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Consumption at the core of the growth engine

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Consumption is at the core of the growth engine in most OECD countries: consumption is the main driver of economic growth – and increasing consumption is dependent on continued economic growth. In a “full world” (Daly, 2007) the environmental implications of ever growing consumption are devastating, and when consumers in the Global North (including the growing middle classes in developing countries) appropriate more resources, less is left for improving the living standards of the Global South (including poor people in rich countries). The combination of the environmental and the distributional challenge calls for changes in the consumption engine of growth in the Global North. In this chapter the engine is described more closely and potential changes are suggested.

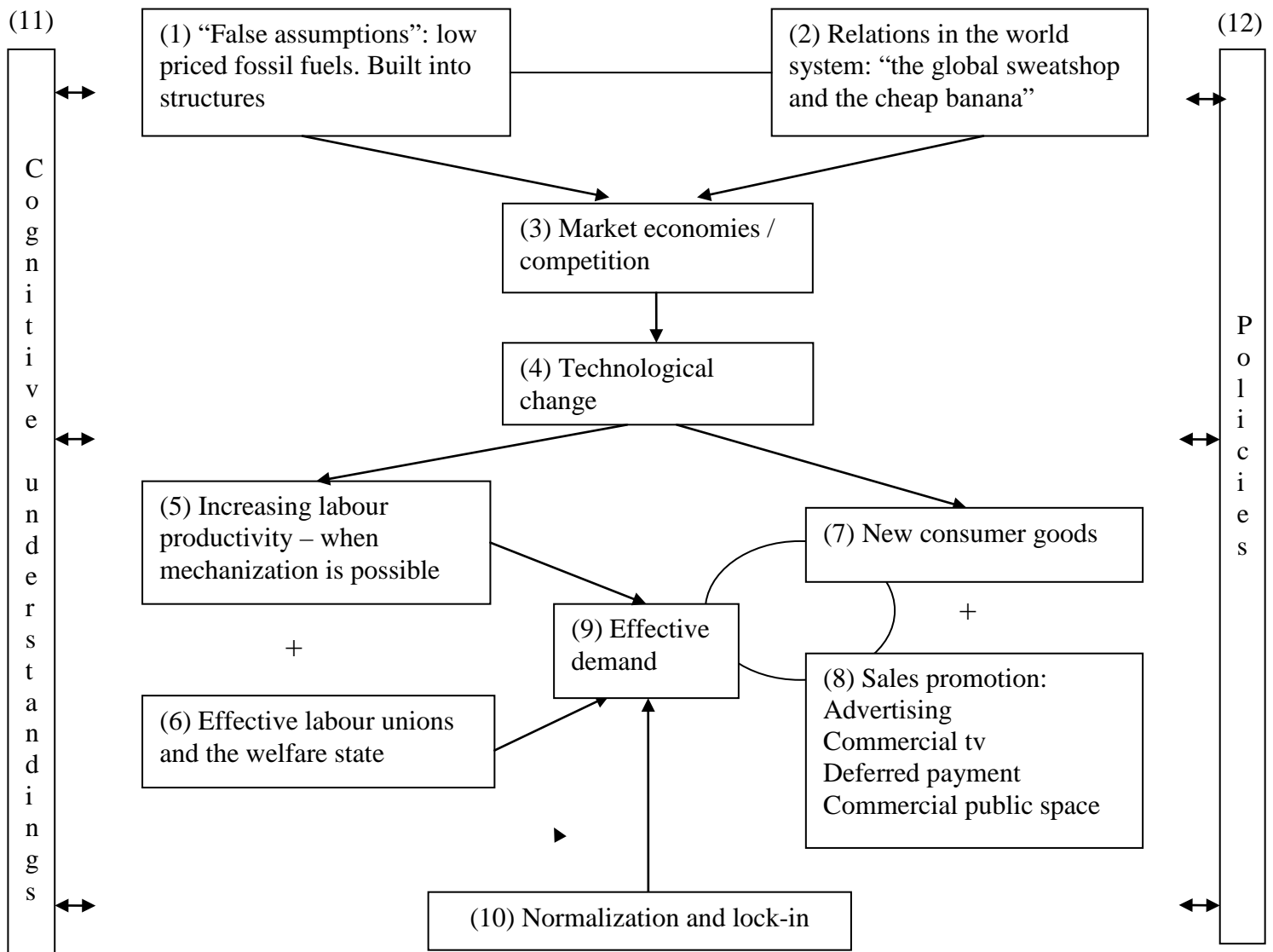
In the present period of economic crisis it may seem strange to discuss increasing consumption as a problem, but usually such crises are followed by a renewed upturn, and then the problems return. The way out of the crisis ought not to imply a return to “business as usual”, but rather to a replacement of the growth engine by a more sustainable economic model.

The basic conditions for consumption growth

Why is it possible for affluent and middle class consumers to consume so much? Two basic conditions are decisive – see box 1 and 2 in Figure 1. First, the impressive consumption growth since the start of industrialization would have been impossible without access to cheap fossil fuels. Fossil fuels provide us with a large number of “energy slaves” that are used in mechanized production processes, allowing large increases in the output of goods per working hour (Common and Stagl, 2005). The price of fossil fuels reflects the monetary costs of extraction, but the extraction and use of fossil fuels involve many other social costs that are not paid for (usually labelled as external costs) – such as mining accidents, acidification, particle pollution, and global warming. Since these costs are not reflected in the price, economic growth can be said to rely on ‘false assumptions’, and as these assumptions have prevailed for nearly two centuries, they have been built into the social and material structures of society, like for instance, the suburban settlement pattern of the car-based society.

The other basic condition relates to the relationships between countries in the world system. The early industrialized countries were successful in establishing a position of power that permitted them to procure raw materials and to exploit cheap labour in other parts of the world, first through the further development of the older colonial system and later by more sophisticated methods – institutionalized in the trading system and based on large inequalities and weak states in many developing countries. Global supply chains provide cheap goods from work in “the global sweatshop”, and political interventions ensure the access to primary commodities in more subtle ways than the military coup that ensured “the cheap banana” in 1954 (Schor, 2005). More recently industrializing countries typically need strong states with nationalistic ambitions to develop the preconditions for entering the race, including the establishment of access to resources from other countries (as presently demonstrated by China in Africa).

Figure 1. The growth engine



The drivers of consumption growth

These basic conditions for high consumption – low priced fossil fuels and access to other cheap resources and labour – are supplemented by a strong motor: market economic competition (box 3). Competing for survival and profitability, firms persistently make technological and organizational innovations (box 4) – on the one hand to reduce costs, and on the other hand, to develop new products that can tempt customers. Throughout most of the fossil fuel era, most cost reductions have concentrated on increasing labour productivity (box 5). This focus is encouraged by the relatively high price on labour power, which is based on unionization and the social struggles that established and keep up the welfare state (box 6). Employees thus succeed in winning part of the gains of increased labour productivity and attaining high living standards – encouraging the continued focus on increasing labour productivity. Not all production processes are, however, easy to mechanize: some labour-intensive services like care, repair, hair-cuts, and theatre performances are difficult to provide more effectively by the use of fossil fuels, so they tend to become ever more expensive compared with material goods. Consumers are thus encouraged to buy more material goods, rather than “sacrificing” ever more of these to buy labour-intensive services (Røpke, 1999).

Simultaneously, technological change offers consumers ever new and diversified consumer goods (box 7), and firms try to capture customers through various kinds of sales promotion such as advertising and systems for deferred payment (box 8). Increasingly, everyday life is embedded in commercial offers, with television and public space visualizing the cornucopia of tempting possibilities. Except for the occurrence of periodic crises, supply and demand for consumer goods are thus mutually reinforcing: increasing wages ensure the customers’ ability to buy the new products provided by industry (box 9).

Keeping up consumption growth: Normalization and lock-in

Most people in the Global North willingly play their part as consumers in the growth engine and do not consider themselves particularly extravagant. To some extent, this is due to the processes of normalization and lock-in (box 10). When the economy is booming, there is often a craze for a particular kind of consumer goods, as the recent surges of home renovations (kitchens and bathrooms) and flat screens illustrate (Quitza and Røpke, 2008). In the middle of the boom the improvements may seem extravagant and feel like self-pampering, but as time goes by, the new standards become normalized: it becomes a part of normal expectations to have more than one bathroom in the dwelling and to have flat screens in several rooms (Christensen et al., 2007). Normalization often involves wider transformations, such as changes in public discourses, political measures, institutional renewal, extension of infrastructure, and new scientific insights. The history of air-conditioning is an interesting example of normalization processes involving all these aspects (Cooper, 1998; Shove, 2003), and presently, the integration of information and communication technologies in everyday life provides an opportunity for studying ongoing processes (Røpke et al., 2010).

When new products and living standards are normalized, simultaneously with expectations, the new standards are built into the social and material structures of society and may become constraints. A car-based society with widespread suburban settlements and undeveloped public transport turns the car into a necessity or at least a commodity that requires much dedication to forgo: compulsion becomes the other side of the coin of freedom. When local shops no longer exist, you have to go to the supermarket, and when local produce is replaced by goods provided through global supply chains, you may have to buy them. When houses are built to be air-conditioned, they can be uninhabitable without air-conditioning, and when music is no longer available as records, a music

lover buys the new media. In addition to material constraints and inducements, various institutions maintain established standards and patterns. Car transport, for instance, is encouraged by regulative institutions such as tax allowances associated with long commuting distances and the demand made on unemployed to accept job offers far from home. Normative and cognitive institutions, like seeing the acquisition of a driver's licence as a ritual step towards adulthood and associating the car with personal freedom, work in the same direction.

More generally, social and material rigidities tend to lock-in consumers in resource-demanding patterns of life. For instance, labour market institutions in many countries encourage full time employment rather than more leisure time, thus instigating a work-and-spend cycle (Schor, 1991). This cycle is also stimulated by the busy life of double-income families combined with the development of shopping as a popular pastime (Hochschild, 1997; Wilson and Lande, 2005).

The ideological and political scaffolding for consumption growth

The consumption growth engine works within a supportive framework of cognitive understandings and policies. The cognitive understandings (box 11) include the conception of economic growth as an absolute good, no matter what standard of living has been achieved, as well as many other ideas, for instance: welfare is directly connected with income; economic growth in affluent countries has positive impacts in poor countries through the demand for their products; free trade is good for all involved partners; markets and sound competition work for the common good; technological change is synonymous with social progress; and environmental problems can be solved by more efficient technologies. These ideas are contested, but they are still dominant and strongly reflected in policies (box 12) such as the promotion of free trade (except trade restrictions that are useful for affluent countries) and competitiveness, privatization and liberalization of markets, consumer policies focusing on low prices, the construction of ever-more motorways, and the insistence on low energy prices.

The benefits and costs of consumption growth

As already mentioned, normalization and lock-in to some extent explain why consumers play their part in the growth engine: "needs" are constructed by the societal and economic context. But consumers do also reap large benefits from consumption growth that is strongly intertwined with social change over time. Seen in a historical perspective, the rising living standards have not only provided the universally valued pleasures of good food and comfortable housing, but have also co-evolved with individual independence and freedom – values at the core of modernity. From the perspective of the affluent consumer, the enormous consumption of energy and materials is transformed into:

- *Individual independence*: As a long-term trend, individuals have gained more personal independence from their relatives. Young people can leave their parents and establish their own home, couples can be divorced, and old people are not dependent on their children. This has contributed to a fall in the average size and an increasing number of households, adding to the demand for housing and related equipment. Within households each person increasingly has a room of their own, equipped with all sorts of entertainment devices and computers, and some even have a personal bathroom. Everybody, including the children, commands their own mobile phone, and many have their own car. Few things have to be shared, and there is little need to wait for one's turn.
- *Mobility*: The spatial radius of everyday life has increased dramatically. The increased speed of transport for commuting, shopping and leisure activities is converted into longer distances

rather than time savings. Holiday travelling is more frequent and exotic destinations are within reach.

- *Diet*: Diet is more varied, and meat and dairy products take up a larger share. Foods are procured from all over the world, and seasonal restrictions are lifted.
- *Convenience*: The three c's – comfort, cleanliness and convenience – imbue the arrangement of everyday life (Shove, 2003). Heating and air-conditioning provide the same temperature independent of season and local climate, and many household chores are mechanized or eased by various devices.
- *Intensification of time use*: In societies with high labour productivity, slowness and relaxed attitudes tend to become socially unacceptable (Linder, 1970), and the intensity of work life is transmitted to the life at home. As the monetary value of time increases, it seems obvious that people should not waste it.
- *Variation and novelty*: As with diet and mobility, across all fields of life, novel experiences, excitement and new insight are made accessible. In terms of material goods this trend is supported by specialized and diversified goods and services.

These changes emerge as long-term trends, visible in retrospect. Assessing the changes from a quality-of-life perspective, many find the development desirable, and the model is copied by the so-called 'new consumers' from developing countries with fast economic growth like China, India and Brazil (Myers and Kent, 2004).

Many are, however, also aware of the problems related to growing consumption. First of all, the environmental impacts seriously affect quality of life. In the short term, humans develop health problems such as lung diseases due to particles and decreasing fertility due to endocrine disruptors, and the destruction of natural habitats implies a great loss of enjoyable nature experiences. In the longer term, the basic conditions of human life are threatened by the destruction of ecosystems and by climate change. In addition to environmental impacts, other concerns relate to, for instance, social cohesion and the health effects of modern life. A radical critique comes from traditionalists who lament individual independence, more equal gender relations and changes of family patterns. Modernists, on the other hand, see these as positive achievements, but acknowledge that individualization has negative aspects such as the dissolution of local communities and the strong pressure on individuals to shape their own lives and achieve success. In addition, the tempo and lack of exercise and excess calories of modern life can lead to stress and lifestyle diseases (Duchin, 2005). Coping strategies, e.g. by the purchase of equipment for time-saving and time-shifting, may be counterproductive, generating even more stress (Shove, 2003; Southerton, 2003). The combination of busyness and increasing relative prices of labour-intensive care also has negative implications for the quality of life of children, sick and elderly people.

Even if one acknowledges the positive historical achievements of consumption growth and social change, it is important to add that people do not necessarily become more happy because of continued consumption growth. Much recent research into quality of life and happiness highlights that people living in affluent societies are not, in general, more happy than people living in less affluent societies. Up to a certain level of national income, quality of life really improves with economic growth, but beyond that level, the level of satisfaction does not increase with income. What really makes a difference between the quality of life in different, reasonably affluent, countries is the degree of inequality: almost all indicators of wellbeing show that quality of life is much higher in countries with a higher degree of equality (Wilkinson and Pickett, 2009). In general, people are more happy to live in less affluent and relatively equal societies than in more affluent

and relatively unequal societies. This may be an important point to consider when replacing the engine of growth with different mechanisms.

Replacing the engine of growth

As described, consumption is at the core of the engine of growth, and in spite of periodic crises, the engine works relatively smoothly, based on a large number of self-reinforcing mechanisms and feedbacks. To meet the combined challenge of environmental problems and large inequalities, it is necessary to replace the engine with different mechanisms, but this is no easy task. Rather than a master plan, the following can only suggest some elements that may be part of the transition process – emphasizing the high degree of complexity and the interdependencies involved:

Changing the relations in the world system: Support for unionization and the development of welfare states in developing countries, encouragement of internally coherent economies rather than export dependence in developing countries, and establishment of fair trade agreements could be ways to raise the prices of the goods imported by affluent countries and improve the living standards in poor countries.

Coping with the “false assumptions”: Every plan to curb consumption growth must rely on a drastic rise in the price of energy and other resources. As the prices of all resource-intensive goods would increase, real income would fall and so would real consumption. Consumers would be encouraged to do the opposite of what they used to do and give higher priority to labour-intensive goods such as care and repair, and incentives for saving resources by technological measures would be stronger. Over time, the material and institutional structures of society would be transformed to make it easier to live with a lower resource consumption. Since it is highly unlikely that market forces will provide the necessary increase in resource prices, political measures are needed to ensure gradual increases and maintain high prices over time – and to provide economic compensation to the poor, nationally and globally.

Changing the use of goods: When real income goes down, and the relative price of labour decreases, various changes may be expected, such as: products are designed for longer lives and for being repairable and recyclable; high-quality handicraft products become more attractive; various schemes for sharing consumer goods are extended (e.g. car-sharing and collective housing with shared facilities); more product-service systems are established where consumers buy a service rather than owning the necessary equipment themselves.

Constraining sales promotion: The rapid renewal of consumer goods may be slowed down by restricting advertising, commercial television and the commercialization of public space.

More localized economies: Since transport is so environmentally costly, more localized economies should be encouraged, e.g. by the introduction of local currencies.

Reducing inequalities: Agreements on the labour market and tax reforms could focus on reducing inequalities through cuts in high incomes, thereby reducing the importance of income as the most important mechanism for recognition, reducing consumption drivers related to status, and curbing the normalization of ever-increasing standards. To avoid that a reduced focus on wage increases leads to higher profits, taxation should absorb the surplus.

A slower pace of life and an increase in the informal sector: When higher prices on resources focus the attention on resource productivity rather than labour productivity, the tempo at work may slow down and also allow for a slower pace of everyday life. This may open for new ideas concerning quality of life and make the development of the informal economies of local communities more attractive, changing the balance between the formal and informal sectors.

Transformative investments and transfer from private to public consumption: More sustainable lifestyles depend on transformations of the infrastructure, such as insulation of buildings and public transport. Since such investments may not be profitable for private investors, public investments are needed. In general, it is useful to transfer private to public income, because the resource-intensities of public goods are much lower than the resource-intensities of most private consumption. Simultaneously, a shift towards care, education, health and cultural activities is desirable from a quality-of-life perspective.

Concluding remark

If an OECD country embarks on developing a replacement of the consumption-based growth engine, it will be a challenge to avoid serious economic, social and political crises – based on unemployment, problems with competitiveness, and transformation of industry structure. Coordinated efforts, e.g. within the EU, would make it easier, and it will be important to reduce the meshes in the social security net to smooth the processes. Sooner or later, it will be necessary to manage without growth, and as stated by Peter Victor (Victor, 2008), it is much better to do it by design than by disaster. Doing it by design may develop into a great project of transformation, engaging all of us and boosting our quality of life, although consumption has to go down.

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