



“Summary of article by Mario Cogoy: Market and Non-Market Determinants of Private Consumption and Their Impacts on the Environment” in Frontier Issues in Economic Thought, Volume 2: The Consumer Society. Island Press: Washington DC, 1997. pp.280-283

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Consumption is an activity that combines market and non-market elements. The environmental impacts of consumption depend not only on the physical requirements of market production, but also on the social and institutional frameworks that determine the boundary between market and non-market aspects of consumption. This paper argues that environmental degradation results from a bias in the consumption process toward a predominance of market relations and an excess of paid labor in industrial society.

In a modern society, market relations constantly invade and reshape non-market sectors of life. The industrialization of formerly non-market activity is likely to imply more intensive use of energy and materials, and centralization of skills and process control. Little attention has been paid to the permanently shifting border between market and non-market activity as a possible source of environmental degradation. Traditional economic theory considers only market demand for goods and leisure, ignoring the social infrastructure in which consumption is embedded, and the consumption labor and consumption skills that are combined with goods to produce the desired enjoyment of life. Consumption labor includes household work, shopping, traveling, and waiting in lines; consumption skills include the defensive skills of "protecting the brains of consumers from the negative effects of advertising", as well as planning skills and technical knowledge. (171)

Since "economic labor" (working for wages), consumption labor and consumption skills are all inputs into the production of enjoyment, they are potential substitutes for each other. That is, increased consumption labor and/or skills may be substituted for paid labor time. If taken to the extreme, this substitution would lead either to a market utopia in which all consumption labor and skills are replaced by market relations, or to a "do-it-yourself" utopia in which the largest portion of social labor is performed outside the market. Neither extreme is necessarily efficient or desirable.

Modern society has a strong bias in favor of the market sector, as has been described in great detail by Juliet Schor. Her analysis of the "insidious cycle of work-and-spend" explains a significant source of environmental degradation. In addition, the satisfaction of basic needs such as heating and transportation is organized in a way that gives an inefficiently large role to the market sector, and also leads to unnecessary environmental damage.

THE CONSUMPTION PROCESS

A formal model can illuminate some aspects of the process of consumer choice. Assuming a fixed-coefficient input-output model, it is easy to calculate the material and labor requirements for delivery of one unit of each type of commodity to final demand. With the further assumptions of constant wage and profit rates throughout the economy it is possible to calculate the paid labor time required to earn enough to buy a unit of each commodity. The consumer combines this economic labor requirement with consumption labor to yield enjoyment. If individuals were free to vary their hours of work at will, it might be assumed that the optimum combination of economic labor and consumption labor would be chosen. However, as Schor has shown, institutional constraints in the labor market prevent such flexibility.

Innovation in consumption can involve a reduction in market inputs and an increase in consumption labor, a change in the mix of market inputs, or an increase in purchases at the expense of consumption labor. Market-expanding innovation increases total profits and paid labor time, but is not always worse for the environment. If a commercial firm introduces innovations that consumers could not have done on their own, the environmental result may be positive – as in the case of some utility-sponsored energy conservation programs. But if consumers utilize the resulting gains for increased consumption with high environmental impacts (using home-energy savings to finance a holiday flight), the global result may still be negative.

Two examples – household energy conservation and transportation – illustrate how environmental damage can be interpreted in terms of the shifting border between market and non-market activity.

HOUSEHOLD ENERGY CONSERVATION

The consumption goal of a comfortable dwelling can be attained by using enough heat in a poorly insulated house, or alternatively by using less heat and more insulation. The latter alternative requires more skill and investment planning on the part of the consumer, and possibly more consumption labor, but less economic labor in the long run. The scope of market activities is reduced, as reduced fuel purchases are only partly replaced by increased insulation purchases.

Studies of home energy consumption have repeatedly found a high potential for energy conservation which would produce net financial savings. But home energy conservation programs have had disappointing results, for several reasons. Households are reluctant to engage in investments with long break-even times, energy sales promotions and rate structures often encourage wasteful consumption, and institutional barriers discourage conservation investment in rental housing.

Solutions may be sought in either of two opposed directions. One is to strengthen the consumer's role in planning and investing in energy conservation, thus increasing the importance of non-market skills and labor inputs. The other is to expand the market for household energy conservation services, thus making consumption skills and labor less essential by selling the goal of a "comfortable dwelling" directly to consumers. Either alternative would reduce the fuel requirements and environmental impacts of reaching current levels of comfort.

PRIVATE TRANSPORTATION

Desires for mobility result from complex social processes which have important environmental implications. But even if mobility targets are accepted as given, existing consumption patterns are quite inefficient.

Transportation options depend heavily on an inherited infrastructure that poses problems for current mobility needs. Even if the costs of infrastructure were fully charged to users, problems of externalities would remain: making a highway more useful for cars, for example, can make it less attractive for bicycles or pedestrians.

To envision unbiased choices between modes of transportation, consider the assumption that users are charged the full costs of infrastructure as well as operating costs for each mode, and can lease any transportation option at its full cost per kilometer. The economic labor needed to pay for a mode of transportation plus the consumption labor for that mode (travel time, repair time, etc.) would add up to the total time requirement. Consumers could then choose the time-minimizing mode for each travel route. In reality, the prevalence of traffic jams, in which it would be faster to bicycle or even walk, provides evidence that time-minimizing choices are not being made.

The system of private ownership of automobiles itself is a cause of inefficiency. Once a car has been purchased, many of its costs are fixed and independent of the distance driven, encouraging excessive use. The alternative of full-cost car leasing would charge for all costs on a per-kilometer basis. This would allow consumers to buy automobile services as needed, while preserving the freedom to use cheaper transportation systems whenever appropriate. Since leased cars would spend much less time idle than privately owned cars do, the total number of vehicles could be reduced. For the same reason, depreciation would be accelerated and replacement by new, improved models would be easier and faster. Of course, private car ownership has acquired a symbolic and ideological meaning that goes far beyond its technological qualities as a means of transportation.

CONCLUSION

Ecological economists have often pointed out that the economy is embedded in a natural environment; but it is also embedded in a social one. The shifting boundary between the economy and its social environment has a significant effect on the relationship between economic activity and the natural environment. In the examples discussed above, consumers spend too much time in the economic system, resulting in too little capital investment in conservation and too much in automobiles. Thus, the impact of the market system on non-market aspects of life is inter-related with its impact on the environment.