In 1996 a best-selling book entitled *The Millionaire Next Door* caused a minor sensation. In contrast to the popular perception of millionaire lifestyles, this book reveals that most millionaires live frugal lives—buying used cars, purchasing their suits at JC Penney, and shopping for bargains. These very wealthy people feel no need to let the world know they can afford to live much better than their neighbors.

Millions of other Americans, on the other hand, have a different relationship with spending. What they acquire and own is tightly bound to their personal identity. Driving a certain type of car, wearing particular designer labels, living in a certain kind of home, and ordering the right bottle of wine create and support a particular image of themselves to present to the world.

This is not to say that most Americans make consumer purchases solely to fool others about who they really are. It is not to say that we are a nation of crass status-seekers. Or that people who purchase more than they need are simply demonstrating a base materialism, in the sense of valuing material possessions above all else. But it is to say that, unlike the millionaires next door, who are not driven to use their wealth to create an attractive image of themselves, many of us are continually comparing our own lifestyle and possessions to those of a select group of people we respect and want to be like, people whose sense of what's important in life seems close to our own.

This aspect of our spending is not new—competitive acquisition has long been an American institution. At the turn of the century, the rich consumed conspicuously. In the early post–World War II decades, Americans spent to keep up with the Joneses, using their possessions to make the statement that they were not failing in their careers. But in recent decades, the culture of spending has changed and intensified. In the old days, our neighbors set the standard for what we had to have. They may have earned a little more, or a little less, but their incomes and ours were in the same ballpark. Their house down the block, worth roughly the same as ours, confirmed this. Today the neighbors are no longer the focus of comparison.

How could they be? We may not even know them, much less which restaurants they patronize, where they vacation, and how much they spent for their living room couch.

For reasons that will become clear, the comparisons we make are no longer restricted to those in our own general earnings category, or even to those one rung above us on the ladder. Today a person is more likely to be making comparisons with, or choose as a "reference group," people whose incomes are three, four, or five times his or her own. The result is that millions of us have become participants in a national culture of upscale spending. I call it the new consumerism.

Part of what's new is that lifestyle aspirations are now formed by different points of reference. For many of us, the neighborhood has been replaced by a community of coworkers, people we work alongside and colleagues in our own and related professions. And while our real-life friends still matter, they have been joined by our media "friends." (This is true both figuratively and literally—the television show *Friends* is a good example of an influential media referent.) We watch the way television families live, we read about the lifestyles of celebrities and other public figures we admire, and we consciously and unconsciously assimilate this information. It affects us.

So far so good. We are in a wider world, so we like to know that we are stacking up well against a wider population group than the people on the block. No harm in that. But as new reference groups form, they are less likely to comprise people who all earn approximately the same amount of money. And therein lies the problem. When a person who earns $75,000 a year compares herself to someone earning $90,000, the comparison is sustainable. It creates some tension, even a striving to do a bit better, to be more successful in a career. But when a reference group includes people who pull down six or even seven-figure incomes, that's trouble. When poet-waiters earning $18,000 a year, teachers earning $30,000, and editors and publishers earning six-figure incomes all aspire to be part of one urban literary referent group, which exerts pressure to drink the same brand of bottled water and wine, wear similar urban literary clothes, and appoint apartments with urban literary furniture, those at the lower economic end of the reference group find themselves in an untenable situation. Even if we choose not to emulate those who spend ostentatiously, consumer aspirations can be a serious reach.

Advertising and the media have played an important part in stretching out reference groups vertically. When twenty-somethings can't afford much more than a utilitarian studio but think they should have a New York apartment to match the ones they see on *Friends,* they are setting unattainable consumption goals for themselves, with dissatisfaction as a predictable result. When the children of affluent suburban and impoverished inner-city households both want the same Tommy Hilfiger logo emblazoned on their chests and the top-of-the-line Swoosh on their feet, it's a potential disaster. One solution to these problems emerged on the talk-show circuit recently, championed by a pair of young urban "entry-level" earners: live the *faux* life, consuming *as if* you had a big bank balance. Their strategies? Use your expense account for private entertainment, date bankers, and sneak into snazzy parties without an invitation. Haven't got the wardrobe for it? No matter. Charge expensive clothes, wear them with the tags on, and return them the morning after. Apparently the upscale life is now so worth living that deception, cheating, and theft are a small price to pay for it.

These are the more dramatic examples. Millions of us face less stark but problematic comparisons every day. People in one-earner families find themselves trying to live the lifestyle of their two-paycheck friends. Parents of modest means struggle to pay for the private schooling that others in their reference group have established as the right thing to do for their children.

Additional problems are created by the accelerating pace of product innovation. To gain broader distribution for the plethora of new products, manufacturers have gone to lifestyle marketing, targeting their pitches of upscale items at rich and nonrich alike. Gourmet cereal, a luxurious latte, or bathroom fixtures that make a statement, the right statement, are offered to people almost everywhere on the economic spectrum. In fact, through the magic of plastic, anyone can buy designer anything, at the trendiest retail shop. Or at outlet prices. That's the new consumerism. And its siren call is hard to resist.

The new consumerism is also built on a relentless ratcheting up of standards. If you move into a house with a fifties kitchen, the presumption is that you will eventually have it redone, because that's a standard that has now been established. If you didn't have air conditioning in your old car, the presumption is that when you replace it, the new one will have it. If you haven't been to Europe, the presumption is that you will get there, because you deserve to get there. And so on. In addition to the proliferation of new products (computers, cell phones, faxes, and other microelectronics), there is a continual upgrading of old ones—autos and appliances—and a shift to customized, more expensive versions, all leading to a general expansion of the list of things we have to have. The 1929 home I just moved into has a closet too shallow to fit a hanger. So the clothes face forward. The real estate agents suggested I solve the "problem" by turning the study off the bedroom into a walk-in. (Why read when you could be buying clothes?) What we want grows into what we *need*, at a sometimes dizzying rate. While politicians continue to tout the middle class as the heart and soul of American society, for far too many of us being solidly middle-class is no longer good enough.

Oddly, it doesn't seem as if we're spending wastefully, or even lavishly. Rather, many of us feel we're just making it, barely able to stay even. But what's remarkable is that this feeling is not restricted to families of limited income. It's a generalized feeling, one that exists at all levels. Twenty-seven percent of all households making more than $100,000 a year say they cannot afford to buy everything they really need. Nearly 20 percent say they "spend nearly all their income on the basic necessities of life." In the $50,000–100,000 range, 39 percent and one-third feel this way, respectively. Overall, half the population of the richest country in the world say they cannot afford everything they really need. And it's not just the poorer half.

This book is about why: About why so many middle-class Americans feel materially dissatisfied. Why they walk around with ever-present mental "wish lists" of things to buy or get. How even a six-figure income can seem inadequate, and why this country saves less than virtually any other nation in the world. It is about the ways in which, for America's middle classes, "spending becomes you," about how it flatters, enhances, and defines people in often wonderful ways, but also about how it takes over their lives. My analysis is based on new research showing that the need to spend whatever it takes to keep current within a chosen reference group—which may include members of widely disparate resources—drives much purchasing behavior. It analyzes how standards of belonging socially have changed in recent decades, and how this change has introduced Americans to highly intensified spending pressures.

And finally, it is about a growing backlash to the consumption culture, a movement of people who are downshifting—by working less, earning less, and living their consumer lives much more deliberately.

TABLE 1.1 How Much Is Enough?

	Percentage Agreeing with Statement, by Income						
STATEMENT	<$10,000	10,001–25,000	25,001–35,000	35,001–50,000	50,001–75,000	75,001–100,000	>100,000
I cannot afford to buy everything I really need	64	62	50	43	42	39	27
I spend nearly all of my money on the basic necessities of life	69	64	62	46	35	33	19

SOURCE: Author's calculations from Merck Family Fund poll (February 1995).

Spending and Social Comparison

I am hardly the first person to have argued that consumption has a comparative, or even competitive character. Ideas of this sort have a long history within economics, sociology, and other disciplines. In *The Wealth of Nations*, Adam Smith observed that even a "creditable day-laborer would be ashamed to appear in publick without a linen shirt" and that leather shoes had become a "necessary of life" in eighteenth-century England. The most influential work on the subject, however, has been Thorstein Veblen's *Theory of the Leisure Class*. Veblen argued that in affluent societies, spending becomes the vehicle through which people establish social position. The conspicuous display of wealth and leisure is the marker that reveals a man's income to the outside world. (Wives, by the way, were seen by Veblen as largely ornamental, useful to display a man's finest purchases—clothes, furs, and jewels.) The rich spent conspicuously as a kind of personal advertisement, to secure a place in the social hierarchy. Everyone below stood watching and, to the extent possible, emulating those one notch higher. Consumption was a trickle-down process.

The phenomenon that Veblen identified and described, conspicuous consumption by the rich and the nouveaux riches, was not new even in his own time. Spending to establish a social position has a long history. Seventeenth- and eighteenth-century Italian nobles built opulent palaces with beautiful facades and, within those facades, placed tiles engraved with the words *Pro Invidia* (To Be Envied). For centuries, aristocrats passed laws to forbid the nouveaux riches from copying their clothing styles. At the turn of the century, the wealthy published the menus of their dinner parties in the newspapers. And fifty years ago, American social climbers bought fake "ancestor portraits" to hang in their libraries.

Veblen's story made a lot of sense for the upper-crust, turn-of-the-century urban world of his day. But by the 1920s, new developments were afoot. Because productivity and output were growing so rapidly, more and more people had entered the comfortable middle classes and begun to enjoy substantial discretionary spending. And this mass prosperity eventually engendered a new socioeconomic phenomenon—a mass keeping-up process that led to convergence among consumers' acquisition goals and purchasing patterns.

The advent of mass production in the 1920s made possible an outpouring of identical consumer goods that nearly everybody wanted—and were better able to afford, thanks to declining prices. By the fifties, the Smiths had to have the Joneses' fully automatic washing machine, vacuum cleaner, and, most of all, the shiny new Chevrolet parked in the driveway. The story of this period was that people looked to their own neighborhoods for their spending cues, and the neighbors grew more and more alike in what they had. Like compared with like and strove to become even more alike.

This phenomenon was chronicled by James Duesenberry, a Harvard economist writing just after the Second World War. Duesenberry updated Veblen's trickle-down perspective in his classic discussion of "keeping up with the Joneses." In contrast to Veblen's Vanderbilts, Duesenberry's 1950s Joneses were middle-class and they lived next door, in suburban USA. Rather than seeking to best their neighbors, Duesenberry's Smiths mainly wanted to be like them. Although the ad writers urged people to be the first on the block to own a product, the greater fear in most consumers' minds during this period was that if they didn't get cracking, they might be the last to get on board.

In addition to Veblen and Duesenberry, a number of distinguished economists have emphasized these social and comparative processes in their classic accounts of consumer culture—among them, John Kenneth Galbraith, Fred Hirsch, Tibor Scitovsky, Richard Easterlin, Amartya Sen, Clair Brown, and Robert Frank. Among the most important of their messages is that consumer satisfaction, and dissatisfaction, depend less on what a person has in an absolute sense than on socially formed aspirations and expectations. Indeed, the very term "standard of living" suggests the point: the standard is a social norm.

By the 1970s, social trends were once again altering the nature of comparative consumption. Most obvious was the entrance of large numbers of married women into the labor force. As the workplace replaced the coffee klatch and the backyard barbecue as locations of social contact, workplace conversation became a source for information on who went where for vacation, who was having a deck put on the house, and whether the kids were going to dance class, summer camp, or karate lessons. But in the workplace, most employees are exposed to the spending habits of people across a wider economic spectrum, particularly those employees who work in white-collar settings. They have meetings with people who wear expensive suits or "real" Swiss watches. They may work with their boss, or their boss's boss, every day and find out a lot about what they and their families have.

There were also ripple effects on women who didn't have jobs. When many people lived in one-earner households, incomes throughout the neighborhood tended to be close to each other. As many families earned two paychecks, however, mothers who stayed at home or worked part-time found themselves competing with neighbors who could much more easily afford pricey restaurants, piano lessons, and two new cars. Finally, as Robert Frank and Philip Cook have argued, there has been a shift to a "winner-take-all" society: rewards within occupations have become more unequally distributed. As a group of extremely high earners emerged within occupation after occupation, they provided a visible, and very elevated, point of comparison for those who weren't capturing a disproportionate share of the earnings of the group.

Daily exposure to an economically diverse set of people is one reason Americans began engaging in more upward comparison. A shift in advertising patterns is another. Traditionally advertisers had targeted their market by earnings, using one medium or another depending on the income group they were trying to reach. They still do this. But now the huge audiences delivered by television make it the best medium for reaching just about *every* financial group. While *Forbes* readers have a much higher median income than television viewers, it's possible to reach more wealthy people on television than in the pages of any magazine, no matter how targeted its readership. A major sports event or an *ER* episode is likely to deliver more millionaires *and* more laborers than a medium aimed solely at either group. That's why you'll find ads for Lincoln town cars, Mercedes-Benz sports cars, and $50,000 all-terrain vehicles on the Super Bowl telecast. In the process, painters who earn $25,000 a year are being exposed to buying pressures never intended for them, and middle-class housewives look at products once found only in the homes of the wealthy.

Beginning in the 1970s, expert observers were declaring the death of the "belonging" process that had driven much competitive consumption and arguing that the establishment of an individual identity—rather than staying current with the Joneses—was becoming the name of the game. The new trend was to consume in a personal style, with products that signaled your individuality, your personal sense of taste and distinction. But, of course, you had to be different in the right way. The trick was to create a unique image through what you had and wore—and what you did not have and would not be seen dead in.

While the observers had identified a new stage in consumer culture, they were right only to a point. People may no longer have wanted to be just like all others in their socioeconomic class, but their need to measure up within some idealized group survived. What emerged as the new standards of comparison, however, were groups that had no direct counterparts in previous times. Marketers call them clusters—groups of people who share values, orientations, and, most important, *lifestyles*. Clusters are much smaller than traditional horizontal economic strata or classes and can thereby satisfy the need for greater individuality in consumption patterns. "Yuppie" was only the most notorious of these lifestyle cluster groups. There are also middle Americans, twenty-somethings, upscale urban Asians, top one-percenters, and senior sun-seekers. We have radical feminists, comfortable capitalists, young market lions, environmentalists. Whatever.

Ironically, the shift to individuality produced its own brand of localized conformity. (In chapter 2, I discuss just how detailed a profile of spending habits marketers can now produce within a cluster.) Apparently lots of people began wanting the same "individual identity-creating" products. But this predictability, while perhaps a bit absurd, brought with it no *particular* financial problem. Seventies consumerism was manageable. The real problems started in the 1980s as an economic shift sent seismic shocks through the nation's consumer mentality. Competitive spending intensified. In a very big way.

The Intensification of Competitive Consumption: Feeling Poor When Spending Is Rising

Throughout the 1980s and 1990s, most middle-class Americans were acquiring at a greater rate than any previous generation of the middle class. And their buying was more upscale. By the end of the 1990s, the familiar elements of the American dream (a little suburban house with a white picket fence, two cars, and an annual vacation) have expanded greatly. The size of houses has doubled in less than fifty years, there are more second homes, automobiles have become increasingly option-packed, middle-income Americans are doing more pleasure and vacation travel, and expenditures on recreation have more than doubled since 1980. Over time new items have entered the middle-class lifestyle: a personal computer, education for the children at a private college, maybe even a private school, designer clothes, a microwave, restaurant meals, home and automobile air conditioning, and, of course, Michael Jordan's ubiquitous athletic shoes, about which children and adults both display near-obsession. At a minimum, the average person's spending increased 30 percent between 1979 and 1995. At a maximum, calculated by taking into account a possible bias in the consumer price index, the increase was more than twice that, or about 70 percent.

Yet, by the midnineties, America was decidedly anxious. Many households felt pessimistic, deprived, or stuck, apparently more concerned with what they could not afford than with what they already had. Definitions of the "good life" and even of "the necessities of life" continued to expand, even as people worried about how they could pay for them. What was going on? The economic trend was a diverging income distribution. The sociological trend was the upward shift in consumer aspirations and the vertical stretching out of reference groups. They collided to produce a period of consumer anxiety, frustration, and dissatisfaction.

The growth of inequality dates back to the 1970s, the beginning of a phenomenal rise in the earnings of the rich and very rich. Between 1979 and 1989, the top 1 percent of households increased their incomes from an average of about $280,000 a year to $525,000. (They got a big tax break from Reagan, benefited from trends in financial markets, and wrote themselves bigger paychecks.) In terms of wealth, they did even better comparatively, boosting their share of the nation's financial wealth to just under one-half.

The so-called decade of greed was off and running. The rich and super-rich took conspicuous consumption to new levels, buying Lexuses, Rolexes, Montblanc pens, designer outfits, and art collections. These visible public excesses reverberated through the upper part of the upper-middle class, which calibrates its success by the Newport set. To compensate for the growing chasm between their lifestyles and those of the rich and famous, these upper-middles also began conspicuously acquiring the luxury symbols of the 1980s—buying the high-prestige watches and pens, looking for "puro lino" labels, and leasing luxury vehicles they often couldn't afford. "Feeling poor on $100,000 a year" articles began appearing in the press.

That might have been that. But the upper-middle group is special. It became the new focal point. The new consumerism made it so, by orienting aspirations upward in ways I have already described.

By upper-middle-class I mean roughly the top 20 percent of households, with the exclusion of the top few percent. In 1994 the lower-income cutoff for this group was about $72,000 a year, and its midpoint $91,000. The top 5 percent of this group—which includes the super-rich—earned on average $254,000. The standard of living of this upper-middle is now widely watched and emulated. It is the group that defines material success, luxury, and comfort for nearly every category below it. It is the visible lifestyle to which most aspiring Americans aspire. Even people earning far less now look up to the lifestyle of the brother-in-law who's a VP and lives in a gated community, the friends with a center entrance colonial or, if their tastes run to the urban, a luxury apartment in a prewar doorman building in Manhattan or in Boston's Back Bay. The average American is now more likely to compare his or her income to the six-figure benchmark in the office down the corridor or displayed in Tuesday evening prime time. (Even in a relatively affordable town like Seattle, Frasier's apartment—and view—must cost a bundle.)

And these aspirations play themselves out in the retail sector: the furnishings, attire, and lifestyle accessories of the upper 20 percent are the prototypes for the less expensive versions found at Macy's, Sears, WalMart, and K-Mart. (That's what K-Mart's partnership with Martha Stewart is all about.) Pottery Barn is similar to Williams-Sonoma. Pier 1 looks a lot like Bloomingdale's. Ditto Land's End and Brooks Brothers. Designers create lower-priced lines that are still far more expensive than the no-names.

By 1991 almost everybody was gazing at the top of the pyramid. According to a study by marketing professor Susan Fournier, now of Harvard Business School, and her former colleague at the University of Florida, Michael Guiry, more than one-third (35 percent) of their sample of consumers reported that they would someday like to be a member of the "really made it" group, a category they identified as representing the top 6 percent of American society. (Average income for this top group is about $250,000 a year.) Half the sample (49 percent) identified the "doing very well" group as their aspirational standard, a designation that referred to the next 12 percent of households. Taken together, 85 percent aspired to be in the top 18 percent of American households. Only 15 percent would be satisfied by "living a comfortable life" or something less. Only 15 percent would be satisfied ending up as middle-class.

But keeping up with that top quintile is not easy, because they keep getting richer—considerably richer than the four-fifths of the country that watches them. Between 1979 and 1994, families in the top 20 percent increased their share of income from 42 percent to 46 percent. Excluding the top 5 percent of that group (in other words, looking only at families in the 80–95 percent range) the rise was from 26 percent to 27 percent. And the share of income for every group beneath them fell. So four-fifths of Americans were relegated to earning *even less* than the people they looked up to, who were now earning and spending more. And something similar happened within the bottom 80 percent. The top half did much better than the bottom half, whose comparative (and absolute) position went to hell in a handbasket. As the ordinary middle class got farther from that four-bedroom colonial or the designer loft in San Francisco, the lower-middle and working classes fell even farther behind, their dream of owning any kind of home fading into the far-distant future. As the middle classes started keeping their cars a bit longer, the working class started having theirs repossessed. All down the line, the gaps between the groups got larger and larger. And the hopes of many to participate in the new consumer economy were replaced by a daily struggle to survive.

By 1996 only one in four believed that the standard of living would rise in the next five years. Nearly half the population felt that their children's generation would not enjoy a higher standard of living than their own. The middle class was shrinking, companies were downsizing at a manic rate, economic pessimism and job anxiety abounded. Per capita consumption *was* rising. But consumers' expectations were rising even faster.

Unfortunately the government doesn't collect systematic data on "the American dream and its upscaling." But there is evidence of a sharp escalation over this period. In 1986 the Roper polling organization asked Americans how much income they would need to fulfill all their dreams. The answer was $50,000. *By 1994 the "dreams-fulfilling" level of income had doubled, from $50,000 to $102,000.* Upscaling had definitely taken hold. Of course, $102,000 is not everyone's dream. In a consumption system premised on differences, dreams will also differ. And predictably, the higher one's income, the more one must have to feel fulfilled. Those making more than $50,000 said they would need $200,000 for total fulfillment, while lower-income people calculated that they would need only about $88,000 a year.

Other surveys also indicate an expansion of desire and expectation. Asked what constitutes "the good life," people in 1991 focused far more on material goods and luxuries than they did in 1975. Items more likely to be part of the good life now than then include a vacation home, a swimming pool, a color TV, a second color TV, travel abroad, nice clothes, a car, a second car, a home of one's own, a job that pays much more than the average, and a lot of money. Less likely, or no more likely, to yield the good life, according to respondents, were a happy marriage, one or more children, an interesting job, and a job that contributes to the welfare of society. Not surprisingly, by 1991 far fewer Americans thought they had a "very good" chance of achieving the good life.

TABLE 1.2 Making Americans' Dreams Come True

Question: *How much income per year would you say you (and your family) need to fulfill all of your dreams?*

	MEDIAN RESPONSE
1987	$50,000
1989	$75,000
1991	$83,800
1994	$102,000
1996	$90,000

SOURCE: Roper Center, University of Connecticut. 1987–91 figures reported in *American Enterprise* (May–June 1993), p.86; 1994 figure from Crispell (1994); 1996 figure is directly from Roper.

Americans' concept of need has also clearly changed. Data from 1973, 1991, and 1996 reveal that a variety of consumer items are seen as necessities by an increasing number of people. About one-quarter of Americans consider home computers and answering machines to be necessities, one-third feel the same way about microwaves, more than 40 percent can't do without auto air conditioning, and just over half say home air conditioning is essential. VCRs and basic cable, which weren't included in the 1975 survey, are necessities to 13 and 17 percent of the nation's consumers. The list of things we absolutely have to have is growing. (Interestingly, one product Americans are less likely to see as necessary in the 1990s is television, perhaps because substitutes have emerged.)

Throughout the nineties, the moving target of the top 20 percent has continued to move. A mere car now carries a slightly downscale image, as people shift to sport utility vehicles. The trend includes urban spas, personal trainers, limousine rides, fancy computer equipment, "professional-quality" everything—from cookware to sports equipment—and, perhaps most strikingly of all, the "trophy" house, or McMansion. These showy dwellings, which range from four thousand to twenty-five thousand square feet, are proliferating around the country. In older suburbs, an existing house will be razed to make way for a larger one. Outside Boston, in affluent Wellesley, the median size of a new home rose from twenty-nine hundred to thirty-five hundred square feet between 1986 and 1996, and the number of *really* big houses (more than four thousand square feet) quadrupled. Inside McMansion? A range of amenities now considered de rigeur for affluent families—granite countertops in the kitchen, Jacuzzi, media room or fitness center, enlarged kitchen and family room areas, a three- or four-car garage, sometimes even a home office and au pair suite. And, of course, bathrooms. Lots of bathrooms.

TABLE 1.3 The Good Life Goes Upscale

Percentage Identifying Item As a Part of "The Good Life"

	1975	1991
Vacation home	19	35
Swimming pool	14	29
Color TV	46	55
Second color TV	10	28
Travel abroad	30	39
Really nice clothes	36	44
Car	71	75
Second car	30	41
Home you own	85	87
A lot of money	38	55
A job that pays much more than average	45	60
Happy marriage	84	77
One or more children	74	73
Interesting job	69	63
Job that contributes to the welfare of society	38	38
Percentage who think they have a very good chance of achieving the "good life"	35	23

SOURCE: Roper Center, University of Connecticut; published in *American Enterprise* (May–June 1993), p. 87.

It seems that "needs" have been upscaled disproportionately among those with more money. In my survey at "Telecom," among those who reported dissatisfaction with their incomes, the more they made, the greater the additional amount needed to reach satisfaction. In the $75,000+ household income category, nearly two-thirds said they'd need an increase of 50 to 100 percent in their annual incomes to reach satisfaction, while fewer than 20 percent of those making $30,000 or less would need that much.

Focus groups and interviews with consumers also reveal the upscaling process. Here's downshifter Jennifer Lawson: "In the fifties, grow-

Table 1.4 The Expanding Definition of "Necessities"

Percentage Indicating Item Is a Necessity

	1973	1991	1996
Second television	3	15	10
Dishwasher	10	24	13
VCR	—*	18	13
Basic cable service	—	26	17
Remote control for TV or VCR	—	23	—
Answering machine	—	20	26
Home computer	—	11	26
Microwave	—	44	32
Second automobile	20	27	37
Auto air conditioning	13	42	41
Home air conditioning	26	47	51
Television	57	74	59
Clothes dryer	54	74	62
Clothes washer	88	82	86
Automobile	90	85	93
Cellular phone	—	5	—
Housekeeper	—	4	—

*Item did not exist, was not widely in use, or was not asked about in 1973.
SOURCE: Roper Center, University of Connecticut; 1973 and 1991 data published in *American Enterprise* (May–June 1993), p. 89.

ing up in upstate New York, my parents were considered middle-class pillars of the community. My father was an accountant. It's a fairly poor rural area, and most people worked in a factory or waitressed or something. My dad was actually a professional person with a sign out in front. [My parents] had one car, and they drove it until it fell apart, and then they bought a new one, usually a station wagon. They had a fairly modest house. We took a vacation as a family for two weeks and rented a little cabin in Maine. And drove—nobody flew anywhere. I can't remember anyone who had a second car. Everyone walked everywhere; children certainly didn't have $100 sneakers. It amazes me now that my younger brother, who still lives there and who has a job that's roughly equal to the job my dad had when I was growing up . . . he has three teenage daughters. And since they were about nine, they've each had their own color TV, and they have their own CD players, they all have their own telephone lines, because they complain about calls not being able to get through."

A Merck Family Fund focus-group participant seems less judgmental: "I used to think of the American dream as the house with the little picket fence and the two-car garage, two kids, and a dog and a cat. If you look at the old *Beaver* or the old movies, the family movies, they didn't show these huge mansions." What's different now? "Just the whole thing of 'more.' I'm not saying that's bad, and I'm not saying I'm not in that category. I'm just saying that the American dream has . . . I think it's expanding."

Thus, the competitive upscale consumption that began in the 1980s, with the attendant expansion of the American dream, wasn't invented by Nancy Reagan and it wasn't a cultural accident. It was created by the escalating lifestyles of the most affluent and the need that many others felt to meet that standard, irrespective of their financial ability to maintain such a lifestyle. If you missed the upscaling in your own neighborhood and workplace or at the mall, you could watch it on TV. *Dallas, L.A. Law,* and *Beverly Hills 90210* ascended to the television norm, while the appeal of Roseanne's working-class life came out of its uniqueness on television. The story of the eighties and nineties is that millions of Americans ended the period having more but feeling poorer. Nearly all the pundits missed this dynamic, recognizing only the income trends *or* the spending increases.

But is consumption really a competitive process? If you're like many, you don't necessarily experience it in this way. (On the other hand, if you've organized a birthday party for middle- or upper-middle-class children lately, you probably do.) A full answer to this question awaits in chapters 2 through 4, but one point is worth making here. American consumers are often not conscious of being motivated by social status and are far more likely to attribute such motives to others than to themselves. We live with high levels of psychological denial about the connection between our buying habits and the social statements they make.

Most Americans would deny that, by their spending, they are seeking status, in the usual meaning of the word—looking to position themselves in a higher economic stratum. They might point out that they don't want everything in sight, that purchases are often highly selective. Indeed, what stands out about much of the recent spate of spending is its *defensive* character. Parents worry that their children need computers and degrees from good colleges to avoid being left behind in the global economy. Children, concerned about being left out in the here and now, demand shoes, clothes, and video games. (As Jennifer Lawson said of her teenage nieces, without the right sweatshirts and jeans they will be "ruined in school.") Increasingly overworked, adults need stress-busting weekends, microwaves, restaurant meals, and takeout to keep up with their daily lives. But the cost of each of these conveniences adds up.

The Quality-of-Life Squeeze

Not surprisingly, as upscale competitive consumption intensified, family finances deteriorated. One indicator is the rise of consumer borrowing and credit card spending: through the 1990s, households have been taking on debt at record levels. And the largest increases have been not among low-income households, but among those earning $50,000 to $100,000 a year. (Sixty-three percent of these households are now in credit card debt.) Debt service as a percentage of disposable income now stands at 18 percent, even higher than during the early 1990s recession. Another indicator is the rise in worktime: average hours of work have risen about 10 percent in the last twenty-five years. To finance their lifestyles, millions of families also sent a second earner into the workplace, but this created a squeeze on household work and family time. Despite working all these hours, somewhere between a quarter and 30 percent of households live paycheck to paycheck. With the margin of error so thin, it is not surprising that personal bankruptcies are at historic levels.

The national savings rate has also plummeted. The average American household is currently saving only 3.5 percent of its disposable income, about half the rate of a decade and a half ago, before spending pressures began to intensify. In 1995 only 55 percent of all American households indicated they had done any saving at all in the previous year. (This figure has fallen, despite the expansion of the economy.) The French, Germans, Japanese, and Italians save roughly three times what Americans do, and the British and Dutch more than twice. Even Indian and Chinese households, most of which are dirt poor, manage to save about a quarter of their paltry yearly incomes.

As a result of low household savings, a substantial fraction of Americans live without an adequate financial cushion. In 1995 the median value of household financial assets was a mere $9,950. By 1997, well into the stock market boom, nearly 40 percent of all baby boomers had less than $10,000 saved for retirement. Indeed, 60 percent of families have so little in the way of financial reserve that they can only sustain their lifestyles for about a month if they lose their jobs. The next richest 20 percent can only hold out for three and a half months.

What is perhaps most striking is the extent to which upscaling has undermined savings among the nation's *better-off* households. In 1995 one-third of families whose heads were college-educated did no saving. The vast majority of Americans say they *could* save more but report themselves unwilling to cut back on what one study calls "the new essentials." (This unwillingness also appears to be increasing over time.)

Thus, the new consumerism has led to a kind of mass "overspending" within the middle class. By this I mean that large numbers of Americans spend more than they say they would like to, and more than they have. That they spend more than they realize they are spending, and more than is fiscally prudent. And that they spend

in ways that are collectively, if not individually, self-defeating. Overspending is how ordinary Americans cope with the everyday pressures of the new consumerism.

The intensification of competitive spending has affected more than family finances. There is also a boomerang effect on the public purse and collective consumption. As the pressures on private spending have escalated, support for public goods, and for paying taxes, has eroded. Education, social services, public safety, recreation, and culture are being squeezed. The deterioration of public goods then adds even more pressure to spend privately. People respond to inadequate public services by enrolling their children in private schools, buying security systems, and spending time at Discovery Zone rather than the local playground. These personal financial pressures have also reduced many Americans' willingness to support transfer programs to the poor and near-poor. Coupled with dramatic declines in the earning power of these latter groups, the result has been a substantial increase in poverty, the deterioration of poor neighborhoods, and alarming levels of crime and drug use. People with money try to spend their way around these problems. But that is no solution for these social ills.

One problem with the national discourse is its focus on market exchanges, not quality of life, or social health. Gross domestic product is the god to which we pray. But GDP is an increasingly poor measure of well-being: it fails to factor in pollution, parental time with children, the strength of the nation's social fabric, or the chance of being mugged while walking down the street. The genuine progress indicator, an admittedly crude but relatively comprehensive measure of the quality of life, has increasingly diverged from GDP since 1973, and negatively. The index of social health, another alternative measure, has also declined dramatically since 1976, remaining at record lows through the 1990s. When we count not only our incomes but also trends in free time, public safety, environmental quality, income distribution, teen suicides, and child abuse, we find that things have been getting worse for more than twenty years, even though consumption has been rising.

Jumping off the Bandwagon: Voluntary Downshifters

Of course, not everyone is going along with the new consumerism. Or not forever. The pressures for upscale consumption, and the work schedules that go along with it, created millions of exhausted, stressed-out people who started wondering if the cycle of work and spend was really worth it. And some concluded that it wasn't. So they started downshifting, reducing their hours of work and, in the process, earning and spending less money.

Downshifters are opting out of excessive consumerism, choosing to have more leisure and balance in their schedules, a slower pace of life, more time with their kids, more meaningful work, and daily lives that line up squarely with their deepest values. These are not just fast-track yuppies leaving $200,000 jobs in Manhattan to settle in Montana, although there are plenty of those. Downshifters can be found at all income levels, from the comfortable suburbanites whose homes are paid for, to those who are counting every penny, resigned to the fact that they'll never own a home. Their jobs were leaving them drained, depressed, or wondering what life is all about. Now they may not have as much money, but they are spending every day answering that all-important question. And they are much happier. Other downshifters were compulsive shoppers, mired in credit card debt with little of value to show for it, or caught up in competitive consumption that had spiraled way above what their means could support. Some are kids, just out of college, farsighted enough to avoid the blind alleys taken by older siblings or parents.

Downshifters are making a wide variety of work-life changes to bring what they do into synch with who they are. Many are switching careers. Others are going to part-time work, starting home-based businesses, or stopping work altogether to raise their kids. The price for doing what they want: they earn less money. For downshifters from the middle class and below, this usually means big changes. They don't shop much, they make more of what they need themselves, and they spend less money in the world of commodified leisure. Their birthday parties don't have magicians or clowns; the kids play pin-the-tail-on-the-donkey and fish for coins in the bathtub. They go to an in-state camping site instead of Saint Maarten. They drive a seven-year-old car or maybe take the bus to work. Their patronage of restaurants drops off precipitously. They stop going to first-run movies. But for virtually all of them, these changes are worth it.

There's been a lot of media coverage of downshifting, ranging from the accurate to the hyperbolic, including a rash of stories about how women are rushing home in droves to be with kids. (I find that downshifters are no more likely to be women than men, by the way.) What most of the downshifting stories lack is data. Until this point, our knowledge of this trend has been mainly anecdotal. In chapter 5, I report on a nationwide survey of downshifters I have conducted.

Of course, this is not the first such movement in our history. We have had Quakers, Shakers, transcendentalists, and hippies. But these were small, ideologically coherent groups. And these movements have been much more self-consciously anticonsumerist than most of today's downshifters. What's different about downshifters is that they are not dropping out. They're not back-to-the-land types. They don't live together. And they don't share a religion. They don't proscribe all modern acquisitions as part of a system of belief. By job category, they're actually quite mainstream—nurses and salespeople, teachers and managers. They're urban and suburban. They may well be the next-door Joneses we've been keeping up with all these years. And they represent a striking countertrend to the ideology that has dominated America since European settlement—that of moving up, bettering oneself, rising in the social order.

Most important, downshifting brings one's lifestyle into correspondence with one's values. And downshifting is happening because millions of Americans are recognizing that in fact their lives are no longer in synch with their values, either because they have no time for what they care about most (their children, their families, their communities, or their personal development), because they can't believe in the work they are doing, or because the money and the consumption-identity link has started to seem meaningless. For these reasons, downshifting often involves soul-searching and a coming to consciousness about a life that may well have been on automatic pilot.

Beyond the Culture of Consumerism

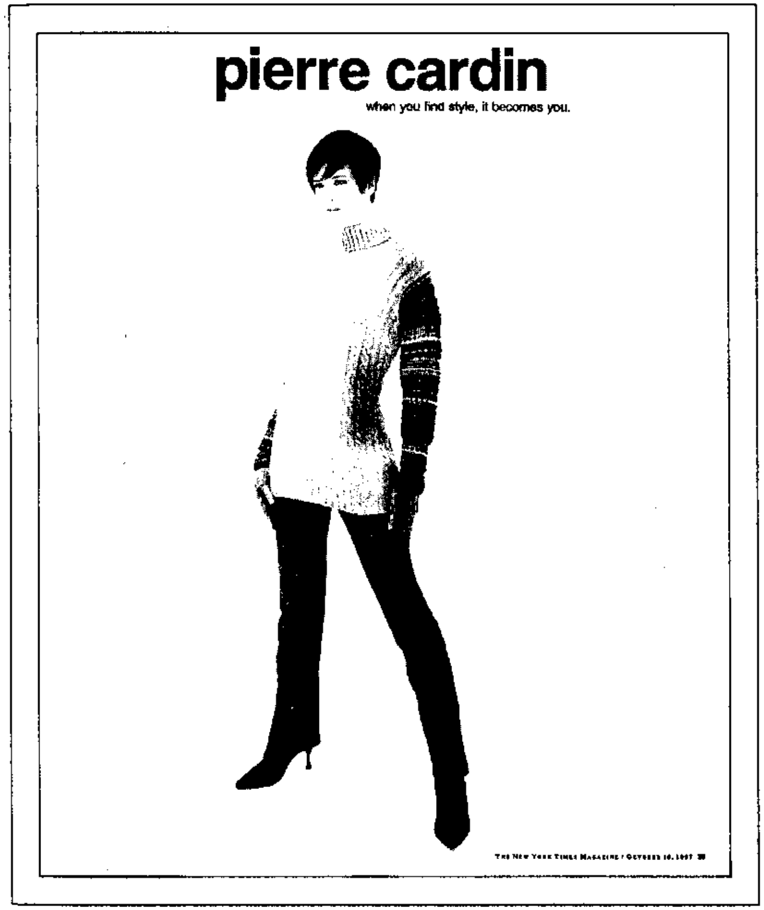
There is accumulating evidence that Americans are growing uneasy with the new consumerism. Surveys show that many believe materialism is ruining the country, perverting our values, and damaging our children. We yearn for what we see as a simpler time, when people cared less about money and more about each other. After drugs and crime, people see materialism as the most serious problem affecting American families. In a recent book, the Princeton sociologist Robert Wuthnow argues that we are ambivalent about money. On the one hand, we want it, are strongly committed to success and achievement (it has been said that it is how America keeps score), and believe in hard work. At the same time, we hold the contradictory view that money is profane, polluted, even evil. Talking about how much we have, or make, is taboo. Doing something for money seems dirty in a way that doing it for love, personal fulfillment, or social commitment is not.

Yet our discomfort with money and materialism is hard to pin down, in part because consumerism as a way of life is so ingrained it's hard to recognize within us and around us. It is, in the now-famous words of George Orwell, "the air we breathe." Like air, it's everywhere, we're dependent on it, and perhaps most important, until it's really dirty, it cannot be seen. We experience consumer society as something natural. But it's not. As a growing number of historians have shown, the culture we live in today was *created*. Consumer capitalism did not triumph without opposition, but triumph it did. One measure is that by the 1990s, college students reportedly relate far more to commercials and advertising culture than they do to history, literature, or probably anything else. As James Twitchell of the University of Florida argues, "adcult" now *is* our culture.

I do not raise this point to suggest that change is not possible. Certainly it is. But the first step toward transforming America's consumer culture is to understand it better. I wrote this book in part as a reflection on the thousand and one ways our daily lives, and indeed our very identities, are structured and regulated by acts of spending. Because that, more than anything, is the first step to understanding why so many of us have become overspent Americans.

2

Communicating with Commodities: How What We Buy Speaks Volumes



THE OVERSPENT AMERICAN

WHY WE WANT WHAT WE DON'T NEED

Juliet B. Schor

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