

Virtuous consumption is smart consumption

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Many have spent or risked too much, and are now having to tighten their belts. IESE Prof. Antonio Argandoña discusses the meaning of frugality and offers some thoughts on virtuous consumption.

No matter how many times it has happened before — the Great Depression, the Japanese crisis, the dot-com collapse — the bust of economic cycles always seems to catch us off guard. Nonetheless, we can protect ourselves, and perhaps even avoid these problems, by exercising frugality when allocating our resources.

Frugality is not about scraping by or tightening belts when crises arise. It is a virtue that a person develops over a lifetime, by only consuming what's necessary and rational. It is about satisfying needs without losing sight of everyone else: our neighbors, our society, future generations.

In [his paper](#), IESE Prof. [Antonio Argandoña](#) discusses the meaning of frugality and offers some thoughts on virtuous consumption.

A simple choice?

Imagine a couple, John and Anne, walking down the street. John is thirsty, so he can either stop for a drink (consume) or keep going (save money and time). This simple choice opens up a set of possibilities: which beverage to choose, which establishment to go to, and so on. This is the starting point for all actions: a situation arises, one desires to change the situation, followed by deliberation on the situation.

John mulls over his options, based on his own criteria, before finally making a decision. Afterwards, he will assess that decision: Did everything go as planned? Were there any negative surprises? In future, he may make adjustments accordingly.

John's actions will not only affect him, but also those around him. If he decides to have a drink, Anne will have to stop with him, and a waiter will have to take his order. Hence, all actions produce three types of effects: intrinsic, extrinsic and external or transcendent.

Having his thirst quenched is one effect, but if Anne wasn't pleased about stopping, or the experience didn't go as expected, then this will affect John's preferences and his ability to carry out future actions. John will soon realize that his decisions are not independent, but rather, a series of dilemmas with various consequences.

Thus, all actions must be evaluated according to three criteria: efficacy, efficiency and consistency; that is, the level of satisfaction and benefits derived from the intrinsic and extrinsic effects, and then determining whether to make this decision again, depending on how the other subjects are affected by the action.

How can we consume responsibly?

To consume responsibly, even virtuously, we have to apply this theoretical model to all of our actions.

John's decision is ethically correct if it is effective (quenches thirst), efficient (offers beneficial experiences) and consistent (not detrimental to the future ability of the subject, nor that of the others involved, to make decisions that are effective, efficient and consistent).

Virtuous actions can be defined as either the capacity for self-control or self-governance, or the capacity to want only what is good for us. They form the mechanisms that enable us to rise above spontaneous or irrational motivations.

Frugality, therefore, is about satisfying our needs, while at the same time leaving room for other objectives — for example, saving now to have resources in the future, enjoying healthy consumption, leaving an inheritance.

A frugal person makes decisions by thinking about the sustainability of his or her standard of living, the stability of those around him or her, and his or her capacity to keep learning in the future. It is not about consuming less each day, but about making better decisions about consumption.

Frugality, as a virtue, is not innate. It requires effort and can always be strengthened. It is a continuous exercise that develops with repetition. The list of arguments and implications is vast, because frugality is not merely about informed consumption: it's a lifestyle.

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