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Amitai Etzioni

Essays in Socio-Economics



Springer

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Preface

These essays deal with various aspects of a new, rising field, socio-economics. The field is seeking to combine the variables studied by neoclassical economists with those typically studied by other social sciences. The combination is expected to provide a better understanding of economic behavior and the economy as well as society; make more reliable predictions; and be more in line with normative values we seek to uphold. The new field, though, may be less elegant mathematically and possibly less parsimonious than neoclassical economics. Some of my ideas on this subject are included in a previously published book, *The Moral Dimension: Toward A New Economics* (New York: The Free Press, 1988). They also led to a formation of an international society of several thousand scholars who are interested in the field, the Society for the Advancement of Socio-Economics.

The essays at hand are in effect grouped. The first two, previously published respectively in the *Journal of Economic Psychology* and *Business Ethics Quarterly*, reflect my most recent thinking. They both have a utopian streak that may stand out especially in these days when unfeathered capitalism is the rage. The first points to people, who far from making consuming ever more their life's project, seek a less affluent way of life. It examines the psychological foundations and the social consequences of such an approach. The second essay asks whether a corporate governance could be changed from shareholders to stakeholders, what would be the implications of such a shift, and are there reasons to expect that it could be brought about?

The second group (Chapters 3 and 4) are more technical in nature. The first essay suggests that the key to evolving a socio-economics, is not to take preferences as predetermined or fixed, but to treat them as subjects to reformulation by social forces. The second essay suggests that in order to advance socio-economics, we need to realize that people are not seeking to maximize one utility but at least two and two that are not commensurate with one

Preface

another. (These articles were published respectively in the *Journal of Behavioral Economics* and *Economics and Philosophy*.)

The third group (Chapters 5, 6, 7, and 8) deal with the socio-economics of decision making. The first shows that a socio-economic theory of choices must take into account that people base their decisions not merely on information and logic but also on affect and values. The second article shows how we make decisions best when we realize that the information we have is very often rather partial and fragmented, rather than merely imperfect or nil. This is important because if our information were almost perfect, we could use various rational models and allow for minor errors, and if it were nil –we could use various models of random choice. Typically, though, we can do somewhat better than randomize but do not have nearly enough information to use rational models. Hence, the importance of mixed scanning. (This article generated a particularly extensive interest among my colleagues to my delight, because it is one which is particularly close to my heart). The third article analyzes the knowledge base used by medicine, to show how decisions can be made when information is not merely partial but also largely practical, rather than analytical. Socio-Economics may learn from this model. The fourth article examines the question of how we make choices and whether or not history and culture have contributed to how tastes are formed. These articles were published respectively in the *Journal of Economic Psychology*, *Public Administration Review*, the *Journal of Policy Analysis and Review* and the *Wall Street Journal*.

The last chapter, written by Richard M. Coughlin, provides an insightful analysis of the similarities and differences in approaches between socio-economics and communitarian thinking. Professor Coughlin correctly points out that both are concerned with combining economic perspectives with social ones. However socio-economics focuses on scholarship while communitarian thinking is the basis of an evolving new public philosophy, which is action oriented.

Amitai Etzioni 1998

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Chapter 1

Voluntary Simplicity: Characterization, Select Psychological Implications, and Societal Consequences¹

I. Voluntary Simplicity Characterization

A. An Introduction

The idea that the over-arching goal of capitalist economies needs to be changed, and that achieving ever-higher levels of consumption of products and services is a vacuous goal, has followed a familiar tri-stage evolution—several times over. Radical rejections of the consumeristic goal have been followed by rejections of the rejections and new bouts of consumerism, leading to some kind of combination of an affirmation of the merits of a high level of consumption with a rededication to other purposes. This idea itself has been with us from the onset of industrialization. It often has taken the form of comparing the attractive life of the poorer pre-industrial artisan to that of the drudgeries of the more endowed industrial assembly-line worker.

In more recent times, radical criticism of consumerism was, common among the followers of the counter-culture in the 1960s. They sought a lifestyle that consumed (and produced) little, at least in terms of marketable objects, and sought to derive satisfaction, meaning, and a sense of purpose from contemplation, communion with nature, bonding, mood-altering substances, sex, and in-

1 The author would like to acknowledge Frank Lovett for his help with the research for this paper, and David Karp and Barbara Fusco for their editorial comments. I am particularly indebted to comments by Professor Edward F. Diener and David G. Myers.

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expensive products.² Over the years that followed, a significant number of members of Western societies embraced an attenuated version of the values and mores of the counter-culture. For example, studies by Ronald Inglehart beginning in the early 1970s found that “The values of Western publics have been shifting from an overwhelming emphasis on material well-being and physical security toward greater emphasis on the quality of life.”³ These “quality of life” factors form what Inglehart calls “postmaterialist values”, and include the desire for more freedom, a stronger sense of community, more say in government, and so on. The percentage of survey respondents with clear postmaterialist values doubled from 9 percent in 1972 to 18 percent in 1991, while those with clear materialist values fell in half from 35 percent to 16 percent (those with mixed commitments moved more slowly, from 55 percent to 65 percent).⁴ These trends were reported for most West European countries.⁵

During the same period, most Americans continued to dismiss radical rejections of capitalism. Consumerism in the 1980s in the United States was stronger than before, as measured by the rising levels of personal consumption. Between 1980 and 1990, per capita consumer spending (in inflation-adjusted dollars) rose by 21.4 percent. The portion of consumer spending devoted to dispensable (“luxury”) items, such as jewelry, toys, video and audio equipment, rose in the same period from 6.78 percent to 8.63 percent.⁶ Meanwhile, the personal savings rate of Americans fell from 7.9 percent in 1980 to 4.2 percent in 1990 and has remain near this low level ever since.⁷ The fuller recommitment to consumerism was symbolized by a comparison of President Jimmy Carter, who in 1977 *walked* to the White House and carried his own bag to Air Force One, to Presi-

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- 2 See FRANK MUSGROVE: *Ecstasy and Holiness: Counter Culture and the Open Society*, Bloomington (Indiana University Press) 1974, p. 17-18, 40-41, 198. Musgrove notes the paradox that although the counter culture is “marked by frugality and low consumption,” it arises specifically in wealthy societies: p. 17.
 - 3 RONALD INGLEHART: *The Silent Revolution: Changing Values and Political Styles Among Western Publics*, Princeton (Princeton University Press) 1977, p. 3.
 - 4 PAUL R. ABRAMSON AND RONALD INGLEHART: *Value Change in Global Perspective*, Ann Arbor (University of Michigan Press) 1995, p. 19. Similar shifts occurred in most developed nations: p. 12-15.
 - 5 *Ibid.*, p. 12-15.
 - 6 STANLEY LEBERGOTT: *Pursuing Happiness: American Consumers in the Twentieth Century*, Princeton (Princeton University Press) 1993, appendix A, p. 147-163.
 - 7 *Statistical Abstract of the United States*, 1994, table 695.

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dent Ronald Reagan and his entourage, who preferred to be driven about in stretched limousines and who re-introduced elegant White House dinners. The counter-culture became largely a thing of the past.

Like many other ideas that are at first marked by strong advocacy and then followed by societal reaction and rejection, the search for alternatives to consumerism as the goal of the capitalism continues to attract people, albeit—in this third phase of the tri-stage evolution—in a much milder and possibly more lasting and realistic form. I focus here on one such alternative, referred to as “voluntary simplicity.” The term refers to people who choose, out of their free will rather than by being coerced by poverty or government austerity programs or being imprisoned, to limit their expenditures on consumer goods and services, and to cultivate non-materialistic sources of satisfaction and meaning.

The following discussion of voluntary simplicity, by necessity, covers familiar ground; as I already suggested, the criticism of consumerism and the quest for alternatives are as old as capitalism itself. However, the issue needs revisiting for several reasons. The collapse of non-capitalist economic systems has led many to assume that capitalism is the superior system and therefore to refrain from critically examining its goals, but capitalism does have defects of its own. Furthermore, as so many societies with rapidly rising populations now seek affluence as their primary domestic goal, the environmental and psychological and other issues raised by consumerism are being faced on a scale not previously considered. Finally, the transition from consumption tied to satisfaction of what are perceived as basic needs (secure shelter, food, clothing and so on) to consumerism (the preoccupation with gaining ever higher level of consumption, including a considerable measure of conspicuous consumption of status-goods), is more pronounced the wealthier societies become. Hence, a re-examination of this aspect of mature capitalism is particularly timely and needed. Indeed, the current environment of rising and spreading wealth might be particularly hospitable to a moderate form of voluntary simplicity.

This examination proceeds by first by providing a description of voluntary simplicity, exploring its different manifestations and its relationship to competitiveness as the need and urge to gain higher levels of income is curbed (part I). It then considers whether higher income and the greater consumption they enable produces higher contentment? This is a crucial issue because it makes a world of difference if voluntary simplicity is deprivational and hence requires strong motivational forces if it is to spread and persevere, or—if consumerism is found to be obsessive and may be even addictive, in which case voluntary simplicity would be liberating and much more self-propelling and sustaining. The answer to the preceding question, and hence to the future of voluntary simplicity as a major cultural factor, is found below in an application of Maslow’s

VOLUNTARY SIMPLICITY

theory of human needs. It finds further reinforcement by examining the “consumption” of a sub-category of goods whose supply and demand is not governed by the condition of scarcity in the post-modern era (part II). The essay closes with a discussion of the societal consequences of voluntary simplicity. These are rather self-evident for the environment but much less so for social justice.

B. Voluntary Simplicity: Three Variations

Voluntary simplicity is observable in different levels of intensity. It ranges from moderate levels (in which people downshift their consumptive rich lifestyle, but not necessarily into a low gear), to strong simplification (in which they significantly restructure their lives), to holistic simplification.

Downshifters. One, rather moderate, form of voluntary simplicity is practiced by economically secure Americans who voluntarily give up some consumer goods they could readily afford, but basically maintain their rather rich and consumption-oriented lifestyle. For example, they “dress down” in one way or another: wearing jeans and inexpensive loafers, t-shirts, and driving beat-up cars. Bruce Springsteen, for example, is reported to dress in worn boots, faded jeans, and a battered leather jacket, and is said to drive a Ford.⁸ Henry Urbach reports that,

...there has been a turn away from...the “overdesign” of the 1980s toward a world of “simple” things. Instead of snazzy plates designed by architects, we have white dinnerware from Pottery Barn. In place of Christian Lacroix poufs and Manolo Blahnik pumps, we want Gap t-shirts, and Prada penny loafers. We like sport-utility vehicles, stainless-steel Sub-Zero refrigerators, Venetian blinds, retro electric fans, sturdy wooden tables—anything plain. Extravagance has surrendered to a look that is straightforward, blunt, unadorned.⁹

And Pilar Viladas writes,

In architecture and design today, less is more again. Houses, rooms and furnishings are less ornate, less complicated and less ostentatious than they were 10 years ago. Rather than putting their money on display, people seem to be investing in a quieter brand of luxury, based on comfort and

8 “The Pop Populist”, *New York Times Magazine*, (January 26, 1996), p. 28.

9 HENRY URBACH: “Hide the Money!” *New York Times Magazine*, (April 13, 1997), p. 8.

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quality.¹⁰

Some other wealthy Americans are reported to be using more primitive or natural substitutes for modern conveniences: for example, rustic milking stools replace Hepplewhite chairs, French bread ovens replace breadmakers.¹¹

David Brooks refers to the prestige achieved this way as “status inversion”:

When you have achieved “status inversion,” you have reached a plane so high you begin to see people so important that they do *not* have a cellular phone. Here, anything meant to convey the impression of wealth directly...is suddenly unfashionable. The farther you can move away from the obvious detritus of wealth, the more elevated you become....¹²

Often this pattern is limited in scope and inconsistent, in that a person adhering to the norms of voluntary simplicity in some areas does not do so in many others. This moderate form of voluntary simplicity is symbolized by those who wear an expensive blazer with a pair of jeans, or drive a jalopy to their 50 foot plus sail boat.

Brooks notes that rejecting the symbols of success is acceptable only “so long as you can display the objects of poverty in a way that makes it clear you are just rolling in dough.”¹³ This should not be surprising, for there are no widely recognized symbols of voluntary simplicity, and most people still desire to be recognized as successful by their community.

While downshifting is moderate in scope, and may be because it is moderate, it is not limited to the super-rich. Some professionals and other members of the middle class are replacing elaborate dinner parties with simple meals, pot-luck dinners, take-out food, or social events built around deserts only. Some lawyers are reported to have cut back on the billing-hours race that drives many of their colleagues to work late hours and on weekends, to gain more income and a higher year-end bonus, as well as to incur the favor of the firms for which they work.¹⁴ Some businesses have encouraged limited degrees of voluntary simplicity. For instance, in several work places there is now one day, often Friday, in

10 PILAR VILADAS: “Inconspicuous Consumption”, *New York Times Magazine*, (April 13, 1997), p. 25.

11 DAVID BROOKS: “The Liberal Gentry”, *The Weekly Standard*, (December 30, 1996/ January 6, 1997), p. 24.

12 *Ibid.*, p. 25.

13 *Ibid.*, p. 25.

14 RITA HENLEY JENSEN: “Recycling the American Dream”, *ABA Journal* 82 (April, 1996), p. 68-72.

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which employees are expected to “dress down.” In a few, especially on the West coast, they may dress down any work day of the week.

Downshifting seems to be on the rise. A 1995 study by the Merck Family Fund found that 28 percent of a national sample of Americans (and 10 percent of the executives and professionals sampled¹⁵) reported having “downshifted,” or voluntarily made life changes resulting in a lower income to reflect a change in their priorities, in the preceding five years. The most common changes were reducing work hours, switching to lower-paying jobs, and quitting work to stay at home. Of these downshiftees, 86 percent reported that they are happy with the changes they made. The survey also found that 82 percent of Americans felt that people buy and consume more than they need.¹⁶ Another survey, conducted in 1989, which focused on sentiments rather than on reported changes in behavior, found that three out of four working Americans would like “to see our country to return to a simpler lifestyle, with less emphasis on material success.”¹⁷

Strong simplifiers. This group includes people who have given up high-paying, high-stress jobs as lawyers, business people, investment bankers, and so on, to live on less, often much less—one former Wall Street analyst restricts his spending to \$6,000 a year. In another case, a couple both quit jobs as high-paid executives in the telecommunications industry, and now live only on their savings—about \$25,000 per year; they spend their time writing and doing volunteer work.¹⁸ *The New York Times* reports,

Choosing to buy and earn less—to give up income and fast-track success for more free time and a lower-stress life—involves a quiet revolt against the dominant culture of getting and spending. Enough small revolts are now taking place, researchers say, to make [the] phenomenon...a major and growing trend of the 90's.¹⁹

Strong simplifiers include a large number of employees who voluntarily choose to retire before they are required, accepting less current income and

15 “Voluntary Simplicity”, *NPR: Morning Edition*, (February 25, 1997).

16 “Choosing the Joys of a Simplified Life”, *New York Times*, (September 21, 1995), p. C:1; *Yearning for a Balance: Views of Americans on Consumption, Materialism, and the Environment*, Executive Summary from the Merck Family Fund.

17 “Is Greed Dead?” *Fortune*, (August 14, 1989), p. 41.

18 “Voluntary Simplicity”, *NPR: Morning Edition*, (February 26, 1997).

19 “Choosing the Joys of a Simplified Life”, *New York Times*, (September 21, 1995), p. C:1.

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lower pension pay outs in order to have more leisure. While it is clear that the aggregate number of people retiring early is increasing, some of this increase may well be involuntary, a result of forced retirement and downsizing.²⁰ Informal interviewing suggest that some portion of this increase is voluntary.

Reflecting ideas associated with voluntary simplicity are ideologically compelling, if not necessarily reflected in actual behavior, a majority of working Americans in 1989 rated “a happy family life” as a much more important indicator of success than “earning a lot of money”—by an unusually wide margin of 62 percent to 10 percent.²¹ Also, numerous women and some men prefer part-time jobs or jobs that allow them to work at home, even if better paying full-time jobs are open to them, because they are willing to reconcile themselves to gaining a lower income to be able to dedicate more time to their children and be in home when their children are there.²² People who switch to new careers that are more personally meaningful but less lucrative also fall into this category. For instance, a 1997 source reports that “a growing wave of engineers, military officers, lawyers, and business people...are switching careers and becoming teachers.”²³

People who voluntarily curtail their income significantly tend to be stronger simplifiers than those who only moderate their lifestyle, because a significant reduction of income often leads to a much more encompassing “simplification” of lifestyle than selective downshifting of select items of consumption. While it is possible for an affluent person to cease working altogether and still lead an affluent lifestyle, and also for someone who does not reduce his or her income to cut spending drastically. Statistically speaking, though, one expects those who significantly curtail their income, on average, to simplify more than those who only moderate their consumption.

20 Among men between fifty-five and sixty-four, 85.2 percent were employed in 1960, while by 1990 only 67.7 percent were: U.S. Department of Commerce, *Statistical Abstract of the United States*, 1975 table 559, and 1994 tables 615 and 619. The number of persons who had retired by sixty-three doubled between 1960 and 1990 from one quarter to a half: “To Many, Early Retirement Only a Dream”, *Boston Globe*, (October 29, 1995), p. 41.

21 “Is Greed Dead?” p. 41.

22 “More Mothers Staying At Home”, *Boston Globe*, (December 18, 1994), p. NW:1.

23 “More Career-Switchers Declare, ‘Those Who Can, Teach’”, *Wall Street Journal*, (April 8, 1997), p. B:1.

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People who adjust their lifestyle only or mainly because of economic pressures (having lost their main or second jobs, or for any other reason) do not qualify as voluntary simplifiers on the simple ground that their shift is not voluntary. At the same time, people who could earn more but are motivated by pressures such as time squeeze do qualify, because they could have responded to the pressure in means other than simplifying (for instance, hiring more help).²⁴ Moreover, there seems to be some pent-up demand for voluntary simplicity among people who report they would prefer to embrace such a life style but feel that they cannot do so. *TIME* reports that 66 percent of Americans would be more satisfied if they had more time to spend with their family and friends; remarkably, 33 percent said they would take a 20 percent pay cut if it meant they could work fewer hours.²⁵ Presumably these people face, or least feel they face, only two choices: keep their current jobs or possibly face prolonged unemployment.

The Simple Living Movement. The most dedicated, holistic simplifiers are members of the “simple living” movement, although no card-carrying is involved. These people adjust their whole life patterns according to the ethos of voluntary simplicity. They often move from affluent suburbs or gentrified parts of major cities to smaller towns, the countryside, and farms (and less affluent or urbanized parts of the country, the Pacific North West is especially popular), with the explicit goal of leading a “simpler” life. A small, loosely connected social movement, sometimes called the “simple living” movement, has developed—complete with its own how-to books, nine-step programs, and newsletters, though reports suggest that “many persons experimenting with simpler ways of living said they did not view themselves as part of a conscious social movement.”²⁶

This group differs from the downshiffters and even strong simplifiers not only in the scope of the change in their conduct but also in that it is motivated by a coherently articulated philosophy. One source of inspiration is a 1981 book by Duane Elgin, *Voluntary Simplicity*, which draws on the traditions of the Quakers, the Puritans, transcendentalists such as Emerson and Thoreau, and various world religions to provide philosophical underpinnings to living a simple life.²⁷

24 The rising pressures on American workers are detailed by JULIET B. SCHOR: *The Overworked American: The Unexpected Decline of Leisure*, New York (BasicBooks) 1991.

25 “Choosing the Joys”, p. C:9.

26 DUANE ELGIN: *Voluntary Simplicity*, New York (William Morrow) 1993, p. 66.

27 ELGIN: (1993), especially p. 46-53.

VOLUNTARY SIMPLICITY CHARACTERIZATION

This philosophy is often explicitly anti-consumerist. Elgin, for example, calls for “dramatic changes in the overall levels and patterns of consumption in developed nations,” adding that “this will require dramatic changes in the consumerist messages we give ourselves through the mass media.”²⁸ Public Broadcasting Corporation run a “special” in 1997 called Affluenza. It was said to provide a treatment for an “epidemic” whose symptoms are “shopping fever, a rash of personal debt, chronic stress, overwork and exhaustion of natural resources”. It promised a follow-up on “better living for less”. The Center for a New American Dream publishes a quarterly report the same issues called simply “Enough!”.

While one can readily profile the various kinds of simplifiers, there are no reliable measurements that enable one to establish the number of simplifiers of the three kinds or to determine whether their ranks are growing.

C. A Comparative Note

While all forms of voluntary simplicity are limited in contemporary American society, they seem to be somewhat more widespread in Western Europe, especially on the continent. (Britain in this sense is somewhere between Western Europe and the United States.) Many Europeans seem to be more inclined than Americans to sacrifice some income for more leisure time, longer vacations, visits to spas, coffee shops, and pubs. This is reflected in these countries’ labor laws, (which in turn reflect not merely power politics but are also an expression of widely held values), which provide for extensive paid vacation times, early closing hours for shops, closing of shops on Sundays and parts of Saturdays, subsidies allowing thousands to hang on to student life for many years, as well as extensive support for cultural activities.²⁹ The collective result is that the members of Western European societies produce less and consume less per capita in terms of typical consumer goods and services, but have more time for leisure and for educational and cultural activities that are more compatible with voluntary simplicity than those of the American society.

By contrast, consumerism seems to be powerful and gaining in many developing countries and former communist societies where consumerism is a much more recent phenomenon. In these societies the pursuit of washing machines, sexy lingerie, and other luxury goods seem to be all the rage. From China, we hear that “Westernization and consumerism are rushing in so rapidly that even

28 ELGIN: p. 201.

29 SCHOR: *op cit.*, p. 81-82.