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“Globalization and Consumer Culture” by Kevin Gallagher

By 1990 34 percent of people in developing countries were living in cities where daily exposure to global products through television, radio and billboards was inescapable. Even in rural areas of the Philippines any city of over 20,000 will have at least one "supermarket," usually a one-room affair about the size of an old New Hampshire general store. In the fishing and rice-farming town of Balanga, Bataan, the San Jose supermarket offers Philip Morris's Tang and Cheez Whiz, Procter and Gamble's Pringles potato chips, Hormel's Spam, Hershey's Kisses, RJR Nabisco's Chips Ahoy, Del Monte's tomato juice, Planter's Cheez Curls, and Colgate-Palmolive's toothpaste. Above the cash register is a large poster celebrating "Sweet Land of Liberty" with a picture of the American Flag.¹

While globalization and consumerism are important trends, each with its own wealth of literature, there has been little academic attention given to the interaction of the two phenomena. The articles summarized in this section represent the frontier of the small but emerging literature that address these issues together. They suggest that the interrelationships between globalization and consumerism have a profound impact on consumer behavior and development. The myth of the autonomous consumer with exogenously determined tastes and preferences, a staple of economic theory which has been criticized in this volume, is even less appropriate in the global context.

GLOBALIZATION, INEQUALITY, AND CONSUMERISM

In the industrialized world it is difficult to get through a day without hearing about the trend toward globalization. Rarely does a year go by without world leaders signing yet another major trade pact that opens global markets to easy entry by the world's corporations. We have recently witnessed the strengthening of the common market in Europe with the Maastricht Treaty, the North American Free Trade Agreement, a new round of the General Agreement on Tariffs and Trade, and plans for an Asian Pacific Economic Community. These agreements have arisen as the economies of the industrialized world lag, and a new class rapidly emerges in newly industrialized nations with spending patterns relatively similar to those in the industrialized world.

It is important to note that while volumes of buying and selling -- and the rising incomes that follow -- increase around the world, the bulk of this activity occurs largely among the richest fifth of the world's people. This is vividly revealed by the United Nations Human Development

Report's much discussed "champagne glass" (illustrated here). This top fifth accounts for roughly 85 percent of global income, world trade and domestic savings. Conversely, the poorest fifth earns 1.4% of GNP, 0.9% of world trade, and 0.7% of domestic savings.² In section 1 of this volume, Alan Durning characterizes the top fifth as the "global consumer class"; traveling by car and plane, eating high fat, high calorie meat-based diets, drinking bottled water and soft drinks, using throwaway products, and living in spacious, climate controlled, single family residences where they maintain an image conscious wardrobe.

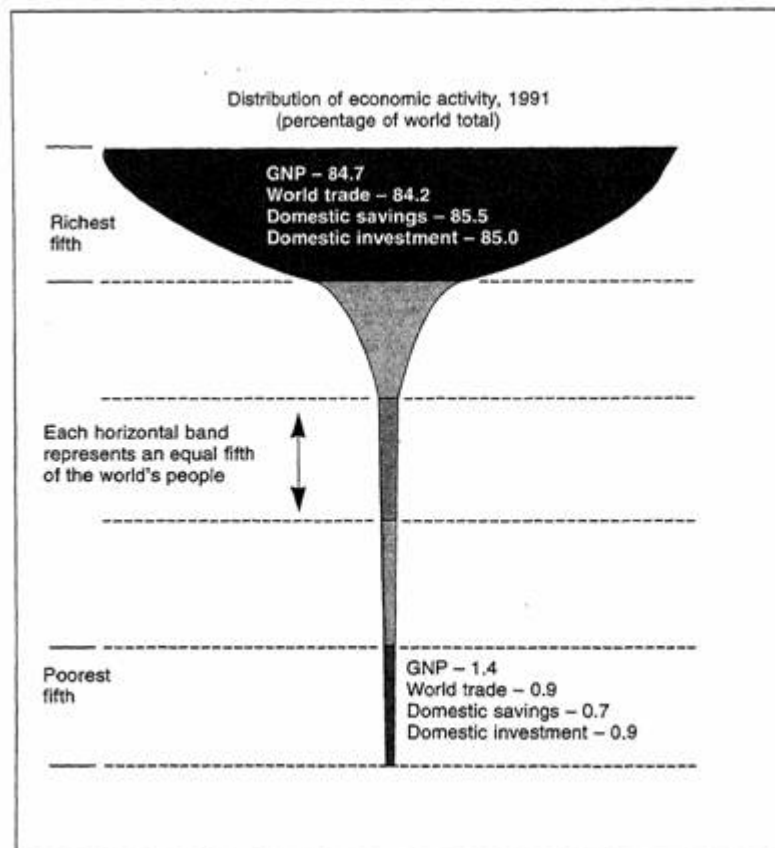


Figure 1. Global Economic Disparities.

Today, while only a few Third World societies earn annual incomes in the UN's top fifth, for the purposes of this section and from the perspective of global marketers, what is significant is the rapidly expanding second 20%. In this quintile one can find portions of almost every South American nation, including most of Venezuela, and three-fifths of Brazil and Costa Rica. Also included are the rapidly developing East Asian nations, much of Eastern Europe, and a small part of Africa. Interestingly, these nations overlap with the poorest in France, the United Kingdom, Denmark, Spain, and the United States.³

In 1953 global income inequality served as the point of departure for the economist Ragnar Nurkse's classic book, Problems of Capital Formation in Underdeveloped Countries (a chapter of which is summarized in Section 5 of this volume). Nurkse's work is the earliest attempt to assess the links between global inequality, globalization, consumerism and development. Nurkse draws

on James Duesenberry's concept of a demonstration effect (also summarized in Section 5), asserting that when consumers learn about "superior" modes of consumption new wants are triggered and the propensity to consume shifts upward. To Nurkse, the demonstration effect is useful in explaining why consumption is favored over saving by individuals of the Third World when they see the affluent lifestyles and consumption patterns of individuals in the First World. Nurkse further claims that such choices hinder Third World capital formation and investment, perpetuating low productivity and underdevelopment.

One can argue that Nurkse's analysis is more relevant now than ever before. However, as Nathan Keyfitz observes in his article summarized in this section, the demonstration effect has had little influence on the world of economic theory. Keyfitz finds the demonstration effect to be important in reality, claiming that "a kind of standard package is emerging in everyone's mind -- including a home, automobile, and the means to travel; within the house must be electric lighting, a refrigerator and a television set. One can imagine people being satisfied to slow down their progress once they have these facilities and allow the rest of a country to catch up, but not before."⁴ Articles by both Nathan Keyfitz and Russell Belk document the emergence and nature of consumer culture in developing countries. These authors argue that the spread of American and other western cultures through films, advertising and other media has taught the Third World consumer to want a "standard package" similar to the one just described.

As to the origins of these desires, Russell Belk points out that while there are a great many similarities in the consumer cultures found in rich and poor nations, their historical emergence is a result of a different path. As suggested in Section 4 of this volume, aspects of consumer culture in industrialized countries may date back as early as the sixteenth century;⁵ Third World consumer culture has emerged much more recently. In addition, while historians of consumer culture in the industrialized world cite its development as occurring largely *after* the majority of those societies had met their basic needs, Belk points out that the Third World consumer culture has arisen *before* basic needs have been met. The Costa Rican philosopher Luis Camacho adds that consumer culture may not deliver these basic needs:

[T]he fact that international trade may lead to more consumption in the South does not necessarily mean that poverty will be reduced. For millions of destitute persons in the world, consumption is primarily something that a few inhabitants of their countries can engage in as a privilege; with respect to the majority, it is denied or severely restricted -- either because of rampant unemployment or because of great discrepancies between wages and prices. From a Southern perspective, then, what is of primary interest is not so much the distinction between good and bad consumption, but the distinction between consumption as a real option for some and as an unfulfilled desire for most.⁶

Vivid documentation that individual items in the standard package, or the desire for them, can be found throughout the world today is Peter Menzel's Material World, a collection of photographs and statistics of the average family's possessions in 30 nations around the globe. China and Vietnam, for example, have average per capita incomes of US\$364 and US\$215 respectively. When asked what their most prized possession is, the Chinese family indicated their television. When asked what their wishes for the future were, the Vietnamese family

responded, television and radio.⁷ In an academic setting, similar questions have been asked systematically in the form of regional case studies that attempt to determine the nature of the emergence of consumer cultures around the world.⁸ In this section, we have included one such case study on China.

CONSUMER BEHAVIOR AND THIRD WORLD CONSUMER CULTURE

A common conclusion of the authors summarized in this section is that the issues discussed throughout the rest of this volume are just as much, if not more, relevant to the developing world.

The economist Jeffrey James has further developed the Duesenberry/Nurkse behavioral hypotheses by combining them with many of the theories of consumer behavior that are summarized in Sections 5 and 6 of this volume. By developing the work of Veblen, Galbraith, Lancaster, Hirsch, Scitovsky, and Frank in the global context, James argues that consumer choice is at least in part a function of the consumption of others. Thus, the relative income of Third World consumers compared to those in the First World, the status-oriented lifestyles displayed by film, advertising and other institutions, and the industrialized world's colonial legacy, all cause Third World consumers to remap their indifference curves and seek out the lifestyle that is so vividly presented to them. The welfare effects of this phenomena can be profound. First, James argues that the opportunity cost of the nonpositional goods foregone to buy positional goods that were designed by and made for First World countries is very high. In addition to the financial costs, Belk and Janus argue that this results in the substitution of high prestige items for basic nutrition. Finally, James notes that the more the poor spend on positional goods, the more the rich spend to stay ahead, continually exacerbating the problem.

Particular attention has been given to the question of how advertising and media present the modes of consumption practiced by individuals in industrialized countries. James notes that many Third World nations lack strong (if any) consumer protection laws or advertising standards. Thus these ads are less than truthful. Noreene Janus claims that this sets the stage for the practice of "projective advertising", commercializing all aspects of social life, including culture, values, and lifestyle. Such an approach has been most successful for transnational corporations in markets with high advertising-to-sales ratios, such as soap, tobacco, drugs, perfumes, deodorants, toothpaste, prepared foods, beer, and soft drinks. Finally, to many of the authors in this section, the film industry, indirectly, is a form of advertising that works in a similar fashion; the goods and services depicted on films and television become increasingly desirable to the Third World consumer.

Rhys Jenkins sees advertising as a transnational industry of significant importance and consequence. He notes that in the late 1970s, two-thirds of advertising industry revenues in the Third World went to foreign agencies, and foreign billings accounted for one-half of the total for U.S. agencies. By 1989, the simultaneous rise in global markets for consumer goods and global mass communications for their promotion resulted in corporations spending over \$240 billion on advertising and \$380 billion on packaging and catchy designs that include the logos of the First World's most famous films and cartoons. This averages to \$120 for every person on earth, an amount higher than the annual income of the average citizen of Mozambique.⁹ In addition to the great rise in advertising expenditures, global advertisers have also shifted their approach. Where it was once commonplace for an international advertiser to cater to the host country's culture to

promote its products, firms are now presenting universal themes in their advertising that appeal everywhere. Coca-Cola, whose global advertising campaign theme is to portray "joy, laughter, sport and music," aired a commercial during the 1992 Winter Olympics that is said to have reached 3.8 billion viewers in 131 countries.¹⁰

CONSUMER CULTURE AND DEVELOPMENT

A topic that has received only brief attention in this volume, but that does deserve note, is the effect of consumerism on culture and politics. The anthropologist Helena Norberg-Hodge has claimed that the spread of consumerism not only changes consumer tastes in the Third World marketplace, it is also a carrier of deep cultural values that run contrary to and potentially erode the traditional values held by the host societies.¹¹ In the course of a famous early discussion on education, the philosopher Ivan Illich suggested that consumer culture in developing countries causes underdevelopment as a state of mind, where individuals feel inferior because many of the goods and ideas that they are surrounded by have originated and are produced outside of their culture.¹² Belk credits traditional culture as one of the strongest barriers to the development of the consumerist ethos.

Consumer culture has also been seen to have both adverse and positive effects on Third World politics. Noreene Janus' analysis of advertising in peripheral societies concludes that advertising which presents the lavish consumption styles of the industrialized world to Third World consumers is also imbued with idealized political undertones implying that Western brand democracy must go hand in hand with such consumer lifestyles. Another study revealed that Western goods embodied notions of freedom for Eastern European youth prior to the collapse of the Soviet presence in that region.¹³ On a similar note, Nathan Keyfitz points out that the new consumer class in the Third World resides chiefly in urban areas and wields a disproportionate amount of political power; the resulting urban bias in public policy perpetuates poverty and inequality while exacerbating Third World migration to cities. Jenkins mentions yet another bias: transnational corporations receive special treatment by host governments that favor government spending to support the transnationals rather than the nations' citizens. A political aspect not touched on at any length in the literature is the reaction of those members of society who cannot fulfill the new desires created by consumerism.

The macroeconomic ramifications that Nurkse outlined are developed further in contemporary terms by Leslie Sklair, Noreene Janus and Rhys Jenkins. Sklair, a sociologist, argues that many of the industrial societies that consume at high rates also have a significant amount of capital and therefore produce a great deal. This does not present major economic imbalances because high consumption fuels high production (or vice versa), creating productivity and jobs. Sklair points out that in some Third World countries rates of consumption are rising without the rise in national productivity that occurs in the industrialized world. He sees this as part of a global system in which a "transnational capitalist class", through film, media and advertising, forces a "culture-ideology of consumerism" onto the Third World. Sklair says the result is not only in productivity losses, but also in a Third World dependence on the industrialized world.

Since World War II, nations that cannot mobilize the internal resources to fund development have usually had the option of borrowing. Thomas Walz and Edward Canda assert that this option is becoming more and more difficult. Among other factors, they cite the massive

borrowing by the US since the early 1980s; its perceived creditworthiness makes the US the preferred borrower, thereby crowding out the Third World demand for loans. To add to this dismal picture, in separate articles Noreene Janus and Rhys Jenkins argue that the long history of multinational corporations in the Third World has given rise to a virtual monopoly in many markets, creating barriers to entry that would further inhibit Third World development even if suitable savings could occur or more loans were made available.

As has been discussed in Section 8, these emerging trends can be disastrous from an environmental perspective. Alan Durning has suggested that the standard of living that many of the middle three-fifths (see the champagne glass) are capable of attaining is the sustainable one. Therefore, Durning argues that it is in the interests of the populations in the top and bottom fifth of the champagne glass to mimic the lifestyles of the middle three-fifths; whom he calls the "global middle class." These families travel by bicycle and public transportation, eat healthy diets of grains, vegetables and some meat, drink clean water plus some tea and coffee, use unpackaged goods and durables and recycle wastes, live in modest, naturally ventilated homes with extended/multiple families and wear functional clothing. Clearly, the articles summarized here indicate that development is proceeding in the opposite direction of that favored by Durning. People in the second fifth actively emulate the consumption styles of the top fifth, and many in the bottom three-fifths are eager to follow the same path. Consumerist imperatives are winning out over environmental sustainability.

The articles summarized in this section make a convincing case that the questions surrounding consumerism should enter the discourse on international economic relations and development. But while these authors offer an array of critiques of consumer culture in the developing world, we must recall that many of the societies analyzed do in fact need an increase in material goods. Thus one of the most important questions at hand is how to sustainably raise the material living standards and the productivity of the world's poorer nations without the negative effect of the consumer society that seems to be coupled with current models of development.

Notes

1. Richard Barnett and John Cavanagh. *Global Dreams: Imperial Corporations and the New World Order*. (New York: Simon and Schuster, 1994), 166.
2. United Nations Development Programme, *Human Development Report 1994*, (Oxford: Oxford University Press, 1994), 63.
3. United Nations Human Development Report, 1992, p 99.
4. Nathan Keyfitz. "Development and the Elimination of Poverty," *Economic Development and Cultural Change*. 30 (1982), 649-670.
5. Nurkse believed that there was no international demonstration effect in those times because the absolute income gap was smaller and the visibility of lifestyles of other nations was far less than it was in his day.
6. Luis Camacho, "Consumption as a Theme for North-South Dialogue," in special issue of *Philosophy and Public Policy* titled "Ethics and Consumption," (College Park, University of Maryland), Volume 15 n4, Fall 1995.
7. Menzel, Peter. *Material World: A Global Family Portrait*. (San Francisco: Sierra Club Books, 1994).
8. Shultz, Clifford, Belk, Russell and Guliz Ger. *Research in Consumer Behavior* (Greenwich and London: JAI Press Inc., 1994).
9. Richard Barnett and John Cavanagh, *Global Dreams: Imperial Corporations and the New World Order*. (New York: Simon Schuster, 1994), 171-172.
10. Ibid.
11. Helena Norberg Hodge, *Ancient Futures: Learning From Ladakh*, (London: Rider, 1991)

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12. Ivan Illich. "Outwitting Developed Nations," in *Toward a History of Needs*. (New York: Pantheon, 1977), 54-68.
 13. Gabriel Bar-Haim, "The Meaning of Western Commercial Artifacts for Eastern European Youth," in *Journal of Contemporary Ethnography*. Vol. 16, No. 2, July, 1987, 205-226.