Book Review of Brendan Sheehan (2010) *The Economics of Abundance: Affluent Consumption and the Global Economy*, Cheltenham, Edward Elgar Publishing, 224 pp., Hardback 978 1 84376 670 4, £68.00

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Abstract (summary)

The Economics of Abundance by Brendan Sheehan is reviewed.

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At first sight, the title of this book may seem to imply unlucky timing by the author and publisher: in the midst of austerity policies, rising unemployment, 'mortgage stress' and 'mortgagee sales', and with some people in supposedly affluent economies trying to avoid defaulting on their financial obligations by taking on multiple part-time jobs, we are being invited to read a monograph on the economics of abundance. On closer inspection, however, it is the potential for unused productive capacity in the modern economy that lies at the heart of this book's concerns: things could become far worse in advanced industrial economies if those whom Brendan Sheehan calls the 'people of plenty' decide to reduce their discretionary spending.

Modern technologies and advanced levels of education have solved the problem of how to produce vast outputs of consumption goods at affordable prices (though not necessarily without significant environmental costs). The trouble is, affluence may be at odds with selling such output in a profitable manner. From Sheehan's standpoint, the people of poverty and the people of sufficiency (who, with bad luck, may slip into poverty) lack discretionary income and therefore do not tend to contribute to a shortfall in aggregate demand by failing to spend what they earn. By contrast, were it not for the power of marketing and social competition, the people of plenty might fail to decide that self-indulgence and the pursuit of status and group membership via consumption are better than ascetic restraint.

This book is thus a revisitation of Galbraith's ideas and it includes in chapter 6 ('The role of markets') a very good summary of Galbraithian themes, nicely integrated (albeit implicitly as far as referencing is concerned) with a Post Keynesian approach to firms' pricing and capacity choices. Chapter 6 also has an appendix on conventional supply-and-demand views of markets in order to make the book more accessible to non-economists. What takes this book beyond Galbraith's original contributions is Sheehan's eclectic use of literature from marketing, psychology and other social sciences in chapters 2–5 to help the reader understand consumer motivation and hence why the tools of marketing can succeed in persuading the people of plenty to engage in discretionary spending. Sheehan's concern is with the bigger picture rather than the detail of how knowledge of the heuristics and bias on which much of contemporary behavioural economics is based can be used to manipulate consumer choice in a carefully contrived manner. To augment the Galbraithian perspective in the latter way, it is necessary to go to the excellent survey by Hanson and Kysar (1999); if Sheehan's book runs to a second edition (as I hope it eventually will), it would be well worth adding an extra chapter dealing with the details of what behavioural economics implies about how manipulation can be achieved and updating the Hanson and Kysar survey.

Sheehan sees what he calls the 'institution of marketing' as persuading not merely at the level of the individual ('micro-level') but also by shaping group wants ('meso-level') and society at large ('macro-level'). While marketers' messages may be competitive between brands, his message seems to be that in an important sense marketing campaigns operate in a complementary manner. In other words, the people of plenty buy into the lifestyles of acquisition and self-indulgence, and neglect more ascetic alternatives, because of the combined power of messages that promote spending. Marketing works because consumers have limited powers of attention. Cognitive constraints enable loud, eye-catching marketing messages to crowd out less prominent alternative signals that question the morality of profligate consumption in a world in which the majority of people are still in poverty or just about getting by.

The book also suggests that marketing works because people are not born with hard-wired preferences and therefore look to their external socio-cultural environments to work out what they should be doing with their lives and their spending capacity. They are inquisitive but marketing messages help shape which questions they decide to try to answer via their choices. Such questions may involve activities as mundane as experimenting with alternative brands or seeing whether a particular kind of self-identity is sustainable, and the changing set of marketing messages may produce continual churning in patterns of spending with some people periodically giving their identities major makeovers. Here, Sheehan's reading unfortunately did not extend to the 'inquiring man'/'people as scientists' literature of personal construct psychology that began with George Kelly (1955) and has been employed in consumer research in marketing and economics (starting with this reviewer's work over 25 years ago). However, this omission does help ensure there is room for an extensive discussion of Sheehan's main influence in psychology, George Herbert Mead. This is a valuable contribution, for Mead's work on acculturation processes has not previously received enough attention in economics.

Mead's work begs the question of how, prior to choosing what to buy, the people of plenty make choices about whose messages and roles models to accept.

It seems to me that some notion of multi-level preferences is needed to deal with this issue; that is to say, there may be enduring higher-level preferences that determine what is admissible as grounds for making choices. Alternatively, we might see the book discussion of Mead as consistent with the Stigler and Becker (1977) perspective on tastes, in which people start off basically all the same and gradually end up behaving differently, even if they have the same incomes, as a consequence of acquiring different kinds of human capital that is required to appreciate and employ different consumption goods. Either way, this would present a challenge compared with conventional assumptions about 'given utility functions', as would the tendency, emphasized in this book, for consumers to habituate to changes in their levels of consumption.

The book misses some important opportunities in relation to Abraham Maslow's famous hierarchy of needs idea, despite references to Maslow's work. The Maslow hierarchy could have provided a focus for discussing poverty and sufficiency in relation to the ability to meet basic needs and the point at which people start to enjoy discretionary choices. Basic dietary needs and minimal requirements for shelter and companionship seem to have been selected via evolutionary processes, though as Brooks (2011) argues, the same evolutionary processes may have selected systems for judging whether we have eaten 'enough' that work in a dysfunctional manner when fattening food is readily available. By contrast, expectations regarding lower-priority needs such as social esteem and being able to engage in self-actualization may be constructed by the individual. In respect of the latter needs, there appears, from Sheehan's discussion of Mead's work, to be a major role for social inputs, or marketing.

Basic survival needs may collide with the standard economic ideas about substitution where consumers are in poverty or just getting by (see Lutz and Lux, 1979 for a Maslow-inspired approach to economics) but we should also notice that marketing is trying to limit the extent of substitution that affluent consumers will find acceptable, via its attempts to turn luxuries into necessities for survival in a social world. The huge range of choice in modern economies that Sheehan repeatedly emphasizes may itself get in the way of a willingness to make trade-offs, by driving consumers to use simplifying, checklist-based decision rules or choose on the basis of familiar brands.

Though the book misses opportunities for reflecting on limits to substitution, it does at least highlight the importance of the opportunities that the people of plenty take up for exploiting complementarities. Normally we might tend to do this in terms of the need for things to fit together in some physical or technological sense in order to function effectively. In this book, however, the emphasis is more on people trying to satisfy their need to make things fit together in terms of quality and style. Sheehan show how this can result in one item of spending triggering a cascade of other purchases to regain consistency. Via McCracken (1990), he calls this phenomenon the 'Diderot Effect' but does not explain its origins. A quick trip to Wikipedia solves the mystery vividly by telling us what happened to the 18th-century French philosopher Denis Diderot after he was given a smart new dressing gown and found himself driven to upgrade all manner of other possessions that he had previously cherished.

The book ends with a chapter on 'implications' that is much more extensive than one normally sees. The implications covered range from the subject matter of economics, the theories of choice and production, and whether or not the super-rich constitute a distinctive fourth category of consumers, through to policy areas such as government spending, education and training, and macroeconomics. In relation to macroeconomics, Sheehan rightly argues that the role of consumption in unsustainable booms has been given insufficient attention. However, his focus is on the ability of the people of plenty to over-use their access to credit as they succumb to marketing campaigns (pp. 189–91) and he neglects the ability of consumers to cause an abrupt downturn simply as a result of losing their nerve and postponing discretionary spending.

That he should neglect the role of the 'feel-good factor' is odd not merely because of the use of consumer confidence indices in banks' forecasting models but also because it is this that gives consumers the power ascribed to them in *The Powerful Consumer*, George Katona's classic (1960) contribution to psychological economics. Sheehan quotes this book when introducing the notion of 'inconspicuous consumption' (i.e., consumption to signify quietly one's membership of a particular group rather than to voice loudly a claim for membership of a group of higher standing). Yet he completely ignores the fact that Katona's main message is that the evidence (such as the 1957–8 downturn in the US) showed Galbraith was wrong about the power of advertising as a driver of overall consumption and that macroeconomic models were likely to predict poorly if, like Keynes's original consumption function analysis, they neglected the dependence of aggregate consumer spending on confidence as well as on the ability to spend. This key aspect of Katona's work, and the many empirical studies related to it, needed to be discussed and critically appraised, preferably alongside Duesenberry's (1949) 'relative income' model of the consumption function that would have nicely complemented the key themes in the book. Sad to say, however, here as so often these days (see Frank, 2005), Duesenberry's pioneering work on the significance of status-based consumption was not in evidence. Aside from withering consumer confidence, another possible drag on aggregate demand that needed to be explored was the significance of spending by people of plenty on positional goods that are largely non-reproducible and whose purchase may do little directly to create employment. This issue is addressed, along with its significance for inflation, in Scitovsky's (1987) Fred Hirsch memorial lecture.

The main thing that may nag away at mainstream economists who read this book is likely to be rather more basic, namely, whether it offers an analysis, as its title promises, of *The Economics of Abundance* as opposed to a cross-disciplinary social science perspective on choice and business behaviour in an environment of plenty. While a lack of care in choice is less disastrous for the people of plenty than it is for those in poverty or on the margin of sufficiency, the people of plenty can still profit from trying to do the best they can, subject to the constraints they face—for example, they may be able to step further up the status ladder if they avoid wasting their money. To a mainstream economist, the message might seem to be that the author has failed to undertake the next step, that of constructing a model of the person of plenty that builds in the multiple constraints show in Figures 1.1 and 7.1 of the book, namely, the ascetic morality of restraint, limited emotional energy, self-identity, cognitive capacity, and so on, as well as traditional financial limits. In formal terms, the issues would be whether this ends up as a kind of linear programming problem and what to presume about what happens if nothing in the choice set allows all constraints to be satisfied.

To old-school behavioural economists (i.e., those inspired by Herbert Simon's work), the message of this book is rather different. The economics of abundance does not require optimizing models with complex constraints but the abandonment of any optimizing model in favour of one based on satisficing and aspiration levels that adjust depending on attainments. For the people of plenty, the choice set is just too big to permit optimization; coping with it requires the use of simplifying decision rules or outsourcing choice to those with specialist knowledge of what might be an efficient means to particular ends. Optimizing trade-off models of the kind employed in home economics might be reasonable approximations of the behaviour of those in poverty who have little to choose between and can weigh up the benefits and costs of marginal changes in the mix of different kinds of food, but the world of plenty is a world of information overload. Implicitly, the author's sentiments are with Simon's bounded rationality perspective but he does not spell this out.

For a book about choice made by the people of plenty to be contribution to economics, it is not necessary to include a formal model of any kind. A more basic sign that it was economics would have been emphasis on opportunity costs; yet, for an economist, Sheehan spends surprisingly little time considering alternatives to large-scale consumption and barriers to adopting alternative strategies. It would have been interesting to see the book charting trends in working hours and discussing scope for reductions in time spent working that would leave workers with less to spend but more time to enjoy the things they buy, their families and their friends. Such changes in hours worked are potentially major contributors to reducing environmental pressures.

The book seems to imply that marketing is so powerful that the people of plenty simply do not consider alternative lifestyles based on part-time work or taking early retirement. Yet in reality these alternatives may be closed off by economic factors, ranging from barriers to job sharing in cases where coordination and relationship management costs escalate if a client has to deal with different staff at different points in the week, to uncertainties about the affordability of retirement in a world of fluctuating asset yields, complex superannuation taxation and imperfect annuities markets. (In the latter case, the implication is that the people of plenty may be concerned about finding themselves having trouble being people of sufficiency some years after stopping work.) It may also be the case that while people achieve plentiful incomes by working long hours, the amount of work they are doing prevents them from developing leisure interests and hence any self-identity concept beyond that of their job title. For such people, the prospect of working fewer hours may cause such dread that they may be more comfortable staying on the familiar treadmill and using their rising incomes to buy more expensive products rather than extra leisure time. It would thus have been useful to have a chapter that surveyed what is known about the economics of reducing working hours. The absence of such a chapter is symptomatic of the book's general failure to consider time as a constraint: one suspects it would have looked very different if the author had studied Linder's (1970) classic book *The Harried Leisure Class* and the considerable literature (it enjoys over 900 hits on Google Scholar) associated with it.

Finally, we may note that the book's focus on determinants of spending also comes at the cost of any discussion of the economics of charitable donations, philanthropy and volunteering activities as alternatives to personal consumption and paid work. A very useful chapter on research in this area could have been added to this book. Such a chapter would have offered considerable scope for continuing the book's cross-disciplinary style—for example, charities use marketing techniques, too, and donations to them may be limited by limited attention, 'donor fatigue' and the ability of processes of cognitive dissonance reduction to enable consumers to let consumers justify spending money on their own consumption rather than giving it to worthy causes.

In sum, while *The Economics of Abundance* misses a number of important opportunities that could readily be grasped in a second edition, it deserves to be read widely by economists and is written in a manner that will make it accessible to other social scientists. Anyone who teaches political economy and includes a segment on Galbraith should add it to their reading lists.

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