Relative status and interdependent effects in consumer behavior

Parfait U. Gasana*
Department of Economics, University of North Carolina, CB 3305 Chapel Hill, NC 27599, United States

A R T I C L E   I N F O
Article history:
Received 10 November 2007
Received in revised form 26 May 2008
Accepted 23 July 2008
JEL classification:
D12
Z1
Keywords:
Consumerism
Consumption
Relative status
Interdependent effects
Ghetto fabulous aesthetic
Social process

A B S T R A C T
The current consumer culture, which associates the meaning of life primarily through the consumption of
goods and services, has brought many transformations in U.S. society. The purpose of this study
is to examine the relative status and interdependent effects associated with consumer behavior, as
developed by economists Veblen, Duesenberry, Frank, and Schor. Using the 2005 Consumer Expenditure Survey,
several linear regression models have been conducted on four expenditure items including clothing,
entertainment, home furnishings, and automobiles. While controlling for several demographic variables,
a consumer’s relative expenditure ranking emerges as the strongest substantive factor in determining
clothing consumption and number of automobiles owned.

© 2008 Elsevier Inc. All rights reserved.

1. Introduction
In post-industrial United States, the contemporary consumer
culture that essentially ascribes the meaning of life through con-
sumption pervades the landscape (Belk, 2007). Yet, across the
literature in the social sciences and humanities, consumption has
meant more than buying and using goods and services simply for
utility or enjoyment. It involves a social process as people inter-
act with one another across various institutions, relationships,
and walks of life. This paper will examine consumption as a social
process, by way of relative expenditure patterns that underlie
consumer behavior, a concept overlooked in economics. In addi-
tion, this study may ultimately encourage a more interdisciplinary
paradigm for analyzing consumer behavior.

After World War II, the consumer culture played an unprece-
dented role in the lives of Americans. Consumption alone comprises
two-thirds of the GDP, an amount nearing $8 trillion (Mascli, 1999).
However, this climactic force developed in tandem with economic
restructuring, male’s declining wages, the growth of single-parent
families, and the movement of middle-class wives into the labor
force. As a result, income inequality increased beginning in the early
1970s (Cherlin, 2008). Top earners gained a better material stan-
dard of living with a burgeoning stock market, rising real wages,
and investment in securities (Mascli, 1999). Middle-class Ameri-
cans continued utilizing their stagnant purchasing power (Schor,
1998). Nevertheless, declining real wages persisted in recent years.
According to Scheve and Slaughter (2007), in gathering evidence
from the Bureau of Labor Statistics, between 2000 and 2005 average
earnings of 96.6% of U.S. employees dropped across most educa-
tional groups including high school dropouts and graduates, some
college educated, college graduates, and nonprofessional master’s
degree holders. Only professionals (i.e. M.B.A, J.D., and M.D.) and
doctorates witnessed real earnings growth. Despite this increasing
income inequality, mass consumption endured.

However, U.S.’s expanding economy led to a particular
phenomenon in what economist Juliet Schor labels as the “work-
and-spend cycle.” Since the late 1940s, work hours increased an
average of 9 h per year, a little more than one extra business day,
across most occupations, income groups, marital statuses, and
industries. Over the span of decades, such an increasing work length
became considerable. While Americans worked longer and at the
same time ran the consumerist treadmill leisure time dwindled.
With the cycle being fueled by productivity growth, time became
a scarce commodity (Schor, 1992). Time declined for sleep, vacation,
exercise, travel, reading, and other mind and body-nourishing activi-
ties (Frank, 1999a). Increased working hours and stress resulted in
decreased attention to spouses and children (Schor, 1992). Civic
engagement and everyday socializing plummeted as well (Putnam,
2. Literature review

2.1. Reasons for consumerism

Thorstein Veblen, an economist at the turn of the twentieth century, coined the term conspicuous consumption to describe the motivating factor among wealthy elites during the Gilded Age. As a growing segment of the population—Veblen’s leisure class—became exempt from industrial occupations the consumption of goods became an alternative outlet to occupy their time. The rich spent to showcase their social position and defend the social structure that conferred to them their privileged position. The esteem of their neighbors became a basis for self-respect. It was not enough to just have wealth and power; the two had to be displayed ostentatiously. In other words, the opulent class consumed valuable goods in order to demonstrate their prosperity (Veblen, 1973).

Throughout the twentieth century, however, consumer behavior evolved. Economist Juliet Schor (1998) characterizes late twentieth-century consumption patterns as the “New Consumerism.” In post-World War II America, the middle-class began comparing themselves to certain groups of people they wished to emulate. Essentially, they tried “keeping up with the Joneses.” These groups included relatives, co-workers, neighbors, and friends. With the advent of mass media advertising, standards were sharply raised. Consumers developed aspiration gaps, living beyond their means in order to stay in the race. Children needed expensive private schooling in high-cost residential areas. Career wardrobes had to reach high standards in order to stay competitive. Co-workers no longer had incomes in the same range. As a result, reference groups and consumer norms vertically stretched out, jeopardizing the quality and the social fabric of American life. Schor’s reasoning of competitive consumption will help interpret this paper’s data analysis on why relative ranking influences expenditure amount.

Similarly, economist Robert Frank acknowledges the competitive motive underlying contemporary consumerism. However, he does so using a different approach than Schor’s. Frank (1999a) claims that the divergence of real wages, or income inequality, in the last two decades of America’s economic growth substantially favored the top of the economic totem pole. Meanwhile, the middle of the income distribution gained virtually no ground, and the lowest quintile actually suffered declining real incomes. Such inequality bred expenditure cascades where the middle-class worked longer hours and spent more in order to keep up with the upper strata, as all competed for positional goods (Frank, 1999a, b and Kashdan and Klein, 2007). Positional goods, first defined by economist Fred Hirsch (1976), were goods whose value derived from their scarcity and relation to others who could not obtain such goods (1997). Quantity is never increased when demand rises. Examples include old paintings, top-level jobs, and houses with a scenic view (1997). Frank’s reasoning will also support this paper’s data analysis to explain the impact of consumer’s relative ranking on expenditure of goods and services.

Still another approach, John Kenneth Galbraith (1958) reasoned instead that higher demands today were the consequence of manipulation from the supply side. As U.S. entered an age of affluence, individuals needed more enticing desires. Consequently, corporations stimulated consumer demand through persuasive advertising and salesmanship that allowed them to generate mass profits and minimize risk. Galbraith termed this occurrence the dependence effect, where wants were created and satisfied by the same process.

As columnist Patrick Marshall (2004) noted, “Americans are under siege by advertising.” Commercialism has invaded virtually all institutions, disrupting people with telemarketing calls, long movie preview ads, cyberspace ads, and commercially-named stadiums. Advertising had reached nearly a quarter trillion dollars in 2003 with ads placed on parking lot tickets, paper cup insulators, gasoline pump handles, and garbage cans.

2.2. Response in economics

As consumerism spread rapidly throughout society, the discipline of economics has been slow to gauge the impact of the phenomenon on people’s lives, particularly with its neoclassical theory of utility maximization. Schor (1999) questions the conventional theory’s stipulations that consumers are rational, well-informed, and have consistent, independent preferences with no external effects. She concludes that this standard model deviates widely from the real world. Anthropologist Mary Douglas partnered with economist Baron Isherwood (1979) to argue that the rational
دریافت فوری
متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات