

Friedrich von Hayek

### The Non Sequitur of the “Dependence Effect”

Friedrich von Hayek was the most eminent of the Austrian economists and the author of *Road to Serfdom*.

For well over a hundred years the critics of the free enterprise system have resorted to the argument that if production were only organized rationally, there would be no economic problem. Rather than face the problem which scarcity creates, socialist reformers have tended to deny that scarcity existed. Ever since the Saint-Simonians their contention has been that the problem of production has been solved and only the problem of distribution remains. However absurd this contention must appear to us with respect to the time when it was first advanced, it still has some persuasive power when repeated with reference to the present. The latest form of this old contention is expounded

in *The Affluent Society* by Professor J. K. Galbraith. He attempts to demonstrate that in our affluent society the important private needs are already satisfied and the urgent need is therefore no longer a further expansion of the output of commodities but an increase of those services which are supplied (and presumably can be supplied only) by government. Though this book has been extensively discussed since its publication in 1958, its central thesis still requires some further examination. I believe the author would agree that his argument turns upon the “Dependence Effect.” The argument of this chapter starts from the assertion that a great part of the wants which are still unsatisfied in modern society are not wants which would be experienced spontaneously by the individual if left to himself, but are wants which are created by the process by which they are satisfied. It is then represented as self-evident that for this reason such wants cannot be urgent or important. This crucial conclusion appears to be a complete non sequitur and it would seem that with it the whole argument of the book collapses. The first part of the argument is of course perfectly true: we would not desire any of the amenities of civilization—or even of the most primitive culture—if we did not live in a society in which others provide them. The innate wants are probably confined to food, shelter, and sex. All the rest we learn to desire because we see others enjoying various things. To say that a desire is not important because it is not innate is to say that the whole cultural achievement of man is not important. This cultural origin of practically all the needs

of civilized life must of course not be confused with the fact that there are some desires which aim, not as a satisfaction derived directly from the use of an object, but only from the status which its consumption is expected to confer. In a passage which Professor Galbraith quotes, Lord Keynes seems to treat the latter sort of Veblenesque conspicuous consumption as the only alternative “to those needs which are absolute in the sense that we feel them whatever the situation of our fellow human beings may be.” If the latter phrase is interpreted to exclude all the needs for goods which are felt only because these goods are known to be produced, these two Keynesian classes describe of course only extreme types of wants, but disregard the overwhelming majority of goods on which civilized life rests. Very few needs indeed are “absolute” in the sense that they are independent of social environment or of the example of others, and that their satisfaction is an indispensable condition for the preservation of the individual or of the species. Most needs which make us act are needs for **things which only civilization teaches us to exist at all, and these things are wanted by us because they produce feelings or emotions which we would not know if it were not for our cultural inheritance. Are**

not in this sense probably all our esthetic feelings “acquired tastes”? How complete a non sequitur Professor Galbraith’s conclusion represents is seen most clearly if we apply the argument to any product of the arts, be it music, painting, or literature. If the fact that people would not feel the need for something if it were not produced did prove that such products are of small value, all those highest products of human endeavor would be of small value. Professor Galbraith’s argument could be easily employed without any change of the essential terms, to demonstrate the worthlessness of literature or any other form of art. Surely an individual’s want for literature is not original with himself in the sense that he would experience it if literature were not produced. Does this then mean that the production of literature cannot be defended as satisfying a want because it is only the production which provokes the demand? In this, as in the case of all cultural needs, it is unquestionably, in Professor Galbraith’s words, “the process of satisfying the wants that creates the wants.” There have never been “independently determined desires for” literature before literature has been produced and books certainly do not serve the “simple mode of enjoyment which requires no previous conditioning of the consumer.” Clearly my taste for the novels of Jane Austen or Anthony Trollope or C. P. Snow is not “original with myself.” But is it not rather absurd to conclude from this that it is less important than, say, the need for education? Public education indeed seems to regard it as one of its tasks to instill a taste for literature in the young and even employs producers of literature for that purpose. Is this want creation by the producer reprehensible? Or does the fact that some of the pupils may possess a taste for poetry only because of the efforts of their teachers prove that since “it does not arise in spontaneous consumer need and the demand would not exist were it not contrived, its utility or urgency, ex contrivance, is zero?” The appearance that the conclusions follow from the admitted facts is made possible by an obscurity of the wording of the argument with respect to which it is difficult to know whether the author is himself the victim of a confusion or whether he skillfully uses ambiguous terms to make the conclusion appear plausible. The obscurity concerns the implied assertion that the wants of the consumers are determined by the producers. Professor Galbraith avoids in this connection any terms as crude and definite as “determine.” The expressions he employs, such as that wants are “dependent on” or the “fruits of” production, or that “production creates the wants” do, of course, suggest determination but avoid saying so in plain terms. After what has already been said it is of course obvious that the knowledge of what is being produced is one of the many factors on which it depends what people will want. It would scarcely be an exaggeration to say that contemporary man, in all fields where he has not yet formed firm habits, tends to find out what he wants by looking at what his neighbours do and at various displays of goods (physical or in catalogues or advertisements) and then choosing what he likes best. In this sense the tastes of man, as is also true of his opinions and beliefs and indeed much of his personality, are shaped in a great measure by his cultural environment. But though in some contexts it would perhaps be legitimate to express this by a phrase like “production creates the wants,” the circumstances mentioned would clearly not justify the contention that particular producers can deliberately determine the wants of particular consumers. The efforts of all producers will certainly be directed towards that end: but how far any individual producer will succeed will depend not only on what he does but also on what the others do and on a great many other influences operating

upon the consumer. The joint but uncoordinated efforts of the producers merely create one element of the environment by which the wants of the consumers are shaped. It is because each individual producer thinks that the consumers can be persuaded to like his products that he endeavours to influence them. But though this effort is part of the influences which shape consumers' tastes, no producer can in any real sense "determine" them. This, however, is clearly implied in such statements as that wants are "both passively and deliberately the fruits of the process by which they are satisfied." If the producer could in fact deliberately determine what the consumers will want, Professor Galbraith's conclusions would have some validity. But though this is skillfully suggested, it is nowhere made credible, and could hardly be made credible because it is not true. Though the range of choice open to the consumers is the joint result of, among other things, the efforts of all producers who vie with each other in making their respective products appear more attractive than those of their competitors, every particular consumer still has the choice between all those different offers. A fuller examination of this process would, of course, have to consider how, after the efforts of some producers have actually swayed some consumers, it becomes the example of the various consumers thus persuaded which will influence the remaining consumers. This can be mentioned here only to emphasize that even if each consumer were exposed to pressure of only one producer, the harmful effects which are apprehended from this would soon be offset by the much more powerful example of his fellows. It is of course fashionable to treat this influence of the example of others (or, what comes to the same thing, the learning from the experience made by others) as if it amounted all to an attempt of keeping up with the Joneses and for that reason was to be regarded as detrimental. It seems to me that not only the importance of this factor is usually greatly exaggerated but also that it is not really relevant to Professor Galbraith's main thesis. But it might be worthwhile briefly to ask what, assuming that some expenditure were actually determined solely by a desire of keeping up with the Joneses, that would really prove? At least in Europe we used to be familiar with a type of persons who often denied themselves even enough food in order to maintain an appearance of respectability or gentility in dress and style of life. We may regard this as a misguided effort, but surely it would not prove that the income of such persons was larger than they knew how to use wisely. That the appearance of success, or wealth, may to some people seem more important than many other needs, does in no way prove that the needs they sacrifice to the former are unimportant. In the same way, even though people are often persuaded to spend unwisely, this surely is no evidence that they do not still have important unsatisfied needs. Professor Galbraith's attempt to give an apparent scientific proof for the contention that the need for the production of more commodities has greatly decreased seems to me to have broken down completely. With it goes the claim to have produced a valid argument which justifies the use of coercion to make people employ their income for those purposes of which he approves. It is not to be denied that there is some originality in this latest version of the old socialist argument. For over a hundred years we have been exhorted to embrace socialism because it would give us more goods. Since it has so lamentably failed to achieve this where it has been tried, we are now urged to adopt it because more goods after all are not important. The aim is still progressively to increase the share of the resources whose use is determined by political authority and the coercion of any dissenting minority. It is not

surprising, there-fore, that Professor Galbraith's thesis has been most enthusiastically received by the intellectuals of the British Labour Party where his influence bids fair to displace that of the late Lord Keynes. It is more curious that in this country it is not recognized as an out-right socialist argument and often seems to appeal to people on the opposite end of the political spec-trum. But this is probably only another instance of the familiar fact that on these matters the extremes frequently meet.