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In praise of consumerism [1]

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We generally hear the term ?Consumerism? used as a term of abuse, usually by religious movements, pro-state economists, environmentalists and so on. I would argue that, properly constituted, a ?consumerist? society is exactly the type of society that we should be striving for.

However, part of the pejorative use of the term comes from a particular meaning attached to it. As the brief but surprisingly illuminating Wikipedia article [3] observes, there are at least four possible meanings of the term:

> i) The common use of the term giving an "emphasis on or preoccupation with the acquisition of consumer goods" (Oxford English Dictionary) ? which is exactly the meaning which attracts much opprobrium
>
> ii) The original coinage (1915) which referred to the "advocacy of the rights and interests of consumers" (Oxford English Dictionary)
>
> iii) The economic use of the term referring to ?economic policies placing emphasis on consumption?
>
> iv) And finally ?In an abstract sense, it is the belief that the free choice of consumers should dictate the economic structure of a society?.

Clearly, as Classical Liberals or Libertarians, we will see that (iv) is exactly the kind of economic order that we would like to prevail. This is the argument of von Mises in Liberalism that:

> *The social order created by the philosophy of the Enlightenment assigned supremacy to the common man. In his capacity as a consumer, the ?regular fellow? was called upon to determine ultimately what should be produced, in what quantity and of what quality, by whom, how, and where... The much decried ?mechanism? of the free market leaves only one way open to the acquisition of wealth, viz., to succeed in serving the consumers in the best possible and cheapest way.*

This must be contrasted to an economic order in which producers are able to dictate to consumers what quantity of quality and of goods they should receive and at what prices, rather than having that determined by, in the long-run, the subjective desires of consumers. In a free market*, producers will be unable to dictate to consumers except in a very few cases, as Hayek and von Mises pointed out. However, armed with the power of governmental intervention, producers will be able to create cartels and monopolies and exploit consumers. This is what Deirdre McCloskey recently pointed out [4] as have many others.

I would argue, however, that it such an economy is nothing like the type of economic order we currently possess, which is best characterised as one of ?producerism? enabled by extensive governmental intervention in all aspects of economic life both directly and indirectly. I would probably term our economic situation as ?Corporatist? although ?Crony capitalist? has also been posited by John Tomasi [5].

When critics of our current economic circumstances complain about rampant ?capitalism? and ?free markets? they actually are observing something quite different. We must remember that we are de facto all consumers, unless we totally eliminate the division of labour and return to caves and even then there must be some division of labour such as child-rearing and hunting. On the other hand, producers constitute particular and special interest groups, the maximisation of whose interests may be contrary to the general good of all in society (producer interests can still be satisfied as long as they serve their customers effectively and make a profit ? consumerism prevents the extraction of excessive profits via rent-seeking behaviours).

The second potential definition is also of great interest to Classical Liberals. It bears witness to the idea of *caveat emptor* that must prevail in free markets. (I define a free market as one in which governmental authority is restricted purely to the upholding of property rights, although it may be possible to adopt a more libertarian position.) Consumer groups, price comparison websites, trusted brands and so on all emerge spontaneously in order to prevent the exploitation of consumers and mitigate against ?market failures?. When government attempts to replicate such private initiatives via regulation and statutory protections, it invariably fails and instead assists established market players and the unscrupulous to exploit consumers ? ?government failures? ? which are more pernicious because they are upheld with force and cannot easily be rectified.

The function of government is not to regulate but to provide recourse where property rights have been breached. Sean Worth [6] seems puzzled that comparison tools do not spring up for socialised ?public? services as they do for private ones ? this is not surprising as socialised services, even those with heavy private involvement, do not allow choice and competition and do not operate within the price mechanism which is so vital for signalling demand and supply.

Definition (i) of consumerism is sometimes mere snobbery or envy as self-determined members of society often feel that they know better and should dictate to others how they should use their resources. Such a position should be recognised for what it is, an attack on other?s lifestyle choices based upon feelings of envy or superiority towards others. Of course, it may be sincerely intended and may even be correct in certain cases, but that does not justify forcible imposition of personal predilections onto others. Liberals reject such impositions in terms of, say, sexual preferences so why adopt them in terms of other lifestyle choices? Where there is a social cost, such as the obese on the NHS, the correct response is to eliminate the perverse incentive system of socialised healthcare rather to introduce further interventions attacking freedom of choice.

Given definitions (i) and (iii), however, it is ironic that so many statists denounce consumerism but at the same time advocate policies which encourage it. The nature of many Keynesian and egalitarian economic policies is that they encourage consumption and the depletion of capital rather than saving and increase in productive capacity. However, there is no reason to assume that a consumerist economy is one in which consumers will necessarily aspire to nothing other than the ?acquisition of consumer goods?. Some may, but that is their choice of course. Others will take different choices, as they deem fit and given their particular preferences. If individuals feel they are unhappy with ?keeping up with the Joneses?, there is no reason why they should do so other than their choice ? having governments making such choices for us impoverishes everyone and results in worse outcomes.

As observed, governments very often encourage such ?consumptionist? behaviour. Savings are taxed or depleted away by inflationary measures. Some benefits encourage recipients towards consumption; redistribution is often designed to enhance consumption. Thus the type (i) consumerism so derided by those on the ?left? may be, at least in part, a consequence of prevailing governmental interventionism and corporatism itself. Environmentalist efforts to reduce consumption via the intervention of governments frequently have precisely the reverse effect to that intended, resulting in inefficient outcomes which consume resources less efficiently. Of course, it may be that a free market economy is more ?consumptionist?, it?s rather a counter-factual question, but there is also an ethical problem with denying individuals the ability the freedom to choose whether they would like to consume more or less.

A consumerist economy would be one where resources are allocated to those who value them most and who are prepared to make the greatest sacrifices to acquire them. It would also be one in which the general good would be able to triumph over the particular interests of whichever groups manage to capture governmental power. Such an eventuality remains a remote possibility not because it would be difficult to achieve in a truly practical sense but because of the misguided and vested interests of those who would seek to prevent it.

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