

# Environment and Consumer

**PRANAB BANERJI**

**INDIAN INSTITUTE OF PUBLIC ADMINISTRATION  
NEW DELHI**

## **Consumer Education Monograph Series**

*Editors :*

S.S. Singh  
Rakesh Gupta  
Sapna Chadah

Published under aegis of consultancy assignment. Promoting Involvement of Research Institutions/Universities/Colleges, etc., in Consumer Protection and Consumer Welfare

Sponsored by : The Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution, Government of India.

© Indian Institute of Public Administration, New Delhi  
2006

Price Rs. 20/-

Published by Indian Institute of Public Administration, New Delhi and  
Printed at New United Process, A-26, Naraina Industrial Area,  
Ph-II, New Delhi, Ph. 25709125

## BACKGROUND

Sustainability of production and consumption emerged as a prime global concern by the turn of the last century— and, for good reason. Advances in science and technology provided mankind the capability to transform his surroundings as well as the means to provide for human needs. According to the International Monetary Fund (IMF), “*the total amount of goods and services produced in the twentieth century is estimated to have exceeded the cumulative total output over the preceding recorded human history*”.<sup>1</sup> Between 1900 and 2000, world production<sup>2</sup> increased about 19 times and world population rose from 1.6 billion to 6.3 billion. In the last 25 years alone world consumption doubled reaching a mammoth sum of \$ 24 trillion in 1998. Although economic development had yielded enormous benefits to mankind, the negative impacts were equally staggering. The United Nations Conference on the Human Environment of 1972<sup>3</sup> expressed serious concern at the deteriorating environmental impacts of economic development:

*“We see around us growing evidence of man-made harm in many regions of the earth: dangerous levels of pollution in water, air, earth and living beings; major and undesirable disturbances to the ecological balance of the biosphere; destruction and depletion of irreplaceable resources; and gross deficiencies, harmful to the physical, mental and social health of man, in the man-made environment, particularly in the living and working environment.”<sup>4</sup>*

At the global level, the Stockholm Conference was the first key milestone that addressed the problem of sustainable development. In

*\* Professor of Economics, Indian Institute of Public Administration, New Delhi*

---

<sup>1</sup> IMF, *World Economic Outlook* May 2000 P 150-151

<sup>2</sup> GDP at constant prices, source, Ibid

<sup>3</sup> Led to what is commonly known as the Stockholm Declaration

<sup>4</sup> Stockholm Declaration, Proclamation 3.

1980 and 1983 the Independent Commission on International Development Issues<sup>5</sup> published two significant reports that attempted, for the first time, to establish a three-way link between development, environment and poverty. As environmental movements gathered steam, the United Nations (UN) General Assembly set up the World Commission on Environment and Development (WCED)<sup>6</sup> in 1983 to examine the environment and development crisis and propose a framework for sustainable development. Its landmark report stated that global environmental problems were the result of non-sustainable patterns of consumption and production in the rich countries and the product of mass poverty in the developing countries. It called for a new strategy that combined environment and development and called it “sustainable development”, which was defined as follows:

*“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.*

The first implication of this definition was that the Brundtland Commission put the satisfaction of basic needs for all mankind as an overriding priority. However, the report felt that the basic environmental problem was not the result of economic growth *per se* but of the quality of growth. It offered the following seven-point strategy for sustainable development : reviving growth, altering the quality of growth, meeting basic needs, achieving sustainable population level, conserving and enhancing national resource bases, modifying technology and integrating economic and environmental decision processes.

The significance of the Brundtland Commission rested in the fact that, unlike the Brandt Commission, it reported directly to the UN General Assembly. The General Assembly asked for a status report on the progress in sustainability after five years, in 1992, which became famous as the Rio Conference.<sup>7</sup> The Rio Conference provided international recognition to sustainable consumption and production by adopting, among other resolutions and declarations,

---

<sup>5</sup> Known as Brandt Commission as it was chaired by Willy Brandt, former Chancellor of then Federal Republic of Germany. The two reports brought out by the commission were *North-South: a Programme for Survival* (1980) and *Common Crisis* (1983)

<sup>6</sup> Also known as the Brundtland Commission, the WCED was chaired by Gro Harlem Brundtland, Prime Minister of Norway. The WCED Report entitled *Our Common Future* was published in 1987.

the *Agenda 21* action plan. *Agenda 21*, a voluminous document of 40 chapters and 500 pages, details the goals and policies aimed at realizing the objective of sustainable development through poverty reduction and environmental protection. The document is not legally binding and provides a broad (but ambitious) action plan, set of guidelines and a manual for good practices designed for governments, non-governmental organizations (NGOs), local bodies and multilateral agencies. To oversee the implementation of *Agenda 21*, the UNCED recommended the creation of an international commission for sustainable development.<sup>8</sup>

Chapter 4 of *Agenda 21* entitled 'Changing Consumption Patterns', highlights the need for re-orienting consumption patterns and outlines policies and strategies for achieving the goals. The chapter deals with two programme areas: (A) Focusing on unsustainable patterns of production and consumption and (B) Developing national policies and strategies to encourage changes in unsustainable consumption patterns. The objectives of **programme area A** are promotion of sustainable patterns of consumption and production, meeting the basic needs of humanity and enhancing understanding of the role of consumption and discovering the means for promoting sustainable consumption patterns. These objectives are to be achieved through a mix of managerial and research action agenda. **Programme area B** is to be addressed by enhancing resource-use efficiency, reducing generation of wastes, influencing consumer behaviour towards sustainability, reorienting government procurement, promoting environmentally sound pricing policies and reinforcing values that support sustainable consumption.

Earlier, in 1985, the UN General Assembly had adopted the **United Nations Guidelines for Consumer Protection**. The *Guidelines*, though not legally binding, provided a comprehensive policy framework intended for use by governments in designing legislative and regulatory

---

<sup>7</sup> United Nations Conference on Environment and Development (UNCED) held in Rio De Janeiro in 1992. The largest environmental conference attended by 30,000 people and over 100 heads of states, the UNCED is also known as the Earth Summit.

<sup>8</sup> The UN Commission on Sustainable Development was subsequently set up under the Economic and Social Council (ECOSOC) of the UN.

processes for consumer protection. The Guidelines were the result of the recognition that “*consumers often face imbalances in economic terms, education levels, and bargaining power, and bearing in mind that consumers should have the right of access to non-hazardous products, as well as the importance of promoting just, equitable, and sustainable economic and social development.*”<sup>9</sup> The Guidelines covered the following areas of consumer protection: protection of consumers from hazards to their health and safety; promotion and protection of their economic interests; access to information to enable consumers to make informed choices; consumer education on the impacts of their choices; effective consumer redress; and consumers participation in decision-making processes in matters that may affect them.

The need for extending the Guidelines to include sustainable consumption was realized immediately after the Rio Summit. As the UNCSD noted:

*“During the last decade, there has been increased awareness amongst consumers that their purchasing choices impact on the environment. Through various media campaigns sponsored by Governments and NGOs, the consumers are urged to consider not only the quality of goods, but also the conditions under which the goods are made, and to distinguish needs from desires. The inclusion of sustainable consumption objectives in the Guidelines for Consumer Protection would reinforce recognition of the crucial role that consumers can play in protecting the global environment.”*<sup>10</sup>

In 1995, the UNCSD recommended the expansion of the Guidelines to cover sustainable consumption. In 1995 and 1997 the ECOSOC reiterated the recommendation. In 1999, the *Guidelines* were expanded to include sustainable consumption as a specific section (section G) of the UN Guidelines for Consumer Protection and adopted by the General Assembly in late 1999. This was hailed as the ‘crucial next step’ in achieving the goals of sustainable development agreed upon in the Rio Summit. According to a spokesperson of the Consumers International, “*Consumer protection has taken a pioneering stride into a greener future. This is the first major update of this Magna Carta of consumer*

<sup>9</sup> ECOSOC, *Consumer Protection*, Report of the Secretary General E/1995/70 as quoted in UNCSD’s Background Paper on *Consumer Protection and Sustainable Consumption: New Guidelines for the Global Consumer*, 1998.

<sup>10</sup> UNCSD Background Paper, *ibid*

*rights since it was adopted....The decision...marks a victory for consumers and provides an important tool which governments can use in developing, and implementing effective action plans for sustainable development”.*<sup>11</sup>

## MEANING

The extended *Guidelines* now include promotion of sustainable consumption as one of its objectives and devotes a section to the issue. However, it does not explicitly define ‘sustainable consumption’. Section G, titled ‘Promotion of sustainable consumption’, begins by stating “*Sustainable consumption includes meeting the needs of present and future generations for goods and services in ways that are economically, socially and environmentally sustainable*”. This ‘definition’ is broader than the Brundtland definition of sustainability and that given in chapter 4 of *Agenda 21* of the Rio Conference, as it includes economic and social sustainability, whereas the latter two stress, almost exclusively, on the environmental impacts of consumption and production. By mentioning only ‘meeting the needs’, it creates ambiguity and differs from the more explicit definition of sustainable consumption adopted by the UNCSD in 1995:

*The use of services and related products which respond to basic needs and bring a better quality of life while minimizing the use of natural resources and toxic materials as well as the emissions of waste and pollutants over the life cycle so as not to jeopardize the needs of future generations.”*<sup>12</sup>

Two significant considerations emerge from the various definitions of the concept of ‘sustainable consumption’.

First, ‘sustainable consumption’, as defined by the international community, is not really concerned about the level of consumption, despite occasional references to high levels of consumption by the rich. The UNCSD definition clearly states that the issue at stake is to ‘bring a better quality of life while minimizing the use of natural resources’ and the ‘emissions of waste and pollutants.’ This approach draws from the statement

---

<sup>11</sup> Anna Fielder; Director, Office of Developed and Transition Economics, Consumers International (1999) as quoted in *Tracking Progress: Implementing Sustainable Consumption Policies* (2002).

<sup>12</sup> As quoted in *Tracking Progress*, *ibid.*

in *Agenda 21* which states:

*“Achieving sustainable development will require both efficiency in production processes as well as changes in consumption patterns...”*

The shift from ‘consumption’ to ‘patterns of consumption’ in international usage is extremely significant as the former is associated with the volume of consumption whereas the latter focuses on the use of resources involved in the cycle of consumption and production. The term ‘patterns of consumption’ is now used to distinguish between the two aspects of consumption, — consumption of goods and services and the impact that arises from the consumption and the production of these consumables. The UNCED therefore views sustainable consumption as an “*umbrella term that brings together a number of key issues, such as meeting needs, enhancing quality of life, improving resources efficiency, minimizing waste, taking a life-cycle perspective and taking into account the equality dimension*”.<sup>13</sup> According to the international definition, sustainable consumption is not ‘less consumption’, perhaps even by the rich, but more ‘efficient’ and possibly ‘different’ consumption as well as cleaner and efficient production.

Second, by including economic, social and environmental sustainability in its conception of sustainable consumption, the extended *Guidelines* introduce another dimension to the concept. The *Guidelines* concept is akin to the capital-stock model developed by the World Bank in 1994.<sup>14</sup> This model postulates the existence of four types of capital: physical, human, social and environmental. ‘Weak sustainability’ is then achieved when consumption (and production) does not lower the total stock of capital, which is the sum of all the four types of capital. In other words, sustainability implies living off the ‘interest’ rather than on the ‘stock’ of capital. Weak sustainability allows some form of capital to be reduced provided the loss is offset by augmenting other types of capital, such that the total stock is not reduced. ‘Strong sustainability’ rules out the reduction of any one of the four types of stocks of capital in the long run. Since it is easier to adhere to ‘weak sustainability’ objectives, countries often adopt it subject to certain limitations. These limitations are imposed by defining the critical limits

---

<sup>13</sup> Sustainable Consumption and Cleaner Production, Global Status 2002.

below which certain types of capital shall not fall. This is achieved by laying down critical health or environmental standards. 'Weak sustainability', modified in this fashion, has been called 'weak sustainability plus'. The type of sustainability implied by the *Guidelines* has been perhaps intentionally left vague so as to allow national policy makers to decide what is appropriate in each case.

## DIFFERENCES

The expanded *Guidelines* for Consumer Protection seeks, as one of its objectives, 'to promote sustainable consumption'. This is followed by the section on General Principles which states that the "*guidelines are intended to meet*" the following "*legitimate needs*", which includes "*the promotion of sustainable consumption patterns*". The terms 'sustainable consumption' and 'sustainable consumption patterns' are, perhaps intentionally, used interchangeably. The General Principles explicitly state that the developed countries should take the lead in achieving sustainable consumption patterns and the "*developing countries should seek to achieve sustainable consumption patterns in their development process, having due regard to the principle of common but differentiated responsibilities*". The principle of common but differentiated responsibility is a significant principle that formed a part of the Rio Declaration. The principle stated: "*In view of different contributions to global environmental degradation, states have common but differentiated responsibilities. The developed countries acknowledge the responsibility that they bear in the international pursuit to sustainable development in view of the pressures their societies place on the global environment and of the technologies and financial resources they command*". The Rio Declaration therefore accepted the principle that developed countries had a greater responsibility towards ensuring sustainability as production and consumption patterns in the richer countries put greater 'pressures' on the 'global environment'. In Chapter 4 of *Agenda 21* of Rio, the government delegates agreed that "*the major cause of the continued deterioration of the global environment is the unsustainable pattern*

<sup>14</sup> Serageldin, Ismail and Andrew Steer, ed. 1994 *Making Development Sustainable; From Concept to Action* World Bank.

*of consumption and production, particularly in industrialized countries*". It is also noteworthy that the *General Principles* include the suggestion that policies for promoting sustainable consumption should also take into account the goal of "*reducing inequality within and between countries.*"

The *Guidelines* are meant primarily for use by governments though it recognizes that sustainable consumption is the shared responsibility of all members and organizations of society. The government, in partnership with other sections of society, is expected to develop strategies and implementation instruments to promote sustainable consumption. The implementation instruments suggested include 'removal of subsidies', 'fiscal instruments', 'internalization or environmental cost' and 'promotion of sector-specific environmental-management best practices'. In line with *Agenda 21*, the *Guidelines* call upon governments to promote efficiency in resources and energy usage and reduce wastes through interventions that influence design, technology, product mix and product cycles. Related measures like formulating environmental standards, impartial environmental testing and regulatory standards and mechanisms, especially for substances that may be hazardous or harmful to health and environment, are highlighted as appropriate areas for governmental intervention. Governments should also set an example through their own procurement and consumption practices.

The other significant role envisaged for governments is in the sphere of advancement and dissemination of knowledge and information on consumption and links between consumption and environment. Governments should promote research on consumption behaviour and environmental impact; develop indicators, methodologies and databases and disseminate knowledge of research, launch awareness campaigns and provide information to enable consumers to choose more sustainable consumption patterns.

The *Guidelines* therefore broadly follow the path set out in Chapter 4 of *Agenda 21* in so far as it envisages a two-pronged action plan, which involves (a) the development of policies, strategies and instruments to promote sustainability and (b) promotion of knowledge, methodologies, data and information systems. There are however a few significant

differences between the two documents.

The *Guidelines* differ from the *Agenda 21* as it has two significant omissions and one critical inclusion. *Agenda 21* explicitly calls for ‘developing new concepts of sustainable growth and prosperity.’ It elaborates the point by stating “*Consideration should be given to the present concepts of economic growth and for new concepts of wealth and prosperity which allow higher standards of living through changed lifestyles...*” The *Agenda* also mentions the task of ‘reinforcing values that support sustainable consumption’ although it does not really capture the full implication of its own statement. The *Guidelines* not only miss out on both these elements but also insert a new concern which is potentially restrictive:

“Governments should work to ensure that policies and measures for consumer protection are implemented with due regard to their not becoming barriers to international trade, and that they are consistent with international trade obligations.”

The *Guidelines* therefore leave a distinct impression that it tacitly agrees to a predominantly technological solution to a problem which is essentially human and settles for ‘more-of-the-same’ approach. The *Guidelines* also do not address the critical question why non-sustainable consumption and production patterns continue to thrive throughout the world on such a massive scale?

## TRACKING PROGRESS

The progress towards sustainable consumption in the immediate aftermath of the adoption of the extended *Guidelines* was, not surprisingly, tardy. Three years after the inclusion of sustainable consumption in the UN Guidelines for Consumer Protection, which presented a framework for governments to use for formulating and strengthening sustainable consumption policies as an integral part of Consumer Protection, a global survey<sup>15</sup> conducted jointly by UNEP and CI found that little progress has been made in this direction. The survey approached all the 150 governments that had approved the Guidelines in 1999 with a questionnaire, but received response from barely a third of them. What was striking was that more than a third (38 percent according a press release) of the responding governments “*were not actually*

*aware of the Guidelines*".<sup>16</sup> The survey found that only a little over half the responding countries actually use indicators to measure progress toward sustainable consumption patterns. Again, as for as research is concerned, only fifty six percent promote research on sustainable consumption and the same percentage of respondents use fiscal instruments to promote the same. The silver lining lay in the fact that nearly 80 percent of the governments said that the *Guidelines* were useful and nearly the same percentage had promoted consumer awareness about sustainable consumption issues.

The study, *Tracking Progress*, proposed a set a measures to ensure that tangible progress is made towards achieving sustainable consumption. The first recommendation was that "*Governments should initiate a five-year global framework programme aimed at comprehensive and integrated implementation of the guidelines at national, regional and international level. Such a programme could be launched at the WSSD*". The plan of action initiated by governments should have timelines and measureable targets. The plans should focus on the following policy areas: information on measuring progress; research on consumer behaviour; environmental product testing; regulatory mechanisms, including economic instruments; sustainable government practice, including sustainable procurement; life cycle design of products and services; and recycling programmes.

## JOHANNESBURG PLAN

The WSSD,<sup>17</sup> the next landmark in international efforts for sustainable development, finally agreed on two documents: *The Declaration on Sustainable Development* and the *Plan of Implementation*. Though the issues of sustainable consumption figure in the latter document, the *Declaration* is also significant as a statement of intent. According to the UN's summary of the WSSD results, entitled *Key Outcomes of the Summit: "The Summit*

---

<sup>15</sup> The Survey Report entitled *Tracking Progress: Implementing Sustainable Consumption Policies*, covered the period 1999-2002.

<sup>16</sup>idib

*reaffirmed sustainable development agenda and gave new impetus to global action to fight poverty and protect the environment.” Further, the “understanding of sustainable development was broadened and strengthened as a result of the Summit, particularly the important linkages between poverty, the environment and the use of natural resources”. The*

Johannesburg *Declaration* covers a very wide range of concerns that are as diverse as HIV/AIDs, women’s empowerment, global capital flows, acceptance of pluralism, basic needs, armed conflicts, drug problems, and so on. But it is not just a litany of problems that humanity is expected to address. There are glimpses of a vision of a better world that cares for the environment, where absolute poverty has been eradicated, where basic needs are fulfilled and which seeks to remove the “*deep fault line that divides human society between the rich and the poor and the ever-increasing gap between the developed and developing world*”.

The Johannesburg *Plan of Implementation* is detailed and a little more specific. Chapter III of the *Plan* is concerned with ‘Changing Unsustainable Patterns of Consumption and Production’. The chapter begins by stating that “*the way societies produce and consume are indispensable for achieving global sustainable development*”. The stress on the ‘way’, rather than on the ‘volume’ is in line with the concept of sustainable ‘consumption pattern’. The Rio principles, including the principle of common but differentiated responsibilities, are reiterated. But the *Plan* broadens and thereby dilutes governmental responsibility in this context by stating that “*Governments, relevant international organizations, the private sector and all major groups should play an active role in changing unsustainable consumption and production patterns*”. The *Plan* calls for the development of a 10 year framework of programmes to promote sustainability “*by addressing and, where appropriate, delinking economic growth and environmental degradation through improving efficiency and reducing degradation, pollution and waste*”. The specific actions should include the identification of specific tools and policies; measures and monitoring and assessment

---

<sup>17</sup> The UN World Summit on Sustainable Development (WSSD) took place in Johannesburg in 2002.

mechanisms; applications of the polluter-pays principle; generation of awareness and dissemination of information; development of policies to improve products and services so as to minimize their environmental impacts; and adoption, on a 'voluntary' basis, of consumer information tools, that are not "used as disguised trade barriers". In addition to the 10-year framework, the *Plan* recommends increased investment in cleaner production and eco-efficient technologies. This could be achieved through "incentives and support schemes and policies directed at establishing appropriate regulatory, financial and legal framework". Clearly, the role of the private sector is stressed here. The governments are also advised to 'enhance corporate environmental and social responsibility and accountability' through 'voluntary initiatives' and training programmes. The government, at various levels, should take sustainable development considerations into account in decision-making, including on national and local development planning, investment in infrastructure, business development and public procurement. This would include internalization of environmental costs and the use of economic instruments "without distorting international trade and investment".

The Johannesburg *Plan* is more detailed and elaborate in its treatment of sustainable consumption and production, as compared to *Agenda 21* of the Rio Summit. Yet, it does *not* mark a decisive step forward. The *Plan* proposes a 10 year time frame for developing a framework of programmes, whereas the study '*Tracking Progress*' had recommended five years for finalizing programmes on sustainable consumption. The *Plan*, in contrast to the Rio *Agenda*, is more focused on the role of private enterprise in implementing sustainable consumption and production and thereby limits and dilutes the role of governments. The numerous references to a 'voluntary' efforts by private enterprise towards sustainability is indicative of lack of political will to seriously address the problem of unsustainability. The role of governments is further circumscribed by caveats forbidding actions that may be seen as 'distorting international trade and investment'. And finally, the *Plan* practically delinks economic growth from environmental degradation and thereby confines the problem of unsustainability to a mere technological one.

Post-Johannesburg, progress towards sustainability has been slow. In June 2003, the International Expert Meeting on the *10-year*

*Framework of Programmes for Sustainable Consumption and Production* was held in Marrakech, Morocco. The meeting was seen as ‘a basic step towards the development of a 10-year framework’ and how ‘basic’ a step it was, is indicated in its conclusion which states, *inter alia*, the following: “*The Marrakech Process indicated that clearly defining sustainable consumption and production is key. After detailed debates on the breadth and scope of the subject over a significant period of time (10 years), the challenge is to move from the more generic to the specific and focus on implementation*”.<sup>18</sup>

## WORLD BANK APPROACH

At one level, therefore, progress towards sustainable consumption and production has been disappointing. But it is also true that on the technological front several countries have made appreciable progress in promoting eco-efficiency and reducing pollutants. This has been the impact of the increased awareness generated by and reflected in the global debate on unsustainable consumption and production. One important result of this debate has been the development of methodologies and indicators designed to measure sustainability. *Agenda 21* committed to “*expand existing systems of national accounts in order to integrate environmental and social dimensions in the accounting framework, including at least satellite systems of natural resources in all member states.*” In 1994, the World Bank articulated a measurable concept of sustainability by shifting the focus, from consumption and production, to the ‘stock of capital’. Since capital yields annual flows of income, ensuring that these flows remain at least the same for future generations, as they are today, implies that the world’s stock of capital should increase at least at the same pace as the population growth rate. Capital was seen as comprising of four different categories: “*human made or ‘fabricated’ capital (machines, factories, buildings and infrastructure), natural capital (as discussed in many works of environmental economics), and human capital*

<sup>18</sup> Division for Sustainable Development, UNEP *10-year Framework of Programmes on Sustainable Consumption and Production: The Marrakech Process*, main conclusions of the meeting (UNEP website)

<sup>19</sup> World Bank 1994, *ibid.* p 30

<sup>20</sup> *ibid.* p 32

(investments in education, health, and nutrition of individuals), and social capital (the institutional and cultural bases for a society to function)".<sup>19</sup> Weak sustainability was further defined as "maintaining total capital intact without regard to the composition of that capital among the four different kinds of capital".<sup>20</sup> A number of attempts have been made to measure the total stock of capital, defined in the above sense, across countries and over time to see whether development has been sustainable or not. Summary findings of two such studies are presented below.

The most influential study, in line with the World Bank methodology, is that by Hamilton and Clemens<sup>21</sup> who employ the term 'genuine domestic saving' as synonymous to that of the total stock of capital. 'Genuine Domestic Saving', however, is composed of three categories of capital: physical ('fabricated') capital, human capital and natural capital. (Possibly due to measurement difficulties, social capital has not been included by the authors). The researchers used published country level figures of physical capital formation and adjusted this to account for depletion of natural resources and of environmental capital. Accumulation of human capital, proxied by expenditure on education, was added to the figure to obtain the total stock of capital. Disinvestment in natural/environmental capital was measured by taking into account net changes in the stocks of commercial forests, oil and minerals and by the deterioration of atmospheric quality resulting from carbon-dioxide emissions. The estimates, therefore, were concerned not with measuring the total stock of capital but whether or not there has been an accretion to the stock during the year. The authors found that in 1998 'genuine domestic saving' was positive in all rich nations and in many poorer nations with the notable exception of 33 poor countries mostly belonging to Sub-Saharan Africa.

Another study,<sup>22</sup> employing a similar approach but attempting to measure 'growth rates of per capita genuine wealth', arrived at very similar conclusions. The study first measured the growth rates of 'unadjusted genuine wealth' which was obtained

---

<sup>21</sup> Hamilton, Kirk and Michael Clemens. 1999. "Genuine Savings Rates in Developing Countries" *World Bank Economic Review*, 13:2.

<sup>22</sup> Arrow, Kenneth; Partha Dasgupta *et.al*, 2004. "Are We Consuming Too Much?" *Journal of Economic Perspectives*, 18.3

from the growth rates of expenditures on human capital formation, physical investments and disinvestment of natural capital. The growth rates were then used to obtain growth rates per capita after taking into account the growth rates of population. The study argued that technological progress allows for the possibility of obtaining the same output while using less resources. The authors therefore added the growth rates of productivity to the per capita growth rates of 'wealth' to obtain the growth rate of 'per capita genuine wealth'. For the countries studied, the growth rates of 'genuine wealth' were found to be negative for Sub-Saharan Africa and Middle East/North Africa. The rich countries showed positive growth rates of 'genuine wealth' indicating that their consumption and production patterns pass the sustainability test. Both the studies arrive at the counter-intuitive result that development in the poor countries are unsustainable whereas the rich world, despite their enormous consumption, exhibit sustainable development! The authors are at pains to explain this embarrassing conclusion (which has the potential of turning the principle of common but differentiated responsibility on its head): "*One might infer...that several poor countries are "consuming too much". In many poor nations, the production of both capital goods and consumption goods is highly inefficient.*"<sup>23</sup>

The paradoxical results of empirical studies on sustainability are the outcome of the manner in which sustainability is now being defined. The common sense concern for unsustainability arises out of the realization that the earth's resources may not suffice to meet unbridled increase in consumption of an ever growing world population. But instead of continuing to focus on consumption, the World Bank approach has shifted the centre of attention to capital formation, in the broader sense of the term. It is well known that the rich not only consume more but are also able to save more. The poor countries save less and often rely on the export of primary products to meet their international obligations. By ignoring consumption and measuring only capital formation therefore gives the paradoxical result that the poor, who find it difficult to meet their subsistence needs, have unsustainable 'pattern' of consumption; whereas the rich, despite consuming enormous amounts of the earth's resources that are often imported, are shown to have sustainable 'pattern' of consumption!

<sup>23</sup> Arrow *et.al* *ibid*

## TOWARDS BASIC NEEDS APPROACH

The depletion of natural resources is often a very serious problem for the world's poor. By ignoring consumption and measuring capital formation, the international pundits of sustainability are beating around the wrong bush. It is essential that consumption is given the central place in all programmes of sustainability. The way to do this, in our opinion, is to resurrect the Brundtland definition of sustainability that stresses on 'needs'. Does the World produce enough to meet basic needs of everyone? The World's per capita income<sup>24</sup> in 2003 was US\$ 5,500 or, in rupee terms using the exchange rate of Rs. 45 per \$ for that year, it was Rs. 2,47,500. Few in India have that level of per capita annual income. Therefore, not only Mahatma Gandhi's statement that the earth has enough (resources) for man's needs true, but even the present level of world production is more than adequate to meet a very elaborate list of 'basic needs', provided these are shared more equitably. Studies have also indicated that the positive relation between fulfillment of basic needs and per capita national product exists only for lower income levels.<sup>25</sup> Similar results have been reported for the relation between 'happiness' and per capita production.<sup>26</sup> In other words, increasing production and consumption beyond a point does not improve the fulfillment of basic needs and nor does it result in greater human happiness.

Technological improvements, as stressed in the international literature, is important and we shall discuss it. Nevertheless, exclusive reliance on technology has its limits and the technical approach needs to be complemented by other measures including what *Agenda 21* called '*developing new concepts of sustainable growth and prosperity*'. This necessarily implies, in the language of the *Rio Agenda*, '*reinforcing values that support sustainable development*'. In India, the Gandhian approach has always emphasized the importance of voluntary limitation of wants, self-reproducing community living and harmonious relation between man and nature. This value-system, which treats consumption as a requirement but not as an end in itself, draws inspiration from various streams of

<sup>24</sup> Source: *World Development Report 2005*, World Bank.

<sup>25</sup> Diener E and Carol Diener, 1995, "The Wealth of Nations Revisited: Income and the Quality of Life", *Social Indicators Research*, Vol. 36 as quoted in Kenny Charles, 1999, "Does Growth Cause Happiness, or Does Happiness Cause Growth?", *Kyklos*, Vol. 52, No. 1.

<sup>26</sup> Kenny, *ibid*.

traditional wisdom (e.g. 'Man shall not live by bread alone') and stands in stark contrast to the modern economist's view that equates higher consumption with greater 'welfare'. The sustainability debate must choose between maximality and sustainability of consumption. Even the World Bank realized the importance of values and once organized a meet on the role of ethics and spiritual values in promoting sustainable development.<sup>27</sup> But efforts such as these have not been consistently pursued.

This is unfortunate, as the greatest barriers to sustainability are psychological and not technical. This view finds a degree of acceptance in the 2002 Global Status Report on Sustainable Consumption. The *Status Report* argued for 'an alternative conceptual approach' to address the problem of unsustainable consumption from three perspectives- provision, motivation and access. Discussing motivation, the *Status Report* accepts that 'actions and behaviours of people... as consumers... can be attributed to motivations that arise from needs and desires' and are 'dependent on information and understanding'. The consumers do not always behave as maximisers and "*it is very important to recognize that (some) consumers do see the connection between consumption and pollution/waste and are concerned about the life behind the product. In particular circumstances, consumers can be motivated by longer term interests rather than short-term, by collective and social goals rather than individual, and do act to consume responsibly. As the UNEP surveys on Global Consumers and Youth have shown, such behaviour is not limited by region or country.*"<sup>28</sup> The psychological barriers to sustainability at the policy making levels unfortunately have not been discussed by the Status Report. Governments can learn from initiatives that have been taken by a few governments to mainstream environmental concerns. The Swiss Constitution, for example, declares sustainable development to be a national objective and calls upon the Confederation and the Cantons to strive for "*a balanced relationship between nature and its ability to renew itself, on the one hand, and the demands placed on it by the human race, on the other*".<sup>29</sup> The British Government has adopted a framework of action<sup>30</sup> to promote sustainable consumption and production which lays down measurable and time-bound targets for

---

<sup>27</sup> Serageldin Ismail and Richard Barrett (ed), 1995 *Ethics and Spiritual Values Promoting Environmentally Sustainable Development*, World Bank.

<sup>28</sup> Quote from the *Status Report* 2002

mitigating selected environmental impacts. Governments need the will, there is little dearth of instruments and measures to achieve progress.

Interventions in the systems of provisions, to use the term employed by the *Status Report*, are equally important and have received the maximum international attention. These include, as a dominant component, technological interventions. Systems of provisions involve “*examining the various ways in which the consumption of products and services and the use of resources (and production of waste) associated with that consumption are determined by structures of creation, delivery, utility, disposal and information.*”<sup>31</sup> It includes all the processes involved in the design, production, distribution and disposal of products and services. Interventions in provisions, which involves taking a holistic approach that considers whole life-cycles of products and services allows selective delinking of economic growth and environmental degradation. There is enough empirical evidence to support the claim that a number of developed countries have successfully delinked some forms of air and water pollution from growth in the national product. A host of measures like re-cycling, treatment of effluents, eco-labeling, incentives for development/adoption of clean technologies, taxing the polluter and other similar measures have been effective in many cases.

Finally, sustainability critically depends on the access that the poor have to resources and commodities to meet their basic needs. In a market economy, access predominantly depends on private income, which in turn bears a strong positive relation to the ownership of resources, knowledge, skills and employment. Government policies and legal or social entitlements are critical factors that can promote access. Income and wealth re-distribution measures, fiscal and other economic instruments, investments in education and health, employment generating programmes, public provision of basic amenities to the poor, political empowerment and control over local resources etc. are some of the well known measures to promote access of the poor to basic needs.

Sustainable consumption is therefore much more than

<sup>29</sup> ARE-Sustainable Development-Definition and Constitutional Status in Switzerland (<http://www.are.adnub.ch/are/en/nachhaltig/definition/index.html>.)

<sup>30</sup> *A Better Quality of Life: A Strategy for Sustainable Development for the UK*, Defra, May 1999

<sup>31</sup> Status Report 2002.

changing the 'pattern of consumption'. It is a gigantic task that involves fundamental improvements in values, technology, institutions, policies and processes. It is a task that requires contribution from all sections, including business, industry, academia, government and civil society organizations. Sustainable consumption stands for better life in a better world.