My intervention attempts to respond to the proposition that economic growth has come to depend heavily on consumption behaviour that represents an inefficient use of resources in that it does not necessarily satisfy a real need, and that the potential therefore exists for a reorientation of purchasing power. The need to promote more responsible consumption patterns, moreover, takes on a sense of urgency in a world in which nearly half of humanity survives on less than $2 a day.

Defining wasteful consumption is problematic. And any attempt to curb it must recognize that consumption is the largest single component of GDP, and through its multiplier effect is a major driver of growth and development. Furthermore, projections suggest that global purchasing power is set to increase dramatically. Whereas today more than half of the world's middle class population is be found in the Western world, recent studies show that the global share of the middle class is shifting to other regions. The phenomenon of consumerism will therefore become more diffused as these new financially-enfranchised people pursue aspirations that they consider to be legitimate, and indeed desirable.

Clearly then the pursuit of what is perceived to be the ‘good life’ through the satisfaction of material wants is likely to become an even more dominant global force that cannot be wished away. Recent experience with efforts to foster a greater environmental consciousness, for example, shows how difficult it is to change ingrained consumer habits and preferences. So how do we tackle the challenge of promoting a more responsible and sustainable deployment of disposable income?

The paper then goes on to highlight the role of the government as the key agent of change for this purpose since it can influence both the volume and nature of consumption. The choice of corrective policies cannot, however, be capricious but must be governed by criteria relating to the common good. Furthermore, perceptions of what is considered to be wasteful consumption must adapt to changing realities. This point is illustrated by the case of cellular phones, which were initially seen as a status symbol but now perform an important economic function, particularly in developing countries.

The role of fiscal policy, particularly of indirect taxes, in influencing consumption patterns selectively is then discussed. Experience has showed that there is scope for extending the range of goods and services whose relative price could be increased through the imposition of a higher tax in an attempt to reduce the demand for them if their consumption is not considered conducive to ‘good living’.

The point is then made that the price disincentive will work in some cases but not, however, in others. There are many products the demand for which is not driven uniquely by economic or utilitarian needs, but increasingly by the promise of psychological benefits linked to identity, status and image.
The paper goes on to note that while responsibility for countering the resultant wave of materialism is diffused, one by-product of consumerism which is of concern to both economists and policymakers is the tendency of households to overspend and to run up large debts. Here too governments can help to bring about a culture change by promoting personal financial management techniques through the educational system.

Governments, of course, should lead by example since they consume a large proportion of national income; and they too tend to spend money they do not have by borrowing, increasing the debt burden of future generations. Starting from the frequently observed correlation between the growth in spending on welfare and in the size and permanency of budget deficits, the paper argues that welfare programmes would seem to offer considerable potential for savings. Drawing on the findings of recent studies, moreover, the point is made that limiting access to the social safety net only to those who really need help would make the welfare state more socially just and therefore more faithful to its original purpose.

Efforts to promote more discerning consumer behaviour might receive a helping hand from an unexpected source if, as many leading economists suspect, the world might be entering a period of secular stagnation. Should this scenario materialise, not only will people’s incomes grow only very slowly, but their expectations about their potential lifetime earnings will also be lowered. Over time, this prospect might lead to a reordering of consumer priorities in a more desirable direction.

The paper concludes that the path to less wasteful consumer behaviour is fraught with many obstacles, not least among them the challenge of changing a deep-rooted culture of attachment to material things while respecting the individual’s freedom of choice. More importantly, however, the importance of consumption as a source of growth and development must not be undermined, particularly at a time when many countries are struggling to recover from the recent crisis and investment levels are still inadequate.