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Overconsumption in Australia
The rise of the middle-class battler

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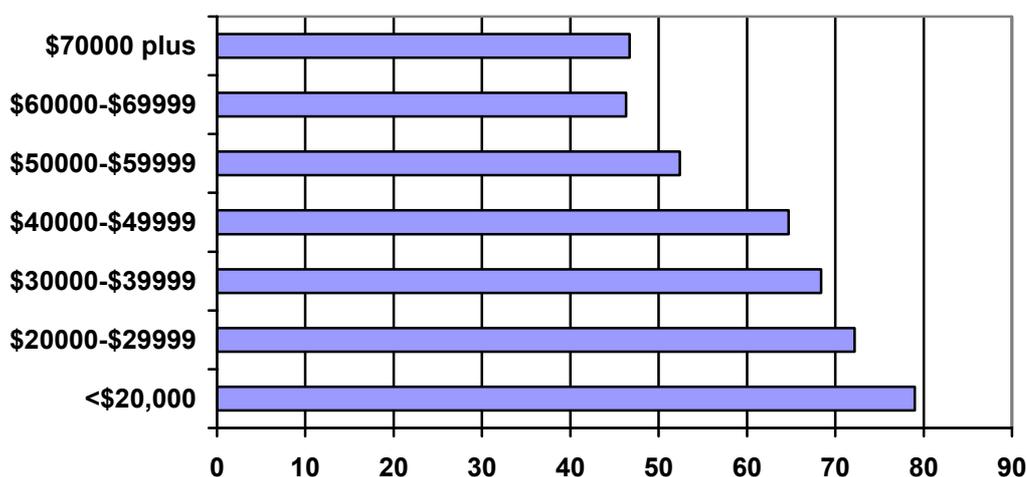
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Summary

It has sometimes been observed that, no matter how wealthy people are, they believe they need more money to be happy. A Newspoll survey conducted for this study reveals that 62 per cent of Australians believe that they cannot afford to buy everything they really need. When we consider that Australia is one of the world's richest countries, and that Australians today have incomes three times higher than in 1950, it is remarkable that such a high proportion feel their incomes are inadequate. It is even more remarkable that almost half (46 per cent) of the richest households in Australia (with incomes over \$70,000 a year) say they cannot afford to buy everything they really need (see Figure S1). The proportion of 'suffering rich' in Australia is even higher than in the USA, widely regarded as the nation most obsessed with money.

Figure S1 Proportions who agree that they cannot afford to buy everything they really need, by income group (%)



The survey also asked respondents whether they 'spend nearly all of their money on the basic necessities of life'. Across the population, 56 per cent of respondents agreed. Among those in the lowest income group 84 per cent agreed, while among those in the highest income group 26 per cent agreed. In other words, more than a quarter of the wealthiest households in Australia believe that they spend nearly all of their money on the basic necessities of life, a belief shared by around 40 per cent of those on incomes of \$50,000 to \$69,000.

These results suggest that a large proportion of middle-income and wealthy households in Australia see themselves as experiencing some form of hardship. But when Australians are questioned closely about the specific items they have gone without a different picture emerges. Even amongst the lowest income households the incidence of serious hardship is not much more than 10 per cent, and is less than half of that for the population as a whole. In the words of one recent study based on ABS data: '... while

lower-income households have, on average, higher levels of [financial] stress, many of these households experience no financial stress at all' (Bray 2001, p. 17).

It is fair to conclude that a substantial majority of Australians who experience no real hardship, and indeed live lives of abundance, believe that they are 'doing it tough'. However, when asked to stand back and reflect on their lives and their society most people take quite a different view. In response to another question in the Institute's Newspoll survey, 83 per cent of Australians said that our society is too materialistic, with too much emphasis on money and not enough on the things that really matter. The proportions agreeing with the statement are remarkably constant across the income distribution (83-91 per cent), with the exception of the richest households where only 69 per cent agreed that Australia is too materialistic.

Luxury fever

The sense of deprivation felt by most Australians is closely related to the phenomenon of 'luxury fever'. The desire to emulate the lifestyles of the very rich has led to booming sales of trophy homes, luxury cars, pleasure craft, cosmetic surgery and professional quality home equipment. The scaling up of 'needs' often outpaces the growth of incomes so that many people who are wealthy by any historical or international standard actually feel poor.

Previously the lifestyles of the rich were seen to be out of reach of ordinary people. But rising incomes and television images have meant that many average families now aspire to luxury consumption goods previously reserved for the wealthiest in society. There is a 'relentless ratcheting up of standards' and increasing pressure to consume at higher and higher levels.

The effect has been dubbed 'affluenza', the 'bloated, sluggish and unfulfilled feeling that results from efforts to keep up with the Joneses' or, more seriously, as an unhealthy relationship with money. While addictions to alcohol, gambling and eating are widely accepted as pathological, the spread of affluenza suggests that consumption in general has taken on a pathological character. Consumption behaviour has become central to the construction of personal identity and lack of access to this activity would cause severe distress to many.

Overconsumption

The extent and nature of overconsumption in Australia today can best be indicated by examples. Despite the fact that the average size of households has fallen steadily – from 3.3 people per household in the early 1970s to 2.6 today – the size of houses has grown rapidly. In the 1950s the average size of a new house was 115 square metres. By 1985 it had grown to 170 square metres, and in the last 15 years it has shot up to 221 square metres. As a result, the amount of space for each occupant in a new house has more than doubled since the early 1970s.

Bigger houses are being filled with more expensive appliances and fitted with more luxurious furnishings. A standard refrigerator is priced at \$700-\$800 and more advanced models at \$1200 to \$2,000. But retailers find ready markets for luxury models

costing more than \$5,000. The higher price itself is interpreted as signaling higher quality and leaves the customer with the feeling that they have a higher social status.

Increasingly, the home kitchen is being duplicated by super barbeques, promoted as the 'kitchen outdoors'. While a barbeque in the 1980s was typically assembled at home from 150 bricks, a hot plate and a wood storage area, today the 'Turbo Cosmopolitan', described as 'Australia's most prestigious gourmet outdoor entertainment system', costs \$4,990. Made of vitreous enamel, it boasts electronic multi-spark ignition in each of six burners, deluxe cast iron plates and a dual glass window-roasting hood. It can roast, smoke, bake and grill. The Turbo Cosmopolitan has been superseded by the Grand Turbo, with a price tag of \$6,990. The function of these super barbeques is to drive up the level of desire. After looking at the Turbo Cosmopolitan or the Grand Turbo, buyers are more likely to buy the Cordon Bleu for \$1,299, 'the latest look in barbeques and one of our top sellers', instead of paying \$200-\$300 for a standard model.

The accumulation of 'stuff' has exceeded the space available, even though houses are much bigger. Over the last two decades, the demand for extra space has sustained a burgeoning self-storage industry, with 800-1000 facilities across Australia.

Spending on personal goods has also been driving luxury fever. A \$200 pair of sunglasses is now considered cheap, and it is not unusual for young men and women with weekly incomes of \$420 to spend \$450 on a pair of sunglasses. They may own more than one pair. A pair of Oakley X Metal XX 'eyewear' retails for \$570, or more with a 24-carat gold finish.

Increasingly, manufacturers of luxury goods are making entry-level products to attract consumers other than the very rich. Gucci and Armani attach their brands to sunglasses that are bought by people who could not afford to buy clothes or accessories with such prestigious labels. This 'democratisation of luxury' provides the opportunity for ordinary people to emulate the very rich. Middle-income households can afford the Mercedes C180 Classic which retails for only \$51,800. But the Mercedes Maybach 62, priced at more than \$650,000, has been developed for a very small segment of the market. Low sales are actually the goal, as the Maybach is designed to be a 'halo' car, giving the entry-level cars 'an aura of exclusivity'.

Cosmetic surgery is another form of luxury consumption that has been booming. Cosmetic procedures are now commonly given as Christmas or 21st birthday presents. A breast augmentation costs \$7,000 and the gift voucher comes with a swimsuit in the desired cup size so that the 'husband has something other than the gift voucher to put under the tree'.

Costs of overconsumption

Apart from the constant inflation of desire, and the inability of consumption to satisfy that desire, overconsumption has three major costs.

First, credit card debt has increased four-fold in the last eight years and this has been accompanied by a sharp rise in personal bankruptcies. Cultural attitudes to debt have changed, with many more willing to accumulate debt than at the beginning of the 1990s

and certainly the 1970s. Australians were once willing to defer gratification by saving up to buy what they wanted; now they want it immediately. National savings have fallen accordingly. Contrary to popular belief, middle-income and wealthier households are much more likely to have debts than poorer households.

Secondly, the growth in overwork in Australia has been driven in large measure by increasingly ambitious lifestyle goals. Working hours in Australia are now longer than in almost all other countries. Among full-time employees, 30 per cent are working more than 48 hours per week. Once Australians were known for their willingness to balance work and family life, but the desire for greater consumption, along with labour market changes, has put an end to that. Although most parents recognise that excessive work harms children, many seem unable to scale down their levels of desire to spend more time at home.

Thirdly, increased resource use and waste associated with overconsumption are adding to Australia's environmental problems. A \$3,000 barbecue is bigger and heavier than a \$700 model. Bigger and more luxurious houses require more materials and energy, and older houses are knocked down well before their useful lives have been reached. People become dissatisfied with their purchases sooner and all of this adds to the volume of waste that must be disposed of each year

The myth of the Aussie battler

In an earlier era, when wealthy people made decisions to live beyond their means their financial difficulties attracted little public sympathy. Today, newspapers, popular commentators and political leaders speak as if the imagined financial difficulties of the middle classes are the result of unrelenting hard times rather than inflated expectations. They therefore become a matter of public concern.

Popular comment daily reinforces a generalised belief in the community that times are hard, despite the fact that Australians are richer than they have ever been and much richer than most people in the world. The emphasis on the tribulations of the middle classes not only validates the self-absorption of wealthy people but crowds out sympathy for those at the bottom who are genuinely struggling. In these circumstances, political parties respond with tax-cutting auctions and middle-class welfare.

This analysis helps to explain why, after decades of sustained economic growth in which average incomes have increase several times over, the 'Aussie battler' has not disappeared from public discourse but has become more prevalent than ever. It is hard to avoid the conclusion that political parties have actively fomented dissatisfaction amongst the middle classes in order perpetuate the myth. As a result, the little Aussie battler has become the great Australian whinger.

1. What Is Overconsumption?

1.1 Ever-increasing needs

We tend to think loosely of ‘overconsumption’ as consumption beyond our needs. But what are our ‘needs’? It is well understood that as nations become wealthier people continually scale up their perceived needs. According to a US study, in 1973 20 per cent of Americans said that a second car was a ‘necessity’ and by 1996 the figure had risen to 37 per cent (Schor 1998, Table 1.4). Other items that have become ‘needs’ in most Australian homes in the 1990s include VCRs (now being superseded by DVDs), home air-conditioning, personal computers, mobile phones and, increasingly, private schooling for children.

Section 2 of this report details the process by which desire for various commodities – including larger houses, sophisticated home appliances and expensive personal items – has been created. While this phenomenon has been the subject of comment for at least a century it seems to have entered a particularly virulent phase in the 1980s and 1990s, a trend that has been described in the USA as ‘luxury fever’.

The rapid expansion of consumption carries costs both for the overconsumers themselves and for society more generally, a subject explored in Section 3. In addition to the rapid increase in consumer debt, the desire for higher levels of consumption is driving many Australians to work longer hours to the detriment of their health and their family lives. In addition, overconsumption is responsible for accelerated use of natural resources and growing volumes of wastes thus making the transition to ecological sustainability a more remote prospect.

The social and political implications of the continual creation of new needs are far-reaching. The scaling up of ‘needs’ often outpaces the growth of incomes with the result that many people who are wealthy by any historical or international standard actually feel poor. Section 4 reports the results of a survey carried out for this study showing that an extraordinarily high proportion of Australians believe that they cannot afford to buy everything they really need. The survey also reveals that a majority of Australians believe that they spend nearly all of their incomes on ‘the basic necessities of life’. This is despite the fact that real incomes in Australia are three times higher than they were in the 1950s.

This ‘middle-class battler’ syndrome has transformed Australia’s political culture. The main political parties appeal to the feelings of deprivation of voters by reinforcing their perceived sense of financial difficulty. Politicians frequently use phrases such as ‘families are doing it tough out there’. The Coalition’s 2001 electoral victory is said to have been delivered by ‘Howard’s battlers’, a large group of middle-income voters in outer suburbs who were persuaded that the Prime Minister understood their financial worries and would help them. The Sydney house price boom, now being replicated in Melbourne, has added to the sense of deprivation amongst large numbers of well-off households. The political implications of the middle-class battler syndrome are explored in Section 5 of this report.

1.2 Luxury fever

Popular folklore has always held a fascination with the profligate spending of the rich. For at least a century sociologists have analyzed the social and personal functions of extravagance, noting that it has served as a highly effective device for the rich to differentiate themselves from the mass of the population. One of the earliest commentators, Thorstein Veblen, coined the phrase ‘conspicuous consumption’ in his 1899 book *The Theory of the Leisure Class*. The masses, for their part, have watched the behaviour of the rich with a mixture of awe, envy and derision, and this attraction has been the source of the sustained popularity of magazines, newspapers and, more recently, television shows that expose the lifestyles of the rich and famous.

The general social function of this relationship between the rich and the average is often overlooked. While its extent has varied across historical periods, the spending and lifestyles of the rich have provided the behavioural model for the aspirations of the middle class. In previous eras, the middle class comprised a numerically small, but socially and economically important, segment of the population. The working class majority was sufficiently distant in social and financial terms from the middle class, and worlds away from the rich, that its tastes, expectations and cultural forms were largely autonomous and self-sustaining. The majority of the population was comfortable identifying itself as working class and its consumption patterns were shaped largely by perceived needs and preferences determined within the social milieu of that class.

The sustained growth of the Australian economy in the post-war period elevated the bulk of the working class into income levels that were typical of the middle classes of a previous generation. The boundaries separating the consumption patterns of the middle and working classes began to blur, and it became increasingly difficult to separate their pecuniary, educational and social aspirations. Surveys in which respondents were asked to define their social position showed fewer and fewer people willing to identify themselves as ‘working class’. The implication of this merging of classes is that emulation of the spending and consumption habits of the rich, once confined to a relatively small proportion of the population, has now become a general feature of society.

In addition to the scaling up of desire for prestige brands and luxury styles of particular goods (described in the next section), there has been a generalized scaling up of lifestyle expectations. The desired standard of living of the average household is now so far above the actual standard afforded by average incomes that people feel constantly deprived of the ‘good life’. Television plays the crucial role in this scaling up process. It does so not so much through the medium of advertising but through the presentation of opulence as normal and attainable. The proliferation of lifestyle programs, including programs devoted to home improvement and overseas travel, and sitcoms in which the consumption patterns of the very rich are portrayed as normal both contribute to a false view of the world. Survey results indicate that 93 per cent of Australians believe themselves to be in the middle-income brackets, that is the middle 60 per cent, with only 6.4 per cent placing themselves in the bottom 20 per cent and 0.7 per cent in the top 20 per cent (Saunders *et al.* 2000, p. 19).

These observations on the evolution of class help to explain the recent emergence of a phenomenon that has been dubbed ‘luxury fever’. While ordinary citizens have always watched and envied the rich, there is accumulating evidence in the West that a qualitative change has occurred in the relationship over the last two decades. Several commentators have observed that attitudes to consumption and material acquisition underwent a transformation in the 1980s. In his 1999 book, *Luxury Fever*, Robert Frank argues that luxury spending in the USA has been growing four times faster than spending overall (Frank 1999, p. 18). This has been reflected in booming sales of luxury travel, luxury cars, pleasure craft, cosmetic surgery, trophy homes, holiday homes and professional quality home appliances.

The new willingness of the rich to engage in exhibition was evident from the beginning of the 1980s, a decade subsequently characterised by the phrase ‘greed is good’. In 1984, John Kenneth Galbraith wrote a new introduction to his 1958 classic *The Affluent Society* in which he observed:

In earlier writing I told of the cautious reluctance of the modern rich to engage in conspicuous display, the feeling that it is gauche, even a trifle disreputable, and that it unwisely invites the attention, envy and possible political response of the less fortunate. I was unprepared for the forthright display and enjoyments of the more recent rich (Galbraith 1984, p. xv).¹

Frank argues that while average income growth has been moderate over the last two decades or so, the incomes of those at the top have grown at unprecedented levels and that ‘the behavior of these top earners appears to have influenced the spending decisions of millions of others’ (Frank 1999, p. 33). The ‘conspicuous consumption’ of those at the top has been sanctioned by a greater social tolerance of materialistic expressions and an unwillingness to criticise display. A large and growing proportion of the population wants to emulate the lifestyles of the rich and famous and, as a corollary, there has been a decline in the value placed on abstemiousness and dedication to others.

Despite the backlash against the stock market-driven attitude that greed is good, the less disreputable idea that high levels of consumption are desirable appears to have sunk deep into the national psyche, in Australia as in the USA. As Frank observes, the higher spending of the very rich ‘has set a new standard for the near-rich to emulate, and so on down the income ladder’ (Frank 1999, p. 45). Of course, it is much more difficult for lower-income earners to sustain a spending spree. The heightening of consumer aspirations explains declining rates of saving and rising levels of consumer debt. Frank notes that the personal savings rate in the USA has fallen by almost 40 per cent since 1980 (Frank 1999, p. 45). As will be seen in Section 3, a similar picture emerges in Australia.

Another US analyst of modern spending patterns, Juliet Schor, makes the same argument about the ‘new consumerism’ in the USA noting that ‘the comparisons we

¹ Galbraith had written in 1958: ‘Increasingly, in the last quarter century, the display of expensive goods, as a device for suggesting wealth, has been condemned as vulgar. ... Once a sufficiently impressive display of diamonds could create attention even for the most obese and repellent body, for they signified membership in a highly privileged caste. Now the same diamonds are afforded by a television star or a talented harlot’ (Galbraith 1984, p. 77).

make are no longer restricted to those in our own general earnings category, or even to those one rung above us on the ladder' (Schor 1998, p. 4). The reference group on which we model our expectations and consumption behaviour has changed, with a shift from those on the same level to those well above us, induced, she argues, by massive exposure to luxurious lifestyles through television and other media.

The new consumerism is also built on a relentless ratcheting up of standards. ... My analysis is based on new research showing that the need to spend whatever it takes to keep current with a chosen reference group ... drives much purchasing behavior. It analyzes how standards of belonging socially have changed in recent decades, and how this change has introduced Americans to highly intensified spending pressures (Schor 1998, pp. 5, 6-7).

1.3 Defining overconsumption

Sustained economic growth in the decades since the Second World War has seen living standards in Australia rise to a high level for a large majority of the population. Adjusted for inflation, average income levels in Australia in the year 2000 were three times higher than in 1950 (Hamilton and Denniss 2000, Appendix Table 1). On the whole, the availability and quality of housing, education, health care and consumer goods (cars, appliances, furnishings, computers and so on), are far higher than they were five decades ago.

Despite a general social and political discourse in which a large proportion of the population, even among wealthier households, is believed to be 'struggling', material standards of comfort in Australia are very high by any historical or international standard. In short, in an era of unprecedented abundance (at least within rich countries) during which for the great majority of citizens the 'economic problem' has long been solved, it is fair to assume that much of what is consumed on a daily basis by ordinary households may be characterised as 'overconsumption'.

What do we mean by overconsumption? One aspect of this phenomenon is discussed under the rubric of 'affluenza'. A website devoted to the topic provides a jocular definition:

Af-flu-en-za n. 1. The bloated, sluggish and unfulfilled feeling that results from efforts to keep up with the Joneses. 2. An epidemic of stress, overwork, waste and indebtedness caused by dogged pursuit of the American Dream. 3. An unsustainable addiction to economic growth.²

A 'clinical definition' of the condition has been provided by the psychotherapist and 'affluenza authority', Jessie H. O'Neill:

The collective addictions, character flaws, psychological wounds, neuroses, and behavioral disorders caused or exacerbated by the presence of, or desire for money/wealth. In individuals, it takes the form of a dysfunctional or unhealthy relationship with money, regardless of one's socio-economic level. It

² www.affluenza.org

manifests as behaviors resulting from a preoccupation with – or imbalance around – the money in our lives.³

As these quotations suggest, overconsumption is widely understood at an intuitive level, yet the notion is not easy to define in a formal sense. It clearly implies some notion of excess, that is, more consumption than is ‘good for us’. As the term *affluenza* suggests, the concept is one applied to societies characterised by affluence, that is, societies in which the great majority are not lacking any of the basic necessities of life and, in fact, consume well above any reasonable level of physical comfort.

While the subject of much popular comment, overconsumption has been the subject of little formal study. If the term overconsumption implies that some forms of consumption are excessive, this immediately begs the question: ‘Excessive in comparison to what?’ It suggests that there is some benchmark for consumption beyond which either the consumers in question or society is worse off. The argument that consumption above a certain level or of a certain type diminishes individual or social well-being may be justified on a number of grounds.

Ground 1 Some forms of consumption by the rich may be subject to moral censure on the grounds that they are profligate, gratuitously wasteful or represent an aggressive display designed to elevate the consumer above others. The moral censure may be based on notions of unfairness (luxury in the midst of deprivation), environmental harm and dissolute personal morality. In an earlier era, conspicuous consumption was criticized for exacerbating perceptions of social inequality; poorer people felt aggrieved, which could lead to social unrest (e.g. Galbraith 1984). In this case, the extent of overconsumption varies with social convention. It might be argued that the spread of the demand for luxury consumption to the middle classes in the 1980s and 1990s was associated with declining disapproval of such behaviour.

The shoe collection of Imelda Marcos illustrates the social disapproval that high-profile overconsumption can attract. Exceeding one thousand pairs, Marcos’s shoe collection became a symbol of indulgence that reflected the regime’s contempt for the impoverished condition of the majority of Filipinos. Reporting in 2001 on the opening of a museum dedicated to her shoe collection, the BBC observed:

During her time as first lady, Mrs Marcos was famed for travelling the world to buy new shoes at a time when millions of Filipinos were living in extreme poverty.

President Marcos’ successor, Corazon Aquino, ordered many of Mrs Marcos’ shoes to be put on display as a demonstration of her extravagance.⁴

A more contemporary instance that has attracted comment is the domestic edifice being built by Microsoft boss Bill Gates. Vastly in excess of any reasonable desire for comfortable living space, the mansion is filled with such an array of luxurious fittings that, if they were asked, most Americans would almost certainly condemn Gates’

³ www.affluenza.org

⁴ <http://news.bbc.co.uk/1/hi/world/asia-pacific/1173911.stm> 16 February 2001

behaviour as excessive if not obscene. Priced at US\$53 million, the house covers 1.5 acres (the house and other structures, not the land) or 66,000 square feet, with seven bedrooms, 24 bathrooms and six kitchens. According to the website devoted to promoting the merits of the mansion:

The Gates family's 11,500-square-foot inner sanctum is surprisingly modest, with four bedrooms and quarters for a nanny. A four-car garage is attached. The lower levels include a techno-playland family room and an exercise facility that is better appointed than many health clubs.⁵

These forms of overconsumption can reduce national well-being by inciting envy or disgust within the community. Clearly, the extent of envy and disgust will wax and wane with social convention and the spirit of the times. We have already seen that Galbraith argued that social condemnation of conspicuous consumption was higher in the 1950s than at the turn of the century when Veblen wrote, but that this had been reversed in the 1980s when ostentatious display became more accepted.

Ground 2 A second and more recent motivation for the use of the term overconsumption is also based on the effects of excessive consumption on national well-being. Excessive consumption is associated with unsustainable resource use and the creation of wastes that damage the natural environment, in turn reducing social well-being. Examples include respiratory diseases due to urban air pollution, toxic wastes from mining that enter water supplies and time-loss and stress associated with increased traffic congestion. In addition, many people feel aggrieved at the loss of environmental values associated with natural systems, such as old-growth forests and marine ecosystems. Sometimes the argument is extended to effects on equity. Excessive resource consumption by wealthy consumers in rich countries reduces the opportunities for poor people living in Third World countries to attain a decent standard of living. This form of overconsumption applies to the generalized high levels of consumption and associated wastes of consumers in rich countries rather than the profligate consumption of the rich in rich countries.

Ground 3 A final justification for regarding some forms of consumption as excessive draws on evidence indicating that consumption above a certain level can diminish the well-being of the consumers themselves. The evidence from an array of studies indicates that beyond a certain point increased income does not result in any increase in well-being (Frey and Stutzer 2002; Argyle 1999). In other words, the rich do not appear to be happier than those who have a moderate level of income. The direct evidence on the relationship between income levels and happiness is extensive. In the USA, there is virtually no difference in reported satisfaction between people with incomes of \$20,000 and \$80,000. The poor, as opposed to those on moderate incomes, do have lower levels of well-being than the rich, although the difference is not great. A survey of the 100 people on the Forbes list of wealthiest Americans, each with net worth exceeding \$100 million, found only slightly higher levels of subjective well-being than a sample of ordinary people drawn from the telephone book. When asked about the sources of their happiness none of the wealthy group stated that money was a major source of happiness

⁵ <http://www.usnews.com/usnews/nycu/tech/billgate/gates.htm>. By way of comparison, the Gates 'inner sanctum' measures 1170 square metres, or five times the size of the average new house in Australia.

and elected self-esteem and self-actualisation more often as the sources of well-being (Diener *et al.* 1985). According to the authors of the study:

One fabulously wealthy man said he could never remember being happy. One woman reported that money could not undo misery caused by her children's problems. Examples of the wretched wealthy are not hard to come by: Howard Hughes, Christina Onassis, J. Paul Getty (Diener *et al.* 1985).

In the USA there are now counselling services for both the rich and their children that provide advice on how to deal with the psychological damage caused by great wealth.

Pathological overconsumption

There is little dispute that excessive consumption of particular types of goods reduces the well-being of those who consume them. For example, there is strong evidence that overconsumption of alcohol and excessive gambling harms the overconsumers themselves, as well as those around them. This suggests that a useful distinction can be drawn between 'normal overconsumption' and 'pathological overconsumption'.

Pathological overconsumption is consumption behaviour that is driven by obsessive acquisitiveness or by addictive behaviour. The victim has little or no control over their consumption behaviour. This is well understood in the case of physiological addictions to tobacco, heroin and alcohol, and even psychological addictions such as those to food, sex or gambling. These forms of overconsumption are subject to social sanction but the overconsumers are widely seen to have disorders that leave the consumption decisions beyond the control of the consumer.

A more interesting category of overconsumption is consumption that is compulsive not because it is addictive in a clinical sense but because it is central to building and sustaining the personal identity of those who engage in it. For 'normal overconsumers', withdrawal of the opportunity to consume at the accustomed level would result in personal distress and even psychological disorders. Normal overconsumption is not regarded as socially unacceptable and reflects no more than typical aspirations for luxury, comfort and social expression. This definition is a moveable one as many forms of consumption that are considered acceptable now would have been considered excessive twenty years ago, and may be considered excessive in another twenty years if the current era of 'luxury fever' is superseded by a more restrained one. But it can be characterised as overconsumption because it meets the affluenza criterion, that is, it is driven by a collective preoccupation or obsession with money and the goods and services it can buy. In other words, consumption activity itself has become pathological in character.

There are different ways in which consumption activity can build and sustain self-image. Within the category of normal overconsumption we should distinguish between the specialized luxury consumption that is confined to the very rich, and the forms of excessive consumption that are undertaken by the bulk of the population. The two are closely related as the luxury spending of the very rich sets a benchmark for the general populace. This benchmark must, by its nature, rise so that it remains out of reach of all but the super-rich, something that requires continued creativity on the part of the super-

rich and those who supply them with luxury goods. Thus the boom in sales of luxury cars is depriving them of their exclusivity. In response prestige car makers are now offering bespoke vehicles made to individual order, justifying much higher expenditure and serving to exclude the ordinary rich, and middle classes.

The incidence of these forms of pathological overconsumption has been growing rapidly over the last two decades to the point where there is an emerging tendency to 'normalise' these forms of behaviour. In short, we postulate that consumption in rich countries today is not aimed at providing a level of material comfort from which more meaningful pursuits can be built. Consumption today has become an end in itself and serves as a substitute for those more meaningful pursuits. Thus it is essential to sustaining fragile self-images in a society of people preoccupied with relative position and struggling to develop a framework for answering the post-modern question 'What should I do with my life?'

2. Patterns of Overconsumption

Even if there were an unambiguous definition of overconsumption, there are no data that would permit a systematic assessment of the extent of overconsumption in Australia. This is because, while certain goods and services identified in the ABS's Household Expenditure Survey can be classified as luxuries with little ambiguity, most luxury goods today are special versions or models of normal goods. Official statistics do not differentiate between gold-plated bathroom fittings and stainless steel ones, luxury yachts and tinnies, boutique ales and standard beers, holidays in a five-star resort and those in a fibro shack. The diffusion of luxuriousness to normal goods is an essential aspect of the modern 'luxury fever' identified by Frank (1999) and others.

However, a picture of the extent and nature of overconsumption can be painted by way of examples. In this section we provide a perspective on some of the more apparent manifestations of the phenomenon through examination of a few of the areas where it occurs.

2.1 Housing

Undoubtedly, the focus of excessive consumption spending in Australia is the home. Australians live in houses that are becoming ever larger, despite the fact that household sizes have been shrinking. In the 15 years to the year 2000, the average floor area of new houses increased by 31 per cent, from 170 square metres to 221 square metres, while other types of new residential buildings (apartments) increased in size by 25 per cent to an average of 139 square metres – see Table 1 and Figure 1. In NSW the floor area of new houses expanded by 44 per cent.⁶

In the mid-1950s the average size of new houses was around 115 square metres.⁷ Today, many new houses have three-car garages that measure 50 square metres. According to A. V. Jennings' national marketing manager Tim Redway: 'It's the great Australian dream: people will build the houses they can afford.' As we will see, it would be more accurate to say that people buy the houses they cannot afford. The average mortgage for new homebuyers grew by more than 70 per cent over the decade to 2001 (ABS 2002).

The increasing size of houses has been occurring at a time when households themselves are shrinking. In 1955 there was an average of 3.6 people to each household. By 1970 it had declined to 3.3 – see Table 1. By 1986 there were 2.9 people to a household and by 2000 it had fallen to only 2.6, a 21 per cent decline over the three decades from 1970. Expressed another way, in 1970 an average new house had 40 square metres of floor space for each occupant; today each person has 85 square metres.⁸ The number of bedrooms per dwelling has risen by 11 per cent from 2.7 to 3 over the 15-year period, or from 0.82 bedrooms to 1.15 bedrooms for each occupant.

⁶ The Age, May 8 2002. The trend has been confirmed by figures from the homebuilder A.V. Jennings, which indicate that the average floor space of new free-standing houses in Victoria grew by one third over the same period.

⁷ Patrick Troy, Australian National University, personal communication.

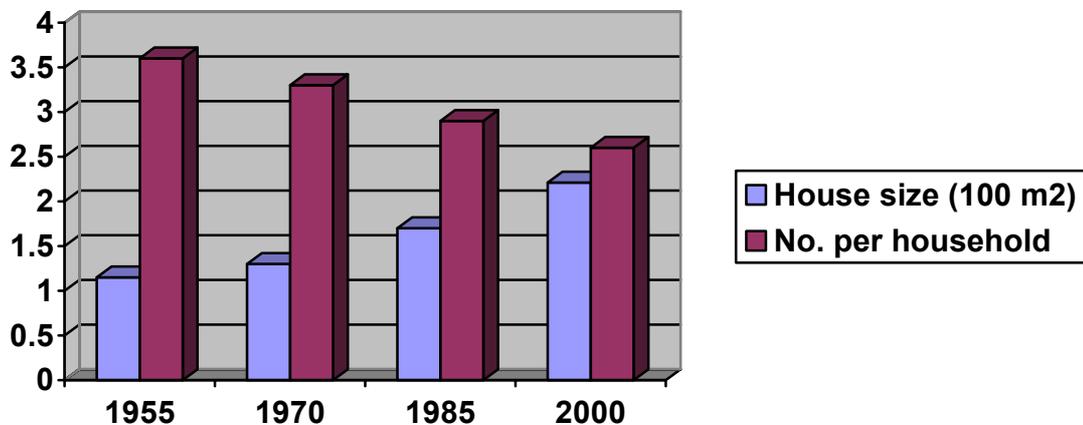
⁸ Although it should be noted that households occupying new houses are not necessarily of average size.

Table 1 House size and household size, 1955-2000

	Household size (persons)	Average new house size (m ²)
1955	3.6	115
1970	3.3	130
1986	2.9	170
2000	2.6	221

Sources: ABS 2001a, ABS 2001b, ABS 2002, 1955 house size from Patrick Troy, ANU, *pers. comm.*

As a result, many families float around in dwellings with far more space than they can use. This spare space must still be filled with furnishings, appliances, carpets and curtains. It must be heated, cooled and cleaned, adding to the resources needed to maintain the home.

Figure 1 House and household size, Australia, 1955-2000

Sources: Table 1 above

2.2 Home appliances

Bigger houses tend to be filled with more expensive and sophisticated appliances and fitted with more luxurious furnishings. The number, quality and complexity of home appliances have also grown with rapidly expanding sales of luxury furnishings and appliances. Increasingly, Australians are not satisfied with standard appliances but demand high-quality professional ones. Instead of a standard gas or electric stove, kitchens are adorned with ovens with six cooking functions, turbo grill, touch controls, triple-glazed doors and the ability to defrost food before cooking it. Once confined to the houses of the rich, these are now available to average households and many are

paying \$3,000 and more for the privilege. The professional style Fisher & Paykel Quantum stainless steel double oven with cooker and hood retails for \$6,999.

An examination of white-goods retailers reveals standard refrigerators priced at \$700-\$800, more advanced models priced from \$1200 to \$2,000, and luxury models such as the Maytag Side-by-side Zigzag design with stainless steel doors that sells for \$5,399. Although refrigerators priced at \$4,000 or more sell well in certain markets, their real purpose is to escalate the level of desire on the part of the ordinary customer. Instead of paying \$800 for a fridge that would meet their needs perfectly well, customers pay \$1600 or \$2000 for one that has only marginally better performance. The higher price itself is interpreted as signalling higher quality and leaves the customer with the feeling that they have a higher social status.

Increasingly, the home kitchen is being duplicated by super barbeques promoted as the 'kitchen outdoors'. While a barbeque in the 1980s was typically assembled at home from 150 bricks, a hot plate and a wood storage area, in 1998 the top of the line model cost \$2,000.⁹ Today the 'Turbo Cosmopolitan' at Barbeques Galore, described as 'Australia's most prestigious gourmet outdoor entertainment system', costs \$4,990.¹⁰ Made of vitreous enamel, it boasts electronic multi-spark ignition in each of six burners, deluxe cast iron plates and a dual glass window roasting hood. It can roast, smoke, bake and grill. However, the Turbo Cosmopolitan has been superseded by the Grand Turbo, the main features of which are an infrared rotisserie rear burner and a price tag of \$6,990.

Few people buy the most sophisticated barbeques, but their existence serves to drive up the level of desire. After looking at the Turbo Cosmopolitan or the Grand Turbo, buyers are more likely to buy the Cordon Bleu for \$1,299, 'the latest look in barbeques and one of our top sellers', instead of paying \$200-\$300 for a standard gas model. An advertisement for the Rinnai 'Monaco Outdoor Kitchen' (retail price \$2,399) declares: 'I love the look on the neighbours' face when I roll out the Rinnai'.

No outdoor kitchen would be complete without an outdoor heater, one of the growth areas in home retailing. A gas-fuelled patio heater generally costs around \$800, but could sell for up to \$2,000.¹¹ The heating of outdoor areas makes barbeque cooking possible all year round, which, in turn, increases demand for bigger and better barbeques.

Within the home, sales of big-screen televisions and home theatres have boomed in recent years. In 1998 the price of a television set at the top of the range was between \$1500 and \$2000; now they cost over \$6000.¹² Many consumers are stepping up to plasma screen televisions at a cost of \$10,000 plus. It is not unusual for customers to enter a shop with a budget of \$4,500 and end up spending \$9,000.¹³ A 56-inch Toshiba wide-screen television retails at \$10,999, while the Yamaha DPX-1 – 'The World's best home cinema projector' – is priced at \$16,995. Once again, instead of spending a few

⁹ N. Rowbotham, 'Sizzling performers', *Sun Herald*, 15 November 1998

¹⁰ www.barbequesgalore.com.au

¹¹ S. Browne, 'All fired up', *Sun Herald*, 27 May 2001.

¹² For example, the Panasonic TX-51P15H is priced at \$6249 and the Toshiba 50N9 at \$6,499.

¹³ R. Easdown, 'The Big Picture', *Sydney Morning Herald*, 4 September 2000.

hundred dollars or perhaps a thousand on a new television, consumers have scaled up their levels of desire and now think they must spend several thousand dollars to get what they need. It is difficult to watch a big-screen television in a small room, and in choosing homes or building new ones it is reasonable to assume that some people buy bigger houses to accommodate their television sets.

Two and three-car garages are often used to store surplus goods that cannot be accommodated in houses, even though those houses are bigger than ever. In addition, the acquisition of more and more household goods has given rise to a booming self-storage industry. A few years ago the self-storage industry in Australia was still in its infancy compared to the mature stage of the industry in the USA, but it has been growing at 10 per cent per annum, compared to an overall growth rate of the economy of 3-4 per cent. The Self-Storage Association of Australasia was founded in 1990 and now represents more than 600 facilities across Australia.¹⁴ There are currently between 800 and 1000 self-storage centres in Australia with 75 per cent of customers residential rather than commercial.¹⁵ Most space is hired to store big household items such as furniture, white goods, clothes and personal effects but items for children are also being kept in storage. Documents constitute the second major type of item stored and wine the third.

2.3 Personal goods

In Australia over the last decade, sunglasses have become an important expression of identity, replacing the cigarette as the statement of cool. A \$200 pair of sunglasses is now regarded as cheap. A pair of Oakley X Metal XX 'eyewear' retails for \$570, or more if you opt for titanium dioxide plating or 24-carat gold finish. They are 'the only 3-D sculptured, hypoallergenic, all-metal frames on earth'. Not everyone can afford \$570 but many more are willing to fork out \$369 for a pair of Oakley 4267s or Gucci 2653/S for \$339.95. It is not unusual for young men and women with weekly incomes of \$420 to spend \$450 on a pair of sunglasses. Those who cannot afford the expense will justify it with statements such as 'I couldn't find anything else to suit me' or 'They were expensive but they will last a lot longer'. Other more self-aware consumers are more inclined to say 'I was sucked in by the image, but what the hell'.

Increasingly, high-end manufacturers are making entry-level products to attract consumers other than the very rich. Gucci and Armani attach their brands to sunglasses that are bought by people who cannot afford to buy clothes or accessories with such prestigious names. This is sometimes referred to as the 'democratisation of luxury' – those who buy the entry-level products feel they can emulate the image of the very rich. Carmakers such as Mercedes and BMW are manufacturing models that middle-income households can afford. For example, the Mercedes C180 Classic retails for only \$51,800. At the other end of the spectrum, the Mercedes Maybach 62 costs more than \$650,000. The brochure alone costs \$400. It has been developed for a very small segment of the market. 'They are people like movie stars, they are entrepreneurs, they are industry giants', in the words of the president of Mercedes-Benz in the USA. The

¹⁴ www.selfstorage.com.au

¹⁵ Self Storage Association of Australia, *Fourth Annual Australian Self Storage Almanac*, SSAA, 2000. The latter figure is from Table 4.11 in the *Fifth Annual Almanac*, 2001.

company expects to sell no more than 1,000 Maybach's each year, but in fact low sales are the goal. According to one observer:

In the jargon of automobile marketing, the Maybach is a 'halo' car, adding an aura of exclusivity to some of the less expensive cars sold by its parent company, DaimlerChrysler. Analysts point out that even the once-revered Mercedes name has been diluted somewhat. With 200,000 Mercedes on the road in the U.S., it's just not as special as it used to be.¹⁶

Cosmetic surgery is another form of luxury consumption that is currently booming. In Australia in 1999 about 300,000 cosmetic procedures were performed (including chemical peels, collagen injections and laser skin resurfacing), an increase of 50 per cent from 1995.¹⁷ Customers are increasingly young people seeking to 'normalise' themselves by having 'defects' surgically eliminated. A cosmetic procedure is now commonly given as a Christmas or 21st birthday present. Breast implants are the most popular gift, followed by liposuction and facial surgery. Nearly all cases involve men buying cosmetic surgery for their wives or partners.¹⁸ A breast augmentation costs \$7000 and the gift voucher comes with a swimsuit in the desired cup size so that the "husband has something other than the gift voucher to put under the tree".¹⁹ The gift package for a face lift costs around \$10,000 but includes a range of make-up so that the recipient can look her best after the operation (or perhaps cover up the scars). Mothers tend to give their daughters nose jobs, while men tend to give their partners facelifts or liposuction. Dads give their sons new dentures and young men give their girlfriends breast implants,²⁰ although cases of women giving their boyfriends or husbands gift vouchers for penile enlargements are rare.

¹⁶ Ned Potter, 'The world's most luxurious car', *ABC News*, October 28, 2002
<http://abcnews.go.com/sections/wnt/DailyNews/maybach020819.html>

¹⁷ J. Baird, 'Self-mutilation or beauty – it's only a fine line' *Sydney Morning Herald* 2002

¹⁸ J. Miles, 'Fancy bigger breasts for Christmas?' *Australian Associated Press* 20/12/2000

¹⁹ S. Stock, 'Yuletide turns to nip, tuck and suck. In the new millennium, it's beginning to look a lot unlike Christmas.' *The Australian* 16/12/2000

²⁰ *Ibid.* The former head of a NSW government inquiry into plastic surgery, Merrilyn Walton, said that she was opposed to plastic surgery gifts because it put recipients in a vulnerable position. "The obligations on the recipient are quite powerful and it does not place them in an independent mind frame," Professor Walton said "The person may feel pressured to accept the gift and it could erode already low self-esteem." Quoted by Stock *ibid.*

3. The Costs of Overconsumption

The forms of overconsumption described above have been particularly evident in Australia since the 1980s and have mirrored the ‘luxury fever’ that authors in the USA have described. In Section 1 we argued that there are several reasons why overconsumption may diminish individual and social well-being. There are three additional reasons for being concerned about overconsumption – the rise of consumer debt, the effects of overwork and the generation of increasing volumes of waste.

3.1 Consumer debt

Perhaps the simplest definition of overconsumption is ‘living beyond one’s means’. For many people overconsumption is financed by borrowing. The last 15-20 years have witnessed a dramatic escalation of consumer debt. Today Australians are borrowing ten times more for housing each year than they were 15 years ago. According to the ANZ Bank, in the last 12 years the ratio of mortgage debt to average household income has risen from 32 per cent to 95 per cent.²¹

Spending on consumer goods is increasingly financed by credit card debt, which now exceeds \$21 billion. As Figure 2 shows, the last 6-7 years have seen an extraordinary rise in credit card debt with the amount doubling in the last three years, and increasing four-fold in the last eight years.

One of the consequences of the growth of consumer debt has been a sharp rise in personal bankruptcies. In 2000-2001, nearly 24,000 Australians filed for personal bankruptcy, 80 per cent being consumer rather than business related.²² The most common age of bankrupts is 22 to 35.²³ There are reports of 18 year olds filing for bankruptcy as a result of mobile phone bills of \$5,000-\$6,000 and the credit collection business has grown rapidly in the last two years.²⁴

According to the Australian Consumer Association there has been a cultural change towards accepting high levels of personal debt. ‘Three or five years ago only 25% of people carried balances on their credit cards, the rest paid them off every month. Now 75% of people are carrying balances’.²⁵ Credit card providers have been encouraging this trend with the average credit card limit being increased each year, so that it now exceeds \$6,000.²⁶ The increase in consumer debt has been accompanied by a decline in savings. While in the 1960s and 1970s Australians were inclined to save to buy a home or to take an overseas holiday, today they are much less willing to wait and borrow to have it now. According to ABS data, in the 1970s Australians saved 14 per cent of their

²¹ R. Myer and S. Dabkowski, ‘The never-never is gaining on us’, *Sunday Age*, 9 June 2002

²² Insolvency and Trustee Service of Australia, ‘Administration under the Bankruptcy Act 1966 statistics (provisional): Financial year ended June 30 2001’, law.gov.au/aghome/ (22.10.02, 1.56 pm)

²³ Insolvency and Trustee Service of Australia, ‘Profile of debtors 2002’ law.gov.au/aghome/ (22.10.02, 12.45 pm)

²⁴ Dun and Bradstreet, ‘D&B expands call centre capacity with Datacom to meet growth in debt business’, July 9, 2002 www.dnb.com/about/media/press/ (22.10.02 12.29 pm)

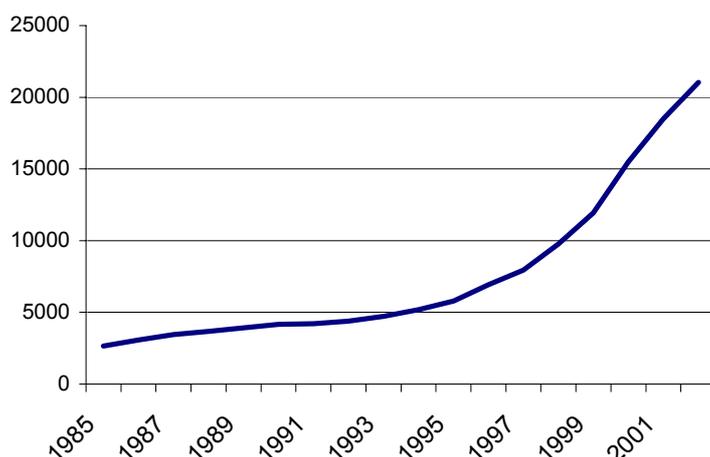
²⁵ Catherine Wolthuizen of the Australian Consumer Association quoted in R. Myer and S. Dabkowski, ‘The never-never is gaining on us’, *Sunday Age*, 9 June 2002

²⁶ M. Wade, ‘Click clack, must have that’, *Sydney Morning Herald*, 22 February 2002

after-tax income; now we save only 2.5 per cent, despite the fact that average real incomes have nearly doubled.²⁷

Contrary to popular belief, the accumulation of consumer debt is not a result of poorer households being forced to borrow to cover living expenses but of wealthier households splashing out on luxuries. Households in the lowest income group (less than \$20,000) per annum have the fewest debts and are much more likely than higher income households to have no debts at all (Harding 2001, pp. 6-7). Households with incomes of \$31,000 to \$60,000 are most likely to run up credit card debts.²⁸ In the 1950s and 1960s, it was sometimes said that middle-class people saved because they had values of thrift and hard work while working class people were unable to delay gratification and spent as if there were no tomorrow. Whether true or not in that era, the middle classes today are no longer delaying their gratification. They appear to want it all now and are willing to go into debt to get it.

Figure 2 Total advances outstanding on credit cards (\$million)



Source: Reserve Bank of Australia, *Credit Card Statistics*. Figures are for June of each year

3.2 Overwork and family time

Apart from consumer debt, overconsumption is financed by higher incomes. Although labour market changes have also played a role, the growth in overwork in Australia has been driven in large measure by increasingly ambitious lifestyle goals. The long historical decline in working hours was reversed in the early 1980s, and now Australians work longer hours than workers in almost all other countries (Campbell 2002) ending the tradition of the long weekend and a healthy balance between work and home life. Average weekly hours worked by full-time employees have risen 10 per cent,

²⁷ T. Colebatch, 'Debt addiction's dangerous high', *The Age* 21 August 2002

²⁸ Holidays are the main reason for saving. Only 8 per cent save for a deposit on a house, or to extend an existing house (Commonwealth Bank (2002). See also Harding (2001), Table 3 where holidays and travel are the most common reason for savings.

from 38.2 in 1982 to 41.9 in 2000 (Campbell 2002, Table 3), but the averages conceal some much sharper trends in parts of the workforce. About a third of the workforce now works extended hours (more than 40 hours a week), and 26 per cent work more than 45 hours, up from 18 per cent in 1985. Increasing numbers are working what are defined as ‘extremely extended hours’, 50 or more hours a week, with 17 per cent now in that category. These numbers are dragged down by the inclusion of part-time workers. Among full-time employees 30 per cent are working more than 48 hours per week.²⁹

The costs of long hours can be severe. Many workers are sacrificing their weekends to finish off work that cannot be done in the normal working week. One survey of 6,000 employees suggests that 29 per cent admitted that they fulfil work duties at home on weekends, with 11 per cent admitting that they spend more than 8 hours of their weekends doing so. Senior managers give up their weekends more than any other group with 44 per cent saying that their weekends are filled with work-related obligations.³⁰

Another study by a researcher at the Queensland University of Technology found that wives of workers who were frequently away from home for extended periods experience higher levels of anxiety, stress and depression than the general population.³¹ This is called ‘intermittent husband syndrome’; it puts marriages under stress because the cycle of parting and reunion often causes a recurring crisis. Teenage children are also more likely to be affected by frequent absences of parents due to excessive work commitments.

Yet, according to a Newspoll survey, 80 per cent agree that people are spending too much time working and not enough with their families and friends.³² Nine out of ten believe that family is more important than work. Many overworked parents are spending less time with their children. There is a widespread recognition that when parents work long hours children suffer, with 81 per cent of men and 70 per cent of women saying children are better off at home with a parent.

While most people recognise that children suffer from parents’ excessive work, many parents seem unable to scale down their level of desire to spend more time at home. The Minister for Family and Community Services Senator Amanda Vanstone argues that parents are having fewer children because society has become more materialistic. She is reported to have said: “One of the reasons for the declining fertility rate is that some people are choosing to have fewer children so that they can give them more in a material sense”.³³ Yet the time they spend earning money to provide luxurious surroundings for their children often comes at the cost of their emotional well-being.

²⁹ Campbell (2002) and M. Bachelard, ‘Caring, sharing and hardly ever home’, *The Australian* 01/09/2001. Some of the additional work takes the form of unpaid overtime.

³⁰ ‘Extra work at home’, *Adelaide Advertiser* 22/09/2001

³¹ J. Dage, ‘My Career-Stressed Wives’ Club’, *The Sun Herald* 15/09/2002

³² Mike Steketee, ‘Hearts say stay, but heads say work’, *The Australian* 01/11/2001

³³ Ian Henderson, ‘Job reforms “harm families”’, *The Australian* 01/10/2001

3.3 Waste

The volume of waste associated with a big house is naturally greater than that of a small house, including the wastes generated in construction, use and disposal. The outbreak of luxury fever has seen many consumer items scaled up in size and complexity. A \$3,000 barbeque is bigger and heavier than a \$700 model; a home theatre requires many more resources to manufacture than a standard television set; and, a professional stove is always bigger than a household stove. The compulsion for excessive consumption means that consumers become dissatisfied with their possessions so that many consumer items, and houses themselves, are scrapped and replaced earlier than they would otherwise be. All of these add to the volumes of waste that must be disposed of each year.

Australians dispose of around 1.1 tonnes of solid waste per person annually (Environment Australia 2002, p. 124). Landfill is increasingly expensive as available land in metropolitan areas is becoming scarce. Around 40 per cent of solid waste is from construction and demolition activities, driven in part by the demand for bigger and newer houses. Emissions of greenhouse gases in Australia have increased rapidly over the last two decades as people build, heat and cool ever-bigger houses and fill them with more and more electrical equipment. The number of cars has grown relentlessly and, despite greater engine efficiency, larger cars with more features such as air conditioning have meant no decline in fuel consumption (Hamilton and Turton 2002).

Growing consumer demands lead to ever-increasing pressure on natural resources both as sources of materials and as 'sinks' for the dumping of wastes. The erosion of the natural environment diminishes the quality of life for all. This trend is particularly apparent in the creeping environmental crisis along Australia's coasts as consumers looking for bigger and better lifestyles demand land to build on, roads to travel on, and new water supplies and sewerage systems. Some of the pressures are described in the recently released *State of the Environment 2001* report (Australian State of the Environment Committee 2002). Luxury fever is destroying many of the features of the continent that Australians prize most of all.

4. Attitudes to Consumption

4.1 How much money is enough?

A number of authors have noted that there is a tendency for people to believe that they need more money than they have no matter how wealthy they happen to be. Most people act as if more money means more happiness. But when people reach the financial goals they aspire to they do not feel any happier. They therefore raise their threshold of sufficiency; this is an endless cycle. In their review of the evidence, Frey and Stutzer conclude: 'It is not the absolute level of income that matters most, rather one's position relative to other people' (2002, p. 85). If one's expectations continue to rise in advance of one's actual income, one never has a level of income that satisfies. Easterlin, who did much of the early work in this field, referred to a 'hedonic treadmill' in which people have to keep running in order to keep up with the others, but they never go forward (Easterlin 1974).

Economists have developed the concept of 'prestige goods' (also known as 'positional goods'), the possession of which signals social status. Such goods serve their function as long as they are not available to others. The democratisation of luxury over the last two decades has undermined the positional signaling of many goods previously reserved for the very rich, a trend that is due partly to rising incomes and partly to the marketing strategies of luxury brands which include the introduction of entry-level products in order to increase market share. The erosion of the status of prestige goods has perhaps meant a decline in the well-being of the very rich. For the middle classes, rising incomes over the last decades have been accompanied by an equal increase in the levels of expectation about what is needed to live a decent life. Since the level of expectation always stays in advance of actual incomes, many people, who by any historical or international standard are very wealthy, feel themselves to be doing it tough.

The extent of this effect – which in Australia might be called the 'middle-class battler' syndrome – has been documented in the US by Juliet Schor (Schor 1998, pp. 6-7). A 1995 survey asked Americans whether they agreed or disagreed with the statement: 'I cannot afford to buy everything I really need'. Among households with incomes between US\$50,000 and US\$100,000, 39 per cent said they could not afford to buy all they need, and 27 per cent of those in the top group, with incomes in excess of US\$100,000, felt the same way. Interestingly, while 63 per cent of households with incomes below \$25,000 agreed, 37 per cent said that they *can* afford to buy everything they really need. Schor concludes:

Overall, half the population of the richest country in the world say they cannot afford everything they really need. And it's not just the poorer half (Schor 1998, p. 6).

The 1995 US survey reported by Schor has been replicated for this study. Newspoll was commissioned to survey a representative sample of Australian adults.³⁴ Respondents were asked whether they agreed or disagreed with the following statements:

- You cannot afford to buy everything you really need.
- You spend nearly all of your money on the basic necessities of life.³⁵

The responses to the first question, by income group, are shown in Table 2.

Table 2 Attitudes to needs, by income group (%)

“You cannot afford to buy everything you really need.”

	<i>Household income (before tax)</i>							
	Total	Less than \$20000	\$20000 to \$29999	\$30000 to \$39999	\$40000 to \$49999	\$50000 to \$59999	\$60000 to \$69999	\$70000 plus
Share ^a	100	15.7	14.9	11.5	8.8	7.5	5.7	19.5
Agree	62.2	79.0	72.2	68.4	64.7	52.4	46.3	46.7
Disagree ^b	37.1	21.0	26.6	31.6	35.3	47.6	53.7	53.3

a. Share of total population as estimated by Newspoll. Does not add to 100 due to refusals.

b. 0.7% of respondents refused to answer or said ‘Don’t know’.

Source: Newspoll

It is apparent from Table 2 that 62 per cent of Australians believe that they cannot afford to buy everything they really need, while 37 per cent believe they can afford everything they need.³⁶ The results are presented graphically in Figure 3. When we consider that Australia is one of the world’s richest countries, and that Australians today have incomes three times higher than in 1950, it is remarkable that such a high proportion feel that their incomes are inadequate. It is even more remarkable that almost half (46 per cent) of the richest households in Australia say that they cannot afford to buy everything they really need. The proportion of ‘suffering rich’ in Australia is even higher than in the USA, widely regarded as the nation most obsessed with money.

Clearly, perceived needs change as incomes rise. Usually when confronted with the question of whether they can afford everything they really need, people begin to think of the things that they would like to buy but cannot at present afford. Wealthier people

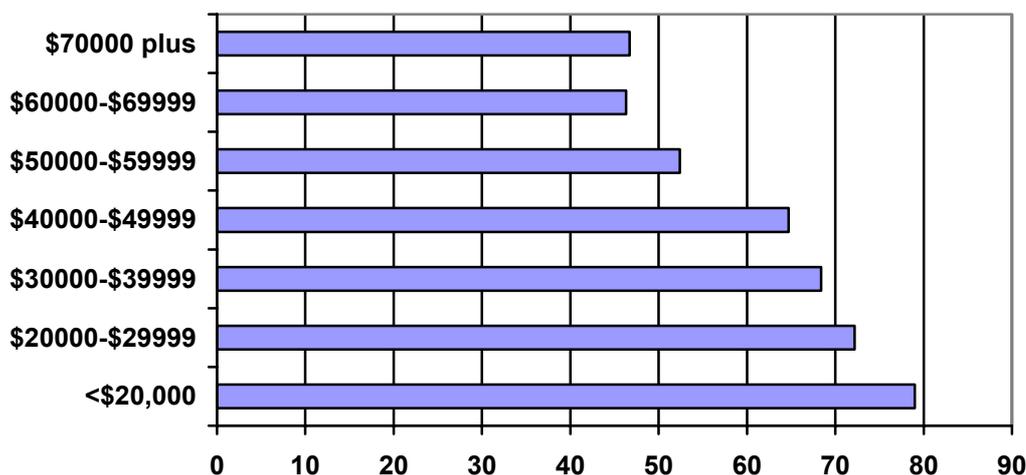
³⁴ The survey was conducted by telephone over 30 August-1 September 2002 and included 1200 respondents aged 18 years and over selected by means of a stratified random sample process.

³⁵ A third question was asked, the responses to which are discussed below.

³⁶ The sampling error means that we can be 95 per cent confident that the true figure lies within 2.7 per cent of the reported figure. These results receive confirmation from a survey by the Commonwealth Bank (2002) which asked a sample of 1,000 whether they agree or disagree with the statement: “It is hard enough to cover living expenses, let alone save”. Sixty per cent agreed.

include items such as a new car, a new stove and a holiday in the sun, while poor people tend to think of a plumber to fix a leaking tap, a new coat and money for a school excursion. When the question is put to them, wealthier people feel keenly their inability to afford what they feel they need, but on closer questioning they usually concede that they could in fact do without an extension to their house, a vehicle upgrade or a holiday house. However, their personal daily consciousness and their political attitudes are driven by their sense of lack rather than a realistic appreciation of what they actually need. Thus a decade ago ‘everything you really need’ would not have included a big-screen television, an ensuite bathroom and an outdoor kitchen, but now for many people it does include these things. Under the relentless pressure from their social surroundings and advertising, people feel dissatisfied with what they have so that what is initially a novelty becomes a ‘must have’.

Figure 3 Proportions who agree that they cannot afford to buy everything they really need, by income group (%)



Source: Table 2 above

When the responses to the Newspoll survey are broken down by sex, age and marital status there is little difference in the results. However, households with children are more likely to agree that they cannot afford everything they really need (71 per cent) than households without children (57 per cent), and those living in capital cities are less likely to complain (59 per cent) than those outside the capitals (68 per cent), although in both cases the difference could be explained by differences in income levels. Among those who believe that they cannot afford everything they really need, the difference between those in work (60 per cent) and those not working (66 per cent) is remarkably small.

The respondents were also asked whether they agree or disagree that they spend nearly all of their money on the basic necessities of life. The results are shown in Table 3.

Table 3 Attitudes to basic necessities of life, by income group (%)*“You spend nearly all of your money on the basic necessities of life.”*

	<i>Household income (before tax)</i>							
	Total	Less than \$20000	\$20000 to \$29999	\$30000 to \$39999	\$40000 to \$49999	\$50000 to \$59999	\$60000 to \$69999	\$70000 plus
Share ^a	100	15.7	14.9	11.5	8.8	7.5	5.7	19.5
Agree	56.3	83.9	74.9	63.6	64.3	41.1	38.9	26.2
Disagree ^b	42.7	16.1	24.0	33.4	35.7	58.9	61.1	73.5

a. Share of total population as estimated by Newspoll. Does not add to 100 due to refusals.

b. 1.0% of respondents refused to answer or said ‘Don’t know’.

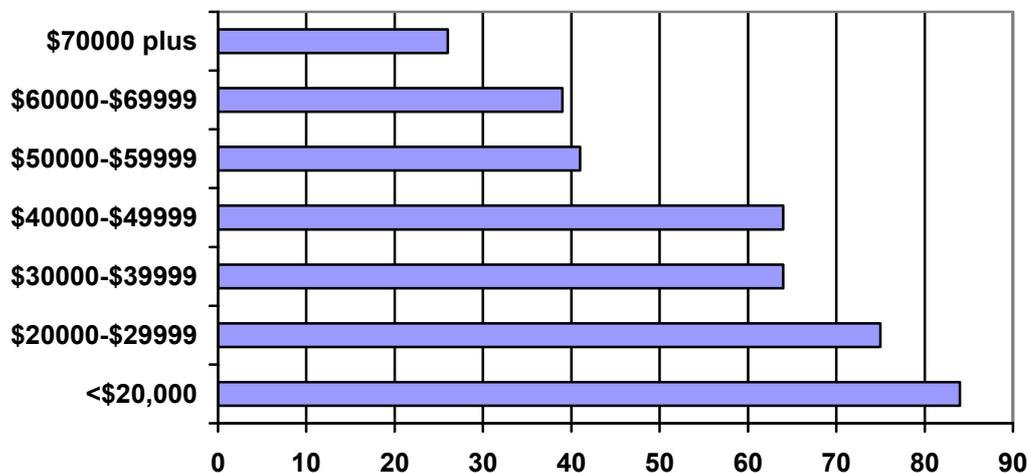
Source: Newspoll

When asked whether they spend nearly all of their money on the basic necessities of life 56 per cent of respondents agreed, compared to 62 per cent who agreed that they can’t afford everything they really need (see also Figure 4). However, the proportion of respondents who agreed with the statement declined more sharply with rising incomes than in the previous question. Among those in the lowest income group, 84 per cent agreed that they spend nearly all their money on basic necessities (79 per cent agreed that they can’t afford everything they need), while among those in the highest income group only 26 per cent agreed that they spend nearly all their money on basic necessities (47 per cent agreed that they can’t afford everything they need).³⁷ The phrase ‘basic necessities of life’ appears to be interpreted more narrowly than ‘what I need’. In other words, while poorer households tend to equate what they need with the basic necessities of life, wealthier households recognise that what they ‘need’ extends well beyond the basic necessities of life.

Nevertheless, more than a quarter of the wealthiest households in Australia believe that they spend nearly all of their money on the basic necessities of life. The belief is shared by around 40 per cent of those on incomes of \$50,000 to \$70,000 and nearly two-thirds of those in households with incomes of \$30,000 to \$50,000. It would seem that as households become wealthier, their definition of what must be counted as basic necessities of life expands to include a range of goods and services that less wealthy families do not regard as necessities. In other words, the notion of what is necessary – and by implication the behaviour of people to acquire those necessities – is heavily influenced by social and personal expectations, a conclusion consistent with the literature on relative incomes reviewed above.

³⁷ When asked if they spend nearly all of their money on the basic necessities of life, a significantly higher share of women (61%) than men (52%) agree and older age groups are also more likely to agree, as are people outside capital cities (69%) compared to those in capital cities (49%). These differences are likely to be heavily influenced by income differences.

Figure 4 Proportions who agree that they spend nearly all of their money on basic necessities, by income group (%)



Source: Table 3 above

All of this suggests that Australian households, and especially middle-income and wealthy households, have an inflated, and perhaps grossly inflated, understanding of how much money they need to maintain a decent standard of living. It also confirms the view that as people become wealthier perceptions of the necessary consumption level rise.

An opinion survey by Saunders *et al.* (2000, Table 8) asked respondents to say whether their financial situation was best described by one of four statements ranging from 'haven't enough to get by on' to 'much more than I need'. Among the wealthiest group of respondents (those on incomes before tax of \$65,000 or more), 15 per cent said that they have 'just enough to get by on' while 77 per cent said that they have 'enough to get by on and for a few extras'.

Further light can be shed on the issue by looking more closely at the responses of the poorer households. Surprisingly, in the lowest income group (with annual incomes of less than \$20,000) 21 per cent of Australians disagreed with the statement that they cannot afford to buy everything they really need. In other words, a fifth of the poorest households say that they do not have difficulties affording everything they really need, suggesting that they have some money left over for luxuries. If, as we have suggested, poor households equate what they need with basic necessities, then those who say they can afford everything they need have some money left over after buying the basic necessities of life.

Some other recent studies help us understand these issues in more depth. Bray (2001) draws on the results of questions on 'financial stress' asked by the ABS in its 1998-99 Household Expenditure Survey to develop indicators of hardship. In contrast to the 'attitudinal' questions asked in the survey commissioned for this study, the ABS asked a series of questions about specific forms of behaviour. It asked respondents whether they

usually spend money on items such as annual holidays, a night out or hobbies, and if they indicated that they did not spend on these items whether it was because they could not afford them or simply did not want them. By asking about specific behaviours rather than general attitudes to one's financial situation, the ABS survey is more likely to provide information on whether households actually go without necessities.

The results are summarized in Table 4.³⁸ Note that Bray reports household incomes by quintile (groups of 20 per cent), where income is adjusted for the size and composition of the household (equivalised). The income groups used by Bray and in the Newspoll survey are therefore only roughly comparable.

With the possible exception of new clothes, the items in question cannot be regarded as basic necessities of life, but they would mostly be regarded as being essential to having a reasonable standard of living in Australia today. The items are all forms of entertainment and, if households can afford them, then they can certainly afford basic necessities. Yet, even in this case, the proportion of households who say they cannot afford them is relatively low (5-27 per cent) when compared to the general belief of 62 per cent of households that they cannot afford everything they really need, or the 56 per cent who say they spend nearly all of their income on the basic necessities of life. In other words, items such as a week's holiday each year and a night out are regarded by most Australians as 'needs' and 'basic necessities of life'.

Table 4 Items that households cannot afford, by quintile (%)

	<i>Household income quintile (equivalised)</i>					
	Total	Q1 (low)	Q2	Q3	Q4	Q5 (high)
Cannot afford:						
Week's holiday away from home each year	27.3	44.0	38.0	29.6	17.7	7.3
Night out once a fortnight	19.4	31.2	28.9	21.7	11.3	3.9
Friends/family over for a meal once a month	5.3	11.1	9.5	3.5	1.9	0.4
Special meal once a week	11.6	22.6	17.2	10.8	6.0	1.6
Brand new clothes (usually buy second-hand)	11.8	23.4	19.7	9.6	4.6	1.4
Leisure/Hobby activities	9.1	18.1	14.0	7.9	4.4	1.1

Source: Bray 2001, Table 1

³⁸ Similar questions have been asked in the HILDA survey (Melbourne Institute 2002) with similar results.

We saw that, of the richest 20 per cent of households, 47 per cent say that they cannot afford everything they really need. When pressed on specific items that they could not afford, however, the highest percentage was 7.3 per cent who said they could not afford a week's holiday, while the rest were much lower – around 4 per cent for a night out and around 1 per cent for the remainder.³⁹ A similar observation can be made for low-income households. While 79 per cent of households with incomes less than \$20,000 said they could not afford everything they really need, only 44 per cent of those in the lowest quintile said they could not afford a week's annual holiday, and only around 20 per cent went without special meals, new clothes and leisure activities. Put another way, even amongst the lowest income group, 56 per cent of households say that they can afford a week's holiday each year.

We can obtain an even tighter focus on the nature of hardship or deprivation through the results of another set of questions asked by the ABS in the Household Expenditure Survey, also reported by Bray (2001). The ABS asked:

Over the past year have any of the following happened to your household because of a shortage of money?

The results are reported in Table 5.

These behaviours allow a much more accurate definition of genuine hardship than the figures in the previous tables. But even here the issues are not entirely clear-cut. While an average 16 per cent of households could not pay their gas, electricity or telephone bills on time, this included 5 per cent of the wealthiest households and 12 per cent of those in the second highest quintile. Wealthy households can experience cash-flow problems that might make them late in paying their bills, but it would be fair to assume that the stress caused by the inability to pay bills on time is much greater among the poorest households. The same applies to the second item in the list (could not pay car registration or insurance on time) and the last (sought financial help from friends or family). For most people, these are budget management problems.

There is much less ambiguity in the case of the other items. There is little doubt that any household forced to pawn something, go without meals, do without home heating or seek assistance from a welfare organisation experienced genuine hardship. It is remarkable, however, that even in the very lowest income group only perhaps 10 per cent of households were so affected, and across the whole population perhaps only 3 or 4 per cent fell into this category. There could be other markers of genuine hardship that the ABS questions did not pick up, but even so it appears that a substantial majority of households in the lowest income group do not report hardship. As Bray notes:

³⁹ Bearing in mind that the richest 20 per cent in the Newspoll survey were households with gross incomes over \$70,000 while the top 20 per cent in Bray's study were defined by their equivalised income. To illustrate, for a couple only household the cut off point for the top quintile is a gross household income of \$111,000. An elderly single with an income of \$41,000 would just make it into the top equivalised quintile. Cut-offs are higher for households with children. These figures were supplied to the author by Rob Bray.

... while lower-income households have, on average, higher levels of [financial] stress, many of these households experience no financial stress at all (Bray 2001, p. 17).

Table 5 Items that households went without, by quintile (%)

	<i>Household income quintile (equivalised)</i>					
	Total	Q1 (low)	Q2	Q3	Q4	Q5 (high)
Could not pay gas/electricity /telephone on time	16.1	23.4	22.5	17.6	11.7	5.2
Could not pay car registration/insurance on time	6.5	8.8	7.9	8.0	5.6	2.3
Pawned or sold something	4.2	7.9	6.4	3.6	2.5	0.8
Went without meals	2.7	6.5	3.7	1.7	1.3	0.3
Unable to heat home	2.2	5.1	3.6	1.4	0.8	0.3
Sought assistance from welfare/community orgs	3.5	7.5	5.7	2.6	1.2	0.3
Sought financial help from friends/family	9.9	14.6	13.3	9.6	8.5	3.6

Source: Bray 2001, Table 1

This conclusion is reinforced by the results of the Federal Government's major new research program known as HILDA, the Household, Income and Labour Dynamics Survey. It concluded:

A simple summary measure of overall financial hardship suggests that extreme poverty, as measured by whether an individual considers his [sic] or herself (and his or her family) to be 'poor' or 'very poor', affects around 4 per cent of Australians ...

Most Australians think of themselves as either 'very comfortable' or 'reasonably comfortable' – 64 per cent – or 'just getting along' – 30 per cent (Melbourne Institute 2002, p. 16)

In the highest income groups in Table 5 the incidence of genuine hardship is virtually zero, as one would expect. (It is also very low for the top three quintiles.) Yet nearly

half of this highest income group⁴⁰ also says that they cannot afford to buy everything they really need. It is fair to conclude that, using any reasonable definition of ‘needs’ and ‘basic necessities of life’, a substantial majority of Australians who experience no real hardship, and indeed live lives of abundance, believe that they are ‘doing it tough’. This might be considered an unfortunate delusion for those so afflicted, except that the belief that large swathes of the Australian population are suffering some form of deprivation is accepted as one of the underlying suppositions of political debate and policy formation in Australia. It provides, among other things, the basis for the political appeal of middle-class welfare and tax cutting auctions. We return to this subject in the last section.

4.2 Attitudes to materialism

Australians hold contradictory attitudes to the factors that affect their quality of life. Although the responses to the Institute’s Newspoll survey for this study indicate that their immediate self-perception is that they are having difficulty making ends meet, when asked to stand back and reflect on their lives and their society they take quite a different view. A survey commissioned by the Australia Institute in 1999 asked Australians what it would take to improve their personal quality of life. Large majorities nominated as ‘very important’ both more time with family and friends (75 per cent) and less stress and pressure in their lives (66 per cent), while a minority nominated more money to buy things (38 per cent) (Eckersley 1999, Table 1). Eckersley reports a number of surveys that indicate that people do not rate more money and consumption as important to improving their lives. Wrote Eckersley:

‘Having extra money for things like luxuries and travel’ ranked last in a list of seven items judged ‘very important’ to success [in one survey], well behind the top-scorer, ‘having a close and happy family’. And in contrast to government priorities, ‘maintaining a high standard of living’ ranked last in a list of 16 critical issues headed by educational access, children and young people’s well-being, and health-care – things many Australians believe are being sacrificed to increase standard of living (Eckersley 1999, p. 13).

Studies in the USA have reached similar conclusions.

The survey conducted by Newspoll for this study also asked respondents whether they agree or disagree with the following statement:

Australian society today is too materialistic, with too much emphasis on money and not enough on the things that really matter.

The results are reported in Table 6 and graphed in Figure 5.⁴¹

The results indicate that 83 per cent of Australians believe that our society is too materialistic, with too much emphasis on money and not enough on the things that

⁴⁰ Bearing in mind the income classifications of the two surveys are not strictly comparable.

⁴¹ These results are similar to those of Saunders *et al.* (2000, Table 9) who found that 75 per cent agreed that ‘Too much emphasis is put on improving the economy and too little on creating a better society’. Eight per cent disagreed.

really matter. The proportions agreeing with the statement are remarkably stable across the income distribution (83-91 per cent), with the exception of the richest households where only 69 per cent agreed that Australia is too materialistic. Among the richest households double the national average disagreed with the view that Australians place too much emphasis on money (28 per cent versus 14 per cent across the whole population). Women are more likely to agree that we are too materialistic, although the difference is not great – 87 per cent compared to 79 per cent of men. No differences are apparent between families with and without children, although people not working are a little more likely to agree (88 per cent) than those who are working (80 per cent).

Table 6 Attitudes to materialism, by income group (%)

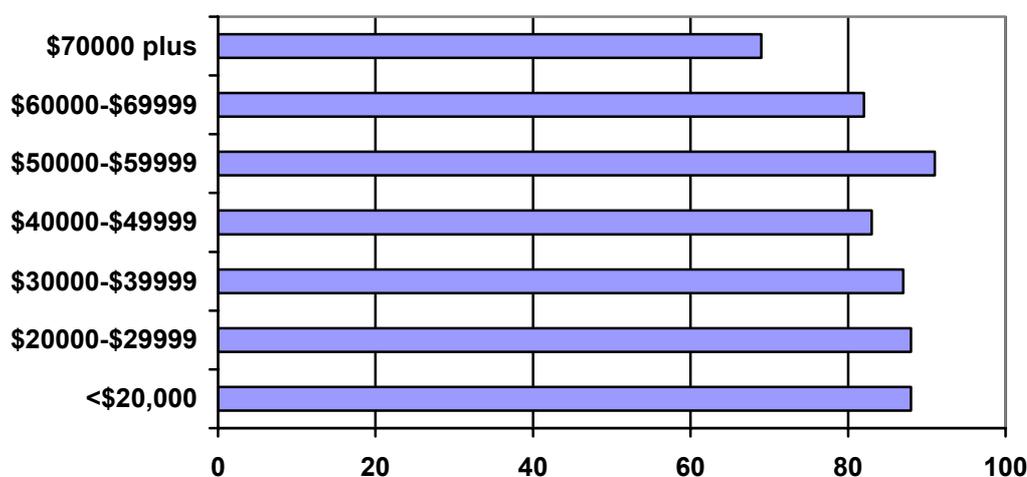
	<i>Household income</i>							
	Total	Less than \$20000	\$20000 to \$29999	\$30000 to \$39999	\$40000 to \$49999	\$50000 to \$59999	\$60000 to \$69999	\$70000 plus
Share ^a	100	15.7	14.9	11.5	8.8	7.5	5.7	19.5
Agree	83.1	88.4	88.4	87.3	83.2	90.8	82.0	69.4
Disagree ^b	14.0	8.4	9.3	9.3	14.6	7.9	15.1	28.2

a. Share of total population as estimated by Newspoll. Does not add to 100 due to refusals.

b. 3.0% of respondents refused to answer or said 'Don't know'.

Source: Newspoll

Figure 5 Proportions who agree that Australian society is too materialistic, by income group (%)



Source: Table 6 above.

The survey question itself gives us pause to ask what are ‘the things that really matter’. Eckersley’s work provides a persuasive answer: for most people the things that really matter are relationships with family and friends and time to do the things that are personally fulfilling.

The responses to the three survey questions suggest that a large proportion of Australians believe both that they do not have enough money and that society places too much emphasis on money and material goods. This result confirms other studies suggesting an uneasy disjunction between people’s immediate assessment of their own financial position, which tends to be self-focused and income-driven, and their recognition that society in general is too materialistic and focused on money instead of ‘the things that really matter’. The proportion that agreed with the statement was probably reduced by the fact that the previous two questions had set respondents in a frame of mind focussed on their own travails, and the consequent awkwardness, especially for those on higher incomes, of complaining about their income and immediately being asked to repudiate the sentiment.

Yet despite recognizing that, on reflection, life could be better, perhaps much better, if people themselves and society in general devoted more attention to family, friends and the ‘things that really matter’, people appear driven or conditioned to pursue material rewards before others. Most people seem unable to change course and introduce more balance into their lives even though they are willing to concede that a simpler life may well be a happier life. Such a view is supported by a number of studies of the relationship between materialism and quality of life. In a study of Australians, Ryan and Dziurawiec (2001), for example, defined materialism as a value with three components – the centrality of acquisition in a person’s life, the role of possessions in defining success, and the contribution of material things to the pursuit of happiness. They confirmed previous work finding a negative relationship between materialism and life satisfaction:

... those individuals who were high in materialism were less satisfied with their ‘life as a whole’ and with specific ‘life domains’ than those who were low in materialism (Ryan and Dziurawiec, 2001, p. 185)

5. The Myth of the Aussie Battler

A survey of savings behaviour in July 2002 by the Commonwealth Bank (2002) concluded that 60 per cent of Australians say that they find it hard to cover their living expenses and that this proportion had leapt from 48 per cent from a year earlier. The Commonwealth Bank described these people as ‘struggling’. Media reports interpreted the survey results as support for the ‘deprivation model’ of the world in which the bulk of the population is said to be finding it difficult to make ends meet. Thus in Canberra, one of the richest areas of Australia (and the world), the local newspaper led with the following:

Almost half of all Canberra households are struggling to cover their living expenses, let alone save for a rainy day, new research has shown.⁴²

The story then segued to a discussion of the circumstances of the lowest income groups, suggesting that:

The figures have alarmed local welfare and charity groups, who believe the trends could push more residents into financial crisis.

A similar message was delivered by a series of prominent stories in a Sydney newspaper. Under the headline ‘Families sucked into mortgage nightmare’ the newspaper reported on a ‘crisis in housing affordability’ with one in five households in ‘mortgage stress’.⁴³ The tenor of the articles was that large numbers of Sydney residents found themselves under financial pressure because of the size of their mortgage repayments compared to their incomes. Phrases such as ‘people with mortgages are hurting’, ‘crisis looms’, ‘problems have undoubtedly become more severe’, and ‘real hardship areas’ serve to reinforce the popular impression that most Australians are doing it tough and that they are trapped in a difficult situation not of their own making.

Yet the ‘mortgage stress’ that generated the headlines is not the unexpected result of rising interest rates, but the result of individuals who have decided to borrow more money than they can comfortably afford to repay. In other words, many people have set their sights on levels of comfort and luxury that they cannot afford and have gone into too much debt to obtain them. The newspaper report makes little distinction between, on the one hand, poor households in genuine difficulty because they cannot afford rising rents even in poorer suburbs and, on the other, wealthy households in ‘mortgage stress’ as a result of mortgages of \$400,000 on large houses in wealthy suburbs. It notes that apartment buyers in the CBD and nearby suburbs are most affected by mortgage stress. One couple, with monthly repayments of more than \$2,000, bemoan their decision to delay having a baby because ‘they had their hearts set on buying a home in Baulkham Hills’, an expensive outer Sydney suburb. The male of the pair is quoted as saying: ‘...this is what I have to pay to maintain this lifestyle. I could go and live in Tasmania if I wanted. But I don’t want to. I want to live here’.

⁴² *The Canberra Times*, August 6, 2002

⁴³ *Sydney Morning Herald*, August 12, 2002

In an earlier era, when wealthy people made decisions to live beyond their means their financial difficulties attracted little public sympathy. If they complained it would perhaps be suggested that they live a little less grandly. Today, newspapers, popular commentators and political leaders speak as if the imagined financial difficulties of the wealthy are the result of hard times rather than inflated expectations. They therefore become a matter of public concern. The real concerns of yesterday's poor have become the imagined concerns of today's rich.

The effect of this conflation of the circumstances of the poorest citizens with those of the wealthy majority is to diminish the significance of the particular circumstances of those households that really do have difficulty making ends meet. It also reinforces a general belief in the community that times are hard, despite the fact that we are richer than we have ever been and much richer than the vast majority of people in the world. The deprivation syndrome induces politicians to distort policy to 'reduce the burden of taxation' and increase welfare payments to households that are living lives that would in other places and at other times be regarded as luxurious. This emphasis on the tribulations of the middle classes not only validates the self-centred preoccupation of wealthy people with their own financial circumstances but crowds out sympathy for those who are genuinely struggling.

Despite the fact that we live in an era of unprecedented abundance, the survey conducted for this study confirms that most middle-class Australians believe that their incomes are inadequate to provide for their needs. This is supported by a widespread feeling, mirrored and promoted by the media and by political rhetoric, that the bulk of Australians, including well-off Australians, are 'struggling'. It is as if the circumstances of households at the bottom 10 per cent of the income scale, where genuine hardship prevails, are applied to the general populace.

This analysis helps to explain why, after decades of sustained economic growth that have seen average incomes increase several times over, the 'Aussie battler' has not disappeared from public discourse but has become more prevalent than ever. Political parties compete for the hearts and minds of average households in the suburbs. It is hard to avoid the conclusion that political parties have actively fomented dissatisfaction amongst the middle classes in order to perpetuate the myth of the Aussie battler, for they can then claim to understand their pain and offer solutions. As a result, the little Aussie battler has turned into the great Australian whinger.

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