

The Economics of Conspicuous Consumption: Theory and Thought Since 1700

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Publisher: Edward Elgar²

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The Economics of Conspicuous Consumption is an intellectual history, spanning almost three centuries, of the ways in which social scientists and especially economists have thought about – or, more often, ignored – the use by consumers of socially visible goods to solidify or achieve social standing. In Roger Mason's 1981 book on the same subject, the British professor called for further theoretical and empirical investigation of conspicuous consumption. Despite the passage of nearly two decades, Mason's message remains largely the same: that economists continue to marginalize the study of conspicuous consumption, to their detriment and that of society. Although Mason calls for new models of consumer decision making that incorporate and elucidate conspicuous consumption, his book is backward looking, explaining why conspicuous consumption has been largely overlooked by economists.

Mason's recounting of the story by which thinkers have addressed conspicuous consumption is impressive in both its historical and disciplinary sweep. Although the first objections to ostentation were rooted in religious beliefs (recall the deadly sins of pride, envy, gluttony, and covetousness), Mason picks up the story in the early 18th century and focuses on efforts to analyze the impact of ostentatious display on economic rather than moral well-being. Mercantilist thought, for example, held that thrift led to prosperity, so conversely, extravagance inhibited economic progress. Mason notes that mercantilist doctrine was hypocritical inasmuch as it ignored the conspicuous consumption of political and commercial elites in cities like London and Amsterdam. Such inconsistencies between words and action could not help but open the doors to thinkers, like Bernard Mandeville, the French Physiocrats, and even Adam Smith who saw some value in the urge to consume with the purpose of impressing others.

From this starting point at the beginning of the industrial revolution, Mason examines the struggle of economists and other social scientists to acknowledge and examine

behavior that they regarded as offensive yet increasingly prevalent. Some of the theorists will be new to the reader. John Rae, for example, is the subject of chapter two. In the mid-nineteenth century, he tried to distinguish between vanity, of which he disapproved, and the socially driven desire for conspicuous consumption to protect one's position in society. Rae believed that the latter type of consumption was society's "fault," not that of the individual who was merely behaving like everyone else and responding to social pressure. Similarly, British economist Nassau Senior condoned ostentatious display as the expression of a universal desire for distinction, but only when this display was directed at one's peers as opposed to one's social superiors or inferiors.

Many of the people whose thoughts and writings are surveyed by Mason are well known, although not necessarily for their work on conspicuous consumption. These people include Alfred Marshall, A.C. Pigou, Lord Keynes, and John Kenneth Galbraith. I particularly enjoyed learning that Gary Becker tried to analyze status-seeking consumption by exploring the demand for a commodity he described as "distinction." Although Becker asserted that status seeking could be handled by traditional economic analysis, his attention to the topic implicitly signaled that the analysis of conspicuous consumption was not marginal to economics and should not be left to the other social sciences.

Mason has several heroes – economists and social scientists who believed that understanding the interdependence among consumer preferences was essential to a proper theory of demand. Of course, Veblen is one of these heroes, but Mason seems even more enamored with the work of James Duesenberry and Harvey Leibenstein. The latter not only distinguished status-oriented consumption that involves copying others (the bandwagon effect) from status seeking that aims at distinguishing oneself from other, but he also distinguished the more general case of consumption in pursuit of exclusivity (the snob effect) from the specific

1. 1998, 192 pp, \$75.00 (Hardback), ISBN:1-85898 833 0

case of items being desired precisely because of their expensiveness (the Veblen effect).

While Mason tries to focus on the gradual advances made in the analysis of conspicuous consumption, virtually every chapter—and the book as a whole—comes to the same conclusion. This conclusion is that economists have refused to acknowledge the importance of conspicuous consumption despite patterns of marketing and consumption that so clearly reveal the prevalence of this type of consumer behavior. Over and over, Mason blames this failure on one or more of the following factors: (1) the morally repugnant nature of ostentation and emulation, (2) the apparently irrational nature of conspicuous consumption, (3) the presumed confinement of truly ostentatious display to a small social elite, (4) the desire not to sully economics by addressing the same questions as sociologists and social psychologists, and (5) the difficulty of treating aggregate demand graphically and mathematically when individual preferences are dependent on the consumption decisions of other people.

Given that so much of the book examines why economists have failed to study conspicuous consumption, it is surprising that Mason spends relatively little space justifying why conspicuous consumption needs more scholarly attention. Mason repeatedly states that the failure of economists to accept the importance of conspicuous consumption in their theoretical and empirical work is at odds with “market realities,” in particular the behavior of consumers in all social classes and the activities of manufacturers, marketers, advertisers, and retailers. Yet, the book rarely discusses these market realities in any detail. Of course, doing so would have required doubling the book’s length, but this choice has the unfortunate result of leaving the reader feeling that he or she is getting only the intellectual half of the story.

It is only in the book’s final chapter that Mason suggests that the study of conspicuous consumption has potential implications for public policy. For example, he states that snob and Veblen effects may help justify exclusive dealing arrangements and resale price maintenance. Similarly, Mason shows that the popularity of counterfeit goods and the impact of luxury taxes require an understanding of the consumer demand for status. Such observations might have been better placed in the book’s opening chapter to help motivate the reader to stick with a rather dry subject and treatment. (The book does not contain a single graphic, diagram, table, or illustration.)

While it may be unfair to expect that Mason’s book would have discussed the institutional development of conspicuous consumption or examined in more depth the policy relevance of the subject, one might be justified in expecting that Mason would move further beyond his core criticism of economics for giving short shrift to conspicuous consumption. Upon reviewing the academic scene at the end of the 1990s, Mason writes:

What was still needed was a more comprehensive economic analysis of socially-inspired purchase and consumption which was able to draw together Veblen, snob, and bandwagon effects within a unified model of consumer decision making. In particular, the interaction and interdependence of ‘vertical’ (between group) and ‘horizontal’ (within group) status seeking needed to be described and explained in the context of a new consumer theory (pp. 148-149).

There is value in pointing out the need for a new model and theoretical developments, but Mason stops short of accepting his own challenge. His book is useful in describing the thoughts of others over the last three centuries regarding luxury consumption, ostentation, status seeking, emulation, and the like, but he presents few new ideas of his own. Perhaps Mason is saving those thoughts for his next book on the subject of conspicuous consumption.