

WHAT WE NEED TO UNDERSTAND IN ORDER TO HARNESS CONSUMERISM TO PROMOTE PHILANTHROPY AND FAIR DISTRIBUTION

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Context and Policy Problem

The world is getting richer, and so are many of the developing nations around the Pacific Basin. Almost everyone agrees that increasing national wealth—all other things being equal—is a good thing, leading to a rising standard of living for nations as a whole. Wealth leads to consumerism, and stories abound now of upscale shopping centers in the major cities of China and sales of large numbers of BMWs to communist party officials, of California-style suburbs around Jakarta, and of the new middle classes emerging everywhere. From one point of view, these are wonderful examples of success, but they nevertheless raise a suspicion that in increased wealth and consumerism lurks a problem of a different order, the neglect of contributing to public goods by people obsessed with personal wealth and what it can buy. Can the rising wealth of countries ranging from Peru to China be harnessed to help the poor? Or will it all flow into bigger houses and faster cars for a lucky few?

There are several ways increasing wealth could go wrong for the poor. In their concentration on consuming for themselves, the newly wealthy may contribute little to developments that benefit society as a whole –schools, clean water, parks, and other public goods. Consumerism itself may exacerbate poverty: an economy dedicated to the production of luxury goods may under-produce the goods consumed by the poor, making these goods less affordable. A consumer mentality may provoke resistance to taxes that could be used for support for the poor. So the wealth of others may not necessarily help

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the poor. But there are some potential silver linings, and this paper explores ways in which rising wealth could benefit the poor. It asks what we need to know to predict whether rising consumerism will beggar society in general and harm the poor, or can be harnessed to help the poor.

In 2010, Warren Buffet and Bill Gates organized a meeting in China with the purpose of encouraging wealthy Chinese to give greater amounts of their wealth to philanthropic causes. In doing so, two of the richest and most admired men in the world were lending their prestige to an effort to channel newly-created wealth into causes such as help for the poor. They pronounced the meeting a success.¹ We shall explore some of the theoretical justification of efforts like this, and return below to some indicators of how it and efforts like it may succeed.

One key to understanding both philanthropy and support of government redistribution to the poor can be found in Thorstein Veblen's interpretation of conspicuous consumption.² According to Veblen, class history is about who works and who consumes. In much of history, warriors and priests do not work: they are heroes, carry out exploits, reveal the commands of God, etc. Veblen argues that the warrior ethic asserts that aggression is better than work, booty better than a work product, so the predatory instinct is accorded the highest respect. In these and related cultures, men "own" women to avoid working. Property is required for self-respect, which is a reflection of the respect of others.

Veblen contrasts the lower classes' "instinct of workmanship" to the warrior and clerical classes' instinct for not working.³ He makes the point that in such societies the big thief is respected, the little one executed.⁴ On the religious side, there is something he

calls “devout consumption”. Churches must be grand, God must have leisure and a throne, and so must his servants.⁵ More than once, when he makes such observations he remarks that he does so “without any intention to commend or to deprecate”,⁶ but this is obviously ironic. Laziness, large-scale thievery, and showy waste are not moral by our professed standards.

Much of the incentive to human activity, Veblen writes, is about comparison. Foods, clothing, houses, everything must be compared. Whether something is good or bad in these comparisons depends entirely on community standards.⁷ And the point of comparison is to raise some up and put some down: it is invidious comparison. William Ascher has recently asked, “How can the charitable impulses of the wealthy be harnessed to provide for the long-term public good...?”⁸ But what if the wealthy lack those charitable impulses and live by conspicuous consumption? What we are asking here is how can the impulses of the wealthy, for what Veblen calls invidious comparison, be harnessed for philanthropic purposes? Rather than taking conspicuous consumption as simply an evil this paper asks how to harness it for the good.

When Andrew Carnegie wrote that he opposed inheritance and gave away most of his money to found libraries, a university, and a foundation, he was engaging in a form of conspicuous consumption. There was something in it for him: he was getting credit for the prodigal spending that only a rich man could do. A wide range of causes have harnessed the power of conspicuous consumption, such as organic farming, “green” homes and automobiles that cost much more than their actual contributions to conservation, and the like. Love of nature can be cultivated in order to show wealth,⁹ but the result is still better treatment of nature.

So, if philanthropy and public policy can be harnessed to the human drive for invidious comparison and conspicuous consumption, it can presumably be pushed further than in places where conspicuous consumption is harnessed to other ends, or where no one values such consumption (if such a place exists). Let us explore the possibilities.

Perhaps most important for our purposes are the mechanisms of change in conspicuous consumption that Veblen explores. Economic incentives may rein in some of these consumption expenses. At one point large families were taken to prove wealth. But if this sort of consumption brings many people to the brink of bankruptcy, it may pay to redefine the best sort of consumption. One of the chief causes of a change in attitudes toward birth control was the expense of raising many children and the self-interested redescription of small families as a marker of wealth. Similarly, hand-made artisan goods kept prestige value for a long time after machine-made could replace them at less expense, but in some consumer goods categories they eventually began to look inferior and prestige was transferred to the machine-made goods, which were not only cheaper but could be produced to have the look and feel of the former. Lost in this Faustian bargain were not the artisan goods, but the handicraft skills once needed to create them.

A positive message can be teased out from Veblen's analysis. Incentives for human behavior have varied widely and have justified a wide variety of expenses. People are willing to work very hard and to take great risks for social status and prestige. They are willing to support others if that support reflects back on them in a positive manner. They are willing to give away their property and devote their time to charitable work if it can win the respect of others and fortify their own self-respect. So they might be

manipulated into helping the poor, either through private philanthropy or support for government intervention.

Some charities in Southern California are surely inefficient in terms of dollars-per-benefit, but flatter and satisfy the donors. One group of small-plane owners regularly flies into impoverished small towns in Mexico bringing medicine and other aid. The total expense is almost surely higher and the payoff more uneven than a rational bureaucratic initiative might be. But the participants clearly reap a lot of satisfaction from doing it, and might not support other methods of achieving the same goals.

There are class distinctions in what sort of help counts as prestigious. Also in Southern California, the Salvation Army may do more for the poor than many other organizations, but it is somewhat less prestigious in some donors' eyes because of its association with old-fashioned religion and the lower class backgrounds of many of its employees (some of whom are ex-homeless people). So some people would rather give their money to organizations that flatter the higher-class self-image of the donors such as Doctors Without Borders, which has class markers such as being French, international, and about doctors.

Re-describing help for the poor in Veblen's terms as conspicuous consumption, vicarious consumption, devout consumption, conspicuous leisure, conspicuous waste, and a product of invidious comparison raises a number of questions. Which forms of conspicuous consumption help the poor most? Employing them as livery servants? Contributing to Doctors Without Borders so that you can tell your friends about it? Buying "fair trade" consumer items that employ people? So far, I have tailored my

questions to a place I know best, but these questions can now be extended to other cultures such as the nations of the Pacific Rim.

Veblen's clues about changes in conspicuous consumption also raise useful questions. How can we get more people to place their prestige eggs in the basket of helping the poor? What are the processes by which something that was once not seen as prestigious comes to have prestige, or the other way around? Has any progress been made in the last ten years in encouraging the newly rich in Asia to spend some of their wealth on helping the poor? Not long after the Gates and Buffett show in China, websites began issuing lists of the largest private donors in China, and one can at least speculate that getting onto such lists has become a goal of some other wealthy people.¹⁰

Policy Options

Ronald Reagan once said that having the government do all the helping of the poor would deprive people of the satisfaction of philanthropy. That was the target of a certain amount of derision, but it might not be entirely without merit as a method of harnessing help for the poor. He may have been on to Veblen's point that we can get some people (and maybe some corporations) to help the poor more by appealing to their vanity or reputation than by appealing to their sense of justice or fairness. It is surely an empirical question as to which people are best appealed to in this way, and how in particular an appeal may be expressed for maximum effectiveness.

Let us also note that it might be counter-productive to advertise too widely that many forms of helping the poor are genuinely wasteful and designed mainly to claim prestige. But it still may be worth obtaining what knowledge we can about the power of conspicuous consumption in motivating help for the poor.

Pierre Bourdieu's insights may also help us with these questions. In *Distinction: A Social Critique of the Judgment of Taste*, he set out to examine the taste of the academic and political elites around him.¹¹ Taste is not a gift of nature, but a product of education, he concluded.¹² It works best if it appears natural, which for elites means an upbringing in a cultured household.¹³ So to the elites, spontaneous enjoyment is something that is lower class, vulgar, and servile,¹⁴ while cultivated enjoyment is refined and distinguished and thus legitimates social differences.¹⁵ Thus, things like taste in music reveal one's class.¹⁶

Bourdieu pointed out that everyone develops these class-based tastes. Thus, even a degree in engineering guarantees not only a specific skill, but also a place in a general culture.¹⁷ Taste is based on the whole complex of attitudes that make up our habits,¹⁸ creating the unconscious unity of a class.¹⁹ He writes of furniture, clothing, and cooking as making up our cultural capital,²⁰ although nowadays it might be better to refer to cars, iPads and other technology, and maybe even art.

The tastes that will decide whether the newly rich around the Pacific Basin will choose to help the poor may be subject to manipulation and harnessing. The questions we need to ask are how and why have class tastes and behaviors in these countries been created, and under what conditions do they change? There are classics of Chinese philosophy such as Mencius and Hsuntze praising concern for the poor. Late Ming China (the seventeenth century) had a rich tradition of philanthropy.²¹ How much of this will survive the recent conditions of expanded economic competition; and how much will be replaced by new orientations of pure selfishness or of alternative means of helping the poor are empirical questions that we could be studying. What are the ideas about

philanthropy among the new bourgeoisie, and where do they get them? If nothing else, wealthy Chinese today could feel pushed into more publicized philanthropy in order to win some respect from foreigners. Whether that is enough to spark a full-scale development of such an orientation is an open question.

Our third theorist is Deirdre McCloskey, author of *The Bourgeois Virtues: Ethics for an Age of Commerce*²² and *Bourgeois Dignity: Why Economics Can't Explain the Modern World*.²³ The main point of her books is to justify and vindicate commercial society, or what is loosely known as “capitalism”. As she says in the second book, the big economic story of our times is the changeover in India and China from disgust with and repression of the bourgeoisie, understood in a broad sense as makers and traders of useful products, to respect for and the according of dignity to them. In the first of these volumes, she argues against much conventional wisdom that ever since the rise of modern commerce in the sixteenth century Netherlands and seventeenth century England, the bourgeoisie have both practiced the virtues and needed them. All of the classical and Christian virtues of love, faith, hope, justice, courage, temperance, and prudence are valuable in commercial society, she argues, but perhaps especially love, temperance, and justice. Love leads to sharing and solidarity. Temperance leads to self-control and savings, which free up wealth for sharing. And justice tries to even the playing field where it has gone unfairly wrong. In her account, capitalism does not require, or even especially reward, greed and dehumanization. If she is right, increasing wealth in the Pacific Basin may go hand in hand with philanthropy and redistribution.

Policy Suggestions

If this is true, what we would need to know in order to make sure that increasing consumerism does not squeeze out philanthropy and support of redistributive policies could begin with basic research into the understanding of the virtues in each region. How do people --and especially the people who are beginning to make and control the increasing wealth-- identify their own virtues and those of others? What gives a person prestige and moral credit? Are love, temperance, and justice part of the equation? And are they rising or falling in the dynamic process of wealth accumulation?

The second volume of McCloskey's project provides a backup theory which may offer some hope and explain the spread of wealth in case the virtues, philanthropy, and government redistribution are widely abandoned. It develops the sort of 'invisible hand' theory often associated with Adam Smith, although not always well understood. In *Bourgeois Dignity*, she claims it was a change in rhetoric, not global trade, exploitation, colonialism, or any other such materialist explanation, that led to the great upsurge in world wealth in the last three centuries. That rhetoric was the revaluation and increasing respect accorded to the bourgeoisie, or those who engage in more-than-subsistence production and trade. Innovation, technical advances, the providing of goods and services, and change became prestigious, not something, like in aristocratic culture, to be embarrassed about. Inventors were not killed for ruining a previous way of living, but rewarded with public statues.

Along these lines, William Ascher has pointed out that social service groups for American small business owners like Kiwanis, Lions, and Rotary have offered their members prestige, solidarity, and business opportunities in return for a modicum of service to the community.²⁴ On the one hand, it is possible that their chief motivation is

prestige and personal wealth creation. On the other hand, they do actually provide services, including, sometimes, aid to the poor. Kiwanis, Lions, and Rotary clubs have spread to China. To the extent that Chinese businessmen follow this model, it could lead them to provide similar public services.

So far, one might wonder how much this will help the poor. McCloskey reports that a lot of economic evidence suggests that in these last two or three hundred years general wealth has increased by a factor of sixteen. With so much wealth to go around, even the poor benefited greatly. With no necessary connection to the good intentions of the wealth-makers, the wealth they make ends up spilling over to many others. In her account, if the virtues do not make the newly rich countries of the Pacific Basin want to help the poor, they will nevertheless be helped by the rising tide which lifts all boats. In order to know whether this is true, we would need to know the effects of increments of wealth on the factors that benefit the poor indirectly (i.e. not through philanthropy and not through government redistribution). Some of this would be in job creation caused by the demand for products created by increased consumerism. Some of it could be in the improvement of infrastructure that is designed to meet the needs of the rich and powerful but could also benefit the poor. Some of it would be environmental regulation that can be afforded by a generally richer society. Probably a good deal of creative thinking needs to go into identifying the not always obvious ways in which one person's selfish consumerism may in fact benefit another.

Recent statistics have shown that American elites contribute much more to charity than the newly wealthy countries: 2.2% U.S., 1.3% U.K., 0.6% India, 0.3% Brazil, 0.1% China.²⁵ Is there anything American and European cultural elites can do to encourage the

emerging Chinese elites to develop tastes that will dispose them to help the poor? It can certainly be suspected that a substantial amount of our popular culture encourages them to acquire the taste for a less-helpful, simple, self-oriented conspicuous material consumption. The chances of encouraging them to listen to American National Public Radio and acquire more other-directed concerns for the poor are probably not high. But deliberate efforts to draw attention to our elites who do care about the poor such as the Buffett-Gates delegation may have some positive effect. If that was a one-time message, it may eventually fade from the collective consciousness of the newly wealthy in China. But if the message is reinforced, both by Gates and Buffett and by other prestigious elites from Western culture, maybe it will have more effect. Considering how much attention elites in all foreign countries pay to the activities of Western elites, the latter ought to know they have a bully pulpit for providing moral exemplars, and if they make well-publicized contributions to public goods, their examples may be followed in other countries.

Hollywood and social media are surely part of the influence that American elites can have on other countries. The technical perfection of master videographers in pulling at the heart-strings of the public has been demonstrated in early 2012 by the viral videos for the “Invisible Children” campaign, which garnered 100 million viewers in less than a week. The example also brings up a danger: if the charity that seeks the money is exposed for not spending enough on the charity’s purposes, it may be discredited. Something similar happened in China in 2011, when one Guo Meimei, who claimed to work for Red Cross Commerce, presumptively part of the government charity Red Cross Society of China, was videoed with fancy cars and other luxuries, and contributions to the

charity dropped 86.6%.²⁶ But barring such public relations disasters, American elites can surely use their skills to encourage charitable contributions in other countries, and be imitated by elites in those countries.

It may be suspected that direct appeals by influential people such as government officials may not have much effect in inspiring wealthy people to contribute more to philanthropy. But sometimes local politicians have succeeded in changing public opinion in surprising ways. When Antanas Mockus was Mayor of Bogotá, Columbia, he launched a “110% with Bogotá” campaign, appealing to the citizens to add 10% to their tax payments as a matter of civic pride and patriotism, and 63,000 did so.²⁷ We could add that the slogan was catchy, and simple to comply with. Charity is often an impulse of the moment, and scientists have shown that making a calculation simple makes it easier for people to act on impulse. Just as important, as a side effect, general tax compliance in Bogotá went up, perhaps because paying taxes had been framed as a virtue. It is also at least possible that the writing and distribution of books like Stephen Holmes and Cass Sunstein, *The Cost of Rights: Why Liberty Depends on Taxes*, could appeal to some wealthy people as a prestigious case for paying their taxes.²⁸

It may be thought that morality, and thus philanthropy, are things that come with character and personality, and are at least rooted in long-term personality development over which we have little control. If consumerism grabs people, we can do little to divert them to other causes. But psychologists have pointed out that it is possible to “market morality”.²⁹ Moral sensitivity, moral judgment, moral focus, and moral action can be encouraged by the same sort of marketing appeals that encourage selfish consumerism.

It may be thought that China is not a particularly promising country for cultivating philanthropy. It has been dominated by the state for a long time, and private charities are only recently emerging from under its thumb. There has long been some concern elsewhere that if government assumes exclusive responsibility for the poor, people will lose any sense of private responsibility for them. But evidence suggests that this is not necessarily the case. The government of Norway is well-known for being one of the top contributors of foreign aid in terms of per capita expenditures, and that might be taken to excuse individual Norwegians from such philanthropy. But recent studies have shown that Norwegians are some of the largest contributors per capita to private international aid as well.³⁰

Interestingly enough, the Norwegian private philanthropy rates are highest among Conservative voters.³¹ These voters are also more religious than average, and it may mean religious people are more likely than non-religious people to retain a sense of responsibility for the poor even after the state has done its work. It has been observed that much of philanthropy in Asia and Latin America has been inspired by and directed to religious institutions, and this raises the worrisome question about the future dynamics of philanthropy if that religious base is undermined. The good news is that religion does not often die out entirely, even after decades of anti-religious propaganda as in China. But we still want to ask: can appeals to help the poor reach beyond the religious? Environmentalist behavior in numerous cultures throughout the world almost always depends upon deep religious sentiments.³² So it is an important question whether motivations for moral behavior of several kinds can survive the secularization that often comes with wealth.

One answer is that Chinese history suggests that a single religion such as Christianity need not be the only motivator of charity. A study of late Ming charity found that leaders “drew upon an amalgam of Buddhist, Confucian, and Daoist beliefs, and even strains of the behavioral conditioning through rewards and punishments that is espoused by Legalist texts.”³³ I think this can be taken for suggesting that almost any culture, and maybe especially Chinese culture, has many potential motivating strands, both religious and non-religious, for philanthropic behavior. Other books on Chinese history make the point that elites often had to substitute for state action because of a weak state, and took action concerning irrigation, crime control, and poverty relief for reasons ranging from a sense of duty to traditional paternalism: “Heaven is high and the emperor is far way.”³⁴ So it is likely that efforts to harness the growing wealth and conspicuous consumption in China for philanthropic purposes should probably be multi-pronged and sensitive to widely varying motivating factors.

We may expect that prestige and values will be distributed somewhat differently in China than in the West. It has recently been observed that the environmentalist gender gap in China is “reversed”; that is, that men are more concerned about the environment than women, unlike the U.S.³⁵ This may be attributed, at least in part, to an economic and educational gap. But such differences may well apply to philanthropy as well.

An overall conclusion is that rising wealth and consumerism presents both a danger and an opportunity. The danger is that they squeeze out efforts, both public and private, to help the poor. The opportunity is that they be channeled to help the poor. There is every reason to believe that the same incentives to private and selfish conspicuous consumption --prestige, tastes, social capital, self-image, and more-- can be

harnessed to the promotion of aid to the poor and society as a whole. In any particular Pacific Basin country such as China, it will be a matter of assessing the levers which provide such motivation and figuring out how to press them. This will require knowledge not only of the historical heritage, but of the evolution of such motivations under the pressures of modern consumerism. But if at least a modicum of help for the poor has survived the pressures of wealth and consumerism in the rich Western countries, there is no reason it cannot survive in the Pacific Basin.

Notes

¹ Crippen, Alex. 2010.

http://www.cnbc.com/id/39425810/Warren_Buffett_Calls_China_Philanthropy_Meeting_a_Tremendous_Success/ (accessed March 9, 2012).

² Veblen, Thorstein. 1994 [orig.1899]. *The Theory of the Leisure Class*. Harmondsworth:Penguin.

³ Ibid., 93.

⁴ Ibid.,117.

⁵ Ibid., 119.

⁶ Ibid., 293.

⁷ Ibid., 111.

⁸ Ascher, William. 2009. *Bringing in the Future*. Chicago: University of Chicago Press. P.7.

⁹ Ibid.,135.

¹⁰ Melo, Joana. 2011. http://agendabeijing.com/Chinas-biggest_philanthropists/ Nov 29, 2011 (accessed 3/9/2012).

¹¹ Bourdieu, Pierre. 1984 [orig. 1979]. *Distinction. A Social Critique of the Judgment ofTaste*. Cambridge: Harvard University Press.

¹² Ibid., 1.

¹³ Ibid., 2, 66.

¹⁴ Ibid., 4.

¹⁵ Ibid., 7.

¹⁶ Ibid., 18.

¹⁷ Ibid.,2 5.

¹⁸ Ibid., 56.

¹⁹ Ibid., 77.

²⁰ Ibid.

²¹ Smith, Joanna Handlin. 2009. *The Art of Doing Good: Charity in Late Ming China*.Berkeley: University of California Press.

²² McCloskey, Deirdre. 2006. *The Bourgeois Virtues: Ethics for an Age of Commerce*.Chicago: University of Chicago Press.

²³ McCloskey, Deirdre. 2011. *Bourgeois Dignity: Why Economics Can't Explain the Modern World*. Chicago: University of Chicago Press.

²⁴ Ascher 87-89.

²⁵ Barnes, Taylor. 2010. "New Donors Emerge in Developing Countries". Christian Science Monitor, July 6, 2010 www.csmonitor.com/Business/2010/0706/New-donors-emerge-in-developing-countries.

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- ³⁴ Bernhardt, Kathryn. 1992. *Rent, Taxes, and Peasant Resistance: the Lower Yangzi Region 1840-1950*. Stanford: Stanford University Press.
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