Liberal Capitalism as a Collective Action Problem

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In their recent groundbreaking work, *The Spirit Level* Wilkinson and Pickett (2010) argue that advanced economies have now reached a threshold where economic growth is no longer an effective means of advancing the welfare of its citizens. Instead, for these nations, the key economic criterion for the generation of welfare is the distribution, not the production, of wealth (Wilkinson and Pickett, 2010: 5-10). Such views resonate with those of John Stuart Mill, who argued, contrary to the other liberal political economists, that human welfare would greatly benefit from reaching the end of economic growth. For Mill, it was only in this temporary stage of perpetual economic growth that "the energies of mankind should be kept in employment by the struggle for riches" (Mill, 1987: 748-9). In an economy without growth, the permanent maintenance of an equitable distribution of wealth would ensure that no one 'has any reason to fear being thrust back by the efforts of others to push themselves forward' and thus leave people scope to focus their attention and activity upon not merely instrumental activities (Mill, 1987: 748-9). This paper attempts to provide further support for these themes by delineating an alternative model of capitalism that illuminates how, without limits on inequalities, economic growth can lead to almost everyone in a given society being worse off.

The particular target of this paper is an economic system in which the primary mechanism for the distribution of goods and services, wealth and labour is through competitive markets – which may be described as 'liberal capitalism' for the purposes of this paper (Coates, 2000: 9-10; cf. Albert, 1993: 100-6). This system has been defended by economic liberals, from Adam Smith (1999: 32) to contemporary mainstream economics (Feldman and Serrano, 2006: 59), as leading to the common good of all. Utilizing the basic tools of mainstream economics – supply and demand of individual actors leading to equilibrium of markets for goods – together with the critical insights of Amartya Sen's capabilities theory, this paper will delineate a model that shows that relative differentials in wealth may leave the less advantaged absolutely worse in a variety of key dimensions (Sen, 1983: 159-62). It will be shown that contrary to the claim of welfare economics that exchange through competitive markets is Pareto optimal (Feldman and Serrano, 2006: 59; Hausman, 1992: 60), wealth–augmenting self–interested actions of others that lead to growth in inequalities have the tendency to undermine others' ability to acquire the basic goods that they need.

This paper will chart some of the fundamental dimensions in which individuals undermine each others' interests as consumers by their self-interested acquisition of wealth and commodities. Additionally, this paper will briefly explore how a likely and rational response to the possibility of being susceptible to being made worse off by others' relative increase in wealth, is for everyone to increase their income through making work sacrifices, and how this may lead in liberal capitalism to a cycle of competitive consumption and more intensive and longer work hours. Consequently, insofar as liberal capitalism does not protect individuals from the threats to welfare from changes in one's relative level of wealth, either through limiting inequalities or by decommodifying certain basic commodities (Albert, 1993: 100-6), it tends to leave all persons worse off. This paper pursues this task of sketching this interpretation of the dominant economic relations within contemporary liberal capitalism through exploring a series of particular vignettes on housing, oil, transport, and the social regard of commodities.

This paper proceeds in four stages. Firstly, it outlines an account of competitive consumption through *competition over exchange entitlement* and utilizes Sen's functionings framework to provide insight into the welfare implications of distributional situations that are similar to auctions. Secondly, utilizing Sen's insight that consumption is also a productive act in which individuals utilize their expertise in concert with the diverse characteristics of commodities and the public world to produce benefits for oneself, the paper illuminates another core process in which falling behind merely in one's relative level of wealth may leave one absolutely worse off, even when one is not competing over the actual acquisition of commodities. Thirdly, it explores how the increase in wealth of others may serve to undermine the subjective value ascribed to one's wealth and commodities. Lastly, it broaches the question of how liberal capitalism may be interpreted as a collective action problem in which the attempt of each to maintain and improve his or her relative level of wealth leads to all being worse off as producers without any corresponding benefit.

I. THE WELFARE IMPLICATIONS OF COMPETITIVE ACQUISITION OF LIMITED GOODS

Sen's conceptual framework for understanding the relation between wealth and quality of life is an interconnected set of relations between what we own (one's 'ownership relations'), 'exchange entitlement', and 'functionings', which are valuable beings and doings we achieve with our commodities. This framework helpfully illuminates this phenomenon in which individuals' ability to achieve their good with their private income is mediated through the overall condition of the economy and society. In a society with an advanced division of labour, what we initially own – i.e. our income and property – is not what we will finally consume; as such, in an advanced market system what is most important is not what we own, but what commodities and services we can convert what we own into. So the key for individuals in discerning what their economic resources can do for them is their 'exchange entitlement', defined as the set of all alternative bundles of commodities an individual can acquire in exchange for what he or she owns (Sen, 1981: 2). Consequently, as this framework makes clear, the economic purpose for which an individual acquires and holds his or her money, the exchange entitlement, can be systematically undermined or aided without any change in the person's ownership relations.

The distributional paradigm of the auction and competitive acquisition

A key assumption upon which Adam Smith based his argument that the market system would benefit all consumers was that consumption was cooperative, not competitive:

> The increase of demand, besides, though in the beginning it may sometimes raise the price of goods, never fails to lower it in the long run. It encourages production and thereby increases the competition of the producers who, in order to undersell one another, have recourse to new divisions of labour and new improvements of art which might never otherwise have been thought of (Smith, 1999: 337).

However, neo-classical economics predicts that, discounting rare exceptions, as the income of individuals rise, and correspondingly their effective demand for goods rise, the prices for inelastic goods will increase significantly. Consequently, the analytical framework of neo-classical economics is explicitly consistent with the account propounded here in which the increased demand of some can drive up the price for all, though little focus is made on this phenomenon, or its welfare implications, by mainstream economics.

Many goods whose supply is inelastic in the short-run can be made more elastic in the long-run; significant changes to the structure of production and supply chains of inputs can be effected, which allow firms to better increase supply of a good without significant price increases

(Stiglitz and Boadway, 1997: 86-91). In fact, the economies of scale due to the additional demand may in the long-run bring down the prices of many of these goods, as Smith indicates. In addition, the outsourcing of some of these processes to lower-wage areas and more dynamic factors that are not generally treated as endogenous by standard neoclassical theory, such as technological development and other innovations that rationalize the production process, reduce the long-run price elasticity of supply, thus making changes in demand translate into increases in quantity rather than increases in price.

However, certain types of commodities are generally highly resistant to these types of strategies that increase supply without heavy price increases. The actual theoretical framework of the supply and demand mechanism is completely consistent with the claim that individuals as consumers may undermine each other's ends. For these necessarily limited goods, in which the possibility of the expansion of supply is limited, the increased wealth of some individuals will drive up the price of these goods for all; therefore, in these cases it is a person's relative wealth rather than their absolute level of wealth that is the key determinant of whether they will acquire the good or not. Consequently, if the wealth of some rises while other large portions of the population's incomes are stagnant (which, it should be mentioned, is exactly the situation that has unfolded in the paradigmatic example of 'liberal capitalism', the United States, over the last thirty years (Lawrence *et al*., 2009: 146)), a relative fall in income will lead to an absolute fall in the quantity of these goods that can be acquired.

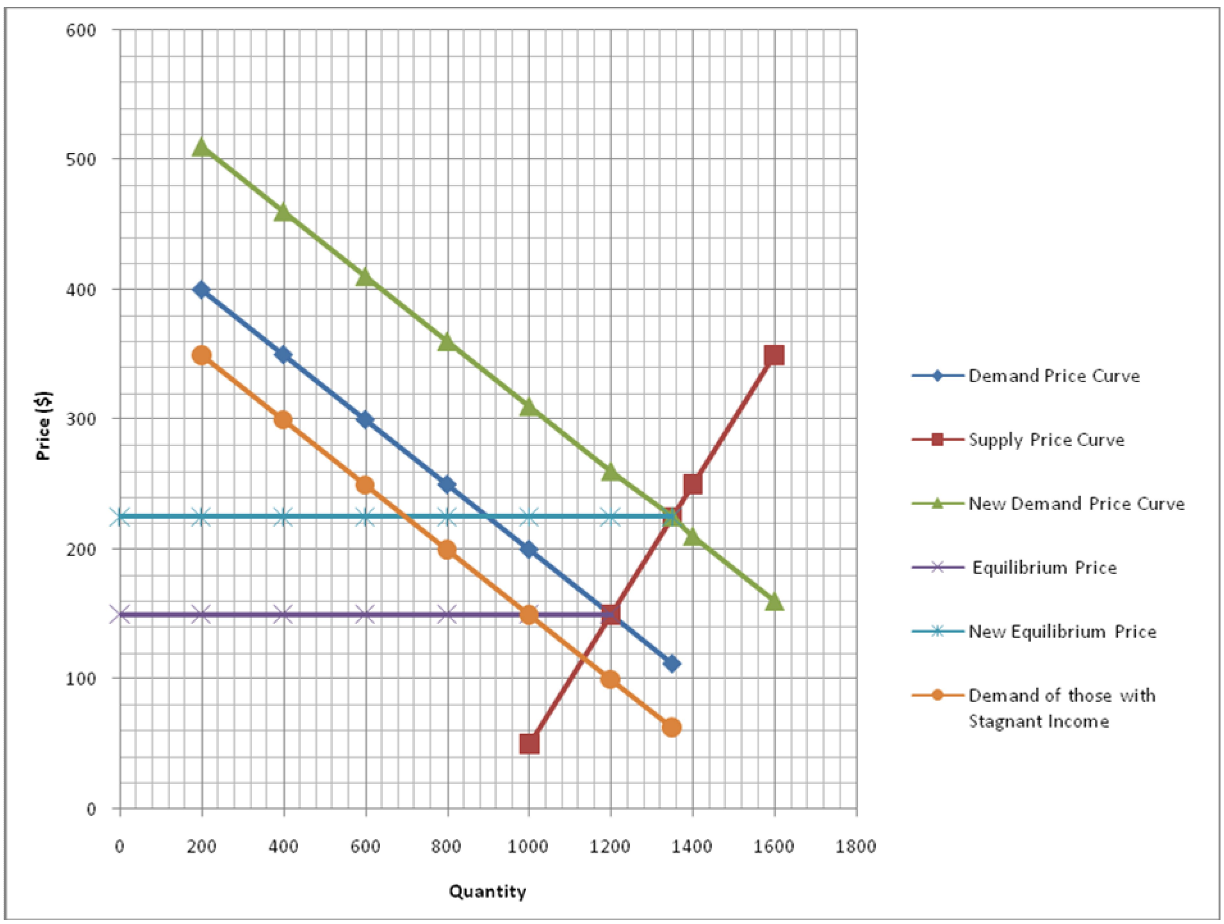

Figure 1

A simple supply and demand graph (Figure 1), illustrates the dominant causal factors involved in the exchange of inelastic goods when incomes rise, thus causing effective demand to rise. The increase in demand leads to a large increase in price, which, for those whose incomes are stagnant and who could not afford the extra costs of acquiring these goods, directly results in a reduction in the quantity they acquire of the good. In the hypothetical example provided in Figure 1, at the initial price, that is, prior to the increase of income by others, this group of individuals was able to acquire a quantity of 1000 of these commodities at the price of $150 per unit. Due to the increased demand of those with increased income, the price rises to $225 per unit, and the number of commodities these individuals acquire falls to 700. This 30% reduction in the amount of commodities the group can maintain an effective claim upon, results merely because of an increase in the wealth of others. In cases such as these where the demand for the good is inelastic, despite a reduction in the quantity of the commodity they are able to acquire, the total amount of money that those with stagnant incomes spend on the acquisition of these commodities will actually rise.

The paradigmatic case of this type of competitive acquisition is with respect to goods whose supply is limited to a fixed amount, that is, commodities whose supply is perfectly inelastic. In these types of cases the process of acquisition of these goods is similar to an auction, in which individuals must outbid each other to acquire a certain portion of the fixed goods. Here, the criteria for acquiring the good is wholly one's level of wealth *vis-à-vis* others' level(s) of wealth. While the possession of the means of production is a social power that can be used to dominate workers in the sphere of production, as in Marxist theory, in these cases one's level of wealth relative to others constitutes a power that can only achieve its consumption purposes to the extent that others are relatively weaker, and hence one can exclude them from the fixed quantity of goods. The mere ability to acquire consumer goods with one's wealth has been traditionally understood as solely an economic form of power that serves merely as a 'power to' rather than a 'power over' (Therborn, 1982). However, in these cases wealth can only serve as a 'power to' to the extent that it undermines others' power because of the inherent antagonism of interests embodied in the individualistic acquisition and use of these strictly limited goods.

Beyond the opacity of preferences: Sen's functionings

Contemporary neo-classical economics provides an account of consumption which states that in purchasing goods, individuals make decisions based upon their preferences. However, what their preferences are, or why they are as they are, is left completely unexplained. Lionel Robbins, in his classic treatise, *An Essay on the Nature and Significance of Economic Science*, clearly articulates this position stating "Why the human animal attaches particular values in this sense to particular things, is a question which we do not discuss. This is quite properly a question for psychologists" (Robbins, 1994: 93). Utility theory simply is a theory that does not speculate on the content of individuals' desires; it only states that there are certain logical relations of consistency between the desires or 'preferences' (i.e. time consistency and transitivity) of a given individual (Heap et al., 1992: 4-5). However, once the presumption that exchange through competitive markets is Pareto optimal because it enables all and only mutually beneficial exchanges (Hausman, 1992: 60), is rejected, then substantive and qualitative evaluations are needed of how the merely quantitative movements in prices, caused by the increased wealth of others, negatively affects the welfare of those who can acquire less goods now. Mainstream economics' agnosticism about individual ends and welfare renders the effects of these processes on people's wholly opaque, and hence is completely unsuitable to exploring the significance of these shifts in prices. However, Sen's account of consumption as a productive activity that generates certain core human beings and doings enables significantly greater insight into the welfare implications of these changes in the distribution of wealth and commodities.

These functionings are states of being and doing which are intrinsically valuable (as well as possibly instrumentally valuable to other human goods), such as being well-nourished, having adequate shelter, being mobile, being literate, having adequate health, being safe, being educated, and being able to take part in the life of community without shame (Sen, 1999: 8-14). Individuals achieve these functionings by the interaction between their actions and the *characteristics* of the commodities that they possess. Sen's account allows one to shift from the "fetishism" involved in an object-centred view (1983: 368), in which the mere possession of wealth or a commodity is directly good for the person, to an account that focuses particularly upon the fact that wealth and commodities are *tools.* For Sen, it is only from what these tools allow their user to achieve (using them) that he or she derives benefit from their possession. Though these basic functionings will not identify all the possible commodities that individuals will seek, or that will be fundamentally important to them, this framework will highlight certain key strategic commodities that are extremely important 'routes' or tools to achieving some of each individual's core functionings. To the extent that these goods that are subject to these processes of competitive acquisition are key means to certain core functionings, then this process of competition will be central rather than peripheral to one's ability to acquire the goods one needs.

The empirical scope of acquisition based on relative wealth

This section argues that there is significant evidence that the competitive acquisition in certain situations of housing, and certain natural resources, like food and oil, entails that individuals' relative level of wealth *vis-à-vis* others is a key element of their ability to acquire the commodities they need.

Housing

Given the structure of cities, which contain most of the high quality and high paying work in advanced economies, there is a limit to how many residences can be provided within a given area. When it is factored in that individuals tend to want to live in areas that are safe, close to the main working areas, and which have good schools, the limited nature of the quantity of areas that can serve as adequate residences is even clearer. Given this type of competitive acquisition and the limited quantity of residences available, this model of consumption predicts that increases in income of individuals tend to lead to significant increases in the price of homes beyond generalized increases in prices of other commodities. This model receives significant confirmation from developments in the UK and the US over the last couple of decades.

London presents a paradigmatic example of this scarcity of adequate residences that then leads to competitive bidding over housing. One representative example of this development is the change in house prices in the council of Camden in London. In the economic boom from the mid 1990s to the middle of 2008, there was strong economic growth in the UK, increasing at just under 3% per annum. This increase in GDP – GDP being equivalent to income within the nation – led to significant increases in house prices. Average house prices in Camden increased from £131,519 in 1996 to £529,309 in 2008, a quadrupling of prices in twelve years (UK House Registry, 2010a), while during this time generalized inflation only rose by 26% (as shown in Table 1), thereby suggesting that increases in house prices were at least in part the product of income increases, and that housing is an anomalous good insofar as this boom did not increase the general level of prices of commodities.

Annual Change in Camden House Prices (%)		UK Annual Change in Real GDP (%)		UK Annual Change in CPI (%)	
1996	2.6	1996	2.9	1996	2.5
1997	18.7	1997	3.3	1997	1.8
1998	15.2	1998	3.6	1998	1.6
1999	9.9	1999	3.5	1999	1.3
2000	27.3	2000	3.9	2000	0.8
2001	10.5	2001	2.5	2001	1.2
2002	13.7	2002	2.1	2002	1.3
2003	9.2	2003	2.8	2003	1.4
2004	2.1	2004	3	2004	1.3
2005	5.2	2005	2.2	2005	2.1
2006	6.5	2006	2.9	2006	2.3
2007	18.4	2007	2.6	2007	2.3
2008	16.2	2008	0.5	2008	3.6
2009	-14.2	2009	-4.9	2009	2.2

Source: UK House Registry Source: Office of National Statistics

Table 1

Although house prices in central London are often considered to be a special case because of the particularly high density of London and its high salaries, there was a rapid increase in house prices across the UK. Average house prices in England and Wales as a whole trebled between 1996 and 2008, rising from £59,960 to £183,626 (UK House Registry, 2010b). Consequently, for those who did not participate in the gains of the new economy and the new types of work that accompanied this economy, it was impossible for them to 'go on the same way' because of the cumulative effects of other individuals' actions. To theorize this social development though Sen's framework, these social developments have led to the fundamental undermining of the purpose of each individuals' wealth – its exchange entitlement – through others' self-regarding accumulative and acquisitive behaviour.

It is often noted that the amount of green space it protects and its high density levels make the UK an exceptional case. However, high growth in wealth in the US and rapid increases in house prices, alongside relatively stable levels of inflation, similarly support the model delineated here of increases in income as the increase in power to acquire these limited goods, leading to the significant bidding-up of prices for all. In this case the data on housing prices, shown in Figure 2, reaches back long enough to provide insight into how houses prices fell in both of the last two economic downturns, the most recent economic crisis and the economic slump from 1989-1991. In both of these cases, housing prices fell along with a fall in GDP. In the most recent economic cycle there was some reciprocal causation, as the rise in house prices as an asset ended up enabling further spending (Crouch, 2009); however, even if there were reciprocal effects in which increased housing prices partly spurred economic growth, the increased incomes of some due to this economic growth would still then, in turn, function as a means of increasing their ability to acquire these scarce goods by means of excluding others from this relatively limited stock of goods.

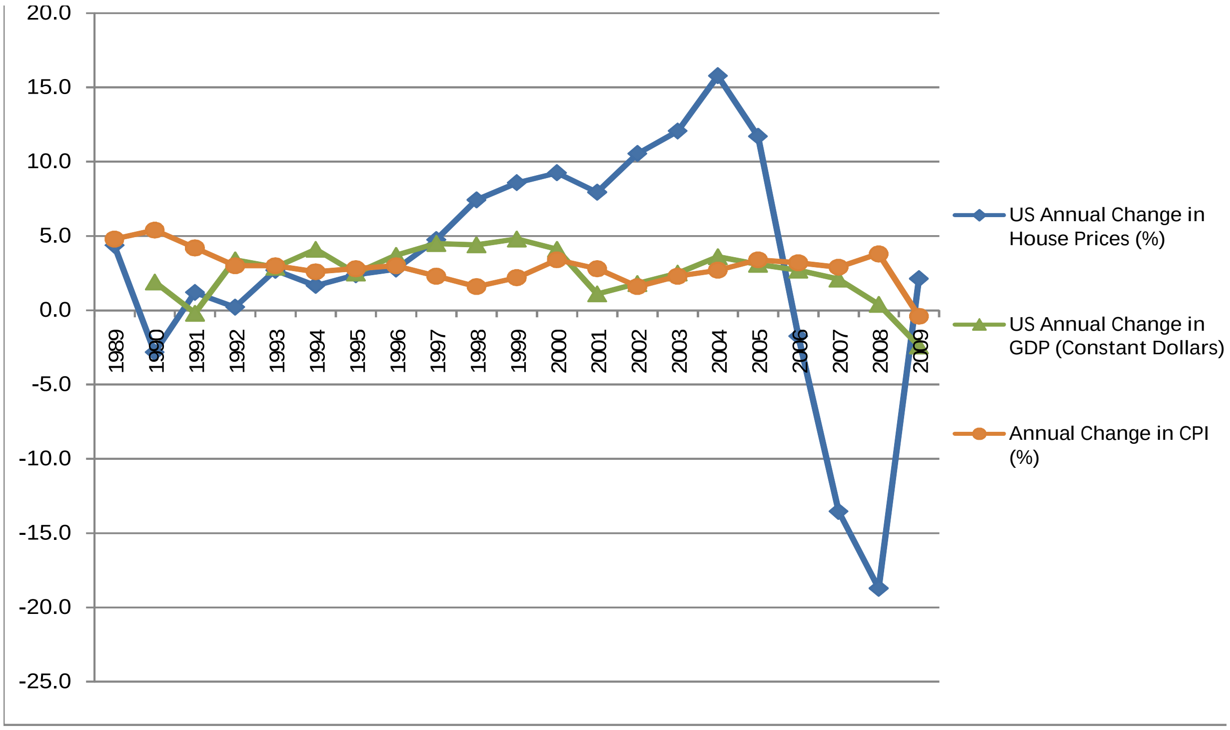

Figure 2

A similar skyrocketing of house prices in response to the recent world boom occurred in many countries in the OECD, and recently house price rises in major city centres in the booming Chinese economy, especially Beijing and Shanghai, have left those whose incomes that are not correspondingly increasing in a situation where it is extremely difficult to find housing they can afford (Mufson, 2010). While low interest rates have played a part in the recent increase in house prices, it should be noted that low borrowing costs did not cause a rapid rise in the value of most other consumer products, and likewise the UK, who suffered from this housing bubble almost as much as any country, held interest rates higher than many other countries so as to pursue their historic approach of maintaining a strong pound (Gamble, 2009: 27). Moreover, in the case of China, despite the rapid rise of housing prices, as of the end of 2009 the increase in housing prices had merely tracked average increases incomes and hence cannot be simply ascribed to irrational exuberance or speculation (World Bank, 2009: 14).

Growth in incomes alongside a de-regulated housing market have led to vast increases in house prices; this in turn caused those whose level of income and effective demand could not keep pace with the general social level to have their ability to claim the kinds of housing they need to be undermined. Since it is important to a variety of an individual's functionings to live within a certain proximity of one's work (Frank, 2007: 88), in areas that are safe and provide strong schooling (Frank, 2007: 66; Maddaus, 1990: 278-9), individuals consider it a major disadvantage to have housing that ends up exposing oneself and one's family to living in substandard areas that experience many of the social ills that are a concomitant of neo-liberal societies. Hence many individuals will make major sacrifices to avoid living in this these types of areas, particularly through spending more on housing, and taking on more debt (Warren and Tyagi, 2003: 28-36), and working longer and more intensively to acquire more wealth to enable them to do this.[1]

While it may be that some things can be done to increase the number of residences in areas that are close to high quality work and are in safe areas, it should be noted that many of these opportunities would require strong governmental coordination and regulation, which would transgress the limits on state action that are generally considered legitimate according to liberal capitalism. Moreover, even if it is the case that the limits to the expansion of supply do not entail a fully fixed limit of supply, it will be the case that, as the supply of a given scarce good increases beyond a certain point, the marginal costs of providing one more unit will grow higher and higher until the possible benefits cannot outweigh the costs. In the case of housing, it is possible to build more residences in a given area; however, there is a finite limit to how far this process can proceed and moreover, as levels of density increase and the elimination of green space grows, the marginal costs of one more residence will grow higher and higher until these costs can no longer be outweighed by the benefits.

Natural Resources

Certain natural resources fit this model of ever increasing marginal costs of production. This paper will focus only upon two: food and oil. In certain types of situations, over certain periods of time, food has been a good that is both scarce and inherently limited in the possibility of expanding supply due to increased demand. Amartya Sen, in his *Poverty and Famines* provides a powerful example of how the increased wealth of some can drive up the price of food for all, hence disrupting the ability of the rest to acquire an acceptable level of food. In particular he depicts how with respect to the Bengal famine in the middle of World War II:

> The 1943 famine can indeed be described as a 'boom famine' related to powerful inflationary pressures initiated by public expenditure expansion... [A]n important aspect of the famine was its association with *an uneven expansion in incomes and purchasing powers*. Those involved in military and civil defence works, in the army, in industries and commerce stimulated by war activities, and almost the entire normal population of Calcutta covered by distribution arrangements at subsidized prices *could exercise strong demand pressures on food, while others excluded from this expansion or protection simply had to take the consequences of the rise in food prices*. Agricultural labour did not in general share in the war-based expansion, except 'in certain areas . . .where military or civil defence works were in progress (Sen. 1981: 75, 77-8, emphases added).

In this case, individuals with increased wealth clearly wielded the power to acquire more of a limited quantity of food, hence disrupting for those with stagnant incomes the previous relationship between a given level of wealth and their acquisition of a given level of food. In fact, this phenomenon occurred despite the fact that there was an increase in supply: '[W]hile the famine killed millions, with agricultural labourers forming by far the largest group of those killed, Bengal was producing the largest rice crop in history in 1943' (Sen, 1981: 77-8).

The ability of increases in effective demand, driven by the increase in wealth of some, to crowd out the acquisition of food by others also recently resurfaced in many developing nations. Increases in global demand, and the inability of supply to respond in turn, lead to a doubling of commodity prices between 2006 and 2008 (Barkley, 2008), with the price of the basic staple in many countries, rice, rising 147% within a single year (Batson, 2008). These rapid increases in food prices, which significantly undermined the exchange entitlement of the urban poor, led to riots in more than thirty countries, thus suggesting that this is not a peripheral phenomenon for the less advantaged (Collier, 2008).

Oil is another example of a commodity whose total supply is fixed within certain bounds, such that increases in demand, and the anticipation of further increases in demand, drive prices up in a significant manner. The recent economic boom which ended in 2008 and the rise of China as a major oil consumer drove up the price of oil to unprecedented heights. Even though oil prices have fallen from their peak in 2008, they have rebounded strongly and are at historically high levels. The increased demand for oil from developing countries is not leading to a corresponding increase in the supply of oil, rather:

> Much of the world's 'easy' oil has already been extracted, or is in the hands of nationalist governments that will not allow foreigners to exploit it. That leaves firms to hunt for new reserves in ever more inhospitable and inaccessible places, such as the deep waters off Africa or the frozen oceans of the Arctic. Such fields take a long time and a lot of expensive technology to develop. Worse, new discoveries tend to be smaller than in the past and to run dry faster (Economist, 2009).

However, the increasing need to produce oil from these more expensive supplies, such as the oil sands in Alberta, off-shore drilling, and drilling in the Arctic, not only increases the private costs of production, but also increases significantly the marginal external costs of oil production through the environmental risks and damage caused by extracting oil from these areas. Consequently, the increases in the cost of oil due to the increased demand of others will end up being even greater than they have been once even a significant portion of the full cost of supplying the oil is included in the price that the consumer pays.

Commodities as Objects of Consumption and Objects of Investment

For both oil and housing, part of the driving force behind recent price increases have been due to certain individuals using these goods as objects of investment, rather than objects of consumption. The price of a commodity may be driven up not just because more individuals want the good for their own private use, but also because they want to use these commodities to generate further revenue flow. This phenomenon is consistent with the model of competitive acquisition delineated here. What fundamentally matters for an individual's ability to acquire these goods to satisfy his or her functionings is the ability of other individuals to increase their effective demand for the commodity, thus increasing the price and displacing other individuals' ability to acquire the good. This increase in effective demand may be realized through increases in wealth, as well as that which has been the case over the last fifteen years, namely much higher levels of borrowing – the latter being driven by a neo-liberal drive to de-regulate the financial sector. Increased borrowing to gain a level of effective demand so as to bid over a limited stock of goods may also approximate the structure of a collective action problem (Warren and Tyagi, 2003: 31-2). Each individual is forced to take on ever greater risk and debt just to protect oneself from being undermined by other individuals' ability to increase their effective demand through borrowing, which in turn threatens one's ability to maintain a stable claim over a certain non-relative level of housing. Consequently, irrespective of what is fuelling other individuals' increased effective demand, the key way for an individual to render his or her ability to acquire needed goods invulnerable to the increased effective demand of others is to increase his or her potential level of effective demand through increases in income.

II. THE SOCIAL CONTINGENCY OF THE EFFECTIVENESS OF ONE'S COMMODITIES

The previous section explored some of the key ways in which competition amongst consumers occurs so that the link between one's individual income and one's exchange entitlement (that is, possible commodity bundles) can be undermined by the increased wealth of others. This section explores the way in which the ability of an individual to convert a given set of commodities into functionings is fundamentally socially mediated, such that an individual's ability to convert a given set of commodities into his or her functionings can be systematically undermined by other individuals using improved sets of commodity bundles to achieve the same functionings.

As discussed above, commodities are, amongst other things, tools that individuals use to achieve their functionings. The characteristics of the commodities in themselves do not realize their benefit for their holders; only through a person's use of them can the characteristics of the goods contribute to someone's quality of life. One functioning that plays an essential role in individuals' pursuit of a good life is transportation. What is interesting about transportation is that while it is realized by the individual and is not conceptually social in the way that the enjoyment of social meanings is, it necessarily relies on the form of society for its achievement. That is, transportation is about an individual's ability to gain access to other individuals and the other places and services that other individuals create. Consequently, the way in which the social order is reproduced is essential to enabling individuals to achieve this functioning, and it is only through the structures that we cumulatively create that we collectively aid each other in achieving this end.

While the specific places that a person needs to access will be socially specific –as well as the purposes for which individuals need to access these places will specific to the person – it is possible to gain a general sense of individuals in different societies needing to achieve a certain level of ability to transport themselves from one place to another. All people need to be able to get to their place of work, see their friends and family, acquire some commodities for the home from outside of their residence, and to access public spaces and institutions when the need arises. Access to all of these different locations is contingent upon three major elements: an individual's physical capacities to use the commodities that a person holds; the public routes of transportation that have been constructed; and the location of the various places that a person needs to reach. As this model of transportation makes clear, individuals with their own commodities are extremely vulnerable to having their ability to achieve these functionings undermined by social processes over which the liberal individual with sovereignty over his or her own private goods can have no control.

There are significant costs involved in the provision of publicly provided means of transportation, which include roads, sidewalks, and public transportation such as buses and trains. Areas below a certain density of residence, or in which public transportation is rarely used, cannot sustainably support a well-provisioned public transportation system. Girardet states in his book, *Cities, People, Planet,* that researchers 'found that 17 dwellings per hectare support a fairly frequent bus service, 22 support a light railway network and 37 support an express bus service that people can reach from their homes on foot', (Girardet, in Dennis and Urry, 2009: 112). Likewise there are significant costs involved in providing the different locations, such as shops, that individuals will need to access. Substantial economies of scale can often be gained if many of these locations do not need to be as widely distributed, but rather can be located in a few areas and still offer service to as many individuals as if they were widely distributed. Moreover, as the general ability of individuals to traverse ever greater distances grows, there is a tendency for social networks to grow in spatial distribution, thus leading to the need to cross greater distances to access one's friends and family (Dennis and Urry, 2009: 41-2).

Though it is difficult to speculate what the future product of ever greater levels of wealth will be, it is clear that the above considerations identify definite trends that arise when societies shift from being based on non-motorized personal transportation to a society in which most individuals have personal cars. The growth in the acquisition and utilization of cars by isolated individuals, once this number reaches a critical mass, comes to shift the provision of locations that individuals need to reach and often undermines public transportation. The unintended consequences of these individual actions, along with the public action that responds to these current and future needs by building roads, leads to the development of a 'car system' in which all individuals, including those who do not have automobiles, exist within a social structure in which automobiles are necessary to function (Freund and Martin, 1993; SceneSusTech, 1998). John Urry and Mimi Sheller, using the term 'automobility' to describe the transportation system that has developed which includes cars, transportations systems, and the way these cars are used, declare that 'Automobility dominates how both car-users *and* non-car-users organize their lives through time-space' (Sheller and Urry, 2000: 745). The bottom line is that even if one does not have access to a vehicle, all individuals face this externally car produced world and can do nothing as a single individual to make the social structure of this world more attuned to their needs.

Kingsley Dennis and John Urry delineate some of the main systemic social changes that have arisen out of the cumulative effects of individuals' shift to cars – along with the willingness of public actors to develop roadways – to facilitate the ability of individuals to access various areas:

> [T]he car's flexibility also creates distance and coerces patterns of life. The car separates home, work, business and places of leisure that historically were close together. The car system divides workplaces from homes, producing lengthy commutes into and across the city and stimulating the growth of suburbs. The system splits homes and business districts, undermining local retail outlets to which one might walk or cycle, eroding town centers, non-car pathways and public spaces. It divides homes and leisure sites often only available by motorized travel. Members of families can more easily live apart and out of town, knowing that the car can connect such 'distant places' and re-thread family ties. (Dennis and Urry, 2009: 41-2)

Given the shifting public structure, to be able to access the different areas that an individual needs, one must now improve the characteristics of one's commodity bundle simply to be able to 'go on the same way'.

However, not only has the spatial location of different work, business districts, and leisure activities spread out based on the capabilities of individuals to traverse spaces with automobiles, but also the social needs of individuals have shifted, as the car, by the spatial expansion of social networks, undermines the previously spatially-based, dense social networks that revolved around local communities and areas. Consequently, for individuals to continue to satisfy their need for social networks and public spaces they need to improve the tools they use to achieve their functionings. Richard Rogers declares:

> [I]t is the car which has played the critical role in undermining the cohesive social structure of the city...they have eroded the quality of public spaces and have encouraged suburban sprawl...[T]he car has made viable the whole concept of dividing everyday activities into compartments, segregating offices, shops, and homes (Rogers, in Dennis and Urry, 2009: 42).

To conclude, the growing acquisition and utilization of more advanced forms of transportation, due to increased levels of wealth by some, threatens to systematically disrupt the ability of other individuals to achieve their functioning of transportation with their previous commodities. These developments exhibit a coercive force upon all individuals, pushing them to attempt to increase their wealth so as to keep pace with the evolving structure of tools that are needed to successfully navigate the social structure of needs and capacity for mobility (Urry, 2004). Consequently, the socially mediated nature of the relationship between individuals' commodities and the achievement of their individual functionings suggests that, once commodities are socially situated within an individual's life, the accumulation of wealth by society without regard for how it contributes to the good of all, can set each individual's interests against those of all others.

III. THE SOCIAL CONTINGENCY OF THE MEANINGS OF ONE'S GOODS

The first two types of competitive consumption outlined in this paper are not based on anything that can be construed as 'envy' or 'emulation', or even the subjective regard of others, but rather are based in the world on how the actions of others can undermine the exchange value of one's income or the use value of one's commodities. The third type of way in which individuals' consumption is socially mediated, and hence susceptible to their purposes being undermined by others' self-regarding actions, is with direct respect to the subjective perception of others of the commodities that individuals own and use. Clearly, given the fact that we are social beings, how our commodities cause others to regard us is an essential element in the purposes for which we own and use goods, even if it is rarely, if ever, the sole reason for acquiring a good. As generalized levels of wealth rise in society, the unintended consequences of this growth in wealth tends to shift the expectations that society will have regarding consumption patterns, thus changing the social norms revolving around ownership of commodities.

Thorstein Veblen is the most well-known theorist regarding the question of how certain types of goods can act as 'positional goods', such that it is their value relative to others' possessions that determines their absolute value to the owner in terms of social prestige. Veblen conceived of this phenomenon as a competition of 'conspicuous consumption' in which the wealthy tried to outdo each other, which in turn led to lower members of society attempting to ape the higher classes (Veblen, 1994). While this is certainly one type of competitive consumption, Veblen's approach emphasizes the agency of those who strive for primacy, rather than focusing upon the social structures that the escalation of wealth creates, and how those who cannot increase their wealth levels suffer genuine damage to their ability to be a fully functioning member of society. The individuals who seek to avoid being left behind must engage in 'defensive consumption' in which they consume certain goods so as "to defend against the consequences of the consumption practices of others", in order to continue to successfully strive for basic respectability in society (de Vries, 2008: 22).

Sen identifies the ability to participate in society and to appear in public without shame as a functioning the achieving of which is an essential element of living a good life (Sen, 1993: 36). An important segment from Smith's *Wealth of Nations* also establishes well the basic need to be able to continue to achieve what are historically evolving norms of consumption:

> By necessaries I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without. A linen shirt, for example, is, strictly speaking, not a necessary of life. The Greeks and Romans lived, I suppose, very comfortably though they had no linen. But in the present times, through the greater part of Europe, a creditable day-labourer would be ashamed to appear in public without a linen shirt, the want of which would be supposed to denote that disgraceful degree of poverty which, it is presumed, nobody can well fall into without extreme bad conduct. Custom, in the same manner, has rendered leather shoes a necessary of life in England. The poorest creditable person of either sex would be ashamed to appear in public without them....In France they are necessaries neither to men nor to women, the lowest rank of both sexes appearing there publicly, without any discredit, sometimes in wooden shoes, and sometimes barefooted (Smith, 1999: 465).

We see here that Smith acknowledged that the social meanings of certain commodities are a fundamental part of the purpose for which they are acquired and that differing societies with differing levels of wealth, in this case France being much poorer than England, exhibit different social standards of consumption.

This relation between increasing economic wealth and shifting social expectations is a complex one, and it is not necessarily the case that in every single instance social expectations will evolve along with changes in wealth.[2] The claim being made here is that these significant changes in social wealth are a powerful causal force that tends to lead to the re-evaluation of social norms regarding the possession of certain commodities and that it will only be in certain, unusual conditions where there will be factors present that constitute a powerful enough countervailing force to undermine the realization of this tendency. [3]

However, in other cases the dominant tendency for increases in wealth to restructure norms regarding commodities may actually be further supplemented and exacerbated by developments in social and cultural life, or even by the power of certain individuals who are in a position to gain from these competitive processes. Over the last thirty years there has not only the re-emergence of liberal capitalism as a political economic practice that has been associated with the rise in inequalities (Krugman, 2002), but also the emergence of neoliberalism as a social ethic of entrepreneurialism and self-responsibility that as a social ideology has led to a hardening of attitudes towards those who have not successfully moved up in the economic sphere. This development has further deepened the stigma attached to the possession of commodities that depict oneself as less wealthy relative to others. Contemporary social theorist Angela McRobbie's reflections upon recent neo-liberal individualization are instructive:

> Female individualization...is a process bringing into being new social divisions through the denigration of poor and disadvantaged women by means of symbolic violence. What emerges is a new regime of more sharply polarised working-class and lower middle-class positions, epitomised through shabby failure or glamorous success. The pre-welfare rough and respectable divide is re-invented for the twenty-first century (McRobbie, 2009: 133).

Consequently, as is the case for the two central cases of competitive consumption mentioned above, the evolving structure of social norms of consumption exert a coercive influence upon individuals to maintain their level of wealth *vis-à-vis* others so as to be able to maintain an effective claim over their key basic functionings.

IV. CONCLUDING REMARKS: SACRIFICING LIFE AS PRODUCERS TO MAINTAIN SELVES AS CONSUMERS

This paper, without attempting to chart the full scope of these processes, has attempted to establish the significance of both the scope and the depth of the ways in which the purpose of one's wealth and commodities may be undermined by relative declines in one's income. It has sought to establish three types of significant processes relating to: the acquisition of commodities; the objective functions of one's commodities; and the social regard of one's commodities, whereby increased relative wealth of others *vis-à-vis* one's own level of wealth leaves a person absolutely worse off. The cumulative effect of these three processes entail that if the rate at which a person's income increases happens to fall significantly below the general, social levels of increase then this can fundamentally threaten that person's ability to continue to satisfy many of their most valued functionings: safety, nutrition, good education, health, transportation, and the ability to participate in society without shame. These are key conditions of a good life; without one's own personal projects and deep attachments they are not sufficient for a good life (Williams, 1973: 113-16), but without these basic functionings an individual's life will suffer in fundamental ways. Moreover, lack in one or more of these dimensions are key elements of poverty and deprivation (Sen, 1992: 9, 42-46) – hence, insofar as economic growth in liberal capitalism maintains or increases inequalities, it actually tends to exacerbate, rather than reduce, poverty in a variety of key dimensions.

Economic growth in liberal capitalism, in which state intervention to minimize relative inequalities or to decommodify certain 'means' to core functionings is absent, tends to not only exacerbate the condition of the worse off, but also tends to leave almost all worse off. Each person's core functionings and entire 'form of life' is susceptible to being undermined due to a relative fall in income, and, given this social vulnerability, each person will have a strong interest to increase their income so as to attempt at the very least to maintain their relative level of wealth *vis-à-vis* others. However, what may be rational for each is collectively defeating. Each person making greater sacrifices by working longer hours (de Vries, 2008: 256-7), working more intensively (Green, 2006: xv), and by increasingly orienting one's life and energies towards 'the struggle for riches', so as to protect and advance the satisfaction their core functionings is collectively self-defeating insofar as this end depends in key ways on one's *relative* rather than absolute level of wealth. Consequently, insofar as the costs of 'falling behind' are quite significant and there is general uncertainty about how much wealth and what types of commodities individuals believe will be necessary to reproduce their form of life, liberal capitalism tends to lead to a collective action problem in which all make greater and greater sacrifices as producers of wealth, merely to continue to maintain a reliable claim over the commodities and wealth that they may need to continue to achieve their same core functionings.

It should be noted that this model of liberal capitalism is not meant to imply that every single ounce of wealth produced is driven by this process of competitive consumption, nor that individuals have no agency and must merely accept the highest paying employment no matter what the conditions. Rather, the point is that this structure creates enormous penalties for those who are either not willing or not able to pursue a qualitative pattern of work and life that is susceptible to ever further maximization and increase of output. Ultimately, insofar as the model presented in this paper accurately identifies some of the key economic relations in contemporary liberal capitalism, it suggests that the "policy paradigm" (Hall, 1993) that utilizes liberal capitalist to generate economic growth may not only exacerbate the condition of the least advantaged, but also leave society as a whole worse off.

Notes

[1] For an exploration of the dual trends of rising social wealth and falling quality of work in the UK, in particular increasing work intensification and falling job discretion, see Green (2006).

[2] According to McKendrick (1982), it was during the Eighteenth century in England that for the first time, stable hierarchies of dress started to shift and adopting to constantly changing and uprading fashion became a central means of attaining respectability.

[3] This account of scientific knowledge in which knowledge can be embodied in the identification of key tendencies and causal factors rather than the identification of laws as invariant associations between events is defended for the study of the economy by J.S. Mill (1836/1994) and for scientific study more generally in Bhaskar (2008).

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