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HETERODOX ECONOMIC APPROACHES TO SUSTAINABLE CONSUMPTION: AN AGENDA FOR RESEARCH

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Even with the adoption of clean and efficient modern technologies throughout the world, emission targets established at the 1992 Rio de Janeiro UN Conference on Environment and Development (UNCED) cannot be met (Duchin and Lange, 1994). Redclift (1996) among others accounted for the environmentally unsustainable consumption levels in rich countries. In order to meet sustainability targets, reductions in demand are necessary, yet the barriers for questioning our consumption patterns are substantial. This has at least in part its roots in the way consumer behaviour is modelled.

Studying consumption has been a dynamic area over the last 15 to 20 years with new a research agenda of sustainable consumption and interdisciplinary contributions. However, neoclassical economic theory maintains that consumers come to the market with well-defined, insatiable desires for private goods and services; social interactions, culture, economic institutions or the consumption choices or well-being of others do not affect those desires. Only prices, income and personal tastes affect consumption – and since tastes are exogenous to neoclassical economics, the sole reference points remaining are prices and incomes (Ackerman, 1997; van den Bergh et al., 2000).

Heterodox economic approaches differ in five main areas from neoclassical economic analysis: (1) motivations and behavioural traits; (2) assumptions about insatiability and commensurability of values; (3) role of the social context and of social institutions; (4) conceptualising processes of change in consumer behaviour; and (5) accounting for the environmental consequences of production and consumption. We will discuss them briefly in turn.

Motivations and behavioural traits

Many consumers are conscious about the social and environmental impacts of their buying decisions, and are willing to pay a higher price, or spend extra time to find the products they regard as ethically acceptable. The question here is: what motivates individuals? What activates different behaviours? To answer these questions we need to consider the specific features of different goods. Consumers buying organic food often start doing so for health reasons; they are concerned about their toxic intake from pesticides sprayed onto the food. Particularly in local

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organic food markets they then often over time learn about wider effects of their choice, such as on the environment or on local farms. Over time, environmental and societal goals become more important motivational factors for the consumers (Stagl and O'Hara, 2002). Other consumer choices, e.g. buying green electricity have very different characteristics; it has more the character of contributing to a public good. Perceiving cooperative behaviour from fellow neighbours and friends may enhance readiness to contribute. While we should not expect that voluntary contributions of green consumers would suffice to achieve environmental sustainability, we would expect higher contributions than when basing our judgement on the Homo economicus model, in which consumers are assumed to make decisions as if unaffected by others (Ledyard, 1995; Fehr and Gächter, 2000).

Key questions to consider -

- What factors influence the extent of altruism, and what kind of dynamics can be derived from them? Does the trend towards individualisation, which we observe in most Western countries lead to a decrease in altruistic behaviour?
- Which social institutions foster contributions to public goods?

Beyond insatiability and commensurability of values

The standard economic model of individual behaviour assumes substitutability of goods. This implies that consumers can maintain an initial level of utility by reducing consumption of one good or service but increasing the consumption of another good or service. This does not apply to all combinations of goods and services (van den Bergh et al., 2000).

As long as the welfare generated from consumption is measured solely on the basis of individual utility and commensurability of values is assumed (O'Neill, 1997), it is impossible to distinguish between different consumption patterns in other terms than the income required to afford them. The commonly suggested alternative to the utilitarian approach, the needs approach, emphasises the different dimensions of which well-being consists (Doyal and Gough, 1991; Jackson et al., forthcoming). Lexicographic preferences (sometimes 'Leontief preferences') (Georgescu-Roegen, 1954; Earl, 1983; Spash, 2000) have been used to model the hierarchical ordering of needs, the existence of satiation, and non-substitutability.

A problem, which remains with the needs approach is that it abstracts from the differences in satisfying the universally defined needs and to date it has been poorly operationalised.

Key questions to consider -

- Can the needs approach be operationalised such that it provides an alternative theoretical framework for the evaluation of different consumption patterns? How can the problems, which the framework encountered in the 1970s in the development arena, be avoided?
- Is the capabilities approach (Sen, 1985; Nussbaum, 2003) a superior new framework, which allows for individual and cultural differences while providing a rod against which consumption choices can be evaluated?

The social context and the role of institutions

Consumers like all economic actors are influenced by education, social norms, and public policies. Another influencing factor on people's preferences is the interaction with others (Ropke, 2001). People adapt their basic beliefs and norms to others, and imitate peers with regard to spending patterns, but show a great diversity in both respects.

Gintis and Romer (1998) argued that individuals choose from the various capacities to interact for example with nature dependent on their past history, like socialization or exposure to a good. By the latter they mean that increased exposure to a good in the past may lead to increases in the appreciation of the good in the present. People's evaluation of the benefits of environmental sustainability is then strongly affected by this experience and their personal ability to enjoy the natural world around them. This feedback effect may lead to a process where environmental destruction becomes self-justifying; the paucity of fulfilling interactions with nature leads to changes in people's preference orderings that devalue the natural environment, which in turn leads to economic policies promoting environmental destruction. Since the social conditions affecting preference ordering are products of the communities and social relations and not under control of the individual consumer, it is inappropriate to argue that these changes

result solely from individual choice. At the same time, the ability to enjoy nature may itself be curtailed by the time demands of production and life style patterns in industrialized societies (Schor, 1991).

Markets themselves can influence consumer preferences. Institutional economists have long called for a broader understanding of economics in general and of markets in particular. According to this view, markets are 'sets of institutions' and 'social structures' (Hodgson, 1988; Bürgermeier, 1992; Swedberg, 1994) rather than pure exchange systems in which the valuation of exchange based interactions is reduced to monetary value. Polanyi (1944) was one of the first to point to the relationship between economic structures on the one hand, and motivations and values on the other. In addition to the relationships established among the objects of exchange and relative prices, "allocation rules also establish relationships among people, based on assignment of distinct positions with corresponding rights, status and obligations and patterns of interaction" (Bowles 1998:85). Economic institutions therefore influence consumer behaviour not only directly (via price incentives and budget constraints), but also more indirectly, on preferences (Canali, 1996; Norton et al., 1998; O'Hara and Stagl, 2002). In the latter case preferences will have explanatory power in situations distinct from the institutional environments that account for their adoption. From this it becomes evident that if preferences are indeed capable of learning, we can neither accurately predict nor coherently evaluate the likely consequences of new policies or institutions without taking account of preference endogeneity (Bowles, 1998).

Key questions to consider –

- How can social institutions be set so that they foster preference change towards more environmentally sensitive consumption? Should policies be geared towards individual consumers/households or towards groups of consumers/households?
- What is the basis of justification for aiming for changed preferences (environmental, fairness etc.)? What are the democratic rules for decisions about desired preference changes?

Processes of change in consumer behaviour

Besides social institution, behavioural characteristics influence changes in consumer behaviour. Janssen and Jager (2002) analyse the factors which influence the readiness for switching to green consumption. They show the importance of social processing and status seeking in diffusion processes. Another important influence on the type of consumers who change their consumption to green products in the early phase of the diffusion process is the flexibility of firms to adapt to new technology. Sanne (2002) discusses how structural issues such as the working conditions, the conditions of urban living or the effects of pervasive marketing can generate a lock-in by circumstances.

Key questions to consider -

- Which are the most effective mechanisms for change towards more sustainable consumer behaviour?
- How can lock-in situations be avoided and other barriers to change for sustainable consumption be overcome?

Accounting for the environmental consequences

When aiming for sustainable consumption it is essential to have a comprehensive account of the environmental consequences of consumption, but the data for environmental impacts vary significantly. Ecological economists are aiming to overcome this problem and work on comprehensive analyses of household consumption for various countries (Ayres and Simonis, 1994; Jackson and Marks, 1996; Noorman and Uiterkamp, 1997; Young et al., 2001; Spangenberg and Lorek, 2002). Usually the assessment is based on an analysis of the total resource throughput measured as energy, materials and land use, using physical input-output data. This allows distinguishing between different lifestyles. The social consequences of consumption are even less documented.

To summarise, there is a lot more to consider than prices and income when analysing consumption activities and their consequences. Heterodox economic theory can provide leads for how to design policies for more sustainable consumption.

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