



“Summary of article by Mark Sagoff: The Allocation and Distribution of Resources” in Frontier Issues in Economic Thought, Volume 2: The Consumer Society. Island Press: Washington DC, 1997. pp. 277-280

Social Science Library: Frontier Thinking in Sustainable Development and Human Well-being

“Summary of article by Mark Sagoff: The Allocation and Distribution of Resources”

This essay argues that individuals hold inherently contradictory views on questions of consumption and the environment, that policy debate cannot be confined to the economists' familiar framework of equity versus efficiency considerations, and that we cannot put a price on things, such as the natural environment, that we value the most.

CONSUMER AND CITIZEN PREFERENCES

An individual often has different preferences as a consumer and as a citizen. Proposals to open national parks to commercial ski resort development can be (and are) opposed by citizens who would nonetheless enjoy skiing at such a place if development occurred.

I love my car; I hate the bus. Yet I vote for candidates who promise to tax gasoline to pay for public transportation. I send my dues to the Sierra Club to protect areas in Alaska I shall never visit.... I have an "Ecology Now" sticker on a car that drips oil everywhere it's parked. (53)

The distinction between consumer and citizen preferences has long been noted by economists in the field of public finance. Recognition of the existence of distinct public policy preferences does not imply rejection of individual preferences, but requires awareness that the two are different and often inconsistent.

Attempts to find a combined preference ordering are bound to fail; individuals have incompatible beliefs, and do not rank them in a single hierarchy in the manner of the "rational man" of economic theory. Citizen preferences are judgments about what *we* should do, while consumer preferences are expressions of what *I* want. No single preference map combines these two very different kinds of statements. Indeed, statements about what we should do as a nation express judgments, which may be true or false, about our shared or common intentions. These objective beliefs must be judged on their merits through legitimate processes of collective deliberation and choice; they cannot be “priced” at the margin.

ALLOCATION AND DISTRIBUTION

There is also an important distinction between the allocation and the distribution of resources. As a matter of allocation, a mountain can be used for either a ski resort or a wilderness; as a matter of distribution, some people gain while others lose from whatever allocational choice is

made. Economic theory often suggests that allocational decisions should be made purely on the basis of efficiency, in order to maximize wealth; distributive choices can then be made separately on a political or ethical basis if desired.

Analysis along these lines tends to break down the discussion of policy into questions concerning efficiency on the one hand and equity on the other. Not all policy proposals allow for a distinct separation between the issues of efficiency and equity; some writers discuss a trade-off between these two goals. Yet efficiency and equity are complementary objectives. Some writers propose placing a greater weight on efficiency, others on equity; but both share a common vocabulary and conceptual framework. They agree that any claim on resources must be based either on rights and fairness, or on preferences and productivity. The debate between the two perspectives has become an academic exercise, and does not provide useful guidance to public policy and social regulation.

THE RIGHTS OF FUTURE GENERATIONS

Some writers suggest that we need to balance our consumer interests with those of future generations. Yet

[T]here are few decisions favorable to our wishes that cannot be justified by a likely story about future preferences. Even a nasty strip mine or a hazardous-waste dump produces energy that will strengthen the industrial base left to future generations. (60-61)

In fact, the preferences of future generations will likely depend on education or advertising, and on what is available to them. Citizens of the future depend on the decisions we make today. If we destroy our environmental or cultural heritage, our descendants will be illiterate in those areas, unable to appreciate what they have lost.

Our obligation to provide a future consistent with our ideals is an obligation not to the future generation, but to our ideals. It is morally good to preserve our environmental and cultural heritage, not for the good *of* individuals, but to allow the development of *good individuals*. Although political liberalism has traditionally called for an avoidance of acts of authoritarian paternalism, we cannot avoid paternalism with respect to future generations. "What is worth saving is not merely what can be consumed later; it is what we can take pride in and, indeed, love." (65)

THE CONFLICT WITHIN US

The conflict between citizen and consumer preferences occurs within each of us; it is an inescapable ethical dilemma. Moreover, it is a conflict that could never arise in a society whose only goals were efficiency and equity in the satisfaction of consumer demand. Yet environmentalists shy away from the presentation of ethical issues, frequently seeking to calculate costs and benefits rather than discuss moral arguments for popular environmental policies. It is tempting to retreat into the "neutral" theories and criteria of economics for evaluating policy problems. "It's scary to think about problems on their own terms; it's easier to

apply a methodology...As a result, public officials often discuss the meaning of magnificent environments using a vocabulary that is appropriate to measure the degree to which consumers may exploit them." (68)

MONEY AND MEANING

The worth of things that matter most to us, such as love and religion, are measured not by our willingness to pay for them, but by our unwillingness to pay. Neither true love nor eternal salvation is available for purchase at any price. Such things have a dignity rather than a price. Things that have dignity are those that help us define our relationships with one another. Our common natural and cultural heritage, including the environment we share, has such a dignity. It is dignity, not the calculation of costs and benefits, that ultimately explains why even avid skiers often oppose opening national parks to commercial ski resort development.

Environmental policy may be rational in one of two ways: it may be economically rational in terms of the calculation of costs and benefits, corrected for market failures and environmental externalities whenever possible, or it may be rational in a deliberative sense, based on cogent collective debate about the principles and ideals that we stand for and respect as a nation. The latter approach assumes that the values on which we base policy are objects of public inquiry, and are not derived either from exogenous preferences and market mechanisms, or from metaphysical truths about human nature and rights.

COMPROMISE AND COMMUNITY

Although the conflict between citizen and consumer interests is inevitable, compromise can reconcile the desires of individuals and communities. If every mountain were preserved as a wilderness, there would be no place to ski. The judgment that national parks should be preserved, even if commercialization would be profitable (and, in a narrow market sense, "efficient"), rests in part on the belief that there are already many opportunities for skiing and other commercial recreation, but comparatively few wildernesses.

If the stakes were reversed and enormous financial sacrifice was required to protect an environmentally insignificant landscape or to achieve only marginal reductions in pollution, these same people might reach the opposite conclusion. Just as we can reject the dogma of the perfect market, we can also reject the dogma of the perfect environment. Entering the realm of compromise and debate over public policy does not require abandonment of the ideals we hold as citizens, only evaluation of those ideals in the context of the means available to achieve them.