

Is it possible to reconcile the cost-of-living crisis consumers are experiencing with the need for sustainable consumption?

In an era where rapidly rising costs are the norm, consumers and producers face a burgeoning problem—a 9.6% hike in the cost of living in the last 12 years.¹ Within developing countries, economic vulnerability is exacerbated by volatile political conditions and inadequate systems of governance.² Humanity also faces the self-inflicted problem of extinction—one derived from the depletion of natural resources and pointless conflicts, culminating in natural disasters and the looming issue of global warming. The question posed addresses the potential of resolving these two substantial problems faced by mankind simultaneously. In response, this essay will evaluate the feasibility of a solution that successfully addresses both crises. This essay proposes that the material weakness of the world's limited resources makes such a solution impossible without a vast human cost. Government policies and sustainable-aligned infrastructure, although they hold promise as viable solutions, will take too much time to implement, much less enforce. Although a vast majority of consumers are aware of and willing to pay the green price premium,³ it is an unrealistic expenditure for many households, exacerbating the cost of living crisis. Research from Deloitte (2023) shows that up to 52% of consumers

¹ International Monetary Fund. "Cost Of Living Crisis | IMF Annual Report 2023." *International Monetary Fund*, 2023, <https://www.imf.org/external/pubs/ft/ar/2023/in-focus/cost-of-living-crisis/>. Accessed 8 November 2023.

² Ibid.

³ "Sustainable innovation and corporate environmentalism." *Sustainable Development Strategies: Engineering, Culture and Economics*, by Mousumi Roy, Elsevier Science, 2020. Accessed 8 November 2023.

have yet to embrace sustainable consumption due to the cost of the alternatives.⁴ Unless the world can convince families affected by the crisis to forget their worries and spend more to purchase sustainably-farmed foods and eco-friendly toilet paper, the coexistence of the ongoing cost of living crisis and the demand for sustainable consumption is unattainable.

The foundations of both quandaries are simply diametrically opposed. Macroeconomic policy dictates that the rising cost of living stems from two forms of inflation:

- a) Cost-push inflation, and
- b) Demand-pull inflation

In either case, the problem arises from a shortage of goods. Tejvan (2022) presents the idea of consumer rebates,⁵ which have already been successfully implemented by several European countries such as Switzerland, Denmark, the Netherlands, and the UK.⁶ Supposedly, these rebates aim to foster an incentive to reduce consumption of non-renewable energy while concurrently increasing disposable income to offset rising costs, thereby reducing the effects of the aforementioned inflation. Similarly, tax incentives and indirect subsidies both work to mitigate the effects of rising costs.⁷

⁴ Gutsa, Antony. "Are Sustainable Products More Expensive?" *Ecoswap*, 18 February 2023, <https://ecoswap.uk/are-sustainable-products-more-expensive/>. Accessed 16 December 2023.

⁵ Pettinger, Tejvan. "Policies to reduce cost of living crisis." *Economics Help*, 22 July 2022, <https://www.economicshelp.org/blog/170554/economics/policies-to-reduce-cost-of-living-crisis/>. Accessed 18 December 2023

⁶ Stephane de la Rue du Can, et al. *Country Review of Energy Efficiency Financial Incentives in the Residential Sector*, 2011, p. 8, [https://www.osti.gov/servlets/purl/1026816#:~:text=In%20Europe%2C%20rebates%20are%20more,the%20UK%20\(Attali%20et%20al.](https://www.osti.gov/servlets/purl/1026816#:~:text=In%20Europe%2C%20rebates%20are%20more,the%20UK%20(Attali%20et%20al.) Accessed 18 December 2023.

⁷ Ibid.

However, encouraging sustainable consumption necessitates subsidising sustainable initiatives that are capable of manufacturing sustainable products. Yet, this directly contradicts the ethos of capitalism, where it is inherent that businesses pursue a model of high profits and low expenses to maximise profits. It isn't realistic for a firm pursuing the production of goods that align with sustainable consumption to have production costs equal to or less than those of a conventional firm. Both solutions require available funds and support from the government, straining limited resources. Realistically, this is not going to be possible. Given limited political capital, governments have to prioritise between pursuing new initiatives that result in impactful change or alleviating the current economic outlook. As of 2022, global public debt has reached a record high of 92 trillion USD—its increase has so far outpaced the rate of global economic growth in the past two decades.⁸ A country should provide economic support to sustainable initiatives in order to match or at least exceed the level of dominance of non-renewable corporations as some form of counterbalance. An estimate by Yale however, reveals that the cost for the United States to switch its energy consumption to renewable sources would cost up to 4.5 trillion USD.⁹ This is more than 5 times the amount that the United States spent on its defence

⁸ Rosario, Jorgelina Do. "Global public debt hits record \$92 trillion, UN report says." *Reuters*, 12 July 2023, <https://www.reuters.com/markets/global-public-debt-hits-record-92-trillion-un-report-2023-07-12/>. Accessed 15 December 2023.

⁹ Dudley, Dominic. "Cost of Renewable Energy: Does Clean Energy Cost More?" *Inspire Clean Energy*, <https://www.inspirecleanenergy.com/blog/clean-energy-101/cost-of-renewable-energy>. Accessed 12 November 2023.

budget in 2022. (877 billion USD)¹⁰ As such, a lack of government liquidity rules out the possibility of strategic funding allocation and targeted investments.

In regards to consumers, Ernst and Young (2022) believes that governments can advocate for adopting ethical investments, diets, and sustainable alternatives like electric vehicles.

¹¹ Allegedly, these practices alleviate consumer financial burden in the long run (e.g. electricity being a cheaper alternative to petrol). Although difficult, it has been proven that consumers may pursue sustainable living given ample evidence of a nationwide effort to do so.¹² However, what Nesta fails to take into account is the impact of a cost of living crisis within a country without a robust economy. Nesta's analysis centres around the Netherlands—a country with a HDI of 0.941¹³ and a GDP 991.11 billion USD.¹⁴ All that has been proven is that highly developed countries with an abundance of funds are able to pursue sustainable goals should there be an economic downturn. This is further supported by the instance of Kenya, which faces high living costs that are rising quickly.

¹⁰ Dyvik, Einar H. "Military spending by country worldwide 2022." *Statista*, 30 November 2023, <https://www.statista.com/statistics/262742/countries-with-the-highest-military-spending/>. Accessed 13 November 2023.

¹¹ "Six ways that governments can drive the green transition." *Ernst and Young*, 13 May 2022, https://www.ey.com/en_my/government-public-sector/six-ways-that-governments-can-drive-the-green-transition. Accessed 20 November 2023.

¹² Nesta. "From natural gas to a green transition: how the Netherlands ended a sixty year long relationship." *Nesta*, <https://www.nesta.org.uk/feature/stories-change/natural-gas-green-transition-how-netherlands-ended-sixty-year-long-relationship/>. Accessed 20 November 2023.

¹³ United Nations Development Programme. "Human Development Index (HDI)." 9 October 2021, https://hdr.undp.org/data-center/human-development-index?gad_source=1&gclid=Cj0KCQiA1rSsBhDHARIsANB4EJZXY6l-Xqcsxdr5-a_Oti_iZqYiUjCi5rU_M2JWrQoXRNss3c9ZYkaApKkEALw_wcB#/indicies/HDI. Accessed 20 November 2023.

¹⁴ "Economy in the Netherlands compared to the EU." *Worlddata.info*, September 2015, <https://www.worlddata.info/europe/netherlands/economy.php>. Accessed 20 November 2023.

In September 2022, newly inaugurated President William Ruto removed fuel and grain subsidies, an effort to reduce government spending and also citing that he preferred to “subsidise production instead of consumption”. This led to fuel prices spiking, and in August 2023, Kenya had to reinstate the fuel subsidy in response to mass anti-government protests and riots.¹⁵ Similar opposition has been met in Nigeria.¹⁶ These cases affirm that a majority of the world’s population, facing economic hardship, may not necessarily embrace a change in their lifestyle for the greater good of sustainability.

The second quandary arises from implementing government policies. Government policies take a long time to implement, even in highly developed countries like Switzerland (ranked most developed in the world by HDI),¹⁷ takes up to 10 years to enact or impose a brand new law.¹⁸ This estimate does not fulfil the urgency posed by the cost-of-living crisis, something that demands relief with minimal delays, as it directly affects individual welfare. Even so, powerful countries such as the United States fail to actively impose sustainable consumption laws due to impediments caused by corporate lobbying, which will be explored further.

¹⁵ Miriri, Duncan, et al. “Kenya reinstates small fuel subsidy in government U-turn.” *Reuters*, 15 August 2023, <https://www.reuters.com/world/africa/kenya-reinstates-small-fuel-subsidy-government-u-turn-2023-08-15/>. Accessed 21 November 2023.

¹⁶ “Fuel Subsidy Protests in Nigeria: The Promise and Mirage of Empowerment.” *Institute of Development Studies*, 13 September 2023, <https://www.ids.ac.uk/publications/fuel-subsidy-protests-in-nigeria-the-promise-and-mirage-of-empowerment/>. Accessed 24 November 2023.

¹⁷ “Developed country.” *Wikipedia*, 2022, https://en.wikipedia.org/wiki/Developed_country. Accessed 5 December 2023.

¹⁸ Swissinfo. “How many steps does it take to pass a Swiss law?” *Swissinfo*, 2 December 2019, https://www.swissinfo.ch/eng/politics/explainer_how-many-steps-does-it-take-to-pass-a-swiss-law-/45280436. Accessed 5 December 2023.

The barriers of green premiums and higher upfront costs, and the absence of immediate incentives mean that producers or consumers are unlikely to pursue a model of sustainability. This forms resistance against the profitability of lowering prices and enforcing sustainable practices. Government lobbying arises most notably from influential firms like Exxonmobil and Chevron, who are cited to be the “most obstructive organisations to governments setting policies” within the United States.¹⁹ Under the supposed democratic system of the United States, these firms bear an unfair advantage to challenge legislation aimed at promoting sustainability. By taking advantage of the growing complexity of policies (such as sustainable consumption), firms are able to gain the upper hand due to their extensive depth of knowledge and better understanding of their own industries. Moreover, within a layered policymaking system such as America, firms seize numerous opportunities to stall or alter the course of change. Thus, corporate greed makes meaningful legislation impossible.

Even so, consumers would not opt for more environmentally sustainable goods, given it is human nature to prioritise their own wellbeing first. In fact, Marieke concludes that the negative correlation between the economic crisis and green consumerism is heavily affected by price sensitivity.²⁰ Human behaviour, driven by personal needs and

¹⁹ Ambrose, Jillian. “US oil giants top list of lobby offenders holding back climate action.” *The Guardian*, 5 November 2021, <https://www.theguardian.com/business/2021/nov/04/us-oil-giants-top-list-lobby-offenders-exxon-mobile-chevron-toyota>. Accessed 6 December 2023.

²⁰ Elferink, Marieke. “Economic Crisis and Consumer Behaviour.” 2010, pp. 1-28, <https://arno.uvt.nl/show.cgi?fid=115658>. Accessed 5 December 2023.

evaluations of a good's necessity to itself and society, tends to put individual wellbeing ahead of other priorities. Regrettably, selfishness is a trait intrinsic to human nature, leading the typical consumer to desire for their own wellbeing. Factors like natural human resistance to change also reduce a consumer's choice of good, even with brand loyalty. Studies show that there is little to no correlation between consumer demand for sustainable products and loyalty towards products.²¹ In Marieke's analysis, it is made known that "heavy green consumers" are more resistant to cost of living fluctuations than "light green consumers". Human selfishness tends to be especially prominent when humans are strategic and see opportunities.²² When faced with financial constraints, we as individuals tend to gravitate towards what benefits us first, despite a natural instinct to cooperate.²³ This ties back to previous analysis on how sustainable consumption is achieved in developed countries, where cost of living is stable and manageable.

Both economic downturn and overconsumption are intricate problems unto themselves. Developed countries, equipped with sufficient resources and social harmony—are capable of tackling such problems. The data presented in this essay shows us that there is a lack of human collaboration and urgency for collaborative change to take place on a scale large enough for there to be impactful change. In the pursuit of societal welfare, human

²¹ Isaacs, Sheik M. *Consumer Perceptions of Eco-Friendly Products*, 2015, p. 80. *Databases and Information System Commons*, <https://scholarworks.waldenu.edu/cgi/viewcontent.cgi?article=2567&context=dissertations>. Accessed 6 December 2023.

²² Jiang, Tony. "Are We Innately Selfish? What the Science Has to Say." *The Decision Lab*, 21 April 2021, <https://thedeclaration.com/insights/society/are-we-innately-selfish-what-the-science-has-to-say>. Accessed 7 December 2023.

²³ Ibid.

and corporate greed are the primary limiting factors that impede us from making meaningful change. As such, reconciling the cost-of-living crisis with sustainable consumption remains a formidable challenge in today's economic landscape. However, all is not lost. While these challenges seem daunting, the collective will and commitment of the human race can pave the way for a future where both economic stability and sustainable consumption can coexist harmoniously. With proven successes in Morocco,²⁴ and the Netherlands²⁵ of sustainable technology, a shared commitment to innovate strategies and act collaboratively can build a better world for future generations to come.

²⁴ World Resources Institute. "Morocco: Fuel Subsidy Reform Designed to Support a Just Transition to Renewable Energy." *World Resources Institute*, 1 April 2021, <https://www.wri.org/update/morocco-fuel-subsidy-reform-designed-support-just-transition-renewable-energy>. Accessed 31 December 2023.

²⁵ Nesta. "From natural gas to a green transition: how the Netherlands ended a sixty year long relationship." *Nesta*, <https://www.nesta.org.uk/feature/stories-change/natural-gas-green-transition-how-netherlands-ended-sixty-year-long-relationship/>. Accessed 20 November 2023.

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Stephane de la Rue du Can, et al. *Country Review of Energy Efficiency Financial Incentives in the Residential Sector*, 2011, p. 8,

[https://www.osti.gov/servlets/purl/1026816#:~:text=In%20Europe%2C%20rebates%20are%20more,the%20UK%20\(Attali%20et%20al](https://www.osti.gov/servlets/purl/1026816#:~:text=In%20Europe%2C%20rebates%20are%20more,the%20UK%20(Attali%20et%20al). Accessed 18 December 2023.

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<https://www.wri.org/update/morocco-fuel-subsidy-reform-designed-support-just-transition-renewable-energy>. Accessed 18 December 2023