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Spending is hotter than the 4th of July

By Marco R. della Cava, USA TODAY

Gas prices make fill-ups miserable. Personal debt is climbing. The mighty euro is sapping the dollar's purchasing power. And yet many Americans are spending as if happy days were here again.

"There's no way the cost of fuel or anything else is going to stop us from enjoying life," says Cam Colon, 68, who runs a contractor licensing business in Tampa. He's cruising the East Coast with his wife, Rita, in their \$600,000 recreational vehicle, which costs about \$550 to top off at the pump. "This isn't a dress rehearsal for life — this is it. We're curtailing nothing."

TEST: [Do you have a spending problem?](#)

He's got company. The semi-retired Colon is just part of a nation of spenders who plan to roll through summer in a fierce pursuit of happiness at any cost.

Many will hit the road in cavernous comfort. After a temporary fuel-price-induced dip, SUV sales rose nearly 6% in the first three months of 2007. And the bigger the SUV, the hotter the sales, according to Edmunds.com, an automotive research website.

Leisure travel is expected to increase over last year. Travel Industry Association research indicates it would take gasoline hitting \$3.50 a gallon for regular unleaded to force consumers to radically alter travel plans. Meanwhile, the European Travel Commission expects no letup of visitors from the USA.

And when cash for such indulgences isn't readily at hand, plastic saves the day. Though the median amount of credit-card debt carried by the typical American is about \$6,600, 13% of respondents to a recent online poll reported balances higher than \$25,000, according to CardTrack.com.

At a time when debt is so high, some might see unbridled spending as a recipe for financial disaster.

But take heart and maybe even pride: Researchers who study behavior say our spend-happy ways have roots in the very genesis of the nation.

Spending on things that make us feel good is the American way, whether it's on footwear, pet-care products or home entertainment. It always has been.

"If you want to understand how important our consumer market is to us, just look at the various protests against taxation that led to the American Revolution," says T.H. Breen, author of *The Marketplace of Revolution*.

Though he was writing about 1750, see if his findings ring a bell: "People purchased the items they most desired ... (and) often demanded and received liberal credit. ... The colonists' shared experience as consumers provided them with the cultural resources needed to develop a bold new form of political protest."

There it is. Retail therapy helped create the United States.

A culture of reward

With that sort of cultural DNA, perhaps it's little wonder many of us can't just say no. Then factor in the unprecedented pervasiveness of advertising, from cramped elevators to billboards looming over city centers. Check your e-mail, and you'll be sure to get hit with ads promising satisfaction a click away.

"Never have Americans, who have always liked their toys, been faced with a situation where their impulses are so hard to control," says Stuart Vyse, professor of psychology at Connecticut College and author of the upcoming book *Going Broke: Why Americans Can't Hold on to*

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Their Money.

"If you want a new widescreen TV in your house in one day, you can do it. The effort involved in shopping has been reduced to nothing, and everyone is made to believe they can afford anything."

Although wealth remains concentrated among America's very rich, that gilded group is growing.

"For the first time in history, more than half of all earned income, specifically 50.4%, is going to 20% of the U.S population, which amounts to \$3.5 trillion in the hands of 23 million households," says Peter Francese, demographic trends analyst for ad and marketing giant Ogilvy & Mather. "That's a lot of money."

Other factors specifically encourage spending, he says. In the past, families with one income-earner had to be frugal. "Today, only 25% of households feature married couples with children," a drop from 50% in 1960 and the lowest percentage in Census history.

Without the financial burden of children, "it's not a surprise Americans keep spending, which leaves us with a savings rate that is somewhere between zero and slightly negative," Francese says.

But Peter Sealey of marketing strategists The Sausalito Group cautions a zero-savings rate potentially is misleading, especially in places such as his home base, California's Marin County, where the median home price hovers at \$1 million.

"With those kinds of (home) values, many people spend with confidence because they might have 50% equity in their property," especially if they bought their home a decade or more ago, he says.

A clue to where people are splurging is a recent list of the USA's top-spending hotbeds compiled by Pitney Bowes MapInfo. Marin County, where the median income is around \$80,000, led the list. Typical of the Top 10 list, households in the hilly San Francisco suburb spend an average of \$3,300 a year on home furnishings, \$1,400 on miscellaneous handheld equipment, \$3,700 on entertainment and \$550 on pet products.

As for who's doing the buying, the country's graying masses are mostly responsible.

"In my dad's era, once you hit 60, you stopped spending and saved money to pass on to the next generation," Sealey says. "That's just not the model anymore. Today's seniors figure they put their kids through school, and now it's time to buy that \$125,000 Maserati."

Or that \$10,000 Brioni suit or the \$1,000-a-night cruise, says Greg Furman, founder of the Luxury Marketing Council, which advises top brands on consumer trends in an elite but growing group that has at least \$1 million in liquid assets.

"People want the best to reward themselves for their successful careers," Furman says. He labels the trend the "rise of connoisseurship."

Go for the luxury brand

Coffee is a prime example: Where once a cheap jolt of java worked just fine, today millions are willing to dole out \$3 for essentially the same cup of comfort.

Mass retailers typically enjoy single-digit jumps in gross revenue, but the past few years have brought 20% to 30% leaps for purveyors of upscale goods like jewelry and hotels, he says.

"We call it 'class goes mass,' " says Furman, citing successes such as an entry-level Mercedes-Benz luring buyers into a family of more expensive cars. "Most of these people buying aren't old Protestant white guys. They're also Latinos and African-Americans, people who worked their way into wealth.

"So they want to spend it."

Ron Drenk runs wholesale lighting and courier-service businesses in Upland, Calif., east of Los Angeles. Despite the downturn in the housing boom, business had been good enough of late to allow the family its regular sushi dinner on Friday, as well an \$80,000 Mercedes SUV.

"I never like seeing what the gas pump total is, but what choice do I have?" says Drenk, who has no immediate plans to rein in his spending. Nor, it appears, do his friends in what he describes as a "regular middle-class" town.

"Not only do I not hear anyone complaining about having to cut back, but it seems everyone I know has an expensive new car or are getting their homes remodeled," he says. "I guess either they all got great financing, or else ..."

Ah, the big "or else."

One fuel for the spending fire is "a sense of blind optimism historically entrenched in not just our own society, but in societies that go back to the Greeks," says Karen Cerulo, whose book, *Never Saw It Coming*, argues for a greater emphasis on "planning for the worst-case scenario, just so you're ready."

In some ways, personal spending simply mimics government practices, she says. "Politicians simply don't talk about the growing deficit, so it's no wonder people don't make the same leap in their own finances," says Cerulo, a sociologist at Rutgers University. "I'm not looking for pessimism, just balance."

That's just what Shelley Boyd sought when she went to Novadebt, a national non-profit group based in Freehold, N.J., for help.

The single mother of three had grown "too scared to even go to the mailbox," having lived off mounting credit-card debt for years.

"Now I budget," says Boyd, 33, a personal trainer. "It's not that I say I don't deserve something. I just save for it. So I want a TV, I want a car, but I won't get either until I know how to pay for them."

Kim Cole, Boyd's debt counselor, says she has seen 30% more clients in the past two years. That trend could continue. The Federal Reserve reports consumer credit is up 4.5% in the first quarter of the year.

"There's a false sense of optimism out there that says, 'If I can't pay for it today, I probably can tomorrow,'" Cole says. "A lot of people find out the hard way that that's just not true."

The need for 'stuff'

No question, personal bankruptcy is a frightful prospect. But in the end, what we may all be battling here is human nature itself. People are innately materialistic because of those long-ago days and nights when we grunted by the campfire, says Tim Kasser, author of *The High Price of Materialism* and associate professor of psychology at Knox College in Galesburg, Ill.

"Our early ancestors were not big or fast, but using *stuff* helped us survive," he says. "At this point in our evolution, acquiring things has almost become a virtue."

But does all this stuff make us happy? Kasser is confident it does not. A few years back, he published the results of a survey that compared the relative happiness of two groups that shared the same ZIP code and age profiles.

One group was leading a typical consumer-driven middle-class life. The other group — dubbed Voluntary Simplifiers — chose to downscale their lives, buying less and often working in lower-paying jobs.

"The results were very clear: The Voluntary Simplifiers reported being happier, both in what they were doing and how they were leading their lives, which usually was in a more ecologically sustainable way," he says. "The consumer mentality, on the other hand, often showed signs of leading to anxiety, depression and even physical problems."

Who ever thought a trip to the mall would be so dangerous?

Even so, the evidence suggests it will take a lot more than dire predictions to halt the thoroughly American rite of spending.

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