

The Challenge of Affluence: Self-Control and Well-Being in the United States and Britain since 1950

Avner Offer

Oxford, United Kingdom: Oxford University Press, 2006 (454 pages)

Avner Offer states his theme in the opening sentences of his book: “Affluence breeds impatience, and impatience undermines well-being. This is the core of my argument” (1). He argues that there is a paradox of affluence: The flow of new goods and services can undermine the capacity of people to enjoy them. As the book’s title suggests, Offer sees affluence as presenting a challenge. The challenge is to economic theory, public policy, and the choices people make.

There are three sections to the book. The first section is titled, *Evaluating Affluence*, but this is only part of the task of that section. Offer discusses measures of human welfare and the inadequacy of standard economic indices, such as per capita gross domestic product. He also focuses a great deal on self-defeating choices, prudence, and myopic behavior. He often dismisses economic analysis utilizing the model of rational choice and argues for behaviorist models. The second section, *In the Market Place*, examines advertising, body weight, consumption of household appliances, and the automobile. The final section, *Self and Others*, examines status, inequality, marriage and family, and commitment. Most of the discussion in the book is concerned with the affluent societies of Western Europe, especially Britain, and the United States since the Second World War.

The first section provides the theoretical tools used in the rest of the book. The author asserts that modern consumption theory assumes that consumers are rational and that they make well-informed and prudent decisions. People maximize welfare over time by smoothing consumption over their lifecycle, saving in earlier years and drawing down on saving during retirement years. He states, “A lot is at stake in this model. The primacy of ‘revealed preference’ as the source of well-being is the conceptual underpinning of liberal society” (40). However, people do not prepare adequately for old age on their own, which casts doubt on the model. Instead, people often exhibit time inconsistency or myopia: “Time inconsistency raises the possibility that individual choice may not be sufficiently reliable as the source of personal well-being, and that freedom of choice is not a secure foundation for social well-being” (42). Offer lists a number of self-defeating choices, including truancy, smoking, drug addiction, overeating, unwanted pregnancy, crime, urban sprawl, and undersaving. Time-inconsistency problems can be resolved through a number of means, including punctuality, temperance, saving, education, stable families, balanced budgets, and the rule of law.

The relationship of the above with affluence is that affluence, by providing more and more goods and services, increases the temptation to focus on the present. The commitment strategies are not adequate to constrain behavior because the pace of the new is so fast. Further, there is a dynamic problem. At a given point in time, people with more resources are better able to engage in prudential behavior. However, as society becomes more affluent, there is an overall reduction in prudential behavior. Hence, we have an

increase in the self-defeating choices mentioned above—breakdown of marriage, drug abuse, obesity, inadequate saving, and crime.

The second section tries to relate the ideas developed in the first section to some specific dimensions of the marketplace. For example, Offer examines body weight and self-control in the seventh chapter. He notes that the trends in body weight in the United States and Britain are a paradox if affluence signifies well-being. “The sustained rise of body weight is the most visible demonstration of how consumers may find it difficult to achieve their objectives” (138). Once again, Offer argues that the rational choice model implies that people are obese because that maximizes their utility, while the diet industry and surveys indicate that people would like to lose weight. However, people are often myopic and cannot resist the short-term pleasure of eating for the long-term goal of being healthier.

The chapter on household appliances is interesting in that it shows that the diffusion of new products that *use* time, such as television, radio, and CD players, is much faster than products that *save* time, such as clothes dryers, dishwashers, and vacuum cleaners. Offer examines different explanations, including price, price changes, and financing methods. However, he concludes, “The task of engaging idle minds has proved more amenable to technology than the challenge of keeping house” (192).

The final section of the book examines how people perceive themselves and others. He notes that status is sought, and affluence can affect status. However, status is a relative concept, so a general rise in income does not imply that more people obtain high status. Offer draws on sociological literature to examine measures of status and how they correlate with affluence. Certain occupations carry more status than others, and the changing roles of women over the last fifty years also have had effects on status. However, status produces losers too. Those whose status falls perceive themselves as harmed. One factor contributing to loss of status is rising income inequality.

The next two chapters focus on marriage and family and on the decline of commitment. Again, Offer argues that increasing affluence has contributed to these changes. People began focusing more on market activity and goods and services, thus investing less in their households. The final chapter offers a summary of the arguments of the previous chapters, and suggests some implications from the analysis. Economic growth is not the proper goal. Offer states, “It does not follow that growth is ‘bad.’ But to gain its advantages, in affluent societies, a moderate, regulated level of growth will do” (366). In fact, rising standards of living in affluent societies may be wasteful because they are, “counteracted by habituation on the ‘hedonic treadmill’” (368).

The book raises some interesting questions, and introduces some approaches to economics that are relatively new and worth wider dissemination. However, I think Offer rejects the rational choice model too quickly, often characterizing it in extreme terms. For example, Offer refers to a model developed by Gary Becker concerning addiction. He dismisses it on the grounds that no one wants to be addicted. However, the model also examines how people develop an interest in classical music through exposure. That is, the model covers both positive and negative attractions, and certainly the number

of people who like opera or ballet on their first exposure is small relative to those who develop an interest over time.

The question of myopia is important. Certainly much of the history of philosophy and religion can be related to developing ways for people to achieve their true good rather than superficial goods in the short term. In fact, a missing element in Offer's analysis is that there is virtually no mention of religion in the book. Given all that religions, especially Christianity, have had to say about wealth and the transience of life, this is an important omission.

The book is valuable in that it provides access to a growing literature in economics that draws more heavily and directly from work by psychologists and sociologists. However, Offer is too dismissive of the rational choice model. Models are heuristic devices that do not capture all important dimensions of reality, and showing that there are behaviors that seem inconsistent with rational choice is not the same as refuting the model altogether.

Many of the chapters were previously published so there are some tiresome repetitions. There are over fifteen hundred footnotes and seventy-two pages of references; anyone who wants to pursue a particular topic discussed in the book can do so. However, among the references are news stories, and, when reading the text, it is not easy to tell whether a particular point refers to the results of research or a search of newspaper archives.

Finally, Offer shows that people often behave myopically. Occasionally, he uses this as an argument for governmental paternalism, but governments also behave myopically. A politician may often be making decisions with an eye toward the next election rather than the longer view. Human beings are flawed creatures, and this is as true of the bureaucrat as the consumer.

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The Commercial Society: Foundations and Challenges in a Global Age

Samuel Gregg

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The commercial society is spreading across most of the world. It is replacing the backbreaking labor and ill-health of rural life. More and more persons are entering employment in the modern economy along with the wealth and health care that it brings.

Alexis de Tocqueville encountered the early emergence of modern commercial society when he arrived at New York harbor in May 1831. As Tocqueville recognized, he was observing not merely an improvement in material orders but even more the building of new philosophical and cultural foundations.

The development of economic analysis presumed a philosophical and cultural foundation. Gregg notes that Adam Smith was totally grounded in the philosophical and cultural foundations of human economic action. It is the loss of the knowledge of such foundations