The Overspent American

An interview with Juliet Schor

Juliet Schor is an economist who has taught at Harvard University since 1984 and is currently Senior Lecturer and Acting Chair of the Women's Studies program. She is also Professor of the Economics of Leisure at Tilburg University, in the Netherlands. Schor is the author most recently of The Overspent American: Upscaling, Downshifting and the New Consumer, and previously of The Overworked American: The Unexpected Decline of Leisure. She is a founding member of South End Press, the Center for Popular Economics and, most recently, the Center for a New American Dream.

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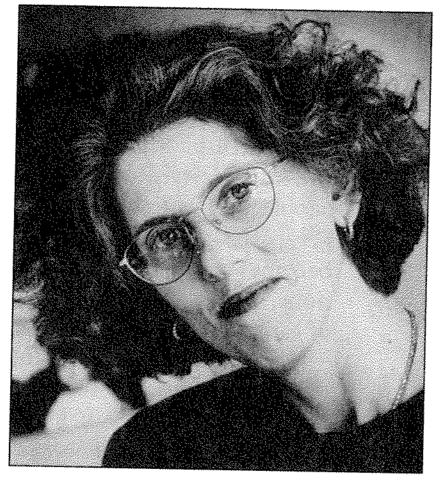
Multinational Monitor: *When you talk about the Overspent American, what do you mean by "overspent?"*

Juliet Schor: I mean a few things. People are spending more than is fiscally prudent, more than they did in the past and more than they realize.

There are many dimensions of the overspending phenomenon: The savings rate in this country in one of the quarters of this year fell to effectively zero, which means households are spending all of their income, on average. Twenty years ago, we had a savings rate of 8 percent, and that was already lower than many countries of comparable income levels.

Many families are living without an adequate financial cushion. In the last survey of consumer finances done by the Federal Reserve Board, the data show that 60 percent of all families have financial assets — that is, savings outside of their houses and cars — which could last them only about a month if they lost their jobs or other income sources. Another 20 percent can last only about three and a half months. That means 80 percent of households in this country have very,



very meager assets that they could draw on in an emergency. Large numbers of baby boomers have nothing or virtually nothing saved for retirement.

Increasing number of households have been going into credit card debt, buying things that they cannot pay off.

In the surveys that I did, the vast majority — around 85 percent of people in one survey — say that they think they spend more than they should, that they need to save more. I also found large numbers of people saying they are not quite sure where their money goes, that they don't know what they are spending their money on. Americans tend to underestimate the credit card debt they have by about 50 percent.

MM: ***What accounts for the changes over time?***

Schor: In the last 20 years, some major things have happened which has led to an intensification

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of what I call competitive consumption — the "keeping up" process in spending. By extension, this leads people to spend a lot more, to become "overspent."

The biggest change is the worsening of income distribution. This started in the 1970s, and accelerated quite dramatically in the 1980s and 1990s. The top 20 percent of the income distribution holds a greater share today than in many decades.

How does this affect consumption? Obviously, it affects the distribution of consumption, because consumption and income follow each other pretty closely. But it has also had another kind of effect. The lifestyle of the top 20 percent of the income distribution has come to be an important aspirational goal for people throughout society, many of whom earn far less than the roughly $100,000-a-year incomes that are represented by that group.

That is part of how I understand the middle-class squeeze in this country: people in the $50,000 to $100,000 range, earning what in an earlier time would have been a very comfortable income, now feel squeezed, as if they don't have enough, as if they are barely making it. And these are the people who have taken on the biggest increases in consumer debt in recent years and who are feeling the pressure to upscale.

The media and television in particular play a growing role in setting these lifestyle and consumption aspirations. As we know each other less, and know television characters more — that is, as people interact less socially and TV becomes a bigger part of our lives — what happens on TV becomes increasingly important in real-life decisions, such as what to spend money on, what kind of car to buy, or what sort of house to aspire to.

I found in my research that the more TV people watch, the more money they spend, controlling for all sorts of other things. I argue that this is because TV inflates people's perception of what is normal and raises their consumption aspirations. TV mainly shows people in the top 20 percent of the income distribution. A family that is supposed to be an ordinary middle-class family on TV has a six-figure lifestyle. That has had a profound impact on our sense of what normal spending is.

MM: ***What is the role of status in purchasing decisions?***

Schor: My analysis relies very heavily on the idea of status, defined broadly. My argument is that much of what determines our sense of what is adequate and desirable is the social context of consumer goods and services. In particular, there is a group of goods which are consumed visibly — their use is public, other people can see that you own them, wear them, live in them, drive in them — and those public goods come to be very important in the competitive "keeping up" process.

Those public dimensions of consumption are very important in the United States, and increasingly so. And the number of products which figure in this competition seem to be increasing, as companies try to brand more and more commodities, things such as water and bread.

MM: ***Could you comment on your lipstick study?***

Schor: The idea of that study was to ask the question: Does status matter? Are people competing with products and paying for status, rather than just paying for the quality of the product or the intrinsic dimensions of the product?

Most researchers argue that women buy cosmetics and pay very high prices for the department store variety, for example, because they are fantasizing about being beautiful or they are buying hope, or they are looking for a little bit of luxury in an otherwise drab world — there are a series of arguments about what motivates the consumer.

What we did was ask the question: Are they trying to buy status? We took four cosmetic products that have very different levels of visibility in the way they are used and owned. These ranged from facial cleansers, which women only use at home, in their bathrooms, to lipsticks, which are taken out in public, often at a restaurant or at the end of a meeting.

If the status argument is right, women should be buying more expensive brands of lipstick than facial cleansers, and the premium over the level of quality of the product should be much greater for the publicly visible products versus the ones that are just used privately. In other words, you would buy a generic cleanser — the drug store brand — but you wouldn't want a generic for lipstick, because you wouldn't want to take it out in public. And high-priced cleansers should deliver more quality than high-priced lipsticks.

That is in fact what we found. The lipsticks in the quality control tests were rated identically by consumers. They can't really tell the difference among lipsticks if they don't have the packaging on them. But the prices of lipsticks vary from a couple of bucks for the drugstore brand up to about $25 for the department store brand. Whereas for the facial cleansers, people get much more quality for the price.

What the study suggests is that people are willing to pay money to buy status brands for the products that they use publicly. With lipsticks, in fact, the higher the price, the more likely people were to buy it. This is opposite of the usual assumptions in economics.

We took two intermediate products, eye shadow and mascara, which have some public use, and found they are right in between.

MM: ***What are people trying to achieve through these status-oriented purchases?***
Schor: People don't experience it in terms of status. Or they don't think of themselves as status-seeking people. And that is part of the process: we internalize the desires for these things. We think they are coming from our individuality. Or we think that we want a fur coat to keep us warm, not about the fact that a fur coat is a status symbol, or that our best friend has one, or if that we are the only ones showing up in the sensible wool coat, we feel somehow inferior.

I think we do it because we are social animals, and because we have a hierarchical and unequal society. It is a class society, and the class system creates and perpetuates the social role of consumption, the status role of consumption. We display our class membership and solidify our class positioning in large part through money, through what we have. Consumption is a way of verifying what you have and earn.

As inequality worsens, the status game tends to intensify. That is my argument about the last 20 years: the growing inequalities in society have made it ever more important to keep up, in terms of what you have.

Companies play an important role in keeping this going. They spend a lot of time and effort through advertising and promotion to get people to play the game, to get people to participate, to keep us upscaling, to keep us buying the newest model, to keep buying the latest thing, to keep us desperate to keep up in the game.

MM: ***When you talk about "we" and things that are happening to "us," you sometimes reference the entire society, but at other times seem to be discussing just the top 20 percent. "We" are obviously not all buying mink coats. What portion of the population, or what class segment, is the Overspent American?***
Schor: One of the things that I say in the introduction to the book is that it is a book about middle class people.

I did this for a couple reasons. One is that the research I did for the book — one of the major surveys I did — was with full-time employees who had a median income of about $60,000, considerably above the U.S. median.

There are, however, dimensions of the status game and similar financial habits that you can see throughout the entire population.

There are a lot of people in our country who are just struggling to get by, who don't have a lot for extras. They are suffering tremendously because this is a system that says to be somebody, you have to wear these shoes and drive this car and live in this house. The growing number of people who cannot do those things are being disenfranchised in the realm of consumption, as well as in many other realms.

The other thing I would say is: Historically, a hundred years ago, say, or in the 1920s when consumerism really gets going in a mass way in this country, working class communities had an alternative set of values to consumerism. They had ethics of sufficiency, rather than luxury. They criticized the economic system and the cost that people had to pay to become consumers. They looked to public goods, education and civic engagement as alternatives to the much more privatized, atomized purchasing existence. This century, that anti-bourgeois consciousness or culture within the working class has become weaker and weaker.

MM: ***What is a downshifter?***
Schor: A downshifter is a person who makes a voluntarily lifestyle change which entails earning less money. Typically, they want to work less, and then perforce they spend less money because they are earning less.

MM: ***How many people are downshifting?***
Schor: I found in a poll I did in 1996 that about 20 percent of the adult population said it had had a voluntary downshift over the 1990s. About another 11 percent said that it had an involuntary loss of income — they lost their jobs or their pay was cut. Voluntary downshifters did it because they were too stressed out, or felt they had too much work and too little time. Just over half said that they considered the change to be permanent.

MM: ***How big is the typical downshift?***
Schor: It was pretty significant. I think more than half of them were working fewer than 30 hours a week, whereas the vast majority of them had been working more than 40, and many of them had been working more than 50 before the downshift.

MM: ***These numbers seem to represent a huge shift. Is there always that kind of churning in the economy?***
Schor: We don't really know. I tried to do some longitudinal studies, but I could not find a comparable data set.

I will say this: There is always some of it going on. People change careers. People drop down because they have children or family responsibilities, or just age and decide to live differently.

I think what is unusual — and this is where the 10 percent or 11 percent number is more interesting — are the people who have done this permanently. The vast majority of downshifters are younger than 55, and retirements are not included here. These are not people who are coming to

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There are good reasons to think there is more downshifting now. The higher costs of making it in the corporate economy now — the increased pressures that come with decent-paying jobs, the lower likelihood of a long-term relationship with a company — would lead you to expect that more people would opt out.

the end of their working lives and are gradually moving down. I doubt there were as many doing that in the 1980s and 1970s as are doing it now.

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One interesting thing is how many of them are located at fairly low levels of income. The initial media reporting on all of this was about the yuppies moving to Montana with all the money they made on Wall Street. And although a significant amount of that is going on, what was so striking to me was how many people of really moderate income — how many people who made $25,000 or $30,000 or $40,000 — downshifted. A lot of the interviews I did were with people who made $40,000 a year and were now down to $20,000.

MM: ***What are some of the steps you recommend for people to downshift, or spend less?***

Schor: The last chapter is about how to spend less — how to become a more conscientious consumer at any given income level. Some of the things are just common sense kinds of advice, which would have been much more likely to characterize consumer behavior in earlier decades. For example: Know what you are going to buy before you go into a store — have a list. Don't buy on impulse; think over purchases. Have the money to buy something before you actually buy it. Have an institutionalized way to save — one of the things we know about saving is that it is hard for people to just do on their own, but they are much more successful if they have an automatic savings plan.

Another whole area has to do with your symbolic relationship to products, and deconstructing your consumer desires. Figure out why you want the things you do, how much of it is symbolic and how much of it is stuff that you really need or will want over the long run. Partly, it is rejecting the symbolic context that advertising and marketing has created for products and moving back to a less corporate-driven and a more authentic kind of desire. I'm not against people wanting stuff and buying it, I'm not against people even wanting something they don't need and buying it. It is a question of understanding what it is driving your desires and bringing your consumer desires into line with a set of values you have about your place in the world.

There is the whole socially responsible piece of this: learning about where products come from, who is making them, what kind of conditions those producers are living with, what the environmental impacts of the product are.

MM: ***Is there a parallel policy and regulatory agenda to deal with overspending?***

Schor: There is a lot that can be done. I don't say much about it in the book, because the book is more oriented to individuals. Much of the book is about status consumption, so the key policy issues have to do with mitigating the factors that exacerbate status consumption. Moving toward a more egalitarian distribution of income is probably the most important thing we can do to solve this problem. Enacting a tax system which penalizes luxury consumption, or maybe promotes socially responsible consumption, would be a huge step forward in shaping the consumption pattern.

A favorite example is sport utility vehicles. We are subsidizing these vehicles. They are the perfect example of everything that is wrong with status competition. We have people buying features they do not use, going into debt to drive these things because there is so much pressure to keep up with the latest fad. They have really bad collective effects: they are dangerous, and they endanger the people who are in smaller cars; they are horribly polluting and use a lot more resources than cars. There is almost nothing good to be said for them. In a society that really took consumption seriously instead of the neoliberal attitude that people should buy whatever the companies can sell them, you would want to discourage a movement toward a commodity that is dangerous, polluting and more expensive than people can afford. And you would do that by taxing them very heavily.

MM: ***How important are these two tracks — individual action and policy changes — in relative terms?***

Schor: If you could change the incentives facing people — if you could increase the price of gas 10 times, for example — you would have a huge impact on people's consumption patterns, you'd get them to do all kinds of things that you can't get them to do by moral suasion or education.

The problem is that we don't have a mobilized citizenry pushing for those things. And we have a mobilized business class and other elites who now own the government preventing those things.

Part of why I emphasized individual solutions in this book is to try and create sentiment for a social movement that would then push on the policy. You don't have the consciousness for some of the policy changes because the Right so dominates the ideological terrain now. Part of my strategy has been to talk to people about their daily life issues, with the hope that as they start to confront those daily life issues they see the power structures and come to have a transformed consciousness. ■