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Were it so that a man on arising each morning was assailed by demons which instilled in him a passion sometimes for silk shirts, sometimes for kitchenware, sometimes for chamber pots, and sometimes for orange squash, there would be every reason to applaud the effort to find the goods, however odd, that quenched this flame. But should it be that his passion was the result of his first having cultivated the demons, and should it also be that his effort to allay it stirred the demons to ever greater and greater effort, there would be question as to how rational was his solution. Unless restrained by conventional attitudes, he might wonder if the solution lay with more goods or fewer demons. (153)

This selection, from one of the classic critiques of consumer society, explains why conventional economic theory has so little to say about the origins and importance of consumer demand. It offers an alternative perspective in which production itself gives rise to demand for the goods that are produced. In recognition of the unique clarity of Galbraith's prose style, most of this summary consists of direct quotes.

THE IMPERATIVES OF CONSUMER DEMAND

A high and rising level of production is widely viewed as desirable. "There remains, however, the task of justifying the resulting flow of goods. Production cannot be an incidental to the mitigation of inequality or the provision of jobs. It must have a *raison d'être* of its own. ... The rationalization begins with the peculiar urgency of production not to society but to economic science. ... All existing pedagogy and nearly all research depend on it. ...

Anything that increases the product from given resources increases welfare. It is important that it be done. Here is the anchor. To cast doubt on the importance of production is thus to bring into question the foundation of the entire edifice." (139-141)

"Once students were attracted by the seeming urgency of economic problems and by a sense of their mission to solve them. Now the best come to economics for the opportunity it provides to exercise arcane mathematical skills. Could this mean that society itself is losing the sense of urgency of the economic problem? Does it mean that there is now a subjective realization that increased product is being used to serve rather unimportant ends?" (142-143)

"The theory of consumer demand ... is based on two broad propositions ... The first is that the urgency of wants does not diminish appreciably as more of them are satisfied or, to put the matter more precisely, to the extent that this happens it is not demonstrable and not a matter of any interest to economists or for economic policy. ... The second proposition is that wants originate in the personality of the consumer or, in any case, that they are given data for the economist. The latter's task is merely to seek their satisfaction. He has no need to inquire how these wants are formed. His function is sufficiently fulfilled by maximizing the goods that supply the wants." (143-144)

Economic theory has long relied on the principle of diminishing marginal utility to explain relative prices: the more you already have of something, the less you will pay for a little more. This appears to imply that, as real incomes rise, the additional wants being satisfied are of diminishing urgency. But economic theory has explicitly rejected this implication, at least since the days of Alfred Marshall. It is taken as axiomatic that only consumer behavior, not states of mind, can be studied, and that intertemporal comparisons of consumer satisfaction are impossible.

"The notion of diminishing utility still serves its indispensable purpose of relating urgency of desire and consequent willingness to pay to quantity. ... Hence the greater the supply the less the willingness to pay for marginal increments and hence the demand curve familiar to all who have made even the most modest venture into economic theory. But, at the same time, the question of the diminishing urgency of consumption is elided. ... On the yield of satisfactions from [a growing stock of consumer goods over time] the economist has nothing to say. (149-150)

THE DEPENDENCE EFFECT

"The notion that wants do not become less urgent the more amply the individual is supplied is broadly repugnant to common sense." (152) Yet the notion is hard to disprove in the absence of firm grounds for intertemporal comparison of states of mind. However, there is a flaw in the argument that affluence does not reduce the urgency of desires. "If the individual's wants are to be urgent they must be original with himself. They cannot be urgent if they must be contrived for him. And above all they must not be contrived by the process of production by which they are satisfied. ... One cannot defend production as satisfying wants if that production creates the wants." (152-153)

"That wants are, in fact, the fruit of production will now be denied by few serious scholars." (154) Keynes commented on the existence of needs based purely on the emulation of others while Duesenberry developed a theoretical analysis of such needs. "The even more direct link between production and wants is provided by the institutions of modern advertising and salesmanship. These cannot be reconciled with the notion of independently determined desires, for their central function is to create desires – to bring into being wants that previously did not exist." (155)

Advertising expenditures "must be integrated with the theory of consumer demand. They are too big to be ignored. But such integration means recognizing that wants are dependent on production. ... It recognizes that production, not only passively through emulation, but actively

through advertising and related activities, creates the wants it seeks to satisfy." (156) A man who is hungry need never be told of his need for food. ... [Advertising is] effective only with those who are so far removed from physical want that they do not already know what they want. In this state alone men are open to persuasion." (157-158)

In summary, "as a society becomes increasingly affluent, wants are increasingly created by the process by which they are satisfied." This may operate passively through suggestion or emulation, or actively through advertising and salesmanship. "Wants thus come to depend on output. In technical terms it can no longer be assumed that welfare is greater at an all-round higher level of production than at a lower one. ... There will be frequent occasion to refer to the way wants depend on the process by which they are satisfied. It will be convenient to call it the Dependence Effect." (158)

"Among the many models of the good society no one has urged the squirrel wheel." (159)