

# Christmas consumption: What would the great economic philosophers think?

December 23 2023, by Davina Bird and Jane Charlesworth

---



Credit: Unsplash/CC0 Public Domain

Even during a cost of living crisis, with interest rates and inflation high, the average spending per person for Christmas 2023 in the U.K. is expected to reach [as much as £974](#). Retailers, advertisers and a sense of

tradition continue to encourage us towards ever greater levels of consumption.

Of course, excessive seasonal consumerism has long been a subject of concern. But what if this appetite for treating ourselves and our loved ones actually makes people feel happier during the coldest and darkest time of the year?

Here's what some of the great economists of history might have made of the modern Christmas rush...

## Needs or wants

The frenzy of shopping for gifts, food and decorations would likely have attracted disdain from the Scottish economist and philosopher [Adam Smith](#) (1723–1790). He would no doubt have considered some of the things that we persuade ourselves we need to be excessive, "[frivolous and useless.](#)"

Smith had little time for consumption which served no real physical needs—like the need for water or warmth. At the heart of consumption theory in economics is the [concept of "utility"](#), which is variously interpreted as "usefulness" or something that contributes to happiness, satisfaction or well-being. For Smith, utility was derived from satisfying genuine needs.

In consuming far beyond that level, the satisfaction we tend to seek at Christmas may be more in line with the view of the English philosopher, John Stuart Mill (1806–1873). He adopted a more [hedonistic concept of utility](#) following that of [his godfather Jeremy Bentham](#) (1748–1832). Their take was that utility also comes from the pleasure we experience from consumption.

But had they discussed the issue with Smith, Mill and Bentham would probably have agreed that utility derived from pleasure increases in importance only when the fundamental needs of most people have been met. And that means that the greater levels of utility may only be experienced by the wealthy, who have the means to get what they want.

## **Diminishing returns**

The American economist—and critic of capitalism—[Thorstein Veblen](#) (1857–1929) was concerned with a different kind of utility which is a familiar facet of modern Christmases—"[conspicuous consumption](#)." The [big trees](#), the lavish decorations and the expensive gifts can all be part of a utility designed to impress others—a display of high status.

Consuming to excess—and providing the same opportunity for your guests—would be [seen by Veblen](#) as evidence of the host's generosity and wealth. But this needn't be restricted to invited guests. Eye-catching Christmas lights are also enjoyed by passers-by, making it a seasonal show of prosperity for the whole neighborhood to enjoy.

And then there's the Christmas meal itself, which illustrates another view of utility which may sound familiar.

For as you eat and drink (perhaps more than you might normally) you may well experience the idea of "[diminishing marginal utility](#)." Put simply, this is the theory that each additional unit of something you consume adds less and less to your overall satisfaction.

At the Christmas table for example, the pleasure of that first delicious mouthful of turkey (or nut roast) is not quite repeated with the second mouthful, or the third, or the 20th. As you become more full, and your taste buds less tantalized, so the pleasure from each subsequent serving declines.

This idea of diminishing marginal utility from consumption did not become [part of mainstream economics](#) until the 1870s, when it was (re)discovered by the likes of Carl Menger (1841–1921) and Léon Walras (1834–1910). But now it affects everything from retail pricing (buy one get the second half price, because the second one is less valuable) to how governments decide on rates of income tax (higher rates cause less harm to the wealthy).

While Bentham and many other economists struggled (and still do) with the difficulty in comparing the value of utility between types and individuals, there is little argument over the usefulness of comparing marginal utilities.

## **No regrets**

So how should we aim to maximize our utility—or satisfaction or well-being—at Christmas? Should we redistribute some of our wealth to charity to meet the needs of those who have less?

Should we give lots of gifts? Should we eat like hedonists or invest in decorations and feasts to impress others?

The German economist [Hermann Gossen](#) (1810–1858) might suggest that to maximize utility, we need to diversify, and do all of these things. But he suggests that each activity lasts only until we receive a certain amount of satisfaction.

For example, we only eat slices of turkey to the point that the last mouthful provides the same degree of pleasure as the last cracker pulled or present opened. Once there is little pleasure to be had from eating another sprout, it's time to move on to something different—like dessert.

That may be one way of avoiding overconsumption. If we try to keep in

mind how much pleasure is genuinely gained from that extra glass of sherry or yet another game of charades, we have a good chance of stopping before we regret continuing.

And regret, so vividly conjured up by the Ghost of Christmas Past in Charles Dickens' A Christmas Carol, is something to be avoided. Our "spirits of economists past" would probably all agree on that.

This article is republished from [The Conversation](#) under a Creative Commons license. Read the [original article](#).

Provided by The Conversation

Citation: Christmas consumption: What would the great economic philosophers think? (2023, December 23) retrieved 29 April 2024 from <https://phys.org/news/2023-12-christmas-consumption-great-economic-philosophers.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.