

**The Consumer as a Driving Force behind the Greening of Industry:  
The Question of Policy Instrument Choice**

Doris Fuchs  
Institute of Political Science  
University of Münster  
Scharnhorststr. 100  
48151 Münster  
Germany  
Doris.fuchs@uni-muenster.de

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## Introduction

The role of stakeholders in fostering the greening of business<sup>1</sup> has received substantial attention over the last decade. Among those stakeholders, consumers are of particular interest. In one of the first publications by the Greening of Industry Network, scholars reported that managers saw the consumer as the most powerful future driving force behind the greening of business (Fischer and Schot 1993). Such “consumer power” is easily conceivable since business cannot survive without customers. If consumers decided to switch from environmentally inferior to environmentally superior goods, they would give strong incentives to business to comply with their environmental preferences. To date, however, consumers have shown limited willingness to send strong signals to business that environmental superiority will be rewarded.

From the perspective of the policy maker, this lack of environmental consumerism<sup>2</sup> is unfortunate. Given the continuing scarcity of resources in the public sector and current antagonism to a large state especially in Western societies, the consumer can only be a most welcome influence on the environmental performance of business. In terms of economic and political considerations, the reliance on the consumer to provide economic incentives to business rather than on the government to impose top-down regulation provides higher degrees of economic efficiency and political acceptability.<sup>3</sup> For the policy maker, therefore, a bigger role of consumers in influencing the greening of business and products would be desirable.<sup>4</sup>

This paper explores the question how the willingness and capacity of consumers to play a bigger role in improving the environmental performance of business can be enhanced. Specifically, the paper analyzes the selection of policy instruments to increase environmentally superior consumption choices by consumers.<sup>5</sup>

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<sup>1</sup> The greening of business is broadly defined as environmental improvements in products and processes.

<sup>2</sup> Environmental consumerism is used as a short for the inclination of consumers to make environmentally superior consumption decisions.

<sup>3</sup> In terms of the ethical perspective of liberalism, the reliance on economic incentives creates an opportunity to provide consumers with their “rightful” role in influencing the environmental performance of their “economic contractors.”

<sup>4</sup> The same argument and therefore to a considerable extent this analysis applies to the role of the consumer in influencing the social performance of business.

<sup>5</sup> The emphasis is on instrument choice rather than instrument performance. The literature on the political economy of public policy has taught us that the policy process does not necessarily lead to the choice of the most effective instrument. Ligteringen (1998) also demonstrates that many policy measures that can be derived for steering consumer behavior with respect to the environment that are both effective and implementable, but highlights that these qualities do not necessarily guarantee their

In pursuit of this objective, the paper utilizes the policy instrument model as a theoretical foundation. The model allows the identification of characteristics of policy instruments likely to be selected in the policy process on the basis of policy network characteristics, specifically *interconnectedness* and *cohesion*. Interconnectedness in this context “refers both to the contacts in the relevant policy formation process... and also the relationships between the actors outside the actual policy process at any particular time (Bressers and O’Toole 1998, p.219). Cohesion refers to the distribution of objectives among actors in the network. Accordingly, the paper assesses cohesion and interconnectedness with respect to the interaction between policy makers and consumers.

With respect to the policy maker-consumer dimension, the analysis finds that the interconnectedness between policy maker and consumers is uniformly weak. Cohesion in the policy network can range from relatively strong to relatively weak cohesion, depending on the ability of environmentally superior consumption choices to satisfy consumer needs and the costs associated with such choices. Based on this analysis, the paper illustrates that under conditions of strong cohesion in the network the provision of information to consumers is a likely policy instrument. Under conditions of weak cohesion, however, the policy maker is likely to choose more interventionists instruments such as eco-taxes or environmental housing standards, for instance.

The paper proceeds as follows. Section I introduces the policy instrument model. Section II applies the model to environmental consumerism by identifying network characteristics and deriving the characteristics of feasible policy instruments. Section III discusses the likelihood of strong cohesion in the policy maker – consumer network. The paper concludes with a summary of the findings and a discussion of their implications.

### ***I. The Policy Instrument Model***

To embed the discussion of policy instruments to enhance environmental consumerism in a theoretical context, this paper draws on the policy instrument model (Bressers 1993, 1995, Bressers and Ligteringen 1998, Bressers and O’Toole 1998). This model derives the characteristics of policy instruments likely to be chosen in the

policy process from policy network characteristics, specifically interconnectedness and cohesion.<sup>6</sup> Combinations of weak and strong interconnectedness and weak and strong cohesion allow the creation of four “types” of networks. Furthermore, Bressers and his colleagues identify six dominant characteristics of policy instruments<sup>7</sup>:

- 1) normative appeal to the target group
- 2) proportionality of the policy maker’s response to target group behavior
- 3) provision or withdrawal of resources to or from the target group
- 4) target group’s freedom to opt for or against application
- 5) the reliance on bilateral or multilateral arrangements
- 6) the role of the policy-maker during the policy implementation phase

The policy instrumentation model links these policy instrument characteristics to the policy network characteristics identified above in order to develop a model of policy instrument choice:

	Strong interconnectedness	Weak interconnectedness
Strong cohesion	No normative appeal Proportionality Provision of resources Freedom to opt for/against application Bilateral/multilateral arrangements Implementation by policy makers or closely affiliated organizations	No normative appeal Proportionality Provision of resources Considerable freedom to opt for/against application Absence of bilateral arrangements Implementation by policy makers or intermediary organizations
Weak cohesion	Normative appeal Proportionality Limited withdrawal of resources Absence of freedom for target group Many bi- or multilateral arrangements Implementation by policy makers or affiliated organizations	Normative appeal Absence of proportionality Withdrawal of resources Limited freedom to opt for/against application Absence of bilateral arrangements Involvement of parties other than policy makers

**Figure 1: Policy Networks and Instrument Characteristics (adapted from Bressers and O’Toole 1998).**

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the chosen instrument can be estimated.

<sup>6</sup> The link between policy network characteristics and the choice of policy instruments is based on the argument that policy networks try to reproduce themselves: “the more an instrument’s characteristics help to maintain the existing features of the network, the more likely it is to be selected during the policy formation process” (Bressers and O’Toole 1998, p. 220).

The policy instrument model in its original version and applications (Ligteringen 1998) considers only one target group when studying policy networks. In this case as in many other policy issues, however, two or more target groups are involved. The policy network of enhancing consumer willingness and capacity to positively influence the environmental performance of business includes both consumers and business. Interconnectedness and cohesion in the policy network thus has to be determined between the policy maker, consumers and industry.

As pointed out above, the policy instrument model, in its current form, only provides a framework for two-dimensional analysis not three dimensional analysis. Therefore, this paper will conduct a simplified assessment of the environmental consumerism policy network in two two-dimensional cuts. In a first analysis, the paper will explore interconnectedness and cohesion with respect to the interaction between policy maker and consumers. In a second analysis, the paper will consider the interaction between policy maker and business.

Such an analysis is incomplete, of course. It cannot take the impact of actors across the two-dimensional cuts and their influence on policy design into account. The paper will attempt to overcome this weakness by taking such cross-cutting influences informally into account when analyzing the two-dimensional interactions. Eventually, of course, the policy instrument model will require further development to provide a theoretical framework for the analysis of policy networks with two or more target groups.

## ***II. Policy Makers and Consumers***

Applying the policy instrumentation model to the present topic involves, as a first step, the characterization of the relevant policy network. Characterizing the network dimension policy maker – consumers in terms of interconnectedness and cohesion yields the following results. The degree of interconnectedness is uniformly weak, because of the low level of accessibility of millions of consumers as a target group.<sup>8</sup> Policy makers cannot have repeated direct contact with consumers as a target group during the policy formation process or even outside of it. Consumer

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<sup>7</sup> The authors argue convincingly against the conventional differentiation between instrument types in terms of “incentive based” versus command-and-control, as most instruments combine characteristics of different types.

<sup>8</sup> See also Ligteringen (1998) who conducts a similar analysis of the accessibility of consumers as a target group for the policy issue of sustainable consumption.

representatives have this contact with the policy maker, of course, but even they lack direct and comprehensive contact with consumers. Interconnectedness, therefore, is weak.

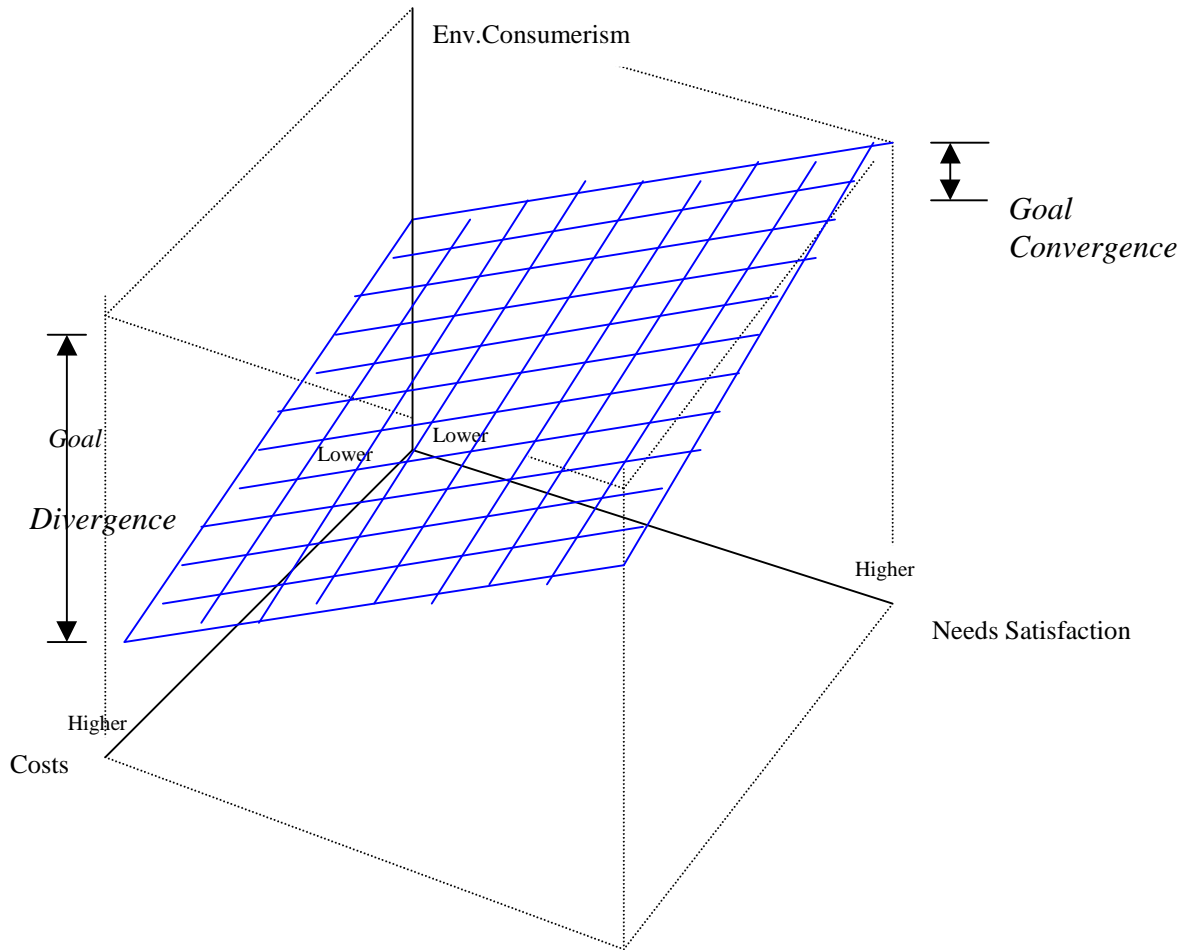
Cohesion, on the other side, can range from weak to strong degrees as a comparison of the goals of policy makers and consumers indicates. The goal of policy makers assumed for this analysis is to increase purchases of environmentally superior products versus environmentally inferior ones and thereby use consumer demand to improve the environmental performance of business.<sup>9</sup> The goal of consumers is to satisfy their needs at the lowest possible costs. As the following discussion illustrates, the extent to which these goal converge or diverge is context dependent.

The consumers' goals will be compatible with the policy-maker's goal if purchases of environmentally superior products allow consumers to satisfy their needs better at lower or similar costs, or similarly at lower costs compared to environmentally inferior goods. The goals will still be compatible, if purchases of environmentally superior products allow consumers to satisfy their needs to a similar extent at similar costs. The goals will diverge, however, if environmentally superior consumption choices mean a lesser satisfaction of needs at similar costs, a similar satisfaction of needs at higher costs, and especially if they mean a lesser satisfaction of needs at higher costs. Goal convergence thus depends on the extent to which purchases of environmentally superior goods satisfy the needs of consumers and on the costs associated with those purchases. The following figure illustrates the range of cohesion likely to exist in the policy network.<sup>10</sup>

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<sup>9</sup> This strategy would also reduce the overall environmental impact of consumption, of course, which in itself can be a policy goal. The focus of this paper, however, is on the role of consumers in fostering the greening of business.

<sup>10</sup> Bressers and O'Toole view cohesion more as a consensus pertaining to deeper issues such as shared values and a shared world-view rather than as goal convergence in specific instances. This paper, in contrast, assumes that it is a combination of the two that determines policy instrument choice. Both the extent to which the network is characterized by shared fundamental values and the extent to which policy makers perceive goal convergence in specific instances is likely to matter.



**Figure 2: Cohesion between Policy-Makers and Consumers**

The figure depicts the likelihood that consumers will make environmentally superior consumption choices (axis Z) as dependent on the extent to which environmentally superior products satisfy their needs compared to environmentally inferior products (axis X) and the costs associated with environmentally superior consumption choices (axis Y). Notice that the X and Y axes represent the satisfaction of needs and the costs of environmentally superior consumption choices *relative* to environmentally inferior consumption choices. High values on both axes indicate that the environmentally superior product satisfies needs *better* and its costs are *higher*. Medium values mean that the two products are *equal* on both dimensions, while low values indicate a *lesser* satisfaction of needs and *lower* costs.

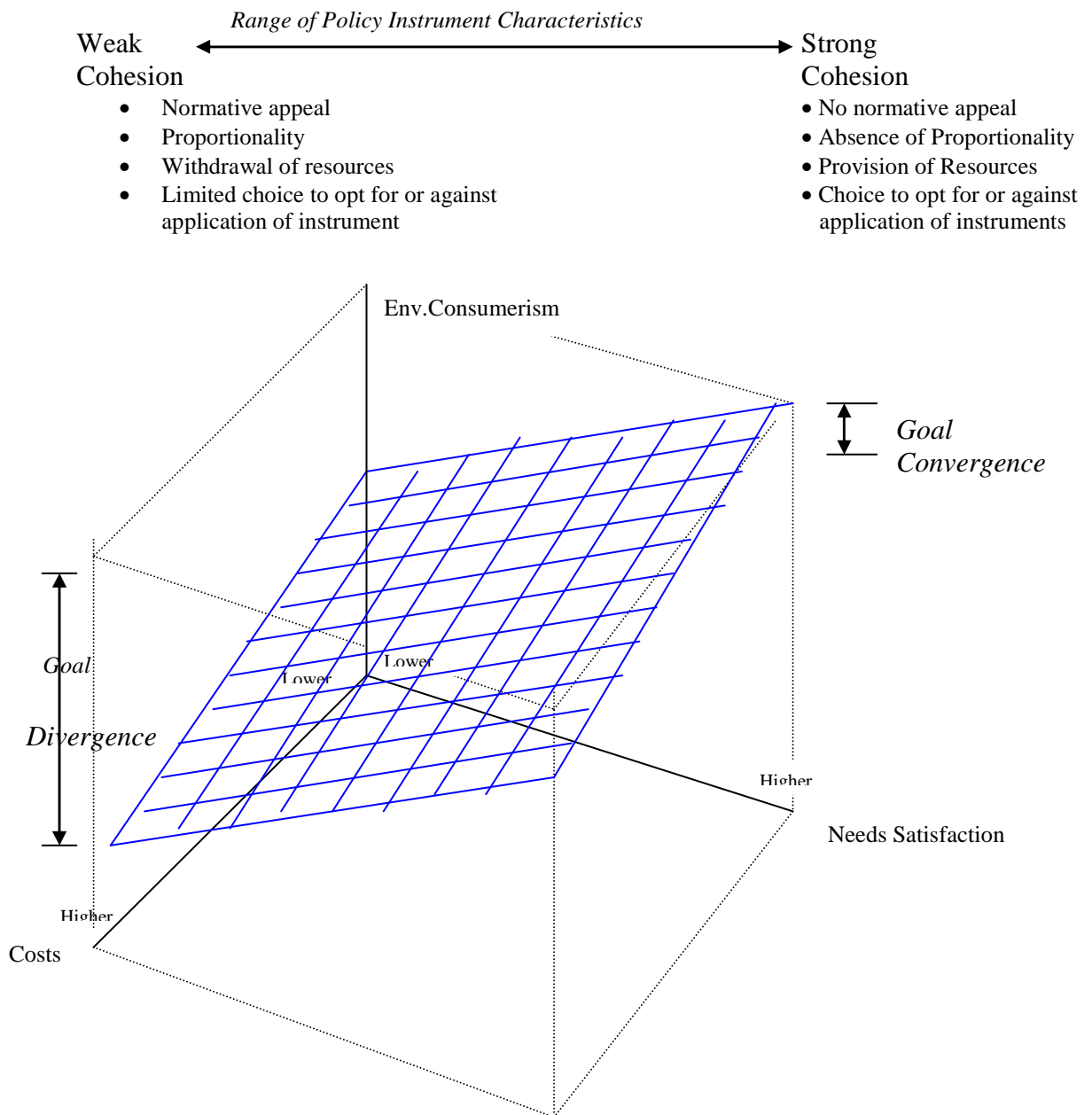
As the figure indicates, at the left extreme, where costs of environmentally superior consumption choices are higher than those of environmentally inferior ones and needs satisfaction is lower, the consumer is extremely unlikely to make

environmentally superior consumption choices. Even if needs satisfaction is similar at higher costs or lower at similar costs, the likelihood that the consumer will make the environmentally superior consumption choice is still low. The other extreme depicts situations in which environmentally superior consumption choices lead to higher needs satisfaction at lower costs. As a consequence, the consumer is likely to choose the environmentally superior products almost in every instant. Even when moving slightly to the left, i.e. if needs satisfaction is higher at similar costs, or needs satisfaction is similar at lower costs, the consumer will still make environmentally superior consumption choices most of the time. In general, the slant of the plane illustrates that the consumer is the more likely to make the environmentally superior consumption choice, the better the needs satisfaction and the lower the costs compared to the environmentally inferior consumption choice. The plane is slightly raised above the “floor” of the figure because some degree of cohesion will always exist in the policy network, as in most cases consumers are aware that, in principle, an environmentally superior consumption choice would be better.

If we recall that the goal of the policy maker assumed for this analysis is that consumers make environmentally superior consumption choices (i.e. generally high values on the Z axis), the figure illustrates the degree of cohesion in terms of the vertical distance between the plane and the “ceiling” of the figure. Where the plane reaches or approaches this “ceiling,” cohesion is strong, while a large distance between plane and “ceiling” indicates goal divergence.

### *Policy Instruments*

The above discussion highlights that network cohesion with respect to environmental consumerism can range from strong to relatively weak values. Recall that the analysis had earlier determined that the network is also characterized by weak interconnectedness. The policy instrumentation model suggests that instruments with different characteristics are likely to be chosen in these two cases (see Figure 3). In practice, the characteristics of feasible policy instruments are likely to range from one extreme to the other, with specific choices exhibiting relatively more of those characteristics fitting the particular network characteristics in terms of cohesion.



**Figure 3: Instrument Characteristics for Strong and Weak Cohesion**

In the case of a combination of weak interconnectedness with strong cohesion, the selected policy instrument is likely to have the following characteristics<sup>11</sup>:

<sup>11</sup> The present discussion limits itself to three of the six characteristics of policy instruments identified by Bressers and O’Toole, as previous research has already pointed out that the model is potentially overspecified (Ligteringen 1998, for an argument for justification of the simplification of complex typologies under some circumstances see Scharpf 1989). Thus, the present analysis focuses on the specified core set of instrument characteristics, which are likely to cover most of the variance in policy instrument characteristics in this policy network.

- lack normative appeal
- provide for a proportional response
- provide additional resources to consumers
- provide considerable freedom to consumers to opt for or against the application of that policy instrument

Again, weak interconnectedness and strong cohesion exist in the environmental consumerism network if environmentally superior consumption choices satisfy consumer needs better and at lower costs than environmentally inferior ones. In this case, no normative appeal is necessary, since the consumer, basically, prefers the same outcome as the policy maker. In fact, normative appeal could even hurt the objective of the policy maker as mandatory regulations could be perceived as unnecessarily interventionist and thereby undermine the cohesion in the policy network (Bressers and O'Toole 1998). Furthermore, policy makers are likely to provide resources to the consumer rather than withdraw them, since they are likely to be positively inclined to consumers' aims and therefore would choose to influence behavior by rewarding rather than penalizing (ibid.). Finally, the policy maker is likely to leave consumers considerable freedom in terms of the application of the policy instrument because the objectives of the target group are already similar to those of the policy maker. Again, mandatory enforcement could be perceived as unnecessarily heavy-handed and thereby undermine cohesion in the network.<sup>12</sup>

Alternatively, in cases in which weak interconnectedness is combined with strong cohesion, the policy instrumentation model suggests that the selected policy instrument would have the following characteristics:

- normative appeal
- lack of proportionality
- withdrawal of resources from the target group
- only limited ability on the part of consumers to opt for or against the application of the policy instrument

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<sup>12</sup> Furthermore, as recent research in the discipline of sociology highlights (Horne 1999), increasing the intervention of government in the creation and enforcement of rules and norms often leads to less willingness of individuals to participate in such "governance."

Weak cohesion exists in the policy network, if environmentally superior consumption choices are associated with higher costs and a lower satisfaction of needs. Under these conditions, the consumer is extremely unlikely to choose environmentally superior products out of her own desire. In consequence, as Bressers and his colleagues suggest, a normative appeal is necessary to induce consumers to make the desired consumption choices. This normative appeal can be provided in the form of regulations or persuasive public information on environmental necessities, for instance. Furthermore, the policy maker is likely to choose an instrument that withdraws resources from the target group for non-compliance with the policy maker's preferences, i.e. penalizes undesirable consumption choices. Finally, consumers will have only a very limited ability to influence the application of the policy instrument. In contrast to conditions of strong cohesion, a policy instrument under conditions of weak cohesion, thus, is likely to be much more interventionist in nature.

An example of a policy instrument to enhance environmental consumerism fitting conditions of strong cohesion is the provision of environmental information.<sup>13</sup> This could be in the form of general background information on environmental consequences of particular consumption choices, or on the environmental implications of the environmental characteristics of specific products. Having better information on the environmental implications of consumption choices has the potential to greatly enhance the ability of consumers to voice environmental preferences through the market place. Such information has to be easily accessible, and to be perceived as sufficiently comprehensive and accurate, so that it allows consumers to accomplish their goal at relatively low costs. Information that is not easily accessible raises the costs of environmentally superior choices, of course.

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<sup>13</sup> While the provision of information on environmental product or producer characteristics is a promising policy instrument, the task to provide comprehensive and accurate information that is easily accessible at the same time should not be underestimated. The identification of the relevant indicators, the gathering of the information, the monitoring and enforcement of requirements regarding its accuracy require substantial institutional investments, especially in a global economy. Furthermore, the provision of information on the environmental characteristics of products is not just a question of its presence or absence of that information. The manner of provision, its accessibility both in terms of location and comprehension, its aggregation of environmental indicators without loss of meaningfulness, its simplicity without creation of cynicism all require careful design of the information "provider," be it an eco-label or other mechanism. In addition, the current regulation of the international economic system, personified in the WTO, places limits on the information that governments can require from producers. These limits would need to be challenged or carefully circumvented. Still, the information strategy is the easiest and in the short-term most promising one of

Information on environmental implications of consumption choices fits the characteristics described by the policy instrument model for the identified network characteristics well. Such information does **not** involve a strict **normative appeal** in terms of legal and illegal choices, although, of course, an evaluation of superior and inferior choices at least from an environmental perspective would be present.<sup>14</sup> In addition, consumers would have a **choice** whether they would **utilize** the provided information or not. The information on the environmental implications of consumption choices **provides** consumers with the additional **resources** necessary to make the desired choice. Finally, the content of the information reflects the principle of **proportionality**. The political benefit of the information strategy results from its lack of intrusiveness. Providing the consumer with relevant information ensures the principle of consumer sovereignty held in high esteem by liberals.

Another example for a policy instrument exhibiting feasible characteristics for conditions of strong cohesion is provided by subsidies for environmentally superior consumption choices. The intention behind these subsidies is to reduce the financial disadvantage of the environmentally superior consumption choice, of course.<sup>15</sup> Such subsidies could exist in the form of tax reductions like those applied to the purchase of green electricity in the Netherlands, for instance, or the purchase of “clean” automobiles in Germany. Subsidies for environmentally superior consumption choices would **lack** a strict **normative appeal**, be based on **proportionality**, and **provide** consumers with additional **resources**. **Freedom to opt for or against application** of this policy instrument would only be given under certain instances, however. Such freedom would exist if consumers can decide to claim the tax reduction on their annual tax return, but not if the subsidy is automatically applied.

Moving from strong to relatively weaker cohesion in the policy network, a policy instrument likely to be chosen are eco-taxes. Their regulative nature involves a **normative appeal** but also **proportionality**. The higher costs of environmentally undesirable products **withdraw resources** from consumers who do not want to follow the policy objective. At the same time, eco-taxes if combined with a tax shift **provide resources** to consumers who do follow the policy objective and purchase the

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the strategies available to reduce the collective action problems associated with environmental consumerism.

<sup>14</sup> Not heavy handed, because of potential backlash?

<sup>15</sup> Reducing subsidies for environmentally inferior consumption choices would accomplish a similar objective, of course.

environmentally superior product. Consumers do **not** have a **choice** regarding the **application** of eco-taxes, but they can avoid paying higher taxes by purchasing environmentally friendlier products. Compared to the provision of information discussed above, eco-taxes are an instrument that makes environmental consumerism much more government driven. Still, by leaving consumers considerable freedom of choice regarding the environmental characteristics of their consumption choices, they are much less interventionist in nature than prohibitions.

A slightly different form of eco-taxes are charges on environmentally inferior consumption choices. Such charges can be imposed in the form of taxes without the design of a general eco-tax structure. Charges on environmentally inferior consumption choices also “punish” behavior through the **withdrawal of resources**, often allow for a **proportional response** by the policy maker, and involve a **normative appeal** and **lack freedom to opt for or against the application** of the instrument as they have to be paid.

There is only very limited room for the use of policy instruments which are likely to be chosen under conditions of extremely weak cohesion in this analysis. This is partly due to the way the question analyzed here is posed. After all, the assumed goal of the policy maker is to enhance the role of the consumer/market in influencing the environmental performance of business. The assumed objective, thus, is to get away from traditional command-and-control regulation involving for instance prohibitions, because of their political and economic costs.<sup>16</sup> The lack of feasible policy instruments for conditions of extremely weak cohesion is also due to the fact that prohibitions so they are chosen tend to focus on sale rather than purchase, because of easier monitoring and enforcement conditions.<sup>17</sup>

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<sup>16</sup> A policy instrument coming close to the characteristics of instruments under conditions of weak cohesion are household heating standards, however. They involve a normative appeal and the absence of freedom to opt for or against their application in that the failure to comply with such standards can lead to fines or even the prohibition of given construction projects. Furthermore, such standards tend to withdraw resources from consumers as they often prescribe the implementation of relatively more expensive measures. Finally, standards lack the characteristic of proportionality. However, such standards are mainly a means for the policy maker to improve the environmental implications of consumption rather than to enhance the role of the consumer in improving the environmental performance of business. Consumption standards support the latter objective only to a very limited extent, as long as they leave consumers with some choice regarding method or provider of implementation of measures to comply with the standards.

<sup>17</sup> Exceptions exist in cases in which the sale of specific products is allowed, but only to particular customers. Even here, however, the regulations tend to identify the retailer rather than the consumer as the responsible party.

In sum, instruments to enhance the role of consumers in improving the environmental performance of business can exhibit a range of characteristics. The particular choice of instrument will depend on the condition of cohesion in the particular case. Under conditions of strong cohesion, feasible policy instruments are provision of information or subsidies of environmentally superior consumption choices. Under conditions of weak cohesion, eco-taxes or charges on environmentally inferior consumption choices are more likely.

### ***III. The Likelihood of Strong Cohesion in the Policy Maker-Consumer Network***

Having determined that the relevant network can be characterized by strong to weak cohesion, the question naturally arises, where on the consumption plane illustrated in Figure 2 we find ourselves most of the time. Are consumers generally in situations making them more or less inclined to make environmentally superior consumption choices? In other words, in the current political economy, do environmentally superior consumption choices tend to be associated with higher, similar or lower costs than environmentally inferior ones, and do they satisfy consumer needs to a greater, similar, or lesser extent? The following discussion highlights the relative extent of needs satisfaction and costs generally associated with environmentally superior consumption choices.<sup>18</sup>

To what extent can we expect the costs of environmentally superior products to be higher, similar, or lower to the individual consumer? A priori, there is little reason to expect these costs to be lower. In contrast, in most cases they will be similar at best, if not higher. Environmentally superior goods are sometimes more expensive in terms of their monetary price, as the externalization of environmental impacts keeps the costs of environmentally inferior products low. Furthermore,

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<sup>18</sup> The following discussion also reveals most clearly that the differentiation between costs and needs that the paper makes is a false one. After all, the foregone satisfaction of needs can be viewed as costs of a given consumption decision. For illustrative purposes, however, the paper will continue to make this differentiation on the following basis. The paper uses “needs” to identify what is necessary for humans to survive and be happy. Costs arise from the use of resources in terms of money, satisfaction, and time associated with the satisfaction of needs. Costs, thus, are relevant for the satisfaction of needs through additional consumption choices. Money, time, and energy spent on one consumption choice are not available for the next. A lower satisfaction of needs, in contrast, is specific to the given consumption choice. Choosing a good that provides less status, if status is what I desire, therefore, means a lower satisfaction of the need driving that consumption choice. Ultimately, costs translate into a lower satisfaction of needs. The important difference (in the context of this paper) is, however, that they do not result in a lower satisfaction of needs with respect to the given consumption choice.

environmentally superior consumption choices often incur costs in terms of less convenience, more time, and more physical effort. These latter costs are a function of the higher energy intensity of environmentally inferior goods. Moreover, environmentally superior consumption choices can carry costs in terms of time and effort even if the consumer intentionally pursues them. Often, considerable time and effort are necessary to identify the environmental characteristics of products.

The extent to which environmentally superior consumption choices add to or subtract from the satisfaction of consumer needs is a bit more complex. In order to assess how environmentally superior consumption choices relate to the satisfaction of needs driving consumption decisions, we first have to identify what these needs are. Scholars have described various human needs. Maslow's (1954) hierarchy of needs, in which he differentiates between physiological needs, safety, belonging and love, esteem, cognitive needs, aesthetic needs, and self-actualization needs is well known.<sup>19</sup> More recently, Max-Neef (1992) has developed a taxonomy of nine human needs: subsistence, protection, affection, understanding, participation, leisure, creation, identity, freedom.<sup>20</sup> The most basic needs driving consumption are the needs for food and shelter. However, much of present day consumption in Western societies goes beyond the fulfillment of these basic needs. Today, we consume goods to express status and identity, to fulfill our needs for belonging, love and esteem (as Maslow would say) or for affection, participation, and identity (in the terminology of Max-Neef).<sup>21</sup>

Environmentally superior consumption choices could add to the satisfaction of needs compared to environmentally inferior consumption choices in a variety of ways. In theory, environmentally superior consumption choices could satisfy the need for self-actualization (if environmental values rank high on the personal value scale), status and belonging (if environmental values rank high on the general societal value scale, or the value scale of a particular social network such as an environmental

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<sup>19</sup> The hierarchical nature of these needs is controversial (Vlek et al. 1999).

<sup>20</sup> The two lists of needs are not exclusionary, of course, but overlap. In the following discussion, the paper will rather freely use the terminology of one or the other or both.

<sup>21</sup> The question frequently arises, whether these needs are "real" or "artificially created." This dichotomy is false. As scholars have shown all needs are to some extent real, and yet their existence is always influenced by socio-cultural conditions as well. There seems to be at the very least a human predisposition (possibly derived from the human being an animal after all) to want to accumulate, and to derive pleasure from having new and "nice" things. The extent, to which certain needs exist, however, is a function of the societal context, as is the predisposition to satisfy them through material

group), for leisure and aesthetic satisfaction (if a healthy and beautiful environment and activities in it are part of the value system), for physiological and subsistence needs (if environmental problems are a threat to one's health), and even for participation (if environmental consumerism is perceived as a concerted action by a group of significant size). As the "ifs" illustrate, the potential that making environmentally superior consumption choices allows consumers to increase the satisfaction of their needs depends, in practice, on one or more of the following conditions:

1. Environmental and/or social values need to rank high vis-à-vis competing values on the personal value scale.
2. Environmental and/or social values need to rank high vis-à-vis competing values on the societal value scale.
3. Signifiers of non-environmental values ranked high on the societal value scale need to be associated with superior environmental characteristics.
4. Consumers need to perceive environmental consumerism as a concerted action in which a significant number of individuals take part.
5. Environmental characteristics and conditions need to be a threat to the consumer's health and survival.

Condition 1 highlights that the ranking of values determines the extent to which environmentally superior consumption choices can contribute to the satisfaction of the need for self-actualization, for instance. If environmental responsibility ranks high on the personal value scale, purchases of environmentally superior goods will allow consumers to satisfy their needs for self-esteem and self-actualization. Likewise, if social responsibility ranks high on the personal value scale, the individual will be more willing to forego potential private benefits of environmentally inferior consumption choices for the social benefits of environmentally superior ones.

Condition 2 illustrates the same principle for societal needs, such as the needs for status, belonging, or esteem by others. If being environmentally responsible ranks high on the societal value scale or the value scale of a relevant social group, environmentally superior consumption choices will contribute to the satisfaction of

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consumption when other means are available. Finally, satisfiers of needs are to a large extent socially

the above needs. If, however, other values such as “being successful” as indicated by wealth rank higher in society, consumers are less likely to choose goods on the basis of their environmental characteristics when trying to satisfy status.<sup>22</sup>

Societal value scales can lower or even negate the potential contribution to the satisfaction of needs environmentally superior consumption choices can make on the basis of personal value scales. After all, much of today’s consumption is competitive and socially driven.<sup>23</sup> Veblen already identified the phenomena of conspicuous consumption and competitive display. Other scholars have similarly highlighted the relative nature of needs, the concepts of social emulation and positional goods. Supportive of these theoretical insights are more recent empirical findings highlighting that relative rather than absolute income is the main determinant of self-evaluated welfare (Durning 1992, Schor 1998). Consumption is about comparisons and hierarchies. Consumption is about ‘keeping up with the Joneses’ (if not keeping ahead of them), or as Juliet Schor (1998) suggests today’s ‘keeping up with FRIENDS.’<sup>24</sup> As long as individuals pursue competitive consumption, they have substantial disincentives to downshift individually, even if environmental responsibility ranks high on their personal value scale.<sup>25</sup>

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constructed.

<sup>22</sup>Of course, different scales exist for different groups in society as well as different signifiers. In some groups, one can gain status by being different than the “masses.” The purchase of energy from renewable resources at a premium can become a sign for being part of the “intellectual elite,” for instance.

<sup>23</sup> It is not only consumption that is intended to provide status and esteem that is competitive and a cause of constant pressure though. Even consumption intended to satisfy the need for belonging and to express identity often, though to a lesser extent, suffers from this pressure. After all, in-groups in Western society are often defined by wearing certain clothes, or owning certain identifiers. Thus, expressing belonging to an in-group, which is achieved through the exclusion of the out-group, is inherently relational and competitive as well. The increased need for belonging caused by the growing social fluctuations in society, then, supports consumption intended to keep up with ... or be as good as...as well.

<sup>24</sup> As Schor (1998) points out, the tendency of today’s consumers to compare with characters on TV or with colleagues (and bosses) at work has even increased the necessary consumption activities in pursuit of status, as individuals tend to compare themselves with people in other income groups.

<sup>25</sup> This is a collective action problem, of course. The best way to avoid the race to the top in gas guzzling or other consequences of conspicuous consumption would be for society to downshift collectively. Furthermore, the predominance of societal values over personal values should not be seen too deterministically. As the voluntary simplicity movement shows, increasing numbers of individuals decide to leave the game. But they pay the “social costs” of doing so. The latter might seem non-existent to a voluntary down-shifter or actually be positive, and therefore one might think this whole discussion to be futile. The difficulties with individual exits from the competition for status and esteem driven as it is in our societies by material possessions, however, become much more obvious when considered with respect to children. Which parents can easily accept difficulties their children might face with respect to their social ‘acceptance’, however superficially the criteria for the latter are defined?

Thus, competitive consumption and the question of the ranking of societal values highlight that environmentally superior consumption choices can subtract from the satisfaction of needs rather than contribute to them. This is the case, for instance, if signifiers of desirable values are associated with negative environmental consequences. An example of such a situation is that 'large, fast, powerful, and automated' goods in our society are frequently associated with status. Shifting to environmentally superior consumption choices that involve smaller, slower, less powerful, and less automated goods thus can subtract from the ability of a given consumption choice to satisfy certain needs.

Condition 3 emphasizes that environmentally superior consumption choices can be the result of consumers trying to satisfy needs such as status even if environmental values do not rank high on the societal value scale. This is the case if a signifier of the satisfier of a given need happens to have superior environmental characteristics. Thus, solar-powered equipment, for instance, might contribute to satisfy the need for status, because its high price and sophisticated technology signal wealth and therefore "success."

Condition 4 captures the potential of environmental consumerism to satisfy the need for participation. By definition, participation means that the individual is taking part in some kind of group activity. Thus, the likelihood that others will equally allow environmental characteristics to influence consumption choices becomes important.

Finally, condition 5 illustrates the ability of environmentally superior consumption choices to contribute to the satisfaction of physiological needs. This condition also highlights the collective action problems associated with environmental consumerism, as the individual consumer is generally aware that her individual consumption choices make little difference in terms of overall environmental quality.<sup>26</sup> These collective action problems apply in particular to environmental

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<sup>26</sup> Here, the collective action problems of the institutional set-up come to play. In the market place, consumers act as millions of individual voices. The transaction costs associated with trying to get consumers to act collectively are extremely high. The costs of this effort are likely to outweigh the benefits for even the most environmentally concerned consumers. Individual environmental consumerism, therefore, has to either ignore the lack of individual influence or trust that other consumers independently will act in a similar fashion. An additional problem arises, since these collective action problems do not exist in a context that provides the institutional set-up allowing their easy resolution. The benefit of repetition or tit-for-tat, for instance, do not work, since the number of small actions by millions of players separated across space and time does not allow for monitoring and enforcement. As Reichart (1998) points out, the pay-off structure, consequently, does not change from one play prisoner's dilemma to iterated games. In consequence, environmental consumerism is a paradise for free-riders.

consumer activism, i.e. the use of environmentally superior consumption choices to make a political statement, since the individual consumer knows that by herself she has little impact on the environmental performance of business. Only if a substantial number of consumers act in a similar manner will the market send a clear signal to business that environmentally superior performance will be rewarded.<sup>27</sup>

Unfortunately, most societies today have value structures that do not rank environmental values sufficiently high compared to values such as success, fashion, comfort. For the most part, status, for instance, is conferred by goods that are new, expensive, exclusive, fashionable, and/or technologically sophisticated rather than by environmentally superior goods. As pointed out above, in a minority of cases, environmental characteristics may converge with aspects satisfying other needs. Such dynamics are noticeable with respect to environmental brand names or fancy stores with environmental claims, such as Patagonia or Natural Wonders. Being an outdoors person has become fashionable, and a sign of status and success. After all, you need to have the “right” equipment. This trend, however, supports rather than undermines the claim that environmental aspects still play a very limited role in satisfying the need for status or esteem, or even self-actualization. Often, the environmentally desirable characteristics of these goods are a function of marketing rather than reality, and frequently have no relationship or rather a negative relationship with being environmentally conscious.

In sum, superior environmental consumption choices often are associated with higher costs, rarely with lower ones. On the other side, such choices have the potential to contribute to the satisfaction of consumer needs. This potential is limited though. Environmentally superior consumption choices are generally not seen as important enough for immediate survival concerns, nor able to provide status. For some consumers, environmentally conscious consumption does help to create and express identity and fulfill the need of self-actualization. For some consumers in respective communities or under conditions of concerted action, environmental consumerism may satisfy needs for belonging and participation.

Yet, the potential contribution to the satisfaction of needs by these factors is limited, and will only increase the likelihood of consumers making environmentally superior consumption choices, if the costs of such choices are the same or only

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<sup>27</sup> The focus of this paper is on consumption by private individuals. Therefore, the situations in which

slightly higher. Furthermore, environmentally superior consumption choices also have the potential to be associated with lower levels of need satisfaction, as other values and competitive consumption can be more important than environmental characteristics. This analysis suggests that most consumption decisions are located in the center and left side of the consumption plane. The cohesion between policy makers and consumers with respect to environmental consumerism will frequently be weak.

### *Conclusion*

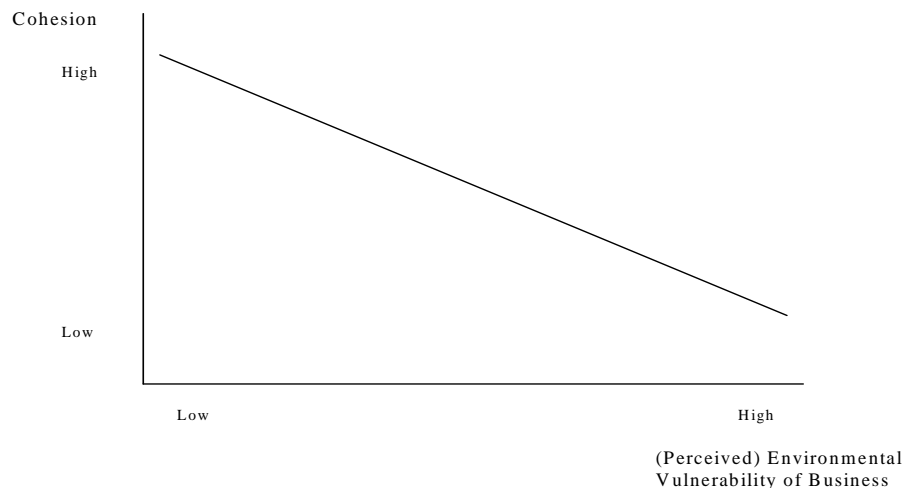
This paper has assessed the characteristics of policy instruments likely to be chosen in the policy process if the policy maker wanted to enhance the influence of consumers on the greening of business. Using the policy instrument model, the paper determined these instrument characteristics on the basis of the network characteristics. For policy directed at consumers, the results indicate that the policy instruments likely to be chosen will range from those characterized by a lack of a normative appeal, provision of resources, and choice to opt for or against application of policy instrument for conditions of strong cohesion, to the presence of a normative appeal, withdrawal of resources, and a very limited choice to opt for or against the application of the policy instrument for conditions of weak cohesion. The paper demonstrated that the provision of information to consumers fits these characteristics of policy instruments likely to be chosen under conditions of strong cohesion, while prohibitions fit the characteristics of policy instruments likely to be chosen under conditions of weak cohesion. Assessing the extent to which environmentally superior consumption choices are likely to satisfy consumer needs compared to environmentally inferior ones, and the likely cost differential between these two choices, the paper argued that conditions of weak cohesion are likely to be more frequent in the policy network than conditions of strong cohesion. Future research needs to test this argument against empirical evidence.

For a complete analysis, the policy maker – business dimension of the network needs to be investigated in a similar manner, of course. Intuition suggests that it is likely to be characterized by higher levels of interconnectedness, with cohesion again ranging from high to low levels. This is partly because the number of members of the

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one company can have a significant voice in the market due to its purchasing power are ignored.

target group business – as large as it is – is smaller than the number of consumers. More importantly, industry is generally better organized and represented by associations in interaction with government. Also, such interaction takes place on a quite regular basis for a diverse range of policy issues and objective anyway. Cohesion between policy maker and business with respect to policy goals is likely to range from relatively weak cohesion to somewhat high levels. In general, it can be expected that business does not want to give anybody more influence on business practices and procedures than necessary. However, one could argue that if such an outside influence is necessary, business would be likely to prefer such influence by consumers rather than regulators. At the same time, business is the less likely to be inclined to giving consumers the ability to “vote” on environmental business practice the more vulnerable it feels.<sup>28</sup> The following figure illustrates this relationship:



This is just a preliminary discussion based on an intuitive assessment of the policy network characteristics in the interaction between policy makers and business, however. Further research will have to conduct such an investigation in more depth and juxtapose its findings with those from the consumer focused inquiry presented here. On the basis of the common space of probably policy instruments, we will then be able to move ahead in the discussion of the potential of environmental consumerism to contribute to an environmental transition in the business community.

<sup>28</sup> Thus, the worst environmental performers, the biggest (i.e. most visible) or those in “direct” contact with the consumer (i.e. producers of consumer goods) as well as those sectors or companies facing high implementation costs would be the most likely to oppose such a policy.

Even though policy content was not the focus of this paper, the above analysis also reveals the range of potential strategies for policy makers to foster environmental consumerism. Most fundamentally, policy makers have to increase the potential contribution of environmentally superior consumption choices to the satisfaction of consumer needs, and/or lower the costs of such consumption choices. Increasing needs satisfaction can be achieved through providing more information on the environmental characteristics of products, for instance, so that consumers know when they have made an environmentally superior consumption choice. Needs satisfaction can also be improved through the raising of environmental values on the societal value scale or the organization of concerted efforts to green consumption. Relative costs of environmentally superior consumption can be lowered through forcing business to better internalize environmental impacts, but also by reducing the collective action problems arising in association with environmental consumerism.

While the potential for environmental consumerism identified in this paper might be disappointing overall (weak cohesion predominates), differences between societies can be noticed. This should not come as a surprise since the above discussion of needs and costs reveals that the potential for environmental consumerism depends to a large extent on societal conditions and structures. The ranking of values, for instance, has differed in societies across the globe and across time (although increasingly a convergence towards materialistic values appears to take place). Moreover, signifiers of given values are social constructs. Societal structures and conditions influence the extent to which we experience certain needs and our predisposition to satisfy them through material consumption. Even the monetary price of a good is a social construct. Furthermore, societies differ in their ability to overcome collective action problems. As a consequence, different societies are located in different areas on the consumption plane. The Netherlands and the Scandinavian countries, for instance, are likely to find a higher likelihood of consumers making environmentally superior consumption choices.

The societal basis of the potential for environmental consumerism also suggests that policy makers can attempt to shift a policy situation from one of weak cohesion to one of strong cohesion. By reducing the societal causes of collective action problems associated with environmental consumerism, governments can increase cohesion. Such strategies often require changes in social values or structures, which are difficult but not impossible to achieve. The effect would be politically

desirable in so far as it would involve less need for a more interventionist strategy by government and more reliance on providing consumers with the resources required to allow them to make the desired choice.

A change in the societal causes of competitive consumption, for instance, has the potential to reduce the collective action problems associated with environmental consumerism. Similarly, it would be possible to change the attributes identifying satisfiers of certain needs. What if, for instance, the most fuel efficient rather than the fastest car provided status? Such changes would dramatically improve the potential for environmental consumerism. Finally, a shift from weak to strong cohesion would be assisted by an improvement in the ability of society to overcome collective action problems resulting from increased trust, cohesion, and better communication. Such a strategy can be pursued through attempts at better social interaction, integration, and participation. Again, these changes are difficult to achieve and take time. Given the potential impact and the political necessities and benefits, however, efforts, in this respect should be extremely worthwhile.

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