



## Analysis

# Political consumerism and public policy: Good complements against market failures? ☆

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## ABSTRACT

Political consumerism has become over the past years an ever growing phenomenon, by which citizens express through their consumption their political, environmental and ethical opinions. This paper discusses political consumerism from an economic science perspective, focusing on the link between political consumerism and public policies. It wonders to what extent political consumerism may represent an effective and fair instrument against market failures. Overall, it seems that it would be better to consider it as a complement to conventional public policies.

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## 1. Introduction

*"My dream would be to see an emerging movement of citizen consumers, driven by the youth and refusing every carbon-consuming product. It is the only thing that could make multinational firms and governments radically change trajectory. Anyone should do its own carbon assessment."*

Rajendra Pachauri  
IPCC Chairman, Nobel Peace Prize 2007  
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According to [Rajendra Pachauri \(2008\)](#), the solution to global warming – and potentially other global environmental concerns – could only result from individuals' mobilization through voluntary actions as responsible international citizens. The citizen consumer mentioned by Pachauri relies on "*consumption practices aimed at*

*engaging the citizens' moral responsibility and taking into account social and environmental criteria in the purchase process according to the sustainable development principle"* ([Mylondo, 2005](#)). It thus refers to consumers' preferences towards goods and services with social and environmental production and distribution conditions that are consistent with sustainability ([Begaudin and Demontrand, 2007](#); [Ferrando y Puig and Giamporcaro-Saunière, 2005](#)). The literature gives different terms for this citizen engagement of consumers in the economic sphere such as: citizen, ethical, green, sustainable, or socially conscious consumerism ([Theron, 2010](#)). In this study, we use the more encompassing term of "political consumerism", defined by [Micheletti et al. \(2004\)](#) as "*consumer choice of producers and products on the basis of attitudes and values that concern issues of personal and family well-being as well as ethical and political assessment of favorable and unfavorable business and government practice*". Political consumerism entails the use of market as an arena for politics where consumers bring their political concerns, using the power of their individual choice to protest against institutional practices that are objectionable ([Micheletti and Stolle, 2008](#)). Such a political consumerism may be seen as forms of "conceptual consumption" in which people consume concepts – environmental quality, health, social well being, social status, etc. – rather than the good itself ([Ariely and Norton, 2009](#)).

Political consumerism has been studied from a large multidisciplinary field: political scientists have been considering political consumerism as a particular variant of political participation; studies in psychology and marketing have focused on the characteristics and motives of citizen consumers (e.g. [Baek, 2010](#), [Cogoy, 1999](#), [Jensen, 2005](#), [Spangenberg and Lorek, 2002](#), [Welsch and Kühling, 2009](#), etc.); economists have

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analyzed political consumerism as replacement to conventional political participation – such as voting (e.g. Micheletti, 2002, Strømsnes 2009), have analyzed the different forms of political consumerism (e.g. Charles, 2009, Innes, 2006, Nielson, 2010), and have described the possible instruments for developing such responsible behaviors (e.g. Coad et al., 2009, Schumacher, 2010). To our knowledge, Brennan (2006) is the first to analyze a particular form of political consumerism – green preferences – and the related change in consumer' preferences, as a possible substitute to traditional policies.

The aim of this paper is to investigate to what extent political consumerism may represent an effective and fair instrument against environmental and social damages related to consumption, and to what extent it can impact the effectiveness of public policies. Section 2 replaces the concept of political consumerism in the context of economic theory. Section 3 focuses on political consumerism weaknesses, while Section 4 shows how political consumerism can turn into a potentially suitable complement to public policies. Section 5 concludes.

## 2. Political Consumerism in the Light of Economic Theory

In neoclassical economics, environmental and social damages are the consequences of market failures: resources are misallocated because of non-existent property rights or externalities. Pollution is a negative externality,<sup>1</sup> that is a by-product of production or consumption. This by-product is indirect, concerning other agents than the one exerting the activity. Thus, it represents a social cost not taken into account through price mechanisms, which only consider private costs. This externality brings an over-provision of pollution, which is sub-optimal in terms of global welfare (Bishop, 2004). A variation of this view is that economic theory only assesses “self-regarding” preferences of agents when only “society-regarding” or citizen preferences are appropriate to handle environmental and social issues. In this context, political consumer may be seen as a person that acts in a socially responsible manner through the market, integrating in its consumption behavior other moral, social and ethical aspects of human behaviors (Etzioni, 1988; Sagoff, 1988). Political consumerism unambiguously represents a decentralized and voluntary response to negative externalities. Through consciously purchasing certain products, it contributes to the redistribution of resources, be it through donations from corporations, empowerment through Fair Trade or reinforcing ethical values (Theron, 2010).

From our point of view, political consumerism may be interpreted as a way by which consumers internalize part of externalities. This form of self-internalization may be expressed as follow: consider a self-interest consumer with a willingness to pay for a product inducing a negative environmental externality. This willingness to pay results in a downward sloping “selfish” demand function  $D(P)$ . Consider now the same consumer, who has now some environmental motivations. Those environmental preferences are likely to be expressed by a smaller willingness to pay for the good that is considered, resulting in a downward shift of the “selfish” demand function to the “political” demand function  $D_c(P) < D(P)$ . The extent of political consumerism may be expressed as the difference between the selfish and the political demand.

Two kinds of political consumerism may be distinguished (Holzer, 2006; Micheletti, 2003, Strømsnes, 2009). First, boycott is the negative version of political consumerism, where consumers refrain from buying certain brands or products as a protest against a company or a country's practices. Boycotts can be considered as situations in which the political component of the demand function is larger

than the selfish demand function:  $D_c(P) < 0$ . In this case, the consumer prefers not to consume the considered good, to protest against the firms' practices. Note that in this case, the price premium related to environmental quality encompasses the potential benefit of seeing the targeted firm changes its behavior. Second, boycott is a positive political choice where consumers decide to buy products compatible with their political, ethical or environmental preferences – it includes notably social and environmental certification, eco-labeling, etc. In our context, boycott can be defined as a situation in which a non-polluting substitute exists on the market. In this case, the difference between the political demand function  $D_c(P)$  and the selfish demand function  $D(P)$  is explained by the fact that consumers switch a part of their consumption from the polluting good to the clean substitute. A better, cleaner and cheaper substitute is then likely to increase the extent of political consumerism.

While boycotts aim to punish firms or countries for irresponsible behaviors, boycotts reward firms for virtuous ones (Friedman, 1996). Data of the European Social Survey 2002–2003 (<http://www.europeansocialsurvey.org/>) indicate that 35% of respondents in Europe are political consumers. 13% of those boycott, 46% boycott and 41% both boycott and boycott (Nielson, 2010). From this point, one can thus wonder whether political consumerism is an efficient instrument against market failures such as externalities, in the context of public policies.

## 3. Political Consumerism Against Market Failures?

As shown before, political consumerism may be seen as a way for consumers to self-internalize externalities such as pollution and other environmental damages. Is this type of internalization efficient? Can it be a good substitute to other types of internalization or is it a fair complement to them? We first focus on some weaknesses of political consumerism, which may prevent it from being an effective instrument to internalize externalities.

### 3.1. Is Political Consumerism a Good Indicator of the Social Cost of Environmental Degradation?

A crucial limitation of political consumption is the analogy made between consumers and citizens. Indeed, the self-internalization implied by political consumerism may not be efficient if the preferences of the consumers do not match the ones of the entire community. In other words, do the self-internalization of externalities a good indicator of the social cost of those externalities? Let us define  $D^*(P)$  the optimal demand function that fully integrates the social cost of consuming the polluting good. Actually, political consumerism represents a fair and effective instrument if  $D_c(P)$  get close enough to  $D^*(P)$ .

In the context of global issues – global warming, biodiversity losses..., most concerned citizens are not necessarily consumers. In this context, do non-directly concerned consumers have the same preferences as directly concerned ones? For instance, consumers' practices are an important vector of global warming; however consumers are to a large extent very different from the main global warming victims. In a few words, industrialized countries – and their consumers – are for a large part responsible of global warming, while top victims are among people from the developing South. Northern consumers may not feel the same emergency that Southern victims would claim for. Therefore, even if partially integrated in their preferences, the global cost perceived by Northern citizens may be smaller than the overall social cost of global warming.

This analogy between consumers and citizens is thus quite questionable in terms of fairness. There is no guarantee that consumers' preferences are representative of the whole community preferences. Many concerned citizens – from the developing South – are mainly outside the market or have small economic importance. Political consumerism in this sense raises the problem of excluding market

<sup>1</sup> Externalities are unintentional side effects of an economic activity affecting people other than those directly involved in the activity, without any compensation. A negative externality is one that creates side effects that could be harmful to either the general public directly or through the environment degradation.

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