

What research tells us about the avocado toast controversy

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Australian millionaire and luxury property developer Tim Gurner [recently suggested](#) millennials should stop spending money on avocado toasts or expensive coffee so that they could afford to buy property. This comment started a heated debate relative to the way the young – and more generally lower income people – spend their money, and on the morality of conspicuous consumption.

The [debate](#) has underlined why being a millennial means more than eating avocado toasts while looking for the best coffee on Sundays: growing inequality, job uncertainty, rising housing prices, instability of the welfare system, many recent phenomena make this world very different from the one in which Tim Gurner grew up.

But there is another side to the story. The question re-sparked by Tim Gurner's remark is an old debate, in which an advantaged section of the society consistently blames a more disadvantaged group for consuming "luxuries". In fact, avocado toasts are more deeply linked to inequality than what the first look suggests. From Adam Smith to Thorstein Veblen, Fred Hirsch or Jean Baudrillard, many researchers have documented that needs are to a large extent relative, and are set by the richest sections of society. Consumption practices trickle down to more disadvantaged sections; and avocado (or coffee, or smartphones) being more visible than savings, it certainly is more likely to be consumed as a conspicuous good.

Why do people consume conspicuously even when they cannot afford healthcare, or housing? Well, conspicuous consumption is not wasteful insofar as it helps to restore the relative position of deprived individuals. In more unequal societies, luxury items become more necessary to the disadvantaged in a desperate attempt to keep up with the required level to stand in society.

[Jean Baudrillard](#) writes that this effect could even be stronger when disadvantaged sections know they cannot keep up in wealth level, for example as they cannot access housing property given the current market. They may over-compensate their feeling of powerlessness by spending more on conspicuous goods, or social ones – and so why not avocado toasts with fancy coffee?

Innovative empirical studies in economics are now able to quantify the effect of inequality on consumption patterns of disadvantaged sections of society. Looking at consumption and savings, economists [Marianne Bertrand and Adair Morse](#) found that a quarter of the fall in the US saving rate could be explained by inequality and trickle-down consumption. [Our own research](#) has shown that even malnourished households who live under \$1 a day in India spend relatively more on luxuries such as clothing, and less on (cheaper) caloric-intensive products such as wheat or rice in areas with higher levels of inequalities. According to our estimation, the caloric cost of relative deprivation amounts to 10 to 15 percent of the mean daily per capita calorie consumption of the poor. This effect significantly contributes to our understanding of the endemic levels of malnutrition in the country.

The fact that Tim Gurner is a real estate mogul is particularly interesting, as we also know that housing ranks amongst the most conspicuous items in developed societies. Trying to keep up with housing, however, may not bring more happiness. [In recent research](#), one of us documents that despite a major upscaling in housing size, there was no increase in household's expressed satisfaction with their homes after the 1980s. Since households value the relative size of their house, the value of their home goes down when bigger houses are built around them. They are in turn incited to build even bigger houses. In other words, Tim Gurner might be slightly interested that housing becomes the new avocado. As for the young, they may stop buying avocados in order to buy a house, but they will likely regret their investment as they realise they are also losing the housing status race.

Added by the editor after publication: A reader tweeted this link:

[@PJDunleavy @LSEforBusiness](#) This article by Bernald Salt started the avocado controversy. RT *Evils of the hipster cafe* <https://t.co/FLKYa9jvnH>

— [GabLLB \(@GabLLB\)](#) May 22, 2017

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Notes:

- *The post gives the views of its authors, not the position of LSE Business Review or the London School of Economics.*
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Clément Bellet joined the London School of Economics in September 2016 as a Research Officer at the Center for Economic Performance. He has been examining ways in which inequality affects choices and wellbeing due to social comparison effects, in India and the United States. He explores issues relative to conspicuous consumption and social status, marketing, happiness, inequality and poverty. Clément completed his PhD in economics at Sciences Po Paris and was a visiting scholar at the University of California Berkeley in 2014-2015. He previously worked as a Short Term Consultant for the World Bank.



Eve Sihra is completing her PhD in economics at Sciences Po Paris. She will join the Hebrew University to work on the ERC project “International Integration and Social Identity: Theory and Evidence”. Her research aims at measuring the impact of cultural and social incentives on consumer behavior. She studies the effect of inequality, social interactions, identity and trade integration on consumption patterns and preferences. She was a visiting scholar at the French National Institute of Agricultural Research (2012-2017) and the University of California-Los Angeles (2015).



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