THE OVERSPENT AMERICAN

UPSCALING, DOWNSHIFTING, AND THE NEW CONSUMER

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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 pur-

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).

chasing 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.

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 yea would you say you (and your famil need to fulfill all of your dreams?*

	Median Respons
1987	$50,00
1989	$75,00
1991	$83,80
1994	$102,00
1996	$90,00

SOURCE: Roper Center, University of Connec cut. 1987–91 figures reported in *Americ Enterprise* (May–June 1993), p.86; 1994 figu from Crispell (1994); 1996 figure is direct 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	19
Second television	3	15	1
Dishwasher	10	24	1
VCR	—*	18	1
Basic cable service	—	26	1
Remote control for TV or VCR	—	23	-
Answering machine	—	20	2
Home computer	—	11	2
Microwave	—	44	3
Second automobile	20	27	3
Auto air conditioning	13	42	4
Home air conditioning	26	47	5
Television	57	74	5
Clothes dryer	54	74	6
Clothes washer	88	82	8
Automobile	90	85	9
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 En prise* (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

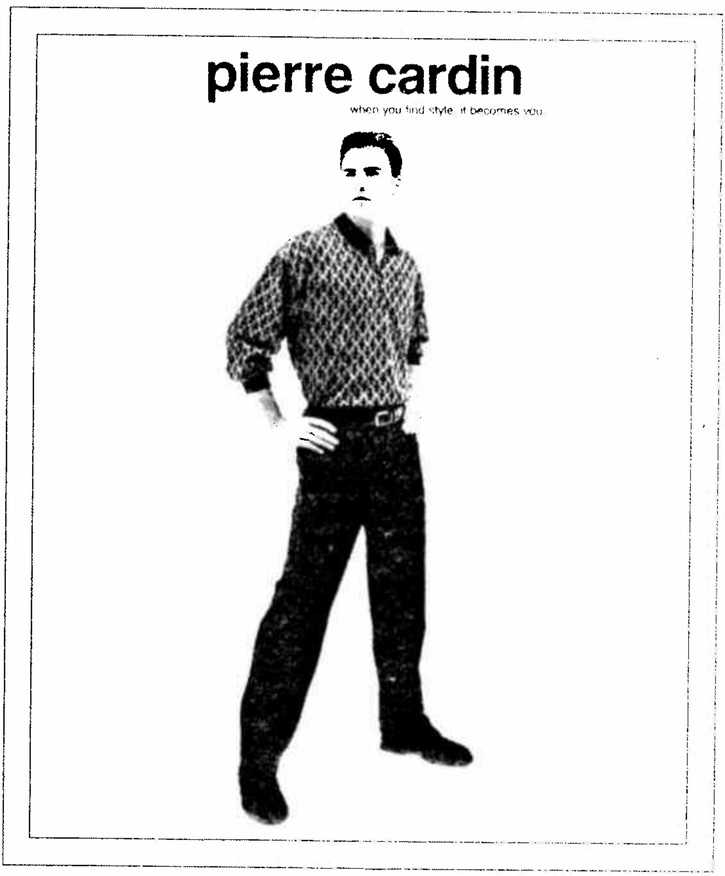
in ways that are collectively, if not individually, self-defeating. Overspending is how ordinary Americans cope with the everyday pressures of the new consumerism.

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.

3

The Visible Lifestyle: American Symbols of Status



Clothes, cars, wristwatches, living room furniture, and lipsticks are well-known purveyors of social position. Furnaces, mattresses, bedroom curtains, foundation powders, and bank accounts, on the other hand, are not. What separates the items in the first list from those in the second? Where we use them. Competitive spending revolves around a group of socially visible products.

You probably know the type of car a friend drives, whether she wears designer clothes (perhaps even which designers), and how large her house is. What you probably do not know is the kind of furnace in her basement, the brand of mattress she sleeps on, and how much life insurance she has. You're aware of the visible status items, but not the invisibles. Visible products become status goods for an obvious reason: their ownership can be easily verified. What you drive, wear, or have on your wrist is almost instantaneously known by observers. This is not to say that products hidden from view cannot become status items. They can, but we must work to make them so. We need to let others know, either directly or indirectly, what's in the basement, where we ate, or that we went to particular destinations. However, there is always an element of doubt involved: it is far easier for someone to exaggerate the size of his bank account or life insurance policy than to claim to have a Jaguar in the garage, especially if he's usually seen driving a Tercel. We do relay information about our consumption, and this is increasingly important as certain invisibles become new status symbols, a point I return to later. But doing so always carries risks. It must be believable. And it must be subtle. If you tell the people in your office about your fabulous trip to the South of France, you'll need to be careful about that fine line between casually conveying information and boasting; crossing over to the point where you are obviously trying to gain status can undermine the object. One of the features of status games is that trying too hard doesn't work. "Brand name–dropping" carries its own opprobrium.

Of course, social visibility is not something that is purely inherent in goods. Companies expend enormous effort to *make* products identifiable, through branding, packaging, marketing, and advertising. Twenty years ago, who would have thought that Americans would be drinking designer water or wearing underwear with Calvin Klein's name on it. But once people started undressing in front of each other more often (courtesy of the sexual revolution and the popularity of health clubs) and carrying water around in public (courtesy of growing informality in the social space), these products became fair game. The desire to turn invisibles into visibles can also explain why many computers bear a sticker on the outside reading "Pentium inside," or why automobile companies now advertise on the back of the car what's going on under the hood. Ever notice those metal logos indicating that it's a four-wheel drive? Who needs to know? One wonders whether all this free advertising has contributed to the rage for four-wheel-drive vehicles, even in parts of the country that hardly ever get snow. Or consider the large letters printed across the back of Volvos—"Side Impact Protection System." Arguably a visual impediment themselves, they're there because Volvo is trying to "sell" safety. Advertising on the outside of the car can both increase awareness and turn something inside the door into a visible commodity.

The importance of visibility can be seen in the rise of designer logos. In the era when only the rich bought from designers, logos were unnecessary. The number of people involved in the market was small, and participants could not only tell what clothes were designer but identify individual styles. As a larger, middle-class market developed, the fashion industry gained millions of buyers and observers, but ones with little knowledge of the different designer lines and their relative standing. To get her money's worth in terms of status, the middle-class purchaser needed to make sure that others knew what she had bought—hence, the visible logo. By the 1990s, the logo had become essential. According to the designer Tommy Hilfiger: "I can't sell a shirt without a logo. If I put a shirt without a logo on my selling floor next to a shirt with a logo—same shirt, same color, same price—the one with the logo will blow it out. It will sell 10 times over the one without the logo. It's a status thing as well. It really is." And what does a Tommy Hilfiger logo symbolize? Interpreters of the Hilfiger craze have this to say: "These clothes, traditionally associated with a white, upper middle class sporting set, lend kids from backgrounds other than that an air of

traditional prestige." "Upper income fashion is about success and that's what people are buying into." The clothes, quite simply, say, "We aspire." By contrast, the most expensive designer clothes carry far fewer outside labels. In haute couture, we never see them. Why should we? These bizarre outfits are immediately recognized as expensive, cutting-edge, and outside the range of ordinary incomes. They are dazzling status markers without the labels.

Research on youth preferences also supports the importance of public visibility. When asked how important a brand name is for a variety of products, teenagers ranked socially visible items, such as sneakers, radios, and CD players, two to three times as important as underwear, shampoo, and stationery. According to Marla Grossberg, director of tracking studies for Teenage Research Unlimited, "The coolest brands are often fashion brands or 'badge items' that kids can wear and relay a message about themselves." And it turns out that many of us are like youth in at least one way—we care a lot about what our peers think of our visible consumption choices. Terry Childers and Akshay Rao found that peer group influence is always higher for visibly consumed products than for those we consume in private. We seek social approval from our friends and coworkers when choosing brands of golf clubs, wristwatches, cars, dresses, and skis, far more than when we choose refrigerators, blankets, or video games.

A whole group of consumer goods that were once neutral symbolically are now highly recognizable—athletic shoes (and athletic equipment more generally), T-shirts (on account of those Gap ads?), bicycles, sunglasses, even a cup of coffee. In the old days, all the coffee shops used the same generic cup. Today everyone in the elevator knows we bought it at Starbucks. Or consider bottled water, for which Americans now spend $2.5 billion a year. It didn't turn designer by accident. As an ad agency executive noted of one aspiring brand, "We wanted to make this the Nike of bottled water." The hallmark of all these products is their history at one time of being mere background, outside the system of fashion and prestige. Now they're in, and noticeable. As a Los Angeles resident recalled about the old days, "You could pretty much fake a coat from K-Mart; usually there's nothing on it." Today, he notes wistfully, the kids "are so aware of what's cool." The extension of brands, and hence visibility, is an important counterweight to other forces that have made decoding more complex and may have arisen partly for just those reasons. The growth of branded middle-class consumption can also be interpreted as evidence that status competition in certain classes of products has become more widespread, with more people participating, around ever more products. So too can the explosion in fake designer goods, the number of which has reportedly more than tripled since 1985. (Of course, brand logos have been around for a long time, even showing up on Chinese pottery during the Han dynasty.)

The expansion to new products has begun to encompass formerly nonvisible expenditures, such as dining out, leisure activities, and tourism. The last (where you went, where you stayed, the restaurants you ate at, what you saw) is increasingly a positional good, thanks in part to the efforts of resort owners, travel agents, and tour operators, but also to consumers' own willingness to get into the game. How to overcome tourism's liability as a status good, the fact that it's an activity performed out of view? Acquire a marker of having been there: a piece of art, a T-shirt, a poster for the wall, pictures, or a video documentary. Souvenirs, high-class or low-, are part of how we make visible the latest not-too-visible status items. The importance of these markers can become almost comical, as research on museums shows. Watching buses pull up to museums, Robert Kelly reports that one-third of the visitors, "upon being discharged from a tour bus . . . entered the museum foyer; searched for and found the museum shop; purchased some object in the museum shop representative of (usually labeled by) the museum or its best-known objects; and then returned to their bus without ever entering the museum galleries." The shop *is* the experience.

A Test of Status Consumption: Women's Cosmetics

A few years ago, a student and I designed a test that can differentiate between consuming with and without a "status" element. We look at buying patterns across products that are similar in most respects but differ in their social visibility. We test to see whether people pay more for products with higher social visibility. The reason: visible goods give status that invisibles do not. For example, we

predict that people will spend more money on furnishings for the living room than for the bedroom. Or that they will buy a notch above their usual price range for a coat (the most visible apparel item), or that they are more likely to wear underwear than shirts from WalMart. In tests of this sort, it is important to control for differences in quality and functional requirements. So, in looking at home furnishings, we would compare purchasing patterns for two functionally similar items, such as living room and bedroom curtains. (When discussing this project with a colleague, he reported that he decided not to buy curtains for the bedroom at all, because no one would know they were missing!)

Our test is from women's cosmetics, a multibillion-dollar business. This industry provides a fascinating look into the workings of appearance, illusion, and status. In many ways, the cosmetics companies are not too different from the snake oil peddlers of the nineteenth century. Despite the white coats of the salespeople (to make them look scientific), the hype about company "laboratories," and the promises made in the advertising, it's hard to take the effectiveness claims too seriously. Names like "Eye Repair Diffusion Zone," "Ceramide Time Complex Capsules," and "Extrait Vital, Multi-Active Revitalizer with Apple Alpha-Acids" don't help the products' credibility either.

But despite its dubious effectiveness, women keep on buying the stuff. They shell out hundreds, even thousands, for wrinkle cream, moisturizers, eye shadows and powders, lipsticks, and facial makeup. And why? One explanation is that they are looking for affordable luxury, the thrill of buying at the expensive department store, indulging in a fantasy of beauty and sexiness, buying "hope in a bottle." Cosmetics are an escape from an otherwise all too drab everyday existence.

While there is undoubtedly truth in this explanation, it is by no means the whole story. Even in cosmetics—which is hardly the first product line that comes to mind as a status symbol—there's a structure of "one-up-womanship." It turns out that women *are* looking for prestige in their makeup case. Why do they pay twenty dollars for a Chanel lipstick when they could buy the same product for a fraction of the cost? They want the name. As *Mademoiselle*'s publisher, Catherine Viscardi Johnston, explains, "If they can't afford a Chanel suit, they'll buy a Chanel lipstick or nail polish and move up later." Crude as it may sound, many women want or need to be seen with an acceptable brand. A caption describing a Chanel lipstick in a recent newspaper article puts it bluntly: "A classic shade of scarlet, scented with essential oil of roses, in Chanel's signature black and gold case. *Perfect for preening in public*." One of my downshifters has less expensive taste (and less money than the typical Chanel buyer), but she conforms to the same principle: "I have a fifteen dollar lipstick I only take out in company," she tells me.

The status component in cosmetics purchasing comes out clearly in our research. We have looked at brand purchasing patterns for four cosmetics products: lipsticks, eye shadows, mascaras, and facial cleansers. Facial cleansers are the least socially visible of the four because they are almost always used at home in the bathroom. After a woman applies makeup in the morning, she doesn't clean her face again until she takes the makeup off. Eye shadows and mascaras are in an intermediate category. Women do reapply them during the day, typically in semipublic "powder rooms" (note the name). Lipsticks are the most visible of the four products. They are applied not only in the semipublic rooms but in public itself, at the end of a meal, in an elevator, on an airplane. The visibility difference can also be seen in the packaging strategies of the companies. Lipstick containers are quite distinctive and recognizable from across a table, while containers for mascara and facial cleansers are less so. (Eye shadows are often packaged to match lipsticks.) If you are skeptical, try this experiment, possible only with upscale women, and most naturally done over dinner. When the lipsticks start appearing after the dessert, ask each person how many of the brands they can recognize from across the table. When I tried this, the level of recognition was impressive.

To test our assumptions about the relative visibilities of the four products, my former Harvard student and coauthor Angela Chao conducted an informal survey among Harvard students, who reproduced our rankings nearly to a woman. Lipsticks are most visible, facial cleansers are least visible, and eye shadows and mascaras are intermediate. Having established the differences in social visibility across this group of cosmetics products, we then tested two propositions. The first was that socially visible products deliver less quality for a given price. And the second was that people buy top-end brands of visible products far more than high-quality invisible ones. Both these propositions are strongly supported by the data.

Independent quality tests conducted by *Consumer Reports* reveal that among a range of brand lipsticks consumers did not find systematic quality differences. Of course, there are different types of lipsticks. But within types, the lipsticks tend to be chemically similar, and users rated none of them better than any other in terms of quality, despite prices ranging from a few dollars to twenty-five dollars. (See figure 3.1.) By contrast, users *can* distinguish between the qualities of facial cleansers, thereby supporting our prediction that with visible products price is less connected to quality. The fraction of expensive brands purchased also varies systematically with visibility, as shown in figure 3.2. Women are far more likely to buy expensive lipsticks than they are to buy expensive facial cleansers. In fact, with lipsticks, the higher the price, the *more* consumers tend to purchase them. This finding flies in the face of the received wisdom that a higher price discourages buyers. (Regression analyses contained in Chao and Schor [1998] make these points in more detail.)

This perverse relation between price and demand has been called the snob effect, to highlight the role of social status in such purchasing. How else can we explain the results of the cosmetics study? If women were merely in search of quality, attractive packaging, the chance to buy something at a swanky department store, the illusion that they could look like a model, or any of the many other explanations that have been offered for the success of this industry, we would not have found the patterns of purchasing across these four products that we did. Women would be buying expensive facial cleansers at the same rate that they buy expensive lipsticks. They would be getting all their cosmetics in the department store and not picking up the facial cleanser at the local druggist. Buying patterns across the four products would not differ.

Of course, this test does not explain what is going on in consumers' heads, that is, whether they desire social status or are trying to avoid social humiliation. We cannot say whether they are even conscious of the buying pattern we have found, and we can infer nothing concerning their feelings—for example, whether they enjoy consuming status goods or feel oppressed by a perceived need to do so. However, the absence of direct information on the inner life of the consumer should not detract from these findings. Unlike other approaches, this is a decisive test. There is no other plausible explanation for the marked differences in brand buying by the public-ness of the product.

Of course, there is more to status than visibility. As I argued earlier, nonvisible commodities do become status symbols—foreign travel, a particular hairdresser, or a vacation home that none of your colleagues have actually seen. Information about your nonvisible possessions is typically passed verbally—in the first instance by yourself, and secondarily by others. Talking is an imperfect but somewhat effective method of creating desire and emulative behavior. There is also the possibility of private approaches to status symbolism, particularly for people whose values or personality make them reluctant to participate publicly. These people can join in by purchasing less conspicuous products or refraining from advertising what they have. A woman can derive inner satisfaction from buying unknown but expensive designer clothes, knowing they are luxury items that would confer status if others knew about them. At the same time, she does not have to contend with the negative psychic consequences associated with flaunting wealth, besting others, or trying to impress. But these exceptions aside, visibility and status do go together.

Who Cares?

Of course, there are plenty of Americans who refuse to spend for labels, who purchase their lipsticks in drugstores, and who shun brand names altogether. Many will pay the premium for some commodities and not for others. Others attempt to achieve a certain consumer position without paying full price, frequenting discount houses that sell designer merchandise. Although my research confirms the presence of status buying, it does not lead to the conclusion that everyone engages in it.

However, millions do. Despite the American consumer's much-ballyhooed return to value, one nationwide poll of women by Ethel Klein found that almost half bought designer products such as sunglasses, perfume, underwear, and shoes. In my survey at Telecom, only one-third of the sample reported that they never bought designer clothes. Klein also found that most women believed that others are looking for image or position, rather than function. In the case of clothes, 77 percent of respondents believed that consumers are paying for the label and only 13 percent believed that consumers are seeking quality. This mentality is thought to dominate other decisions, such as the choice of college. More than half of those polled believed that it's the name that attracts parents to Ivy League colleges, compared to 33 percent who thought it was the high quality of the schools.

There are, as a Bourdieu-style analysis predicts, statistically significant socioeconomic and demographic differences between those who spend for status and those who do not. In the cosmetics study, we found that women with higher education levels and higher incomes did more status purchasing. We found that urban and suburban women did much more status buying than those from rural areas. And we found that Caucasian women were much more likely to engage in status purchasing than African American or non-Caucasian Hispanics. This finding accords with Duesenberry's research, which found that, controlling for income, African Americans saved more, presumably on account of their lower economic position and a resulting tendency to drop out of status competitions. In the Telecom survey, I found that the likelihood of buying designer clothes increased with income and education.

Other studies have highlighted the impact of psychological traits, such as insecurity. Peter Gollwitzer and Robert Wicklund found that business majors with lower grades and poorer job prospects were more likely to buy expensive briefcases, pens, and wristwatches. In a second study, Ottmar Braun and Wicklund found that both insecurity and a commitment to a particular personal identity figured in vacation and leisure activities. If I care about being a golfer but not a tennis player, and I am not good at either, I will buy fancy clubs but not an expensive racket. That is, we are not indiscriminate status seekers. Another study found that self-consciousness is connected to certain behaviors, such as being fashionable or consuming conspicuous products. We also know that compulsive buyers are more status-oriented, and that people who are more materialistic (as measured by a materialism scale) value their more visible possessions more highly.

The proliferation of imitation status goods is powerful testimony to our ongoing concern with making an impression. Counterfeiting has quadrupled over the last decade and is now estimated as a $200 billion a year business. Today at least 5 percent of *all* products sold worldwide are estimated to be fakes. Fakes make up a large segment of the market in visible commodities such as jeans, watches, sunglasses, designer apparel, and leather goods. (In the mid-1980s, it was estimated that the share of fakes on the U.S. market was 25 percent for designer sunglasses, more than 25 percent for watches, and 10 percent for jeans.) There are also fake colognes, baby foods, videos, and software. And you can buy these products at fake Tupperware parties. The buyer almost certainly knows the product is not real (on account of its low price) and prefers (or can only afford) the status component, not the full quality. Whether the "audience" can tell is another story. Only those really in the game will recognize a fake Rolex by its jumpy (rather than smooth) second hand.

Fakes are, of course, a big headache for the designers. Louis Vuitton withdrew from the luggage business temporarily in the late 1970s because it could not compete with fakes. At one point, Cartier estimated that there were nearly as many Tank imitations circulating as real ones. Other legitimate designers have decided that if you can't beat them, join them: they now produce the T-shirts sold on street corners ostensibly as copies. The fakes are reals. Whatever we mean by that.

And then, it's always worth remembering the principle of faker beware. Donning a fraud can backfire. Having stocked up at the counterfeit designer market in Seoul, an economist acquaintance of mine unwittingly exposed his daughter to ridicule at school: classmates knew her three-legged Polo horse wasn't real. Can you take the heat on the cocktail party circuit? A student reports that her mother has been known to gossip indignantly after social events: "That wasn't a *real* St. John that woman was wearing."

Consumption and the Construction of Identity

The possibility of private status seeking immediately raises the issue of identity, and the connection between what you consume and who you are. The attempt to tie individual personal characteristics to consumer choice was once very popular in marketing research. Tremendous efforts have been made to figure out what kind of woman buys instant coffee rather than regular grind, who's behind the wheel of a Ford instead of a Chevy, and what Marlboro men are really like.

It is now widely believed that consumer goods provide an opportunity for people to express themselves, display their identities, or create a public persona. The chairman of one of the world's largest consumer products multinationals well understands that "the brand defines the consumer. We are what we wear, what we eat, what we drive. Each of us in this room is a walking compendium of brands. The collection of brands we choose to assemble around us have become amongst the most direct expressions of our individuality—or more precisely, our deep psychological need to identify ourselves with others." As the popular culture would have it, "I shop, therefore I am."

Through the strong personal connections people come to feel toward products, our possessions become, in the words of Russell Belk, our "extended" selves. "That we are what we have is perhaps the most basic and powerful fact of consumer behavior." One consumer survey found that nearly half of car owners saw their car as a reflection of who they are either "a lot" or "some." Only 26 percent said their car is "not at all" a reflection of themselves. Car owners could also readily say what kind of car they would want to be if they *were* a car. For certain "sacred" goods, like wedding attire, the identification can be intense. ("When I found that dress, I mean, I put it on . . . I started crying, 'cause I was like, 'Lisa, this is my dress!'")

In fact, the identity-consumption relationship is a two-way street. Who we are not only affects what we buy. What we buy also affects who we become. Recent research suggests that the more we have, the more powerful, confident, and socially validated we feel. Clothes do make the man. John Schouten's work on cosmetic surgery suggests that it transforms people, not only literally but also psychologically. His subsequent research with James McAlexander on the subculture of Harley-Davidson bikers shows how important consumption can be in establishing group identity. (It also turned the researchers themselves into obsessive bikers, as if to prove the point.)

Identity and the New Consumerism

As I noted in chapter 1, there's a new game in town—individuality. In the words of one advertising magazine, "Lifestyle advertising is about differentiating oneself from the Joneses, not as in previous decades, keeping up with them." In the so-called new middle (and upper-middle) classes, individuality and differentiation are essential. Why? Because mass-produced goods are too homogeneous, too common. Everybody has them. This makes them incapable of conferring distinction. These groups prefer items with a customized dimension.

This is nowhere so evident as in home furnishings. The upper- and even middle-class home has become a refuge from the flatness and unaesthetic quality of the mass-produced world. As Robert Wuthnow has argued, it is now a haven of authenticity, in which individuals express themselves. Handmade goods are preferred, and a card bearing the artist's name is a bonus on a craft item. So too with wearables—a one-of-a-kind wedding ring, unique clothing. As a saleswoman in an upscale craft-oriented store explained to me about an exquisite, handmade, $1,000 sweater, "We have clients who come especially for this collection. They work hard for their money and feel they deserve and are entitled to these things."

Some individuals may also seek distinction through collecting. Antiques are perfect, although expensive. Where one shops also matters. The new middle class likes boutiques and tends to dislike national chains. Some better-off individuals may even buy products that are sold privately, by appointment, or in relatively obscure shops. The ostensible reasons for these preferences: quality, craftsmanship, individuality. The less obvious symbolic message: social distance. For those who are creating for themselves the new upper-middle-class lifestyle, it's important to avoid being too mass-market. IKEA was great when it had one or two stores and was an innovating Scandinavian importer; now it's on the verge of becoming McCouch. It's no fun to walk into someone else's living room and see your sofa. (Or, as one interior decorator explained to me, when the pieces start appearing in the department stores, forget it. Couldn't possibly buy them.)

Similar considerations inform this group's strong preference for solid wood, or cotton. Ever wonder—as you search rack after rack in frustration because only a 100 percent cotton outfit will do for the baby shower—why natural fabrics are so important? Many consumers cite their aesthetics and quality, but it's more than that. Natural fibers and materials symbolically obliterate the connection to assembly lines and factories. By being "natural," they are symboli-

cally *not* man-made. Never mind that the same factories that churn out the polyesters also make the cottons. With packaging and marketing, a different symbolic association can be created. Of course, the quest for individuality through products pertains to a certain (large) segment of the consumer market—highly educated, higher-class individuals. People low in Bourdieu's cultural capital remain enthusiastic about mass goods. They want the best of them, the prestige products that higher-class people *used* to like. Not everyone has shifted from Cadillacs to foreign cars or disdains cruises, the Hilton, and wall-to-wall carpeting.

The irony of the "new differentiation" is that it too has become common. Upmarket tastes, just like downmarket ones, are predictable. Even the really differentiated symbol, like the Caribbean island you get to first, the newest high-performance sport, or art clothing, is just the latest status item. While most people *experience* these tastes as just being themselves, they are actually being a lot like everyone else. As one advertiser put it: "Although people may claim that they are striving for individuality, they all end up looking more or less predictably the same." At the end of the day, gaining status by being *different* from Mr. Jones has become the latest twist in a continuing social ritual.

While the literature typically classifies identity and status as alternative sources of consumer motivation, they should not be seen as two independent processes. The self is not public or private, it is always both. Personal identity does not exist prior to the social world, it comes into being within it. For example, research on self-image (a common psychological category) has found that the higher the status of the brand, the more closely people associated their self-image with it. Competitive spending may be increasingly experienced by individuals as an affirmation of personal identity, but it is competitive all the same. Indeed, as some have argued, it is precisely when traditional markers of identity and position, such as birth and occupation, begin to break down that spending comes to the fore as a more powerful determinant of social status.

The downshifter Doris Shepley is a classic example. In discussing her "before" patterns, the importance of the visible triad (house, auto, and wardrobe) emerged. Moreover, she was unusually conscious about her status motives and the desirability of being different. I met Doris, recently married, in her large and obviously expensive home in Bellevue, an exclusive Seattle suburb. The combination of two incomes had allowed the Shepleys to take a giant step up. Ostensibly looking for more space to keep their combined possessions, they ended up in what Doris described as a "perfect, classic example of trying to impress friends." When she first saw the house, she "thought of people at work; we could have parties, we would entertain. I did like to have dinner parties. And I just thought of Bellevue as being kind of a nice address; you know, you could tell people you live in Bellevue. It was not lined up with other houses, it had more spaciousness around it. I remember the real estate agent said, 'This is a real executive home.'" That gave her a thrill, "because it made me think that it was a prestigious home, more than just a home like in a tract where they're all the same; this was different. So that got to me." As far as her automobile went, she "got a used Mercedes, because I heard that it was a good car and I think I thought I'd impress my friends." And clothes? They were "to impress clients as well as to impress friends, to make them think I was more successful than I was in sales, because I would never tell anybody what I made, so everybody assumed that I was really doing extremely well, and I kept up that image." Unfortunately for Doris, a few months after she moved in she decided to downsize her spending radically. Now the house is an albatross, and the wardrobe a painful reminder of money wasted.

The Costs of Status

Doris Shepley has paid dearly for her status seeking. It kept her from saving enough to be financially secure, led her to buy an excessively large house, and for years kept her tied to a job she didn't really like. But what about society as a whole? How does status seeking affect our quality of life and well-being? What does status consumption *cost*?

There are a variety of ways to think about this question. One way is to calculate the price differential between a generic and a branded version of a product, controlling for quality. With lipsticks, the differential would be any excess in price above the $4 or $5 drugstore brand. Taking the price differential for each lipstick and multiplying by the total number sold would give us an overall figure for the amount spent on status in the lipstick market.

With such a method, the key is to control for quality. But doing so is difficult with many products, because status and quality are often intertwined. How do you separate the functional and status components of houses and their furnishings, or restaurant meals, or vacations? It's especially difficult in today's world, where quality has become a status item for upscale consumers. But the difficulties of measurement should not lead us to ignore the thousands of four-wheel-drive vehicles sold to people who almost never use the feature or the extra fee paid to flash a gold (or platinum) credit card (above and beyond the value of whatever services it comes with). With a wide variety of visible commodities, we are shelling out billions for status.

Another way to think about the costs of status is to consider products we do not purchase, for status reasons. Aluminum siding is an excellent insulator, never needs painting, and is extremely durable, thereby saving homeowners many thousands of dollars. Why don't more people use it? A common explanation is that it's "unaesthetic." But what does this mean? Our sense of the "aesthetic" is drenched in class associations. How about the warehouse, which went from being "unaesthetic" to a fashionable dwelling? The real problem with aluminum siding is not that it's objectively ugly, but that it has a decidedly low-class image. As a consequence, millions of people won't use it, saying they think it's ugly. Indeed, it is proscribed in many middle- and upper-middle-income communities, a testament to the need to keep up the class image. The proliferation of such "taste codes" and restrictions indicates a whole realm of social costs paid to the god of positional consumption.

We can also think about the costs of status by considering the money that companies spend to turn identical or virtually identical products into differentiated goods. Savants in advertising know this is what the game is about, although we consumers are often resistant to the idea. Nike buys $150 million of ads annually to convince us to don the Swoosh, but in many ways its shoes are no different from those of archrival Reebok or plenty of no-name brands. Drug companies spend huge sums promoting branded drugs that are the same as generics. Cosmetics companies market identical products under different lines that vary only in their packaging, positioning, and, of course, price. (Insiders know that Bourjois—owned by Chanel—markets last season Chanel products, in plain cases, at a fraction of the price.) Kellogg's shells out millions to convince us that its corn flakes are better than the other guy's, and we pay through the nose for them. (Ever wonder why cereal is so expensive?) Many of the nation's vitamins come from a single company but are sold in different bottles at a wide range of prices. Fashion companies spend more than $1 billion a year on advertising, trying to keep us from noticing that a hefty segment of that market is also for identical or similar goods at different prices. (For example, a large worldwide manufacturer reports selling jeans with essentially the same manufacturing costs to mass-market chains such as Wal-Mart, mid-market outlets like JC Penney, and high-end designers and department stores, such as Calvin Klein, at retail prices ranging from about $15 to $65.) Not only jeans but many other virtually indistinguishable items of clothing are sold in different retail outlets with wide price differentials. (Designer hosiery is another good example.) Let's not forget that these stores are doing business with the same overseas suppliers, whose products often vary only or mainly by the label. An educated shopper can find bargains this way. But many consumers don't know what they're looking for.

These claims may be hard to digest. It just doesn't seem possible that so many (most?) branded goods are not actually different from other branded goods. Or that their differences are sufficiently small that most consumers don't know which is which, or which they like better, when the labels are removed. Our daily experience tells us something else, often leading us to be fiercely loyal to brands or fashion labels. Tide really *is* better. But don't forget the classic studies, one of which tells us that beer drinkers rated all beer identically without the labels and weren't even able to pick out their favorite brew. Or the lipstick test I reported earlier. I grew up believing that Royal Crown Cola was actually the drink of choice over Pepsi and Coke in blind taste tests. (Can that really be true?) And by the way, remember that local bottling means these soft drinks aren't even identical in different parts of the country. Have you ever done a taste test with bottled water? (I have, and I still can't believe that I didn't choose Evian, to which I have a classic brand attachment.) In

the next chapter, I report on similar research on clothing preferences: consumers rank identical garments differently depending on which label the researchers sew on the inside. And so on and so on. For a whole host of symbolic reasons, status-related identity among them, American consumers continue to buy into a brand-oriented market in which they are paying not only a large sum for advertising but also higher prices for products that are only symbolically, but not functionally, different from lower-priced products.

I do not mean to imply, by the way, that there are *no* quality differences between goods. There certainly are. Colleagues report that IKEA's veneer bookshelves apparently do not last too long, but solid wood will. Toyotas have better repair records than Hyundais. Rather, my point is twofold: first, for a significant number of branded and highly advertised products, there are no quality differences discernible to consumers when the labels are removed; and second, variation in prices typically exceeds variation in quality, with the difference being in part a status premium.

While a numerical estimate is difficult to settle on, it is clear that the costs of status consumption in the U.S. economy are considerable. In most of the major expenditure categories—housing, furnishings, automobiles, apparel, cosmetics, footwear, travel, and an increasing large group of food items—some fraction of our consumption is addressed to positional concerns. The extra money we spend could arguably be better used in other ways—improving our public schools, boosting retirement savings, or providing drug treatment for the millions of people the country is locking up in an effort to protect the commodities others have acquired. But unless we find a way to dissociate what we buy from who we think we are, redirecting those dollars will prove difficult indeed.