If Happiness is so important, why do we know so little about it?

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Abstract  
Challenging the economist’s idea that choices are synonymous with preferences, Tibor Scitovsky asked what role joyful stimulation, and novelty and variety, can play in individual and social well-being. In particular, he contrasted two different sorts of consumption activities as sources of human satisfaction: those comfort-oriented, which have low costs of access in terms of knowledge and skills but decreasing returns because of habituation, and those pleasure-oriented which might have increasing returns but involve higher costs in terms of consumption skills and human resources involved. The paper explores the competitive disadvantages that these second forms of consumption might suffer, and the possible consequences in terms of social welfare configurations.

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Introduction

The title of this paper: “If happiness is so important, why do we know so little about it?” requires some clarification. First of all, does it really indicate a paradox? In the economic theory of choice it is the maximization of own satisfaction, utility, or pleasure, that individuals pursue in their actions. Even in its modern axiomatic form and stripped of any characteristic that is not formal, subjects are still assumed to maximize a “utility” function. But does this imply that we, as economists, should know much if anything about it? The answer that economists give is clear: No. One reason is simple, and is based on the principle of consumer sovereignty. Individuals are the only real “experts” as to their own actions and desires. What they decide to choose is what they know is best for them. Preferences can simply be inferred from choices with no plunge necessary into their possible nature, genesis, and configuration. The assumption, then, that choices are preferences eliminates any element of paradox from the fact that such a fundamental dimension of economic choice as individual desires and motivations is so little studied and understood.

Yet this assumption is conditional on a second, more hidden one: that there is no tension or mismatch between choice and the maximisation of preferences. Should conflict in any form exist, then choices would cease systematically to reveal individual preferences. In this case an analysis of preferences, how they form, what triggers them, and how they express themselves, would be not only justified but necessary. That is the line of reasoning followed by the economist Tibor Scitovsky.1 In his Joyless Economy (1992) and in a series of related papers published before and afterwards (see Scitovsky 1962 and 1986), Scitovsky identified three likely sources of conflict that might lead to a divorce between choice and preferences: possible conflict between comfort and pleasure; conflict between standardised goods and individual needs and desires; and the gap between specialized knowledge and generalist skills. In discussing these themes, Scitovsky was able to shift the analysis directly to the different forms of satisfaction that may be linked to different consumption activities. Additionally, and with the aid of contemporary experimental neuropsychology, he pioneered in uncovering the role that novelty, variety, and complexity might play in both individual and social well being.2

Since Scitovsky wrote The Joyless Economy (hereafter JE) much has been done to study the possible mismatches between choice and maximisation. Consider, for example, in particular, the literature derived from, and inspired by, behavioural psychologists Kahneman and Tversky (1979). This literature has progressively identified, with the support of a strong body of experimental research, those situations in which individual decision making is prone to systematic error, and which thus violate simple maximisation rules. These are primarily situations involving uncertainty, complexity, and inter-temporal comparisons of utility, and they require a more refined concept of rationality in order to account for observed behaviour. What makes this approach especially relevant to economics is the fact that the study of paradigmatic violations of maximisation does not imply an abandonment of the concept of rationality but rather a detailed specification of its procedural rules.3

In this paper I shall concentrate on Scitovsky’s analysis, and in particular on that part of his research that dealt with the role that joyful and stimulating activities can play in making life pleasant. Notwithstanding the passage of time, Scitovsky’s approach remains both an important reference point in contemporary debates, and raises questions that still want for answers.

The paper is organized as follows. I shall first analyse the distinction between defensive and creative consumption goods that is at the basis of Scitovsky’s distinction between comfort-related activities and those that are pleasure-related. The motivational theory that underpins this distinction will then be discussed. The aim is to clarify how creative consumption represents a “technology” of consumption that can give rise to increasing returns. Problems arise when people privilege choices that lock them into technologies, the defensive ones, that have lower returns. It is no easy task to unlock these less rewarding patterns of behaviour since, as I will show, both the costs of access to a superior technology and the costs of exiting from an inferior one are involved. I conclude with a section devoted to the problem of boredom and habituation.
1. Defensive and creative consumption.

Of the various themes in *JE* undoubtedly the most relevant and innovative is Scitovsky’s distinction between two different sources of human satisfaction, those linked to comfort-seeking activities, and those stemming from pleasurable but also stimulating activities.

In introducing this distinction, Scitovsky drew on a previous though neglected one made by the British economist Ralph Hawtrey. Hawtrey (1926) distinguished between two types of goods and activities: those that mostly aim at relieving pain and discomfort, which he called defensive, and those that produce positive pleasure and which he called creative. Satisfying our needs for rest, food and shelter are obvious examples of products and activities of the first type. Engaging in conversation or the arts, playing sports and games, solving difficult problems, are instead examples of the second, the creative ones. They are creative for Hawtrey not because they represent alternatives more intellectual than material, but because at their basis there is no specific need to be satisfied or harm removed. They require therefore, in order to be developed and used, an active effort on the part of the subject: an effort of imagination and knowledge, and a deployment of skills and time (Hawtrey, 1926:189-90).

Hawtrey’s distinction among goods becomes in Scitovsky’s hands a distinction between forms of satisfaction. The pleasure deriving from defensive consumption, or from all those commodities that maintain life and make it easier, Scitovsky called comfort. The satisfactions deriving from creative consumption that, for him, provides most of life’s pleasures, he called, simply, pleasure (*JE*; 61).

But what makes these two forms of satisfaction so different from each other and why is it important to uncover this difference?

A first aspect of difference is easy to detect and is one already envisaged by Hawtrey. Framed by the specificity of the needs they have to satisfy and by the routines and codified rules of their consumption, defensive goods are more easy to learn and do not require special consumption skills. Not so creative products, whose more complex nature also requires more complex skills. Engaging in conversation and taking pleasure in it, reading a novel, listening to music, are all activities that require attention, concentration, memory, accumulated knowledge, and intuition, all capabilities that have to be learned. In addition, they require time, and time that often, and contrary to the time needed for using comfort goods, cannot be compressed through productivity gains. The first difference then is a difference in terms of costs of access, lower for defensive consumption and higher for creative consumption.

A second component of difference is more complex and bears on the returns associated with these two sources of satisfaction. When first formulating the law of decreasing marginal utility economists such as Jevons and Marshall mentioned, even if with a certain ambivalence, the fact that some goods may represent an exception to the law. Jevons acknowledged this when he wrote that satiety applies, but only to “the simple animal requirements, such as food, water, air, etc.”, not to “the desire for articles of taste, science or curiosity” which knows no limits (1970 [1871]: 111-12). Marshall for his part acknowledged the listener of music who, after repeated exposure, enjoys music more, not less, an example made much of by Stigler and Becker (1977).

But why is it the case that creative consumption can give rise to returns one does not tire of, or that, as in Marshall’s example, seem to increase? Each of us knows the feeling of never wanting a holiday to end, or to be distracted from a line of research that is promising, or forced to interrupt a novel at its tensest moment. But why is it so? What are the ingredients that make a holiday, a line of research, or a novel so engaging? In other words, what is it that transforms all these activities into sources of sustained pleasure?

Two of Scitovsky’s merits are that he recognised the relevance of this question and that he introduced to economists a body of psychological research that, at that time he was formulating his ideas, had just begun investigating the components of motivation in choice. Central in those psychological studies was the concept of arousal, activated by the stimuli that the central nervous
system receives from sense experiences and the brain itself, and the way arousal is connected with individual well- or ill-being (JE: 21).

To this body of literature I shall now turn and then come back to the question why creative activities may yield increasing pleasure.

2. The role of novelty, complexity, and variety

The neuro-physiological studies of the brain used by Scitovsky and that flourished in the 1960s and 1970s, are associated with the name of D.E. Berlyne. At their core was the older Wundt-Fechner curve of the experimental psychology of the mid-nineteenth century. According to Wundt the functional relation between pleasure and arousal has an inverted-U shape. The pleasure of an experience increases with an increase of its level of stimulus, reaches a maximum and then decreases. Pleasure is maximal for intermediate levels of stimulus, neither too high nor too low. Berlyne, however, introduced an important modification to this model. As a consistent body of experimental research seemed to show, arousal is contrast- or conflict-related. The utility or pleasantness of a situation, in other words, appears to respond not to the levels of stimulus but to their changes relative to reference positions. On the horizontal axis of the basic Wundt diagram Berlyne placed stimulus variables related to change: novelty, surprise, variety, uncertainty, and complexity. (Berlyne 1971, and Berlyne and Madsen 1973) (see Figure 1 in the Appendix).

In Berlyne’s model two different sorts of changes in stimulus are pleasure-inducing: arousal-boosting mechanisms, that cause us to go from situations felt to be boring to others felt to be less so, and arousal-reducing mechanisms that can take us from situations felt to be threatening or painful to others more familiar and more comfortable. Set against these findings, Scitovsky’s distinction between two different sorts of satisfaction, one pain reducing and the other pleasure enhancing, also seemed to find some empirical support (Figure 1 of the Appendix shows how Scitovsky’s distinction may fit Berlyne’s).

Yet neither arousal-boosting nor arousal-reducing strategies will ever be entirely successful in securing for us a position of rest, one of sustained maximum pleasure. Since, in Berlyne’s modified version of the Wundt curve, pleasure results from changes, a situation of unchanging pleasure must also be one of diminishing pleasure (as in the dotted curves in Figure 1).

It seems then that Berlyne’s model simply restates the law of decreasing marginal utility in a different guise, repeated exposure causing decreasing pleasure, because of satiation and lack of stimulating change. In fact, this model of choice has more radical implications. By denying that maximum pleasure represents a position of rest, the equilibrium position so fundamental to economic modelling, it broadens agents’ incentives and introduces a whole set of new variables to which people respond and that have to be taken into account.

If one looks more closely at the mechanisms of satisfaction described in the Berlyne model there are three variables on which change depends and that can increase or decrease welfare. The first is time.

Time is the immediate dimension along which relative variables such as novelty and variety can be measured. Depending on the time distance from the last exposure to a certain event, good or activity, its novelty may increase or decrease. The most exciting menu day after day becomes dull and conversely even a dull TV program can be a pleasant change after a tense day. To alter the time interval or the duration of a determinate experience either actively or simply as an effect of changes in social conventions, has inevitable effects on its perceived utility. In terms of Scitovsky’s framework, this means that the time factor can shift the boundaries between comfort and pleasure, a comfort activity, after a period of abstinence, becoming stimulating again and a stimulating activity becoming a familiar habit after continuous exposure.

The second dimension of the variable of change is cognitive, and relates to knowledge in its broadest sense (including information, experience, and skills). Novelty (though also perceptions of variety and complexity) represents any mismatch between past and present experience, between what we have known to be and what is now. Any increase or decrease in the gap between
accumulated knowledge and new knowledge, in short, can affect the pleasantness of a given experience. Solving a puzzle, familiarizing oneself with a new language, mastering a difficult task, are activities that, in the process of performing them, lose their initial novelty, complexity and variety and thereby become pleasurable. On the other hand, though often at the same time, activities that increase novelty, complexity and variety may increase the stimulus they provide and with it pleasure. This is the case when one starts to practice a new language, joins a dance class, or engages in a new sport.10

The third dimension is the context or space or dimension of an event (or activity, or good), where context is both the place an event occupies in relation to contiguous or distant events, and the social context within which it occurs. Here the same processes of familiarisation and de-familiarisation can be applied. The phenomenon of fashions – in sports, in literature, in art, and of course in dress – often stigmatised as a wasteful activity, will continue to be appealing and looked for. This is not only because pleasure can be increased by playing on the time interval between events, as when new trends are introduced or old ones re-discovered, as in revivals. It is also because fashions represent a subtle mixture between social competition and co-operation, between the novelty of distinction and the familiarity of belonging, that, even if only temporarily, captures change which is neither too much or too little stimulating.11

We are now in a position to shed more light on our initial question: why is it that creative activities seem to be able to overcome the decreasing marginal utility that accompanies more comfortable activities. The reason is that these activities, because of their internal complexity and variety, and because of their independence of mere need, can be a renewed source of novelty and change. Therefore, they can also be a source of sustained pleasure. They are open-ended. They endogenously produce change.

The reading of a novel, for example, can activate simultaneously all the three dimensions of novelty. The structure of the plot can play on the temporal dimension, arousing expectations and creating suspense through repetitions and delays and constantly postponing the desired climactic conclusion. It can play on the cognitive dimension, by challenging and contradicting our set of understandings and interpretations, or it can play on the space dimension, opening the reader to new, distant or imaginary worlds. Analogously, the feeling we often experience when on a holiday – we wish it would never end – is because it is an infrequent event in our lives; because its complexity and variety open us up to new experiences while displacing old ones, and because the contiguity with our familiar spatial and social environment is disrupted.12 Repeating these activities, reading new novels – or re-reading old ones – listening to music repeatedly, enjoying new holidays, often amplify rather than reduce the pleasure we obtain from them, both their novelty and variety and our ability to appropriate them increasing with exposure.

Comfort activities, instead, when they simply relieve our unease, easily lead to satiation, to the cessation of pain but also of pleasure.

This is what Scitovsky had in mind when, confusingly, he introduced a second definition of comfort. On the one hand, and more often, comfort is, as we have seen, the positive feeling that accompanies defensive consumption. It corresponds to those activities that increase wellbeing by reducing the discomfort associated with an excess of stimulus. On the other hand, and predominantly in JE, comfort is the feeling that corresponds to distinct levels of stimulus and depends on whether or not arousal is at its optimum (JE: 61). In this way the contrast between comfort and pleasure becomes a contrast between a position of status, comfort corresponding to the optimal level of arousal when utility is at, or close to, its optimum, and a position of change, pleasure being defined as the positive feeling that accompanies an alteration of status. (In terms of Figure 1 of the Appendix the contrast is between point E of the curve and the movements along the curve).

These two definitions are clearly different, the first one belonging to the modalities of satisfaction, the second to the mechanisms that are supposed to underlie satisfaction (On this point see also Bianchi, 2003).13 They overlap only if it can be said, as Scitovsky did though without...
introducing the necessary clarifications, that stimulating activities, contrary to the defensive ones, are also the ones that are most prone to endogenously produce change; they are those for which increasing complexity is matched by the formation of superior capabilities, and for which time can reveal new, as yet undetected, possibilities. \(^{14}\) (Figure 2 of the Appendix shows how creative activities in this dynamic setting tend to displace upwards the whole Wundt curve).

This confusion led Scitovsky to over-emphasise the dangers to individual wellbeing that might come for indulging in comfort related activities. Pleasure-seeking, being also identified with exploration and openness to change, is deemed superior to a self-contented status, one of comfort. In fact, as mechanisms for increasing pleasure through an increase or decrease of stimulus, neither of the two can be considered superior, both being pleasurable only relative to some reference point.

Though in the course of the paper I shall continue to use the terms comfort and pleasure, what they are meant to indicate is in fact a distinction between a form of consumption that is unskilled, easily rewarding, and easily satiable and another that is skilled, creative, and able to open up new opportunities. When so formulated, an imbalance against creative consumption can indeed be dangerous for individual and social wellbeing. As Sen (1996) has pointed out in the context of development strategies, it is the enlarged set of possibilities that skilled consumption creates that translates in addition into an enlarged individual freedom.

3. Comfort and pleasure: Is there a conflict?

The preceding discussion has shown that activities and goods can differ in terms of their reward structures. They differ however also in terms of their costs of access. The ability to exploit and enjoy all the dimensions of novelty that creative consumption can open up, demands that the consumer be skilled. Being complex and varied, creative activities require an ability to draw on prior knowledge, to make connections and create new complementarities, to cross disciplinary boundaries. One can stop and enjoy a novel at the simple level of the plot, but pleasure increases, and in fact never ends, if one is able to discover and explore its connections with similar novels and to its surrounding history, and begins to appreciate its innovative qualities. Even an activity apparently as simple as conversing with friends requires, for it to be enjoyable, attention, memory, empathy, flexibility of interests, and an ability to engage and divert. Skills of this sort grow with exposure and they require time, both time to invest in developing and refining them and time to apply them. Compared with other activities that are need-oriented, that are part of daily routines, or which require few skills, creative pursuits are more costly. As Scitovsky put it, there is a trade-off here: pleasure is obtainable only at the cost of some discomfort and comfort at the cost of some pleasure. \(^{15}\) This trade-off, however, does not pose any serious challenge to free and rational choice, since any choice involves such a trade-off between alternatives. Scitovsky, however, maintained that the case here is different (JE: 73).

One reason for this difference has to do with the fact that for these types of activities costs and rewards are not simultaneous but belong to different points in time. The disadvantages of having invested in obtaining the easy and quick rewards of defensive and comfort-related activities will be felt only in the future when the accumulation of past choices turns out to be accompanied by less and less pleasure. Analogously, the increasing returns of creative activities will be available only after costly investments in the necessary skills and knowledge have been made.

Nonetheless, the presence of delayed rewards is at the basis of any inter-temporal decision process; the case of delayed consumption rewards is no different. As is well known, this is the approach taken by Gary Becker (1996) who has modelled the equilibrium effects that past consumption choices have on present ones. His model has also been extended to include those activities whose long-term outcomes can be harmful or less beneficial to the individual, but which are nevertheless engaged in (Becker and Murphy 1988).

Stigler and Becker (1977) addressed this problem initially by referring to the puzzling example offered by Marshall, that of the music lover whose love for music increases with consumption. This seemed to violate the assumption of decreasing returns associated with repeated
exposure in consumption. The way Stigler and Becker solved the puzzle was to take into account in people’s choices the internal economies of “learning” that accompany the accumulation of “music” consumption capital. As a result the stock of individual music consumption capital becomes more efficient and decreases the shadow price of music consumption, providing an incentive for consuming still more music in the present.

Yet there are some activities, such as bad habits and negative addictions, for which past consumption depreciates the stock of consumption capital in the present either directly, through habituation and tolerance, and/or indirectly by causing ill health, job loss, and loss of self-esteem. For these types of activities the shadow prices increase with consumption, yet people continue to indulge in them. Why is that so? The rational model of choice Becker has developed over the years does not allow him really to answer the question, which requires an analysis of the motivation of choice, for the avoidance of which the original model with Stigler had been formulated. What the model says is simply that, given the inter-temporal utility profile of individuals and their discount rate, addictive consumption, despite its harmful effects having been anticipated and afterwards regretted, is still the best response an individual can give (Becker and Murphy, 1988, and Becker, 1996: 77-138). 16

Recent analyses and empirical investigations of decision mechanisms and in particular of problems of addiction have started to relax slightly the rationality assumption and to uncover inconsistencies of behaviour that appear to be systematic. Forms of behaviour associated with phenomena defined as endowment effects, loss aversion and, importantly, weakness of will and preference reversal can now be rationalized in a coherent interpretive structure that is slowly being admitted (or re-admitted) into economic analysis. Scitovsky’s approach is more in line with this enlarged type of analysis. For Scitovsky the internal diseconomies of habituation and tolerance that comfort goods impose on consumers are often undervalued because their distributed effects over time tend to render them unperceived and uncertain. 17 Yet, when these hidden non-monetary costs are revealed to consumers the pattern of past consumption cannot easily be undone. Once transformed into habits, the costs of exit from them have also become very high. The result is that a consumer may be trapped in a situation of over-investment in comfort goods and under-investment in welfare enhancing creative skills. 18

Scitovsky’s account of how this occurs is one that sees choices as a succession of piecemeal decisions, taken routinely and with a limited horizon. This account has affinities with a more recent explanation of habit formation known as “melioration”. According to the latter, in situations of distributed choices over time a person is unable to take into account all the “internalities”, the internal spillovers that past choices have on present ones and thus cannot calculate the overall utility function of the distribution of choices (Herrnstein and Prelec, 1992: 241). What a person in fact does is to compare alternatives on the basis of their average utility, each time choosing the more rewarding. The equilibrium result, which corresponds to the point at which the average utilities of activities match, is not in general an optimum (which would obtain only if the marginal utilities were taken into account) (ibid.: 251). In this model then, as in Scitovsky’s, people can find themselves in equilibrium, yet also, almost inadvertently, in a position that privileges just those activities that make them less happy. (Figure 3 in the Appendix shows how equilibrium here differs from the optimum and coincides with over-investments in less rewarding consumption activities; see on this point also Metcalfe 2001, and Schelling 1978: 220).

Recent developments in the literature on addiction have added another element to the story of distributed choices over time, one that also calls into question Becker’s model. Even if agents were fully capable of calculating all the interactions of past and present behaviour, choices that involve delayed rewards often tend to portray dynamic inconsistencies. The reason lies in the form of the discount function. In traditional models of expected utility the discount function is assumed to be exponential. This implies that individuals’ inter-temporal preferences are constant over time, and any given delayed reward, either one that delays from today to tomorrow or one that delays from next year to the day after, has the same discount rate. In fact, as Strotz noted in the 1950s, the
individual discount function seems to vary depending on the time distance of the reward. An individual who prefers a larger delayed reward over a smaller, earlier reward when the moment of choice is distant, will reverse his preference order when the moment of choice draws near. The reward looms larger as it comes closer. This suggests a hyperbolic, rather than an exponential discount function (see Strotz 1955-56 and Thaler 1981: 127). Applied to the case of the contrast between comfort and stimulus this means that an individual who has a hyperbolic discount function may well prefer the higher advantages associated with creative consumption but, confronted with the immediately cashable rewards of defensive consumption, might opt for this second less rewarding strategy. Again, individuals may fall into patterns of behaviour, that according to their own preferences are less that optimal.

Recent literature, in short, tends to support the existence of some internal conflict in choices. Because of this conflict the actual choices taken may not be the best choices. The reasons, we have discovered, are because, once entrapped in an inferior consumption technology, the capability (and the freedom) for people to reverse to a superior one are impaired. Now, in fact, not only the costs of access of the latter are high but also the costs of exit from the former have become high.

How these choice can be improved upon, and even what improvement means in this context, are questions that require us to analyse their underlying mechanisms, an analysis that, as we have seen, has only recently begun to gain a hearing among economists.

4. The culture of production vs the culture of consumption

There are two important factors in modern, western societies that for Scitovsky tend to reinforce these locked-in welfare-reducing choices and thus exacerbate the conflict between choices and preferences. The first is a cultural bias and has to do with the type of education consumers receive – here Scitovsky is referring chiefly to American consumers. Though access to education has long ceased to be restricted to an elite, its main focus is on providing the necessary professional training and specialised production skills rather than expanding the liberal arts education of the past (1972a: 39-40). Backed by a puritanical ethic that looks at consumption with suspicion (1972b: 40, 49), in society at large it is a culture of production that prevails. As a consequence the investment of time, effort and money devoted to the acquisition of consumption skills falls far short of what is devoted to acquiring production skills. Paradoxically, then, the unprecedented increase in productivity that this culture of production has generated does not translate into ways of discovering how to enjoy time and occupy creatively the energies thus freed.

Nor can production skills be used in consumption. Production skills are specialised skills, the more so the greater the learning involved in acquiring them. Consumption instead is an activity that simultaneously involves many different aspects of our lives. For this reason it requires, to be enjoyable, all-encompassing, general skills (JE: 268). The disquieting result for Scitovsky is that, as an effect of the division of knowledge, the more specialised production skills become the more costly it becomes to acquire general consumption skills, thus widening the gap between them (ibid.: 270).

The second factor has to do with the negative side effects of economies of scale and of mass production. The problem with mass-produced objects, Scitovsky urged, is not that they are of bad quality but that their monotonous sameness causes us to tire of them much more quickly (JE: 249). This absence of stimulus in standardised goods also explains why we often replace or accumulate them much faster than is necessary for purely functional purposes (ibid.: 257, see also Scitovsky 1985: 200-01). On the one hand, the stimulus associated with mass-produced new varieties fades much more quickly than the initial pleasure they yield would lead us to anticipate. As in the case of the “internalities” of past consumption, so too the externalities of the social context of consumption tend to be underestimated by consumers. In this case the diffusion of their numerous replicas increases the feelings of familiarity, of the already known, that conduce to habituation and to a rapid erosion of their original novelty. Moreover, since in mass-produced goods stimulus and comfort come in a single package over which individuals have no command (JE: 258,
the comfort one buys with novelty can be much greater than expected or than one was intending to pay for.

The consequences for individual wellbeing of Scitovsky’s approach are therefore clear. Because of their lower costs of access and higher costs of exit, comfort goods and comfort-seeking activities tend to crowd out stimulating activities, especially those more demanding in terms of time and human resources. Since however it is the latter activities that carry greater rewards in terms of individual wellbeing, the net effect on social welfare of this crowding out is negative. Society as a whole loses when people under-invest in more welfare-enhancing activities such as the creative ones. We compose a comfortable landscape for ourselves that may reduce rather than enhance the range of alternatives open to us.

5. Positional competition: Is consumerism so bad?

Another source of possible mismatch between individual choice and maximisation, and hence also between individual choice and social welfare, is what is called positional competition. This occurs when consumers compete for status and relative position in the social hierarchy (Frank 1985). The problem in this case is that individual competitive advantages are measured by the access to and possession of goods that are scarce or become scarce as an effect of competition. The end result is that, when the sources of positional supply have dried up, nobody is better off for having participated in the race; as at a football match when everybody stands up to see better the process is self-defeating.

Unlike the conflict between comfort and pleasure addressed by Scitovsky, this source of conflict is a much older topic in economic literature, starting with the mercantilist complaint of the luxurious spending of the rich that, when focused on rarer foreign goods, represented a threat to the balance of payments. It also plays an important role in recent debates on the relation between happiness and income, where consuming for relative advantage is seen as a welfare-reducing practice.

Scitovsky dealt with this topic in *JE*, but also discussed it extensively in a review of Fred Hirsch’s work, *The Social Limits to Growth*, published in 1976 (Scitovsky 1987 in 1995). Scitovsky began with a puzzle. If man’s basic needs for material comforts are satiable, what feeds the unlimited demand that is implicitly assumed in our models of growth? A possible answer is the existence of a second group of wants, already introduced by Marshall and his pupils, related to the social comforts of distinction and superiority. These are insatiable (ibid. 98). However there is an ambiguity in the concept of insatiable wants and insatiable demand, according to Scitovsky. Insatiable can mean both that demand is unlimited and that it is unfillable. Only when unlimited does the demand for status provide a stimulus to the economy; when unfillable, it does not. In Marshall’s time, when status competition was more restricted to an elite and also involved goods produced in the material and reproducible economy, a self-feeding and limitless demand for status might be reproachable on moral grounds, still it provided a positive stimulus to growth. Now, however, people compete not for the more but for the more exceptional and unique. As Hirsch argued, what makes a good positional is its scarcity value either in a physical sense – natural landscape, Old Masters, leisure land – or in a social sense, such as leadership in the jobs hierarchy (Hirsch 1976: 30). In this case positional supply is given and demand becomes, as Scitovsky noted, unfillable.

In brief, then, status competition, being a competition for relative position, is a competition with no final winner. The winner of today becomes the loser of tomorrow, when a new winner arrives. Additionally, when competition for status ends up nourishing a demand that is unfillable, its effects become even more vicious. As Hirsh had already pointed out, a demand that competes for goods or services that are inherently scarce has the sole effect of causing an increase in their price. This inflationary effect, Scitovsky added, is also accompanied by a deflationary effect on employment since the resources freed by technological progress cannot be re-employed in the material sector, where demand remains limited because of satiability (Scitovsky 1995: 99).
The remedies for easing this form of competition for Scitovsky comprise a reduction of income inequality, which would increase the demand in the material sector and reduce it in the positional sector, and a reduction in the length of the working week, which would relieve unemployment pressures by reducing the supply of labour (ibid.:105).²⁶

The argument just given for the ill effects of positional competition, however, whatever its formulation, is not convincing. Status competition is represented in terms of a contrast between the material, reproducible economy where the production of goods and services is open to technological innovation, and the positional economy where goods, services and work positions are scarce in some absolute or social sense (Hirsch 1976, 27). But why are these positional goods and activities scarce? All the examples provided, it is true, are examples of non-expandable supply, but this does not mean that positional competition, like any other form of competition, cannot find innovative ways to overcome scarcity. The history of collecting, where positional competition might be thought to be particularly active, offers innumerable examples of overcoming limited supply by discovering or re-discovering the as yet overlooked, and thus creating new sources of value. The same is true of urban change, as when for example, inner cities are rediscovered and revitalised and suburbs abandoned, often by less rich artistic or intellectual elites. Changes in fashion too are ways of coping with the progressive erosion of positional advantages that occur when fashions spread. In fact, competing for distinction is a stimulus to innovation in consumption, from the arts, where the crowding of one style provides the incentives to explore different ones,²⁷ to technological improvements that, starting with the imitation of the rare, bring about new discoveries.²⁸

The case of “crowding”, however, another form that positional competition can take in Hirsch’s analysis, is however different. Here people compete for natural resources that are indeed scarce: think of clean air, uncongested roads, a noise-free environment. But the congestion and loss of quality that results from the overuse of these resources is less due to status – the quest for something because it is scarce – and more to the fact that standards of living have risen even as populations have increased. This, and not status competition, is another instance of the “tragedy of the commons”, of that multi-person prisoner dilemma game where unconcerted individual actions lead to sub-optimal social outcomes (Schelling 1978, 225)

6. Boredom, habituation and happiness

Not all stimulating activities require complex skills and difficult learning in order to be enjoyed. In fact, many activities can be highly exciting while not requiring any skill. This is the case with some drugs, with certain forms of gambling, and with many dangerous activities, such as extreme sports, violence, vandalism, and hatred acted out (see Scitovsky 1981: 131-32).

In the last years of his life, one of Scitovsky’s main concerns was the problem of boredom. The lack of stimulating activities that relieve boredom was also at the basis of JE. Yet, as Scitovsky often remarked in an almost excessive self-reproach, JE was mostly focussed on the boredom of the idle rich, who have easy access, through income and schooling, to numerous sources of stimulating and peaceful activities (see Scitovsky 1996). The case of modern unemployed youth is different; the idle, but poor young person who has had little or no exposure to skilled stimulation, and has more leisure than he can make use of, easily opts for the appeal of free excitement, despite the pernicious individual and social consequences. This, for Scitovsky, accounts for the gratuitous acts of violence among youngsters in American society.

Two otherwise felicitous developments have worsened the problem (see Scitovsky 2000). One is the women’s liberation movement that, by easing women’s entry into the labour force, has also reduced their presence in the family. Parenting, one of the most important and long-lasting factors in education, has become less vigilant and more hurried especially in those critical child years between the age of three and five that require a loving and encouraging parent. The second development, compulsory and free schooling, has left uncovered - at least in The United States - the
pre-school years just at the time that most mothers’ parenting was cut short (see also, “Boredom, its causes and consequences”, Undated typescript, p. 9).

Scitovsky looked at European solutions to the problem (in Scandinavian countries, but also in France and Italy): public pre-schooling, extended paid maternity leaves, and the like. One of his recurrent policy recommendations, as in the case of positional competition, was the shortening of the work week, here as a means to facilitate parents’ availability to their children.

This topic is strictly connected with the problem of the relation between happiness and income growth. Scitovsky was among the first to review and comment on Easterlin’s studies of time series of self-reported wellbeing (see Easterlin 1974 and 1995). As systematic studies since then have confirmed, self-reported average happiness in each income cohort fails to rise with increases in income, while in the lower tail unhappiness actually increases. Collateral trends show crime, alcohol abuse, and depression all increasing, after a period between the two wars in which they were stable, this despite income growth (see Layard 2003, Lecture 2: 19). The pattern holds for country after country.

Among the causes that might explain this apparent paradox, there has been found one that is particularly relevant, namely habituation. As far as income levels are concerned, habituation has been proved to be very strong. As one of the several empirical studies on the subject shows, when respondents are asked what after-tax family income they would deem just sufficient for a liveable life, they reveal that the minimum acceptable income is strongly correlated with the level of actual income. A rise in actual income also causes an increase in acceptable minimum income (Van Praag and Frijters 1999: 422). As we have seen with Berlyne’s modified Wundt curve, what once made an enjoyable difference – at the moment of change – is taken for granted afterwards. (On this point see also Parducci’s concept of relative happiness, 1995).

Psychological studies on hedonic adaptation have also, and importantly, shown that some goods are more prone than others to habituation (see Frederick and Loewenstein, 1999: 311). People do not seem to get habituated to the persistent stress of commuting, to noise and pollution, or to loneliness. On the other hand, what facilitates habituation and alleviates the pain of “bads” and of undesirable events, such as the death of loved ones or ill health, is social support, as well framing the event with a meaning.

Drawing on these studies, Frank in a fashion not unlike Scitovsky’s discusses how spending on some goods – on larger houses, bigger cars or TV sets – does produce pleasure, which, however, is not enduring, because of habituation. A different sort of spending, instead – devoting more hours to friends, to exercise, to vacations, and fewer to commuting – produces more lasting pleasure (Frank 1999: 90). This illuminates the sense of frustration that seems to accompany our efforts to have access to higher consumption standards simply by spending more.

To apply this to the problem of boredom, habituation happens at every level of income, causing a constant upgrading in what is deemed to be an appropriate standard of living. Moreover, for the lower income cohorts this translates into an even greater conflict between aspirations to a good and eventful life and the increasingly complex necessary skills. The gap between reach and grasp widens, and a sense of access denied grows. This lack of alternatives and emptiness of stimuli is what transforms boredom into a social malady that for Scitovsky is as bad as starvation.

The studies just mentioned confirm the importance of consumption skills, and the emancipatory and civilising effects of education. They also confirm the importance of taking consumption seriously. Scholarship is moving then in directions Scitovsky would have desired, even if the study of the problem of boredom, of the effects that a lack of peaceful stimulating activities has on happiness, is still just in its early stages.

Conclusions: are there such things as bad preferences?

In traditional economic analysis and in the Hayekian tradition of spontaneous order, the market process, with its system of abstract signals such as prices, is the most efficient process for
diffusing dispersed knowledge and for correcting errors. Following Scitovsky, we have seen that there are some situations that not only might prevent people from knowing and realising what is best for them, but where the corrective role of the market is also suspended. There are three sorts of such situations: those requiring the formation of consumption skills, those involving choice among activities with differing delayed returns, and habituation, which may generate lock-in outcomes.

We learn from Scitovsky that two alternative options often compete with each other in consumer choice. The first, which he associated with comfort-seeking activities, has low costs of access in terms of knowledge and skills, but also decreasing returns because of habituation. The second, by contrast, and represented by those activities that Scitovsky called creative, may have increasing returns in terms of stimulation and enjoyment, but also high costs of entry because of the more complex consumption skills required. As a result of their cost advantage, and despite their long-term lower returns, the comfort activities may crowd out the creative. Additionally, the trade-off between the two cannot be easily undone, because comfort consumption may also have high costs of exit. They may be easy to learn but also difficult to abandon.

For Scitovsky the principle of consumer sovereignty, which he accepted, does not exempt the economist from asking whether preferences do or even can express themselves in choices, and whether the working of the economy provides the right channels for their expression. This insight brought him to ask about the nature and meaning of preferences and desires, and the role that time, experience and contextual factors play in the shaping of them and vice versa.

Starting with Scitovsky we also begin to grasp a little more about these rare objects of attention in economics.

Appendix

Figure 1. Wundt Curve

The inverted U shaped Wundt curve (solid curve) shows that the utility associated with a given experience can be increased in two ways: by increasing its novelty potential when this is felt to be too low (Scitovsky's stimulating activities), and by decreasing it when it is perceived as being too high or unsettling (Scitovsky's comfort activities). Since however for Berlyne utility depends not on the levels of stimulus but on its changes repeating the experience decreases its pleasure. The optimal position E is not dynamically stable, but shifts downwards with the repetition of the same experience.
In this figure the light curves on the left are higher than the original darker curve. They represent the potential increase in novelty and returns associated with repeated creative consumption. The lower curves on the right show instead the decrease in returns associated with the loss of novelty and habituation induced by repeated comfort activities.
Figure 3. Overinvestment in comfort goods

The horizontal axis measures the amount of resources invested in pleasurable creative activities. The red line P is the value function, measured in utility payoffs, associated with these activities. It increases as more resources are invested in creative activities. The black line C is the value function associated with comfort activities, decreasing from the right to the left as investment in comfort increases. Point E is the equilibrium allocation. The dotted curve represents the total utility function resulting from the combined P and C-utilities. Point E*, corresponding to maximum total utility, is the optimal choice. Equilibrium choice E thus corresponds to a too-low investment in creative activities.
Tibor Scitovsky died on June 1, 2002. Born in Budapest in 1910, he left Hungary for England in 1935. He studied in Cambridge and at the London School of Economics. He reached the United States in 1939. There he taught at Stanford, Berkeley, and Yale. He continued to work and be active till the end.

In the paper I will use the terms welfare, wellbeing, and happiness, interchangeably. In Scitovsky’s writings the term pleasure also often overlaps with the others. For an analysis of their differences, for their relation to utilitarianism, and for a rediscovery of the relational element of well-being, see Bruni 2002.

For an overview of the wide range of economic problems to which this approach can be applied, see Thaler 1991.

The rich man, says Hawtrey, who has spent much of his income in securing the minimum discomfort and the maximum of leisure may still be at a zero point as far as his positive pleasure is concerned, as when somebody has weeded a garden but has not yet begun to plant (Hawtrey 1926: 190).

While a faster car may make the time of commuting shorter, it is impossible to compress the listening time of, say, a symphony. The importance of consumption time, a factor that is rarely taken into consideration when creative products are at stake, was recognized by Scitovsky as early as 1959, in an article that discussed the productivity lags that afflict the arts (see Scitovsky and Scitovsky 1959 and also 1983). He anticipated Baumol and Bowen’s formulation of the cost disease phenomenon of the live arts (see Baumol and Bowen 1966, and, for an overview of the problem, Throsby 2001). These points are addressed in Bianchi 2003. See additionally Earl 2001 for a discussion of the consumption implications of enjoying an art product such as music.

In psychology too, a renewed interest in the determinants of wellbeing and in its underlying processes has reversed a pattern of substantial neglect that had long dominated in the discipline. As Kahneman stresses in the Preface to Kahneman et. al. (1999), in psychology, whether behavioural or cognitive, the topics of enjoyment and suffering have attracted much less attention and systematic research than other psychological functions such as memory and attention. No entries at all are to be found, he notes, in introductory textbooks for happiness or wellbeing (Kahneman et al.,1999: ix).

Recently some of Berlyne’s findings, in particular those referring to the dimension of pleasure represented by complexity, have been challenged (see Martindale et al., 1990; see also Kubovy,1999).

Additionally, of course, it inevitably transforms the consumer from being a passive maximizer into an active and explorative agent. On this point see Bianchi 1998b.

Repeatedly in JE Scitovsky discussed how the use of time is a strategic variable in consumers’ wellbeing. The traditions of feasts in poor countries, or the habit of spacing meals, are examples showing that intermittent complete satisfaction may be the best strategy when money constraints militate against full satiation of every need (JE: 67). Gossen (1983 [1854]) was the first economist to model the law of decreasing marginal utility and, significantly, he made it depend not on the quantity of the good consumed but on the time frequency of consumption. His innovative approach, however, though known to Walras, was nonetheless neglected. For an analysis of these points, and the disruptive effects that the recognition of time can have on traditional choice theory, see Georgescu-Roegen, 1983, Steedman, 2001, and Nistico’ 2003.

An analysis of the various ways in which novelty can be used strategically in consumption choices is in Bianchi 1998a and 1999.

Nor it should come as a surprise that marketing devices try to enhance the appeal of goods by emphasising and de-emphasising their relationships of complementarity or non-substitutability with other goods, thereby exploiting or challenging consumers’ familiarity with given goods (as discussed in Bianchi 2002).

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In an interesting article commenting on Scitovsky’s *JE*, Hirschman (1996: 540-1) describes the effect that participation in public life, and the company of others, has on wellbeing. In particular he discusses the civilizing effects of conviviality.

Benedikt (1996) in an article very appreciative of *JE*, nonetheless challenged Scitovsky by pointing out that striving to achieve maximum pleasure where novelty is at the “right” level is at the basis of all those engaging and self-fulfilling activities that are the most satisfying, that is to say, Scitovsky’s creative ones.

Csikszentmihalyi’s analysis of the experience of flow has the same potential for inducing controlled change in human activities (Csikszentmihalyi 1975). Flow activities are arbitrary patterns that people use to give shape to their experience. They are arbitrary because they are independent of needs. Because of this freedom flow is potentially the most creative and fulfilling kind of experience and allows people to experiment with new actions and challenges. Examples of flow activities are chess, climbing, dancing, sports.

Most of us know that one must be tired to enjoy resting, cold to appreciate a warm fire, and hungry in order really to enjoy a good meal.” (*JE*: 71). More, then, is not necessarily better. The more meals, rest, and warmth we are able to obtain, the less enjoyable they will be.


In another instance Scitovsky (1995 [1993]: 203) calls these goods demerit goods, and opposes them to merit goods that enjoy internal economies which may also be undervalued.

Scitovsky also thought that the externalities that income increases create have their qualitative differences. An income increase that is used solely to add to comforts not only generates satisfactions that depreciate more quickly, it also contributes many more socially negative effects such as pollution (*JE*: 144,209).

Conviviality (see footnote 12) is a perfect example of the complexity of consumption skills and of the fact that they are general, all encompassing skills. The pleasures of conviviality require an ability to prepare food, to savor it, to converse, to entertain, to create a pleasing environment, and so on.

This means, as Thaler (1991: 248) has noted, that the characteristics of goods cannot be stripped and traded separately. For a discussion of this point see Bianchi 2002: 8.

For Sen, restricting access to alternatives also restricts individual freedom, even if these alternatives are not actually used (see Sen’s 1996 comments on *JE*). On the contrary, through education and skills a person is enabled to extract more from what she has, and to make more informed choices.

A similar question is asked in a recent paper by Loasby, who suggests that in order to understand demand creation one has also to understand the human capacity to create, modify and apply patterns (Loasby 2001). Much of the discussion in Witt (2001) is relevant to this topic.

Many authors, Scitovsky included, describe this as a zero-sum game. In fact, this is not the case since at the end of the game everybody is worse off.

Scitovsky however also stressed the positive forms that status competition can take. In *JE*, unlike other literature, he argued that status seeking also includes all those activities that are often not considered as such. Helping others – altruism or love – or stimulating others, can be seen as forms of status seeking or, more generally, expressions of a desire to belong (*JE*, 115). Scitovsky also showed how competition for status should be analysed as an effect of that quest for novelty that spurs innovation (see Scitovsky 1985:201).

More interesting, though also more utopian, is Scitovsky’s idea that a shorter work week would also provide a positive effect on welfare by reducing the demand for social status. In a leisure-oriented society, with a lower opportunity cost of leisure and greater attention to the quality of consumption time, people would be more prone to appreciate excellence irrespective of whether it yields income.

A striking example is fifteenth-century Florence.

The examples in this second case are many, but think of Bakelite, an early plastic that tried to imitate more precious materials such as ivory and amber and was then applied in multiple new ways (from radio cases to jewellery to electricity plugs) only to become, in recent years, a rarity itself. Or think of Wedgwood pottery, whose initial success and wide diffusion was largely due to the imitation of old Etruscan paintings and vases, in the pursuit of which it greatly contributed to technological developments and discoveries in glazing and firing.
Commenting on Easterlin’s studies (see Easterlin 1974), Scitovsky listed four “un-measurable” measures of the quality of our lives (JE:33) as possible causes of the low observed correlation between individual happiness and the secular rise of income: status, work satisfaction, novelty and habituation (ibid.:139).


References


