<p align="justify">�</p><p align="justify">Major economic crises are inevitably also structural milestones. There is no simple return to a pre-crisis normalcy. Something changes permanently.��
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As we learned in 2009, patterns of expectations and demand take a new shape. Our current crisis is not simply a blowback effect of financial globalization. Financial globalization misfired because it took a bet on a type of economy that was becoming unsustainable. During the past quarter-century, but especially over the five years leading up to 2008, the world seemed to revolve around the American consumer. </p> American-style consumption offered a new model of economic development. It inspired widespread emulation. Over the course of a few decades, major city centers across the world began to resemble each other much more closely, with the same brands, designs, and lifestyles. Consumption or, more precisely, consumerism, appeared to be globalized. <p align="justify">American universities delivered new curricula based on studies of consumption and consumerism. In the aftermath of the terrorist attacks of September 11, 2001, President George W Bush advised Americans that they should not allow the trauma of the attacks to interfere with their ordinary shopping, and implied that buying had become a patriotic duty and virtue. The United States had become the world's consumer of last resort. </p><p align="justify">The post-2007 crisis was not simply a financial affair. It began as a result of weakness in a specific sector � residential mortgages � after a bubble in home prices allowed many Americans to borrow massively, and often disastrously, against the putative value of their equity in order to finance purchases. The global imbalances that many people view as being at the root of the problem reflected savings rates of near zero in the United States, as well as in those economies that seemed best to emulate the American model � the United Kingdom, Ireland, and Spain. </p><p align="justify">In the course of the crisis, these debt-ridden economies' consumers abruptly changed their purchasing habits.
Savings rates shot up. Spending on automobiles ground to a halt, until government stimulus programs in many countries revived it. But schemes such as public subsidies for scrapping old and fuel-inefficient cars simply led many people to re-schedule their purchases. The automobile market was rescued in 2009 at the expense of sales in 2010 and subsequent years. </p><p align="justify">The crisis also revealed the extent of the massive over-capacity in the US retail market, with estimates that at least one-fifth of American shopping malls would be forced to close. The response to the crisis will be a hastening of the movement toward on-line purchases, in which physical location is no longer a preeminent part of shopping decisions. </p><p align="justify">High-value and luxury brands were brutally affected by a wave of deep discounting in the last quarter of 2008. The aura of a brand is easily destroyed. One reaction has been to look for radically new marketing strategies, as in the case of the up-market Jimmy Choo brand of women's shoes, now to be sold in a simpler guise by the low-price mass retailer H&M. </p><p align="justify">Such recovery as there has been in the luxury market has been largely limited to so-called affordable luxuries � shoes, handbags, or ties, rather than yachts or fast cars. Purchases of these relatively low-cost items can be regarded as the withdrawal symptoms of the world's consumer binge. </p><p align="justify">The consumer age was the product of two previous crises. The Great Depression of the 1930's was interpreted as the result of inadequate consumption, of poverty in the midst of plenty. Governments took on the responsibility of stabilizing and organizing consumption on a wider level. </p><p align="justify">A second major global crisis, in the 1970's, shook the heavy-industrial basis of manufacturing, and with it the idea that governments should manage the economy. The 1970's

produced a new model of sustaining consumption through individualized desire. Production was decentralized and focused on the creation of niche products for highly specialized markets. Consumption became primarily an individual phenomenon through which people could distinguish themselves. </p><p align="justify">In retrospect, the 1970's mark the end of an era dominated by mass production, and the beginning of the new consumer age. Sometimes the age of productionism is also called "Fordism," after Henry Ford, who supplied large quantities of cheap but identical cars. Rather unimaginatively, the consumer age is dubbed post-Fordism. In fact, it could be called "Tom Fordism," after the young American designer who realized the iconic potential of the Italian fashion house of Gucci. </p><p align="justify">What will replace the age of consumerism? The most obvious answer is that the shift to a service economy � already well under way by the beginning of the new millennium � will become more complete. Consumerism depended on a radical notion of individualism. We become indebted in order to consume because we are convinced that our utility schedule is more important than someone else's. If I see a beautiful piece of jewelry or a bright new car in a shop, I am convinced that it should be mine, and that it can be more usefully employed in my possession than in someone else's. In that way, greed feeds on a kind of pride or self-regard. </p><p align="justify">The empirical study of happiness has produced evidence that the satisfaction from buying objects is short-lived and depends on continued repetition. That is socially, morally, and environmentally wasteful. On the other hand, the consumption of experiences (rather than objects) produces a more sustained satisfaction. </p><p align="justify">The new service economy emphasizes human interaction more than individualistic consumption. In an extreme form, luxury hotels are now organizing service in local community projects as a way of engaging the passions of their wealthy patrons. This service economy may generate higher levels of overall well-being if it emphasizes that humans do not exist as separate islands, but existentially depend on their relations with others. </p><p align="justify">Harold James is professor of history and international affairs at Princeton University and Marie Curie and professor of history at the European University Institute, Florence. His most recent book is The Creation and Destruction of Value: The Globalization Cycle </p><p align="justify">Source: http://timesofindia.indiatimes.com/biz/international-business/The-global-crisis-of-consumerism/articleshow/5393602.cms</p>