MEDIA EDUCATION FOUNDATION

TRANSCRIPT

Challenging media

THE OVERSPENT AMERICAN

WHY WE WANT WHAT WE DON'T NEED

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Featuring **Juliet Schor**, professor of Sociology at Boston College and based on her book *The Overspent American: Upscaling, Downshifting and the New Consumer.*

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INTRODUCTION

[Montage of media images and voices]

[TV ad] *We can take your application right over the phone.*

[TV ad] *Are you overwhelmed by debt?*

[News] *Going deeper and deeper into debt, into debt, to finance their buying binge*

[CBS News] *Americans are working longer, hours.*

[ABC News] *Americans are buying and buying..*

[CBS News] *…working longer, and longer…*

[ABC News] *… buying and buying and buying*

[CBS News] *… and work harder, work work harder…*

[CBS News] *… more stress*

[TV ad] *Are you overwhelmed by debt? High interest rates? Late fees?*

[Street interview] *Spend, spend, spend – that's my motto!*

JULIET SCHOR: About twenty-five years ago, I started thinking about work time and was asking the question, "Why, given the extraordinary productivity of the American economy, were people not working less?" We had a leisure society expected by the 1970's and 1980's. A four-day work week was predicted, people were worried about a crisis of leisure time because technological advance made labor less and less necessary to produce high levels of output. But instead, as I started looking at the numbers, I noticed that not only were we not becoming the leisured society, but people seemed to be working more hours.

[On the Street Interviews]
-- Between fifty to sixty hours a week.
-- Between forty and fifty and sometimes sixty.
-- I work forty hours at this job, then I have another one upstairs, ten hours – about fifty-five hours.
-- Between forty or fifty-five depending on how busy we are.
-- I work around seventy to eighty.

JULIET SCHOR: There's more and more time pressure and as I began to calculate what had happened to annual working hours over recent decades, I found that hours a work began a sharp upward turn in the 1970's and have continued rising since then. We have now more than three decades of increasing hours of work in the United States, so people became overworked Americans rather than leisured ones.

THE CYCLE OF WORK AND SPEND

JULIET SCHOR: What I found is that two major factors have led to rising hours of work. The first is that firms began to make it increasingly difficult for unions and employees to take productivity growth in the form of shorter hours. So they put up a lot of resistance to hours reductions. Of course the other side of that equation is that the union movement became very weak in the post-World War II era, and unions had been the major force for hours reductions in the previous century. I realized there was another part to it, which was, it wasn't just about what was happening in the labor market. It's also the fact that long hours of work translated into higher incomes for employees. And people went out and spent those incomes. We developed in this country what I've called "the cycle of work and spend," which is that productivity growth turns into longer hours of work, higher incomes, more spending, which then makes people need to spend longer hours of work to sustain their lifestyles.

If you look at what happened in the 1980's and 90's you see a dramatic upscaling of the American dream.

What used to be an aspiration for a comfortable middle-class standard of living. A small house with a white picket fence, 2.2 kids, a car, has morphed into widespread desires for McMansions, upscaling of vehicles, there's been a dramatic upscaling, to an affluent style of life. Comfort is no longer enough, people want luxury. I call it the new consumerism, and it involves a dramatic shifting in the kinds of aspirations that people have all across the income spectrum.

STRETCHING REFERENCE GROUPS

JULIET SCHOR: This of course is not the first time that people have consumed conspicuously, have gone in a big way for luxury goods and so forth. We've seen this happen a number of other times. At the end of the nineteenth century, we had a dramatic competitive consumption in which the rich and the nuevo-riche were competing, who could have the fanciest carriages, the heaviest silk gowns. And we saw it again in the 1920's, where all of the money that was being made in the rapidly growing mass-production economy went to building mansions and fancy lifestyles and so forth for the affluent.

What's new about what's happening today is that this competitive consumption has shifted out to the vast majority of the population, instead of being confined to a small group of people at the top of the income scale. We had the growth of a mass-consumer society in which everybody is participating.

The first stage of a shift to a mass consumer economy and the social processes and the emulation that go with it is what people used to refer to as "keeping up with the Joneses," and that was really a description of what was going on in the post-World War II period, as the country was suburbanizing, people were settling into those sub-divisions, and they were looking at what their neighbors next door and down the street were doing. Those were the Joneses. And what they saw was that they were getting Chevrolets, and washing machines, and eventually dishwashers, and a whole range of middle-class consumer goods and people were emulating what they saw down the street.

The distinctive characteristic of the keeping up with the Joneses era is that the Joneses and the Smiths made about the same amount of money. So people were emulating, copying others within their basic social grouping, within their social class. And that's because it was a neighborhood-based competition and people in neighborhoods tend to have roughly similar status. What's happened with the era of new consumerism is that Americans across the spectrum have started to emulate the affluent. The six-figure incomes, the fancy suburban houses, the upscaled SUV, foreign vacations, remodeled kitchens, and so forth. We have moved to a culture of upscale emulation. The lifestyle of the top 20%, has become the aspirational target for the 80% below them.

[ABC News] *No doubt about it, the trappings of the American dream have gone up-scale. And Americans are going deeper and deeper into debt to finance their buying binge.*

JULIET SCHOR: The keeping up with the Joneses system was sort of firmly ensconced in the late forties and fifties and continued well into the 1970's, but then things start to change. There are really three factors that lead to the shift toward what I called new consumerism and upscale emulation. The first, is that women, particularly college educated women start moving out of the neighborhoods where they were involved in a lot of social activity that was the basis of that proximate consumption. They were keeping up with their neighbors. And they moved from the morning coffee clutches and the playground chats into the workplace. And the workplace is a hierarchical organization, where they are exposed to a much wider reference group in terms of people's statuses. So they find themselves going to meetings with their boss, and their boss' boss, others who are earning much more money then they are, and the talk at the work place, the consumption communication at the workplace, means they're hearing about much more upscaled consumption patterns then they were when they were basically stuck in neighborhoods.

The second really crucial thing that happens and that underlies a lot of the change toward upscale emulation is that the income distribution begins to move in very dramatic ways towards much more inequality. Starting in the mid-1970's, the top 20% of the population begin to take a larger and larger share of income and wealth. And the 80% below them begin to lose out and over each decade are earning a smaller and smaller fraction of the pie. This shift was really important in establishing the top 20% as the lifestyle norm, as the group to emulate, because they were getting more and more income and they were consuming it very visibly and publicly and of course this brings us to the third, very important dimension of this process, and that's the role of media and television in particular.

The media has a very pronounced bias towards showing upscaled or affluent consumption. A sitcom family that's supposed to be *quote-unquote* "middle-American/ordinary American" almost always lives a $100,000 year plus lifestyle. That is they almost always have an affluent lifestyle only achievable with an income in that top 20%. They live in great big houses, they have two late model cars, they have lovely wardrobes; it's a fiction that they're average.

The popular sitcom *Friends* is a good example of this. Here's a group of young kids in Manhattan, who may or may not even have employment, you know sometimes they do and sometimes they don't, and it's not lucrative employment and yet they live in the great big fabulous New York apartment. You just cannot afford an apartment like that in New York City unless you have a very high income.

There's very interesting research which shows that heavy television viewers have dramatically upward biased perceptions of what other Americans have. We are now seeing very high levels of advertising for very expensive goods on mass media like television. You'll see ads for $55,000 vehicles, even if you're a person who only makes $20,000 a year, the companies are willing to spend money to get your eyeballs, but the impact of seeing all those ads on lower-income people is not surprisingly that it makes them want to buy those products.

THE VISIBLE LIFESTYLE

JULIET SCHOR: If you're going to have a consumption competition, the people who are involved in it need to know what others have, and the easiest way for them to know what others have is to see it. There are problems when you compete around things that people can't see, like the size of your bank balance, because it's easy to lie about it, it's easy to brag that you have something that you don't. With a conspicuous consumption model – that is with products that are socially visible – you either have the Lexus or you don't. It's pretty clear. People can see pretty instantly the size of the rock on your finger. They can see how big your house is and so forth. So what has happened is that the kinds of goods that we compete about over time have gravitated to the goods that are socially visible. I think a lot about what I call the big three: the car you drive, the house you live in, the clothes you put on your body. And as the competitive consumption system spread to a wider and wider group of people, those socially visible items become increasingly important as a part of a competitive consumer system

The commodity where you see this in its most destructive form, of course is the SUV, Sport Utility Vehicle. And you have large numbers of consumers moving to these vehicles not because they need to use them off-road, not because they fill them up necessarily, but because they are the trendy vehicle of the moment, and they're dangerous to other drivers on the road, they're extremely detrimental to the environment, they have very low gas mileage and contribute disproportionately to global warming, but you've had a mad rush to them by consumers because of their extraordinary prestige and status volume.

Housing's been another area of dramatic escalation and upscaling. The average American house has doubled in size since the 1970's, despite the fact that there are declining numbers of people living in the houses so square footage per person has increased dramatically. Luxury sub-divisions have been springing up all over the country. With only over-sized executive style and other fancy homes.

[ABC News] *Four five and six-thousand square foot McMansions are going up in subdivisions with pools and tennis courts all over the country. As American play a new game, no longer keeping up with Joneses' now, it's the Gates'.*

JULIET SCHOR: Houses have also gotten much more luxurious, with remodeled kitchens, granite countertops. Bathrooms have gotten much fancier with Jacuzzis and steam showers. We've shifted to building three-car garages, two for the cars, one for all the stuff that you can't fit in all the rest of the house. Eventually, however, people have acquired the houses, the cars, the jewelry, the wardrobe, the watches and so forth, and the continual pressures of advertising and marketing and to keep up as incomes grow and wealth increased, new products get drawn in to the system of competitive consumption and things which were previously not really socially visible get drawn in and marketers and consumers make them visible.

So, it used to be that water was an unbranded good, there was no status value to water. People took it out of the tap. But water comes to be branded, and you get a whole range of statuses of water, the foreign waters become the most valuable, and people start walking around out on the street and in other public places with their water bottles with labels.

Coffee's another one. A couple of decades ago, if you bought coffee at a coffee shop it would come in a generic cup. All the coffee shops bought the same cup. Now all those cups are branded and you can tell whether you bought it at Starbucks, or whether you just bought it at the old fashioned neighborhood coffee shop that still uses that generic cup.

Athletic footwear is another example of a product, which was previously sort of back-grounded, unbranded. People used athletic footwear for sports. It didn't have the status value that your dress shoes did, for example. But once Converse, Nike, Reebok came along, they turned these footwear items into extraordinary examples of status goods in which the name became absolutely everything. These are products that are produced, you know most of the athletic footwear is produced with the same materials, in the same factories, according to very similar designs, and yet people will pay a hundred dollars more just to have that Michael Jordan logo on it. What's happened in the era of new consumerism is that branding has become all-important.

[On the Street Interviews]
-- Favorite brands? Krispy Kreme…
-- Abercrombie and Fitch…
-- Clinique…
-- Victoria's Secret…
-- Ikea Furniture...
-- TiVo…
-- J. Crew, I like J. Crew…
-- Coca-Cola
-- Jaguar…
-- Gap…
-- Gap Jeans…
-- One of those Minis…
-- Airwalks…Vanns…
-- Kmart.
-- Mini Coopers…
-- Wal-Mart…
-- Imax…

JULIET SCHOR: More and more products are branded the importance of consuming the right brands has become much greater. Back in the 1950's and 60's, there were no labels on the outside of clothes. Designer labels were only on the inside. Beginning in the seventies, starting with t-shirts and then increasingly many, many types of apparel, footwear, and accessories, designers started putting their logos on the outside of goods, so that people can broadcast very clearly that they paid the status premium and they bought the prestige, the product.

There are wonderful studies showing that you can take the same piece of apparel and sew three different labels in it, ask the consumer to rank these three identical items and they will rank them in quality according to the labels on the inside, not even realizing the three items they've been given are exactly the same item.

What this means is that people increasingly are willing to pay money to get the right brand name. One of the surprising things I've found in doing the research is that the willingness to pay for status is not something that you find mostly among uneducated people, people who are duped into paying more for a branded good then something they could get as a cheap generic, for example. But that willingness to pay for status premium is more likely among highly educated individuals.

I don't think you can understand the phenomenon of over-spending in America without understanding the role that denial plays. Most American consumers live in a fog when it comes to their spending. And that fog is very important in reproducing the spending life. For example, the vast majority of Americans don't know where their money goes. They don't have budgets, and even those who do have budgets don't pay attention to them. If you ask American consumers how much credit card debt they're holding, the average answer is less than half of their real debt.

[On the Street Interviews]
-- My credit card debt is probably about $3,000….
-- $15-18,000 I bet…
-- Probably about $1,500…
-- It would definitely be under $5,000…
-- Uh, $1,000.
-- $4000
-- $20,000…
-- I have like $1,000 worth of debt
-- about $40,000…

JULIET SCHOR: And this process has really accelerated among youth. Credit card companies have aggressively targeted students in recent years offering them free air tickets home for Thanksgiving if they sign up for a card, offering students no money, and even students without jobs credit cards, and you have an increasing number of college students today, graduating with sizable credit card balances.

There's a dramatic social irrationality at the core of the competitive consumption system. What people are seeking, is to do better than the other guy. But if the other guy is also increasing his or her consumption at the same time, everyone's just staying in the same place. But in today's world, we're having to work longer hours, take on more debt, erode our savings, in order to keep up with this dramatically escalating consumption standard. And yet, we're not getting anywhere.

THE COSTS OF OVERSPENDING

JULIET SCHOR: So the stretching out of reference groups collided, beginning in the 1970's, with the growing disparity in incomes, and also the slowdown of income growth, and the result was what I call the "aspirational gap," the difference between what people want and what they can afford. More than half the population of the richest country in world now says that it can't afford to buy everything they really need. And it's not just the poor half. More than a quarter of all households, where their annual income is more than $100,000 a year, say they can't afford to buy what they really need. The growth of the aspiration gap has led American households to take on debt at unprecedented levels. Throughout the 1990's, consumer debt, mostly on credit cards, but increasingly on mortgage debt as well, reached higher and higher levels. Savings plummeted, as the national savings rate hit zero, and even negative numbers in some years, and has hovered in the zero range for quite some time. Consumer bankruptcies began to rise. In 1980 there were about 200,000 consumer bankruptcies a year. By 2002, that number had hit 1.5 million.

One of the most striking figures to emerge by the end of the 1990's is that 60% of American families have only enough savings to sustain themselves for a month or less if they were to lose their jobs. We are truly living on the edge when it comes to financial security. The average American worker is now putting in nine more weeks a year than his or her western European counterpart. Which means that we could stop working at the end of October, and take the rest of the year in vacation if we were just working the same levels that our counterparts in Western Europe are.

The rise of work time is reflected in a variety of other indicators as well. More Americans are working as a fraction of the population than ever before. More people have second jobs, people are more likely to work overtime, more of our young people are holding jobs; we have truly become a workaholic society.

Pressures on private spending are also eroding public spending. As the aspirational gap rises, and people find it harder to fund escalating consumer norms, we've had a tax revolt, in which people are increasingly willing to fund schools, parks, arts and culture, and other public goods in which we don't compete in. Private consumption is crowding out public goods. And the crowding out of public goods erodes our larger quality of life, it undermines our communities, our connections with each other, and that in turn reinforces people's feelings that the private consumption is all the more important.

We tend to measure our wellbeing by GNP, annual income, but if we look at broader measures, which look at our social health, it turns out that they have increasingly diverged from income over the past thirty years. Beginning in about the mid-1970's, income and social health started going in opposite directions. The intensification of the work and spend cycle, has led people to have less time for their family and friends, and diminish the quality of family life. The more time parents spend with their children, the less discretionary buying they do for them. The more parents are away from their children, the more they compensate by buying toys and videos and luxury items for them. Consumerism becomes a substitute for human connection.

Environmental degradation in the last thirty years is unprecedented. Whether we look at marine life, forest systems, habitats, ecosystems, climate changes, across a whole variety of indicators, our consumption patterns are having dramatic impacts on all natural systems, all around the world. We all know SUV's pollute a lot more than cars do, but what we tend to forget about is the fact that every product that we consume has an environmental impact. Whether it's the pesticides used in our cotton t-shirt, bird species, which are destroyed for plantation-grown coffee, the thousands of toxic chemicals in our consumer durables, computers, cell-phones. If all this consumption were making us deliriously happy that would be one thing, but in fact, what we find, is that after intense desires to acquire goods, Americans are discarding them at record rates. A trip to the dump in any affluent town in America, will tell the story of the disgorgement of product after product. Americans are literally drowning in stuff.

[On the Street Interview] *Sometimes you feel like, 'Wow. I've got too much stuff.' And you don't know where it all came from, you don't even remember why you bought it. Sometimes you're just living to buy new things.*

JULIET SCHOR: Despite the fact that we're building walk-in closets at record rates, we're adding garages to store all our stuff. We are also renting storage facilities to take care of the overflow of possessions at rates which have never been seen before.

Instead of the leisure society, a reasonable pace of life and balance, which so many Americans say they want, we feel ourselves living on the edge, out of balance, and with pressures to work and spend unlike any we've every felt before.

GETTING OFF THE CONSUMER ESCALATOR

JULIET SCHOR: People often ask me how to get off the consumer escalator, how to escape from the cycle of work and spend. Step one is to begin to control your consumer desires. You can stop going to malls. Instead of opening the catalog when it comes in the mail, throw it away. Don't surf Internet shopping sites. If you want to make a major purchase, spend a week sitting on it before you actually take the plunge. Zap the ad, stop reading fashion magazines. This goes beyond an individual process. After you stop going to the mall, you also have to convince the other people in your family, your friends and people in your community to start acting differently too.

One response by a growing number of Americans has been to reject the cycle of work and spend. Downshifting their consumption, working less, even embracing principles of voluntary simplicity. Changes at the national and global level in policy are also essential to get beyond work and spend. Millions of Americans would prefer to work fewer hours, but don't have flexibility in their jobs that will let them do that. To reduce hours, they often have to leave their jobs, and that's a cost not many of us can pay. We need to open up those corporate policies to give people the right to work less, to give people better vacations, saner work lives. We need a progressive consumption tax, which puts higher burdens on the people who buy expensive, upscaled, status-y, and typically more environmentally degrading versions of products. By contrast, the lower cost versions of products, the generics, the unbranded, the downscaled versions, would pay lower taxes or maybe receive subsidies in the same way that we're subsidizing hybrid cars, and some energy efficient products. Let's also subsidize the products that undermine the status system, and tax the ones that propel it.

The power of the consumer system today, flows largely through the symbolic. We see those luxury symbols and goods and we feel we must have them to be socially validated human beings. Our identities are so deeply wrapped up in the products that we own and use.

To get out of work and spend we need to deconstruct those symbolic meanings. We need to look carefully at the messages that are coming from Madison Avenue. Much of what they're telling us is that exclusivity is the cool value, the thing we want to strive for, but isn't a better value system one which affirms our commonality, which is more about connecting with other people, rather than having more than they do, having what they can't afford. We don't need the purveyors of consumer culture to connect us to each other. We can make those connections ourselves.