

REFLECTIONS ON CONSUMERISM

TALK

ANN-SOFIE BACK, YVES BEHAR,
ANTONIO BERTONE, TIM BROWN,
TOM DIXON, ED GILLESPIE,
SAM HECHT, JOHAN RENCK,
DEYAN SUDJIC AND FRANK TRENTMANN.
MODERATED BY MATHILDA THAM.



CONSUMPTION
IN THE
FUTURE

Talk is a series of conversations on issues that concern us as capitalists and citizens. Talk is not a periodical; it will be published if and when we feel there is a need to try to shed some light on a particular phenomenon or development that has implications for business and society at large.



Daniel Sachs CEO Proventus

As Liza Minnelli sang in *Cabaret* “Money makes the world go round...”. In truth however, in many ways it is consumption that makes the world go round. Or at least that has been the case in past decades. As western societies have become less involved in production, our economies have increasingly become service- and consumption-driven. In 2007, consumption was 72 per cent of the US economy; the highest level ever, even though real wages had stagnated over the past few decades. How could this be? The answer was asset inflation and household debt.

In past decades, we have replaced wage inflation with asset inflation and the ability to borrow and consume. We have been able to keep the wheels turning thanks to the rising values of our houses and financial assets, the never-ending innovativeness of financial institutions enabling increasing leverage and steadily lowered interest rates and costs for risky assets.

What we have created since 1980 is really a bubble – a consumption bubble. Consumption is what has driven growth in the world economy and it has also become increasingly important as a social factor and a source of identity. I shop, therefore I am. A hundred years ago, we lived in producer societies, now we live in consumer societies. For most of us, all our needs were fulfilled years ago: we are instead

driven by our wants to strive for ever-rising material standards.

And now the consumption bubble is deflating. We can no longer afford to consume at the rate we have in the past. This economic reality also coexists with increasing ideological questioning of consumption and consumerism. We need to find other values on which we can build our identities. Our lifestyle is depleting the natural resources of the earth. Our attitudes towards consumption are changing, and with them some of the foundations of western society. For better or worse.

We live in times of severe structural crisis. This moment offers both the threat of destructive conservatism and, at the same time, an opportunity for radical change. Fear may lead us to regress into the false safety of what was before, that which is most familiar and close to us; or it may lead us to take the opportunity that turbulence offers to fundamentally rethink our models and systems and embrace difference and alternative thinking.

So, we started a dialogue with designers, architects and theorists about consumption. Like many conversations these days, it started as a physical meeting, but then began to live its own life in the virtual world. We invited new people and in turn their friends who joined in a conversation that went from an initial mapping of consumption through the participants’ varying perspectives, through generating scenarios for future consumption, and finally drawing up advice for brands and designers facing the future of consumption. This Talk is a snapshot of our conversation on consumption, the way it looked in April of 2009.

INTERVIEW WITH SAM HECHT, INDUSTRIAL DESIGNER,
INDUSTRIAL FACILITY, FEBRUARY 2009



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hat will the current financial restructuring mean for design companies in particular?

SAM HECHT: It is hard to have a single view. It does tend to boil down to whether people start buying again, consuming again. That is when design flourishes. Design tends to be dependent on consumption being at the level needed to keep industries buoyant. Designers don't disappear, they still exist, they are people with desires and aspirations. They will simply find other methods of making a living, and to feel that they are contributing to themselves and to society, and you can even feel positive about what might develop. Evidently you will see a lot of them becoming far more pluralistic because they have to, rather than following the kind of vocational, skill-based method that designers have been adhering to for so long.

That is healthy, it is a good thing. We can look at it positively. But whether it brings any fundamental change, in the perception

of whether capitalism has been working or whether it is feasible to keep that engine running at the pace that we want it to run, I think that is the difficult one.

I would imagine that the emerging economies, in the Far East in particular and Eastern Europe are still at the beginning of the journey, enjoying goods and services. So I would imagine that they will feel, "the developed world has enjoyed it, why can't we?" I think that in those countries the appetite will still be there and they just need the money to be able to do it. The difference in the developed world is "if we get the money, do we still want to do it?" It will be interesting to see what really comes out from it.

MATHILDA THAM: How do you see the relationship between emergent markets, such as China, India, and the West evolving?

SH: I think it is a double-edged sword. We need them to produce the goods. They need

us to consume the goods. The tricky thing though, particularly in China, when it starts on this journey and it starts to develop itself, is that they themselves will become quite sophisticated consumers at one point, so their market will become potentially more important than our market. You can already see that in Japan. They are already looking more to Asia than to the United States. They are looking at involvement in China rather than with the USA.

I suppose the other issue is from a designer's point of view. Designers are inherently quite middle class. I am sure Tom Dixon will have a different opinion about it – but if you look at the masses, the people who consume products that have any element of design of reasonable level, they tend to be middle class, not working class. I don't like to bring in the class system, but it is tied to your financial ability. The problem is that at the beginning of the production journey, it was the working class who really suffered because their jobs evaporated. Look at the UK, factories were closed, skills were lost and we had to move on. Production was transferred to Far Eastern countries. Now what is interesting, and potentially quite delicate, is that as a consequence of this financial crisis, the middle class will start to suffer because their jobs are not so much skills-based as based on a combination of skills and intellect, where education rather than training is required to be able to do the job. As China continues to develop itself, the UK is in danger of becoming a low level country because what do you do if the design industry starts to be incorporated within the production job in China, then what will happen to the middle class workers, white collar workers? No one really has the answer to that, it is a tricky one.

MT: Can you see anything positive coming out of the financial situation?

SH: Design is by its very nature an unknown quantity. It is totally unpredictable, the context of design. No one knows what to expect and we

thrive from creative surprise and ingenuity and the unknown and it is very exciting. Generally the West has done very well in allowing a free creative spirit to thrive. With the Far East, because it was an unknown quantity, it was a very delicate, difficult subject. But the better the universities, the more professional the job became. That has changed Japan fundamentally I think. The design industry there has become a world leader.

So I think that the positive consequence of it is that because no one knows whether they will have a job, whether they will be able to feed their family, creativity actually thrives, when people have nothing to lose. What is interesting about fashion is that it has no value whatsoever and yet it has the highest value. It thrives on creativity. You can buy a sweater for a few pounds and be warm enough, and you can get another sweater that costs far more and it doesn't feel at all strange because ultimately it has its own reasoning behind it. It is fashionable, it is creative, it is exciting, it is new. And these ephemeral activities, like music and fashion in particular, they have a tendency, I feel, to lead us out of difficulty.

I think it all goes back to the economist Adam Smith, who reversed certain reasoning. What Adam Smith did was he noticed that everyone put a value on things that were solid, that couldn't move, like a building, those kinds of things that would last for eternity. The things that were ephemeral, furniture or fashion, those things which were essentially perishable, had no value. What he noticed was that if you switched that around you could actually give the most perishable things the most value. That is what creates this kind of creative economy. It created a form of very successful capitalism.

I don't know what will happen this time, but I would imagine that things like music and fashion have more of a feeling of importance to us than housing, which if you look has completely gone off the cliff. Property prices have just plummeted and it has got nothing to do with material value, the building hasn't

changed, but it is more about ephemeral value. If we apply that, it means that the ephemeral things – the things that make us feel good and connected – are potentially more interesting, more progressive, and there could start to be a resurgence in that.

MT: One of the themes, sort of adjacent to this, was when we were talking in the round table discussion about decoupling use from ownership, and the shift we are seeing towards more services and towards sharing, such as carpools.

SH: I don't know if I believe in it entirely. I think there are mechanisms already that are successful for a lot of people: the second-hand market. I mean I would say Ebay is the most ecological company in the world. It is giving another life to products which otherwise would just go to the tip. You can buy some new stuff as well. You can buy old and new within the same shop. It is a really bizarre concept, from that point of view. People can still follow the patterns of consumption that they have always done, but they can do it in a way that is slightly more palatable from a money point of view, from an ease point of view, and probably from an environmental point of view. But applying a service economy to all products is just really hard to imagine.

There are examples where it has been done, and it hasn't been very successful. If you look at mobile phones, you get the phone, but you get it with a contract, you are renting it, the phone is given to you through the contract. It hasn't stopped people getting a new phone every six months. In fact, it has made the situation worse. There is a similar thing with TV boxes where you sign up for a service, a TV service and they give you the box. If you look at the quality, there is none, it is the cheapest kind of machine you can imagine, because the company feels you are getting it for free, you think you are getting it for free, so the whole role of design has evaporated into this bit of rubbish, and you are going to have to live with

it. So I am pessimistic about it because of these examples where you can really have the lowest of the low occurring, because ownership is not determined, it becomes a grey area with responsibility resting with no one.

But the contradiction to this is that historically it did work. I mean if you look at the first telephones that were supplied by the Post Office, it was something you could have for a few pounds for renting, and they were very solid and well designed and repairable and all those sort of things. But fundamentally China has made that concept obsolete, because the costs of production are not realistic anymore. It is a nice Utopian dream, but I find it hard to imagine it happening in this way unless there is political will.

MT: Another theme that was raised was the tension between the local and the global and whether we would see some production returning to the UK. We also talked about the feasibility of having a lot more individually-made objects emerging.

SH: In terms of production locally, it will unfortunately come down to economic efficiency. As long as products can be made more cheaply somewhere else, they will be, and if they can't be, they will look at other ways. If you look at the oil prices now, they have plummeted, and transportation is actually very cheap and raw materials cost little, but the problem is few have the desire to buy the stuff. It has created this huge problem for the economy so in the UK we are already potentially about to suffer deflation, where prices are literally falling and people are not buying because they are waiting to see what is going to happen. It is not about it being more economically efficient to produce in the UK, it is another reason, and the reason is that people are full-up! They don't have the capacity for another serving of product right now, they are worried about their jobs, and whether the recession will get to them, whether it will last a long time.

So if you were to ask me a year ago I would say, yes I could see signs of that because the oil price was incredibly high, transportation from the Far East to a local market became prohibitively expensive and also commodity prices were going through the roof. And of course if you look at many of the products, they are made from polymers, which are oil based, so they are also going through the roof. But now there is not reason enough, you can buy commodities that nobody wants. The problem is nobody has really been in this particular situation for very long. If the oil price got high, or if there was a political pressure against importing products like a form of protectionism, for instance if the government decided that it really wants to push exports, or they wanted to prevent imports, they would have to create more impetus to produce here.

MT: Yet another theme was who initiates change, is it the role of corporations, states and governments, individuals?

SH: I think in terms of knowledge, or rather in terms of will, I think that people would like to be very ethically and environmentally aware of the things that they consume. But in terms of making any impact it is really hard to see that people would make much impact without political will. So I think it is a political question, not a corporate or company question, or rather they are not going to solve it. I think it will require political clout to alter the way that we consume and the way that we value things. It is already happening, it is just that the real difficulty is that when you have a real economic crisis, which we are going through, what do people do? Well, they try to stand firm. If you look at the price of goods and services generally, those that are more environmentally and ethically aware are more expensive. It is obvious because more is involved to produce, partly because things that are more environmentally sound are more difficult to produce, so that is the problem. There is always a com-

parison between the cheaper goods and things that are good for the environment. Somehow the economic issues have taken over. If you look at companies like McDonalds they are doing well. Cheaper supermarkets are also doing well yet organic goods are suffering. Organic markets are suffering. So the government feels that they are under pressure to allow people to still follow to some extent the life they are living. They have already said now that they will not bring in a higher rate of car tax for poorly performing cars, because we know we will be in an economic crisis for another couple of years. It is all political, it really is, so the politicians hold the key, a big key, to leading companies and individuals in the direction of being more ethically and environmentally aware. But they also hold the key to allowing people to survive during the economic crisis. It is a very, very difficult balancing act, it is something of an oxymoron. Because when the economy starts to pick up again, then we will be able to start tackling that issue again.

MT: If you looked ten years ahead in time, do you think that consumption will have changed in any way?

SH: I really do hope that we are able to in some way raise the bar for what is produced, in terms of its quality in every respect. I can only wish for that. But history has a habit of repeating itself, so whether we will all just fall back into the trap of overconsumption, showing off our wealth through conspicuous consumption, we will see. I don't know. But I remain positive.

MT: Have you any advice you would like to give to brands and design companies?

SH: What they will need to do – and it is the most difficult thing to do because whilst the recession is still going on you are not making money – is to think about the future and strategise for the future in the most creative, the most exciting, the most challenging, the most

progressive way you can imagine. And I think the best companies, the companies that want to be the best will do that. The ones that are too petrified about their revenue will find it very, very hard to move forward when things pick up again. It is difficult because you are searching for the future, or trying to devote yourself to the future to keep yourself relevant, whilst you know there is little hope of making any money at the moment. I think that some are doing this. To the car industry, it is pretty obvious now that the combustion engine is of a previous era. The most interesting companies, like Honda and Toyota, are hoping that the work that they did before will allow them to at least keep alive and give them some reason to exist. To me it is pretty black and white, because if you look at the American car industry it has been driven purely by the economic support they can pull, and any marketing person will tell you that is the whole reason to do it, but actually it is not. You can't just do that, you have got to also think about where you want to go, what you want to do and where you want to be. You have got to do that. And it is time now to do that more than ever.

MT: Do you think this will also necessitate different types of collaboration or different methods of working, will it also affect how we work?

SH: To do this, companies have to open their minds, and that might mean new partners. New opportunities might mean forming new alliances and bringing new people in, changing the way you work, changing the way you do things. Taking the fat off and replacing it with muscle. Companies will have to open themselves up, and then they will become magnets.

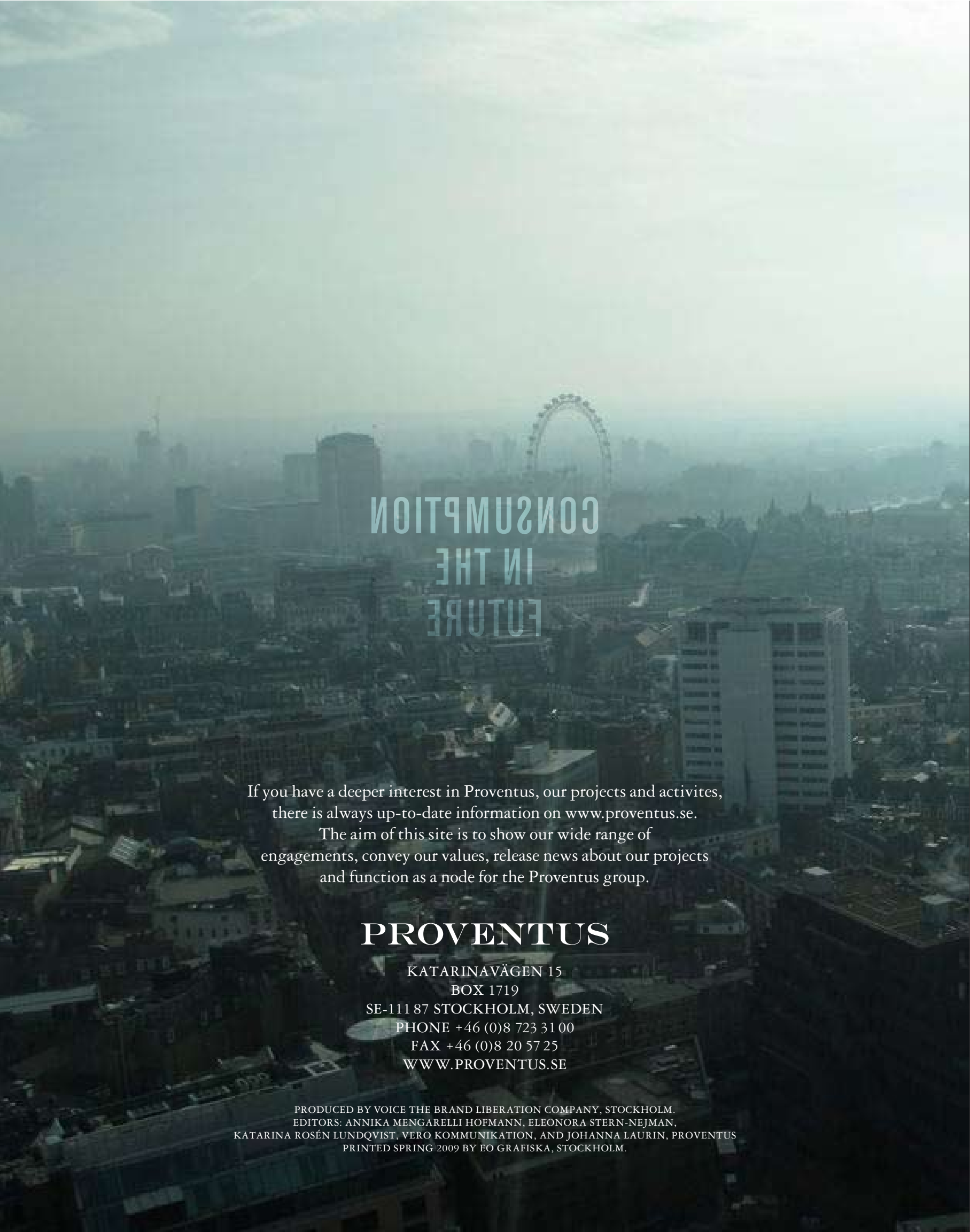
MT: Will we need another breed of designers, do we need designers with more strategic roles?

SH: Designers never work in isolation so even if you have a brilliant design team, they have

got to be able to be in a position to work with equally progressive minds in a company or in a manufacturer or marketing or whatever. So my answer would be that they have to be a bit better at persuasion than before. They have to have the vocabulary and the mechanics of being able to persuade people to move in a particular direction.

MT: Do you think we need other terms for consumers and consumption?

SH: I don't think we will know it until we see it.



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If you have a deeper interest in Proventus, our projects and activities, there is always up-to-date information on www.proventus.se.

The aim of this site is to show our wide range of engagements, convey our values, release news about our projects and function as a node for the Proventus group.

PROVENTUS

KATARINAVÄGEN 15
BOX 1719

SE-111 87 STOCKHOLM, SWEDEN

PHONE +46 (0)8 723 31 00

FAX +46 (0)8 20 57 25

WWW.PROVENTUS.SE

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EDITORS: ANNIKA MENGARELLI HOFMANN, ELEONORA STERN-NEJMAN,
KATARINA ROSÉN LUNDQVIST, VERO KOMMUNIKATION, AND JOHANNA LAURIN, PROVENTUS
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