Consumer society and the economists

Consumption and well-being in the history of economic thought

Is consumer society a vehicle for progress? Or, on the contrary, a detour leading us away from the path to the good life? To what extent is consumer society a relevant object of analysis, after all? Today, these questions are central to the debate on capitalism, its dynamics, and its consequences. Yet they are by no means exclusive to our time. This book traces the history of economic thought on consumer society from the late eighteenth century to the present day. Some economists viewed consumption as an opportunity for progress, others as a dangerous deviation, while some sought to reconcile both perspectives. Whereas some attributed great significance to the triumph of a consumption pattern featuring abundance and diversity, others remained sceptical about the value of consumer society as an object of study.

This is the story of how economists debated consumer society and, underlying that debate, another fundamental discussion: how economists should conduct their research and what kind of relationships they should (or should not) maintain with other social sciences and the humanities. Engaging with this second debate is essential to addressing the challenge that the story recounted here poses for the future: incorporating the world of consumption into the great debates about capitalism and doing so in a manner that captures the complexity of its links with human well-being and social progress.

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1 THE B-SIDE OF CAPITALISM

One of the most striking features of the history of capitalism is the formation of consumer societies across the globe. In embryonic form from around 1870 and more fully after 1945, market societies have witnessed an unprecedented expansion in the scale and scope of consumer expenditure. This development has given rise to two rival perspectives. The first is the progress thesis, according to which consumer society brings material prosperity and expands people's opportunities to lead a good life. The second is the deviation thesis, which holds that the emphasis on growing material wealth ultimately hinders individuals' capacity to make progress in other dimensions of the good life, such as interpersonal relationships and the cultivation of existential meaning. Alongside these two opposing views, a third stance must also be considered—one that rejects both by denying the significance of consumer society as an object of study altogether. The history of economic thought offers a vital lens through which to examine the tensions and synergies among different views of consumer society. In this book, we focus on the last 250 years, from the time of Adam Smith to the present. Our approach is influenced by the work of Albert Hirschman and Joseph Schumpeter. We take inspiration from Hirschman's use of ideal types as a starting point for identifying intellectual genealogies and their points of interaction. This includes the possibility of discovering "synthesis views", which in the particular case of consumer society would be in line with the analysis provided by today's historians. From Schumpeter, we take an interest in exploring the relationships economics maintains with other social sciences and the humanities, as well as a preference for long-term periods in the reconstruction of the history of economic thought.

Key words: capitalism, consumer society, history of economic thought, Albert Hirschman, Joseph Schumpeter

2 CLASSICAL AMBIVALENCE (1770-1870)

The century preceding 1870 witnessed the unfolding of the industrial revolution alongside the intellectual cycle of classical political economy. The industrial revolution changed the world by freeing economies from their tendency towards stagnation, yet it initially had little effect on the consumption patterns of the masses. It is therefore unsurprising that, in an era still heavily marked by scarcity and deprivation, political economists from Adam Smith to Karl Marx lacked a coherent vision of consumer society. What these economists did possess, however, was a set of intuitions concerning the world of consumption and its impact on human well-being. The most striking feature of these intuitions was their ambivalence. Material abundance was at times perceived as a vector of progress—valuable in itself and for its potential effects on the non-material dimensions of the good life. Yet, in other instances, certain patterns of consumption were portrayed as forms of materialistic deviation. The most consistent articulation of these rival perspectives was offered by John Stuart Mill, through his use of the concepts of productive and unproductive consumption. The adoption of an analytical framework grounded in the notions of surplus and reproduction was significant in enabling the economists of this period to bequeath an intellectual map with the potential to evolve into a form of “synthesis view”. Just as important as these questions of what might be termed "pure" economics, however, was the fact that political economy remained open to the incorporation of historical, sociological, and philosophical elements.

Key words: classical political economy, Adam Smith, John Stuart Mill, unproductive consumption, Karl Marx

3 A BATTLEFIELD IN THE MAKING (1870-1945)

The economic debate surrounding consumer society began to take shape during the period 1870–1945. This was a time in which early forms of consumer society began to emerge in North America and Western Europe. There was also a transition from the tradition of political economy to an increasingly institutionalised discipline of economics. Yet the economics of the period remained pluralistic, and this pluralism is reflected in the diversity of perspectives that economists began to develop concerning the nascent consumer society. The marginalist school focused on the figure of the rational, utility-maximising consumer, who derived pleasure through well-informed consumption decisions—a formulation broadly aligned with the progress thesis. Complementing this, the Austrian school advanced the notion of the sovereign consumer, whose preferences served as the *primum mobile* of capitalism and whose freedom of choice was a cornerstone of non-authoritarian political order. In contrast, within the institutionalist tradition, Thorstein Veblen emphasised the role of consumption as a marker of social status. In doing so, he offered a powerful formulation of the deviation thesis, highlighting the socially corrosive effects of conspicuous consumption. Some economists sought a synthesis of these perspectives. Alfred Marshall and John Maynard Keynes, in particular, intuited that the progress thesis might hold true during a long historical phase marked by material privation for most of the population, while the deviation thesis could become increasingly relevant in a later stage of affluence. The deviation thesis—and the broader synthesis view to which it could contribute—flourished within intellectual traditions that treated economics as an open discipline, receptive to insights from history, sociology, and philosophy. However, in the final decades of this period, this open conception of economics came under serious threat from the rise of the neoclassical paradigm as envisioned by Lionel Robbins. It was in this context, amidst the pluralism that still characterised the discipline, that the lines of confrontation began to take shape—lines that would later define the major clash of views on consumer society that would erupt after 1945.

Key words: consumer society, marginalist revolution, conspicuous consumption, Alfred Marshall, John Maynard Keynes, consumer sovereignty

4 THE GREAT CLASH (1945-1990)

Between 1945 and 1990, the battlefield that had begun to take shape during the period 1870–1945 became the scene of direct confrontation between rival views of consumer society. This was the period during which fully developed versions of consumer society emerged—first in the United States, and later in Western Europe and Japan. It also marked the consolidation of the neoclassical school's hegemony within the discipline of economics. Consumer society came under critical scrutiny from the institutional economist John Kenneth Galbraith, who, at this point, was joined by some Marxists as well as by internal dissenters within the mainstream. Galbraith elaborated a kind of "synthesis view" that echoed the earlier formulations of Marshall and Keynes, combining the progress and deviation theses in a diachronic manner. However, the deviation thesis was met with strong opposition from the core of the profession, increasingly united around the kind of neoclassical economics championed by the Chicago school. Under the eventual leadership of Milton Friedman, most economists aligned themselves with the progress thesis. Contributing to this alignment was their particular understanding of economics both as a theoretical framework—centred on the notions of equilibrium and scarcity—and as a social science that had little to gain from engagement with history, sociology, or philosophy. Equally significant was the fact that, in the turbulent context of the Cold War, many economists adopted a political discourse—inspired by the tradition of Austrian economics—that cast the sovereign consumer as a bulwark of democracy and a safeguard against authoritarianism. The ascendancy of these perspectives led, by the final years of the period, to the disappearance of consumer society from the analytical horizon of new generations of economists, who were educated within an intellectual milieu that left little room to explore combinations of the progress and deviation theses.

Key words: consumer society, affluent society, John Kenneth Galbraith, Milton Friedman, consumer sovereignty, mainstream vs. heterodox economics

5 THE AFTERMATH (1990 TO THE PRESENT)

The conversation of the last thirty years has been heavily shaped by the outcome of the major confrontation that took place during the Cold War. While a new wave of expansion in consumer society unfolded, a mainstream current rooted in neoclassical economics was consolidating within academia, albeit now characterised by a significant degree of internal pluralism and theoretical fragmentation. In this context, consumer society has largely remained outside the field of vision of most economists. Among those who have engaged with the topic, heterodox and dissident economists have revisited the deviation thesis, experimenting with different ways of articulating it with the progress thesis. Alongside continuators of earlier intellectual traditions, ecological economists and happiness economists have stood out in this regard. Most economists, however, have continued to align themselves with the progress thesis. This reflects the extent to which the Cold War-era trajectories remain operative. Except in its growing connection with psychology, economics has largely sustained its intellectual isolation from other social sciences and the humanities. This has reduced the space in which the deviation thesis might emerge, and by extension, where a synthesis view might be developed. Moreover, most economists—including many aligned with social democratic political agendas—have continued to adhere to the doctrine of the sovereign consumer as a cornerstone of market democracies. Nevertheless, these path dependencies remain open-ended, and the question of consumer society continues to resonate in our time.

Key words: consumer society, mainstream vs. heterodox economics, ecological economics, economics of happiness, consumer sovereignty

6 CONCLUSION: CONSUMER SOCIETY AND THE ECONOMISTS

The historical journey undertaken in this book reveals that economists have struggled to develop a synthesis view of consumer society. Naturally, one must be cautious about overgeneralisation: it is possible to distinguish two distinct intellectual genealogies. The first—chronologically speaking—comprises economists who have shown a willingness to consider (at least as a theoretical possibility) the deviation thesis. These figures are found across a wide range of schools, including classical political economy, Marxism, institutionalism, ecological economics, and even strands of neoclassical economics. The second genealogy aligns strongly with the progress thesis and is associated with the type of neoclassical economics that rose to dominance during the mid-twentieth century and, to a significant extent, continues to shape mainstream economic thinking today. The difficulties encountered by the deviation thesis within this second genealogy stem in part from matters of economic theory, but also from a specific conception of economics as a social science, as well as from the political success of the doctrine of consumer sovereignty. The deviation thesis emerged more naturally among economists of the first genealogy, yet the path towards a synthesis view has faced significant obstacles. Some of these relate to the theoretical integration of the world of consumption. Others stem from persistent challenges in forging meaningful connections with history, sociology, and philosophy. Meanwhile, consumer society has maintained only an intermittent presence in the field of vision of economists across various schools and tendencies—something that has further limited the profession's capacity to elaborate a synthesis view.

Key words: consumer society, history of economic thought, intellectual genealogies, vision, economics as social science