Consumerism
History of Consumerism

• Central Paradox:
  • How did the Puritan tradition of thrift and asceticism turn into a culture of spending and materialism?

• It happened in three waves
The first wave of consumerism (1910s-1920s)

• Mass production
  – Consumer durables appear in the household
    • Electricity
    • Invented: electric washing machine and vacuum cleaner (1903), Ford’s Model T (1908), refrigerator (1913 see above)

• Mass Marketing
  – The department store (Wannamaker, Marshall Fields, Woolworth, Sears etc.)

• Creation of consumer credit
  – Usury, pawnshops and borax houses (stores selling cheap goods on installment)
  – A.P. Giannini (Bank of Italy (1904) → Bank of America)
    • 1906 San Francisco earthquake
  – Chargaplate 1920s

Great Depression 1929-1941
The Second Wave of Consumerism
1945-1975

• Post-WWII boom
  – Growing productivity, rising incomes

• 1960s Women enter the labor force

• Competitive consumption
  – Income and desires are still connected –
    • Keeping up with the Joneses (your neighbors)

• Consumer credit
Third Wave of Consumerism
Mid 1970s --2008

• No increase in leisure

• Increasing Inequalities
  – Conspicuous spending at the top

• Mass Media
  – Growing expectations
    • Advertisement, television shows

• Credit
  – New tools for spending
    • New forms of consumer credit, over-indebtedness

• Disconnect between incomes and desires
  – The “aspiration gap” -- keeping up with the Gateses
CONSUMPTION SPREADS FASTER TODAY
The U.S. has no statutory minimum annual paid leave

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Table 3
Breakdown of 52 Weeks into Weeks Worked, Holiday and Vacation Weeks, and Other Leave

Source: reprinted from OECD Employment Outlook 2004. This entire table is taken directly from the OECD. Sickness and maternity leave estimates are adjusted for an estimated 50% underreporting rate. This is for full time employees and this week worked differs slightly from Table 3.

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<th>Annual weeks worked</th>
<th>Holidays and vacation weeks</th>
<th>Full-week absences due to non-holiday reasons</th>
<th>Part-week absences due to non-holiday reasons</th>
<th>Absences due to sickness &amp; maternity</th>
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For US data we calculate weeks of vacation and illness for full time heads in the PSID. We calculate weeks of holidays using Federal and stock market holidays. We allow other non-holiday absences to the be the residual.
Work vs. leisure

Annual hours worked
per capita and per worker, 2002

Hours worked per capita
Hours worked per worker

OECD Total

Korea
Czech Republic
Slovak Republic
Germany
Spain
Ireland
United Kingdom
Iceland
Italy
Sweden
EU15
Belgium
Switzerland
Denmark
France
Germany
Norway
Netherlands

0 1 000 2 000 3 000

OECD Total
Home Ownership

From Modest to McMansion
The average square footage of a new single-family home

- 1950: 983 sq. ft.
- 1970: 1,500 sq. ft.
- 1990: 2,080 sq. ft.
- 2004: 2,349 sq. ft.

Source: National Association of Home Builders (Housing Facts, Figures and Trends for March 2006)
Figure 6.1: Real U.S. Housing Prices, 1890-2009
Consumer debt on the rise
The long term trend

Household Debt as % of GDP
Through 2007

Source: Federal Reserve Z-1, Bureau of Economic Analysis
Personal Savings Rate Hits New Low

Personal savings as a % of disposable incomes, nationwide, each first quarter since 1947.

Source: Federal Government, Bureau of Economic Analysis
Student debt on the rise
Default by credit type

Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax.
Note: HELOC is home equity line of credit.
Percent of Balance 90+ Days Delinquent by Loan Type

Source: FRBNY Consumer Credit Panel/Equifax

This is the percent of money owed.
Credit Cards

• First credit card— Diners 1950
  – Followed by American Express 1958
  – BankAmericard 1959 (Visa 1977)
  – Interbank Card Association 1966 (MC 1979)

• 2000 159 million cardholders
• 2006 173 million cardholders
  – Half of Americans have two or more
  – The average amount of credit card debt is $5,710 for those who have cards
• 76% of undergraduates have credit card and the average balance is $2,200 (2004)
Who gets credit

• Three Credit Bureaus
  – Experian, Equifax, TransUnion

• Credit history
  – Free annual credit history  https://www.annualcreditreport.com/cra/index.jsp

• Credit score
  – FICO (Fair, Isaac Co.) score  300-850
    • Median 723
      – Payment history 35%
      – Amounts owed 30%
      – Length of credit history 15%
      – New credit 10%
      – Types of credit used 10%

  – Credit score used for
    • Loans
    • Rentals
    • Job applications
    • Car insurance premium
Happiness Over Time

The New Era

- High unemployment
- Value of housing is down
- End of cheap import?
- Downgraded credit rating for U.S.