spontaneously emerges in the system of abundance. The economics of abundance takes great care to detail the many ways in which the institution of the marketing acts to amplify these drivers in order to promote abundant spending. It is an extremely interesting topic; it requires the members of the institution of marketing to display great ingenuity and imagination, and even occasional acts of entrepreneurship. In this way the central question in a system of abundance can be properly addressed: how are affluent consumers persuaded to consume more?

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## ENDNOTES

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<sup>1</sup> Mainstream economists use a different approach. They assume that “the” economic problem is one of universal scarcity – the scarcity postulate - which applies to all people in every circumstance within the economic aspect of social life. Rather more precisely mainstreamers focus upon “relative” scarcity, which is a scarcity of resources and goods relative to the unlimited wants (or needs or desires) of consumers (Daoud, 2007). The main problem with this approach (there are others) is that this very broad categorisation misses vital detail about global inequality in the economic realm. That is people living in different existences and facing profoundly divergent economic problems. The result is that mainstreamers fail to properly address the economics of abundance.

<sup>2</sup> Mainstream economists use an idealised world of limitless resources with which to compare actual conditions in the economic realm. Such an idealised world never has and never will exist. Using the ideal case as a point of reference means that the material conditions in all societies at every stage of economic development can be characterised by scarcity. This huge undifferentiated category of scarcity is the foundation of the paradigm of scarcity. In this book the anchor for comparison is the material conditions of the very poorest of the global population. By comparison with the material conditions of the very poorest at least two economic systems can quickly be identified – those of sufficiency and abundance.

<sup>3</sup> This means that the definition of the system abundance is defined relative to the system of scarcity. Put another way this definition is one of “relative”, rather than absolute abundance. This mirrors the mainstream definition of

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“relative” scarcity – that is a constraint on resources relative to the scale of wants. Relative scarcity can never disappear as long as wants (or demands??) can be ratcheted upwards. The main problem with such a frame of reference is that it universalises scarcity. All peoples, rich or poor, are seen as facing the same problem. Clearly this masks the scale of global inequality and the very great differences in the economic dimension of the human condition experienced by different peoples.

<sup>4</sup> This could be access to affordable public transport, or ownership of a bicycle or even a motorised vehicle.

<sup>5</sup> Potter restricted his definition to the peoples of North America.

<sup>6</sup> The inhabitants of the UAE are an exemplar of this; they enjoy an abundant lifestyle yet import 80% of their consumer products from abroad in exchange for oil. This economy is not advanced but it has access to the products provided by the advanced economies.

<sup>7</sup> Actually the leading economies are post-industrial; that is the vast majority of aggregate output comes from the service sector i.e. 80% of the output of the US economy comes from services.

<sup>8</sup> The USA is the exception in affluent nations; this is not due to a lack of resources but a lack of political will and social solidarity.

<sup>9</sup> It might be argued that the richest of the people of plenty constitute their own separate economic system of extravagant opulence separate from the system of abundance. Indeed it is possible to divide, as Frank (2008) does, the very rich into separate groups – with at the summit a group he calls “billionaireville”. The development of additional distinctions and classifications should perhaps be the subject of further academic debate.

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<sup>10</sup> Mainstream economists have great problems properly understanding the economic problem in a system of abundance. With their fixed mindset the most common mistake is to push abundance into the box containing the law of demand and elasticity. There is no doubt that the mainstream analysis of demand has some restricted applicability. But to properly appreciate the economic problem of abundance mainstreamers will have to think “outside the box”.

<sup>11</sup> For completeness it should be noted that the institution of marketing also encourages additional spending by firms, through business on business marketing, the Government, through various forms of lobbying tactics and public relations efforts and contributions to charities and voluntary organisations. All are important sources of additional spending in an economy.

<sup>12</sup> The crucial word is “intention”. As will be seen in later chapters many commercial messages fail because they generate unintended responses by consumers that if anything dissuade consumers from buying more.

<sup>13</sup> The first to systematically use celebrity endorsers to sell products was the great eighteenth century entrepreneur Josiah Wedgwood. He used the endorsement of aristocratic families - the eighteenth century form of celebrity - to sell his pottery (Koehn, 2001).

<sup>14</sup> It is surely no coincidence that Veblen wrote about conspicuous consumption towards the end of the nineteenth century and that Galbraith wrote about abundance and the management of specific demand in the *New Industrial State* published in 1972.

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<sup>15</sup> Reaching joint decisions, in which two or more consumers consume collectively, can take even longer as a consensus needs to be reached about the competing options and the actual option chosen.

<sup>16</sup> The contribution of the different outcomes will not be the same. It might be best to think of the total opportunity cost being a weighted average of the significant alternative options.

<sup>17</sup> In a system of abundance as choices available explode in number the opportunities that open up are not always “good”. Excessive lifestyle choices can create significant long term health problems for consumers.

<sup>18</sup> This is summarised well in the old adage relating to a Rolls Royce car. It goes “if you have to ask the price you can’t afford it”.

<sup>19</sup> The affordability constraint allows the characteristics of previously noted fourth economic system – the system of extravagant opulence – to be clarified. For those living in such a system – the people of opulence – the affordability constraint is largely irrelevant. Indeed in exceptional circumstances the people of opulence will compete with each other to pay higher and higher premium prices within specific product classes (e.g. for the output of prestige artists).

<sup>20</sup> The ways in which the glut of commercial messaging about consumer credit has so quickly transformed organised social attitudes towards debt over the last thirty years is an intriguing area requiring further study.

<sup>21</sup> Bell (1976) calls this moral framework the Protestant ethic, Horowitz (1985) refers to it as New England morality, whilst Ewen (2001) calls it Puritanism.

<sup>22</sup> In the USA a “lemon” is slang for a poor quality product; it is a term often used for second-hand cars.

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<sup>23</sup> This is not the same as the time “constraint” identified by Becker (1965).

Becker argues that products and the time taken to consume them constitute what he calls “basic” commodities. The latter enter the individual consumer’s utility function. Hence the basic commodity of sleeping requires a house, a bed, sleeping pills and time. For Becker then the consumer is “small factory” combining inputs (including time) to produce outputs of basic commodities; he even outlines a “production function” for basic commodities. This frame of reference therefore utilises the concepts relating to the firm and applies them to the consumer. Put another way, an essentially demand-side activity is analysed in supply-side terms.

<sup>24</sup> Mainstream economists reply that consumers are motivated by utility and disutility, by pleasure and pain. Hence Benthamite consumers act on the basis of a single overwhelming drive - the desire to maximise utility and minimise disutility (Katona, 1960). There are, of course, considerable limitations with this approach to explaining the drivers of spending. As Katona notes the most important difficulty is that a single motivational theory is impossible to contradict. If a theory explains every possible act of spending, then how can it ever be refuted? But the fact that utility maximisation cannot be refuted is not its most pressing limitation. Its main problem is that it offers a lack of explanation of human actions. For if utility maximisation “explains” why we spend and why we don’t spend, why we work and why we don’t work, why we buy assets and why we sell assets, what is it actually explaining? In other words in seeking to explain everything the theory of utility maximization explains nothing. Indeed Katona categorises utility maximization in the same

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way as the discredited psychoanalytical theory of Freud which explains all actions in terms of the libido.

That said when examining spending in an era of either scarcity or sufficiency the application of utility maximisation does no great analytical damage. Certainly in a system of scarcity, where essential subjective-physiological needs are not satisfied, it does no harm to assume there are a mass of unsatisfied wants whilst supposing the analytical problem is how to maximise production.