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(Key terms in these selected chapters are explained in the Hirsch summary in Chapter 6.)

Commercialization in our economy, substituting explicit for informal exchange, is in some sectors not an efficient means of meeting individual preferences. It represents not what people want, choosing among all potential alternatives, but merely what they get when inadequate special provision is made for satisfying individual demands that the market is technically unsuited to fulfill.(94)

In economically advanced societies, social norms that influence sociability and friendliness are progressively strained by market forces. As individuals consume ever-increasing quantities of goods, time pressures mount, leaving less time to cultivate friendships.

Time pressures develop from increasing levels of consumption and the need for additional income. Linder (see summary in this section) argues persuasively that higher consumption levels require the consumer to economize on time, maximizing its use over an expanded consumption range. One economizing strategy is to substitute time-saving for time-intensive consumption goods.

This strategy affects consumer choice and national accounts measures. On the one hand, consumption of time-saving products or services is primarily instrumental to some final consumption goal. For example, a taxi's service may be purchased to save time in the pursuit of some other consumption activity. On the other hand, national accounts have no way of discriminating between time-saving/instrumental and time-intensive/final goal consumption. The taxi fare indicates, but does not itself constitute, increased welfare. To the extent that consumption levels reflect defensive consumption, or consumption undertaken in order to permit other forms of consumption, national accounts stray from indicating welfare.

Increased consumption needs (primarily defensive and positional) require more earnings, which often require longer hours at work, which in turn may increase the scarcity of time for non-work activities. Since mass consumption of some goods tends to deteriorate the social conditions in which they are used (e.g., mass automobile consumption leads to congestion problems), more extensive defensive consumption is needed to maximize total consumption. As a result, the need for additional income biases the individual consumer against substituting non-market leisure for work.

The increasing scarcity of time permits an economic explanation for the common observation that sociability is diminished in modern marketized economies. In the economic context, social norms and casual, friendly behavior are similar to public goods, in that their costs and benefits cannot be appropriated by any one individual. As public goods, social norms and friendliness are susceptible to the vagaries of time pressures. Since friendliness is time consuming and any particular act of friendliness runs a great risk of being unreciprocated, the economizing consumer increasingly ignores social conventions supporting casual, friendly behavior.

Increasing time pressures as well as social mobility wreak havoc on the mutuality of exchange in friendships: it becomes difficult to trust that friends will pay back favors. The effects of the market on social relationships, specifically the effects on the perceived obligation to act according to social convention, are inappropriately excluded from the realm of economic discourse, just as pollution once was.

Friendly exchange approximates a private good when, for instance, a gesture today is reliably repaid tomorrow. However, in modern market economies, casual friendly exchanges cost a small amount of time, occur frequently and may be reciprocated rarely and at unknown intervals by strangers. Consequently, motivation to participate in any particular casual friendly act is low, causing an underproduction of sociability. Both marketing and consumer protection groups sustain this situation by advocating the values of self-interest maximization.

As the subjective cost of time rises, pressure for specific balancing of personal advantage in social relationships will increase. As long as the time cost is relatively low, whether because of fewer alternatives for use of leisure or because of fewer opportunities or pressures for additional work effort, the net cost of each specific time-absorbing activity connected with friendship or the social relationships will also be relatively low. In fact, it may not even be seen as a cost. Perception of the time spent in social relationships as a cost is itself a product of privatized affluence. The effect is to whittle down the amount of friendship and social contact to a level that leaves everyone wishing they had more at the expense of fewer material goods. This effect is doubly perverse since the relative value attached to friendship and other human relationships must be expected to increase as pressing material needs are increasingly met.(80)

Increasing productivity levels and increasing mobility tend to strengthen the public good characteristics of social behavior at the expense of its private good characteristics. The more social behavior resembles a public good, the more its benefit is diffused to others, the less responsive it is to individualistic demand. One effect is that increases in friendship will continue to be underproduced.

THE NEW COMMODITY FETISHISM

Economists neglect the social context in which individual acquisition of goods and services takes place and as a result are overly concerned with commodities as instruments of satisfaction. The market not only compromises social norms but also negatively affects the type of satisfactions

derived from goods. Two factors are involved, which may be called the "commodity bias" and the "commercialization effect". The *commodity bias* is that excessive growth in the material sector of the economy leads to intensified positional competition which channels a disproportionate amount of individual activity through the market. The *commercialization effect*: refers to the impact on consumer satisfaction resulting from supplying commodities through the market rather than through some other mechanism (e.g., informal exchange or feelings of service or obligation.)

Lancaster (see summary in Section 6) captures the commonsense notion that consumers derive satisfaction from the characteristics provided by goods, rather than from the goods themselves. By extension, utility derived from goods emerges from characteristics as well as the environmental conditions in which they are used. Mass automobile consumption may affect the satisfaction derived from consumption of a single automobile's transportation characteristics, as in the example of traffic congestion. Alternatively, the manner in which commodities are supplied may influence which characteristics are yielded by a given good or service. For instance, a doctor's services may improve a patient's health, but may also yield valuable characteristics that arise from strong doctor-patient relations (e.g., knowing and trusting the doctor). The commercialization effect on medical services has weakened doctor-patient relations and, as a result, has altered the characteristics that have traditionally been acquired from such services. Commercialization also affects the characteristics of other types of services, such as educational instruction, political or administrative leadership, and companionship.

Individual consumers may derive alternative satisfactions from the same product or service, depending on the motivation for its provision. A service that is provided to satisfy private wants may deliver a different set of characteristics from the same service when it is provided to satisfy societal needs. One unfortunate consequence is that commercialization of services diminishes expectations that obligations will be met without contracts. Such effects represent a deterioration in the characteristics of public goods.

The commercialization effect alters the social forces that influence individual behavior; social norms, mutually agreed upon, are replaced by privatized standards that are shaped by an individualistic ethos. As a result, weakened social norms increasingly fail to restrain individuals from maximizing short-term satisfaction at the expense of long-term objectives. But social norms are required for the pursuit of long-term goals when the effects of individual behavior are diffused and uncertain. Given the unpredictable effects of individual actions, even long-term self-interest will not always promote socially directed action. When individualistic attitudes prevail, the risk becomes too great that others will take a free-ride on any altruistic act. Consequently commercialization's debilitating effects on social norms become vicious.

People are usually prepared to take some risk that their sociability will not be reciprocated, but when the risk appears too high, behavior shifts toward securing fair exchange in any single transaction. Although the effects on social conventions are cumulative, the specific effects of each transaction are unnoticeable to any individual participant.

While the market tends to be inefficient at providing collective goods, it also tends to overproduce those private goods that it is efficient at producing. The resulting commodity bias

provides the market with incentive to cater to demand that is amenable to commercialization. This means that the market has a structural incentive to privatize collective goods, effectively setting a price on access to them. The exclusionary nature of this practice may change the characteristics of the collective goods by affecting the manner in which they are acquired. Satisfaction derived from consumption of freely accessible common goods may no longer be possible for some. The poor who depend on public access will not benefit from collective goods that become costly to consume.

The market is well-equipped to satisfy piecemeal individual demand when the conditions of use are presumed fixed at present levels, but ill-equipped to satisfy individual demand when long-term ramifications on conditions of use are taken into consideration. The market bias toward the over-production of commercial goods diminishes social welfare by neglecting its effect on the conditions in which characteristics are consumed.

THE HOLE IN THE AFFLUENT SOCIETY

In sum, profit seeking corporations may excel in discovering what we individually want, within some given social context. They may even excel in executing our order for what we want. But where this is also what we cannot all have, this attention to our irreconcilable demands may be exactly the trouble. The corporations then do their jobs too well. Switching the order to the government sector will merely shift the locus of the misassignment.(109)

Any society that allocates its resources with the aim of satisfying individual wants is destined to have its efforts frustrated. Private goods have a social dimension that make it impossible for everyone to receive what each one wants. This is not a problem with distribution, rather it is an adding-up problem that exacerbates the disparity between the quality of private and public sector goods.

Economic growth was originally thought to redistribute wealth, eliminating gross disparities between rich and poor. The idea was that if everyone had more, everyone would be better off. However, economic growth has not brought about these changes because it has occurred primarily within only one sector of the economy, the material sector. The lack of growth in the positional sector has diminished public interest in redistributive transfers and forced all individuals to be overly concerned with their relative income levels. Intensified competition for positional goods and privatization of common access facilities have inhibited equitable resource distributions.

As Easterlin and others have observed, relative rather than absolute income plays an important role in making people happy. In contrast to Easterlin, the importance of relative income in determining happiness can be explained exclusively in terms of increased positional competition, rather than being based on social comparisons. A person who has seen his absolute income rise and, has attempted to use this income to improve his lot by moving to the suburbs may derive a zero increase in happiness from the move because so many others have made the same move, causing congestion problems and leading to further increases in defensive consumption.

Galbraith correctly observed the imbalance between private affluence and public squalor, but mistakenly interpreted the problem in terms of a misallocation of resources. More accurately, the problem of social imbalance lies with the individualistic demand for public goods. "Goods and facilities provided directly or indirectly through the public sector fail to meet our individual demand partly because these cannot be met for all or most people together."(107) Consequently, expanding the public sector would fail to satisfy the individual demands of all. Contemporary frustration with the feeble returns from heavy public expenditures confirm this view. This frustration motivates individuals to increase their spending or demand more public spending.

Galbraith's observation of social imbalance can be explained in terms of market failure, that the price mechanism fails to reflect all available options. Since the market caters only to demand that is susceptible to the commercialization effect, it does not offer alternatives that an individual might choose if they were available. Consumers desire the characteristics supplied by products in certain noncommercial conditions of use, but those conditions are not commonly supplied by corporations.