# PRODUCTION VERSUS CONSUMPTION

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# **Production Versus Consumption**

here are two fundamental views of economic life. One dominated the economic philosophy of the nineteenth century, under the influence of the British Classical Economists, such as Adam Smith and David Ricardo. The other dominated the economic philosophy of the seventeenth century, under the influence of Mercantilism, and has returned to dominate the economic philosophy of the twentieth century, largely under the influence of Lord Keynes. What distinguishes these two views is this: In the nineteenth century, economists identified the fundamental problem of economic life as how to expand production. Implicitly or explicitly, they perceived the base both of economic activity and economic theory in the fact that man's life and well-being depend on the production of wealth. Man's nature makes him need wealth; his most elementary judgments make him desire it; the problem, they held, is to produce it. Economic theory, therefore, could take for granted the desire to consume, and focus on the ways and means by which production might be increased.

In the twentieth century, economists have returned to the directly opposite view. Instead of the problem being understood as how continuously to expand production in the face of a limitless desire for wealth resulting from the limitless possibilities of improvement in the satisfaction of man's needs, the problem is erroneously believed to be how to expand the desire to consume so that consumption may be adequate to production. Economic theory in the twentieth century takes production for granted and focuses on the ways and means by which consumption may be increased. It proceeds as though the problem of economic life were not the production of wealth, but the production of consumption.

These two diametrically opposed and mutually exclusive basic premises concerning the fundamental problem of economic life play the same role in economic theory as do conflicting metaphysics in philosophy. Point for point, they result either in opposite conclusions or in the advancement of opposite reasons for the same conclusion. So thoroughly and fundamentally do they determine economic theory that they give rise to two completely different systems of economic thought.

### Two Views of Employment

If one is on the nineteenth century, productionist premise, one realizes first of all that there is no such thing as a problem of "creating jobs." There is

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a problem of creating remunerative jobs, but not jobs. At all times, the productionist holds, there is as much work to be done—as many potential jobs to be filled—as there are unsatisfied human desires which could be satisfied with a greater production of wealth; and as these desires are limitless, the amount of work to be done—the number of potential jobs to be filled—is also limitless. The employment of more and better machinery, therefore, argues the productionist, does not cause unemployment. It merely allows men, to the extent that they do not prefer leisure, to produce more and thus to provide for their needs more fully and in a better way. Nor does the working of longer hours or the employment of women, children, foreigners, or people of minority races or religions deprive anyone of employment. It simply makes possible an expansion of production.

If one is on the twentieth century, consumptionist premise, one takes another view of machinery and the employment of more people. One regards every expansion of production as a threat to some portion of what is already being produced. One imagines that production is limited by the desire to consume. One fears that this desire may be deficient and, therefore, that an expansion of production in any one segment must force a contraction of production in some other segment. Hence, one fears that the work performed by machines leaves less work to be performed by people, that the work performed by children leaves less to be performed by adults, that the work performed by Jews leaves less to be performed by Christians, that the work performed by blacks leaves less to be performed by whites, and that the extra work of some means a deficiency of work available for others.

Neither the productionist nor the consumptionist desires long hours or child labor. Here, to this extent, both reach the same conclusion. But their reasons are completely different. The consumptionist does not desire them because he thinks there is a problem of what to do with the resulting products, unless other products are to cease being produced and other workers are to become unemployed. The productionist does not desire long hours or child labor because he attaches no value to fatigue or premature exertion. The problem, in the eyes of the productionist, is not what to do with the additional products produced by longer hours or by child labor—only the intense need for the additional products calls forth this additional labor—but how to raise the productivity of labor to a level at which people can afford to have time for leisure and to dispense with the labor of their children.

## Wealth Through Scarcity?

Because he imagines production to be limited by the desire to consume (rather than consumption being limited by the ability to produce), the con-

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sumptionist values not wealth but the *absence* of wealth. For example, after World War II, he imagined that the relative absence of houses, automobiles, television sets, and refrigerators in Europe was an asset of the European economy because it represented a large supply of unused consumer desire, thereby supposedly ensuring a strong consumer demand. By the same token, he imagined that the relative abundance of these goods in the United States was a liability of the American economy because it represented a depleted supply of consumer desire, thereby supposedly ensuring only a weak consumer demand. Prosperity depends on the absence of wealth, and poverty follows from its abundance, the consumptionist concludes, because that priceless commodity, consumer desire, more limited in supply than diamonds, is produced by the absence and consumed by the presence of wealth. It is on this principle that the consumptionist relishes war and destruction as sources of prosperity and attributes the poverty of depressions to "overproduction."

The consumptionist does not believe that the destruction of wealth is the only means of achieving prosperity. Though he believes it difficult of accomplishment, he has hopes that the supply of his commodity, consumer desire, may nevertheless be increased by positive measures. One such measure is a high birth rate. By bringing more people into the world, one brings more consumer desire into the world. The existence of a larger number of people, the consumptionist tells businessmen, will make it possible for business to find someone upon whom to unload its otherwise superfluous goods. Business will prosper because its supply of goods will find a counterpart in an adequate supply of desire for goods. In the absence of a high birth rate, or along with a high birth rate, the consumptionist believes advertising may suggest to the otherwise fully sated consumers some new desire. And, on a somewhat different plane, technological progress, the consumptionist argues, may provide new uses for an expanding supply of capital goods, which otherwise would find no "investment outlets." Or, if all else fails, the government may be counted upon to supply an unlimited consumption—even in the absence of desire. Or perhaps, the consumptionist hopes, a country may be fortunate enough to be in danger of attack by foreign enemies and therefore stand under the necessity of maintaining a large defense establishment. In either case, the consumptionist imagines that the government will be able to promote prosperity by exchanging its consumption for the people's products.

## **Production Limits Consumption**

The productionist, of course, takes a different view of matters. He argues that the birth and upbringing of children always constitutes an expense to the parents. In raising children, the parents must spend money on them which