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Overconsumption in Australia

The rise of the middle-class battler

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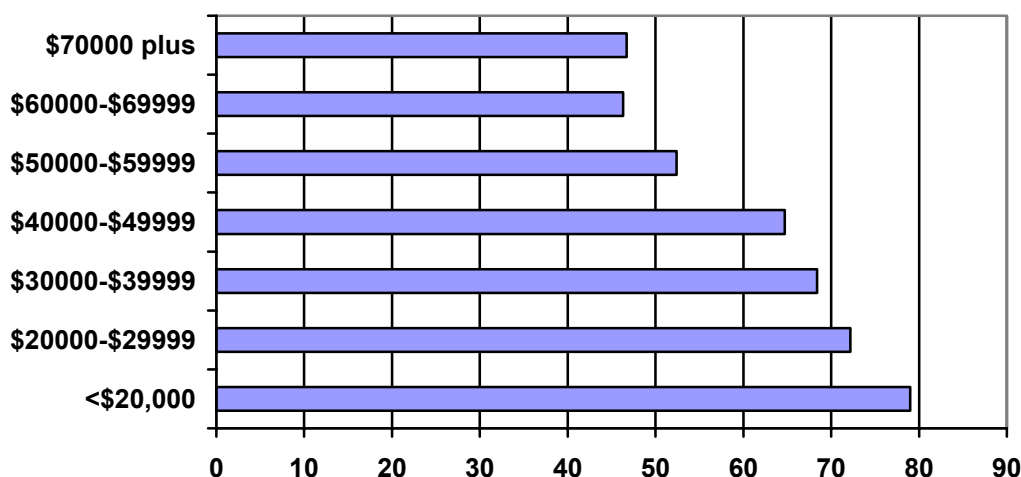
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Summary

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.