

Contemporary Consumer & Business Ethics

Milan 5-8 May, 2008

Dr Neil Connors

Current Consumption & the Consumer Perspective

Session 2

Monday 16.00 – 19.00

Lecture outline

- definitions
- characteristics
- economic characteristics
- characteristics of growth
- costs of High Consumption Societies (HCS)
- benefits of HCS
- conclusions

Definitions

- *the high consumption societies of the world may be identified as those whose consumption levels, by individual consumers, of raw materials and processed materials and energy, are considerably higher than the rest of the world*


Definitions



A.K.A.

- **the Western World**
- **the Industrialised World**
- **the Developed Nations**

**These form about 25% of the
worlds population**



Characteristics



- **Mixed economies:**

combination of free market and command economies. Former dominates (privatisation process - still some core state services, belief in market forces)

- **Wealth:**

based on manufacturing, service industry increasing in importance

Characteristics



Markets:

- highly competitive
- oligopolistic in many sectors
- growth of international marketing

Characteristics



Consumers:

- relatively well educated
- relatively affluent
- increasingly sophisticated
- with increasing expectations
- experience a variety of hierarchical needs (Maslow)
- notion of consumer sovereignty (Galbraith)

Characteristics -

Source: The World in 2004 - The Economist
GDP Growth

The world's fastest

Chad – 58%

Equatorial Guinea – 23%

Liberia – 20%

Iraq – 19%

Khazakstan – 10.1%

The world's slowest

Seychelles – 1.0%

Netherlands – 0.9%

Gabon – 0.6%

Turkey - -4.5%

Zimbabwe - -6.2%

Characteristics -

Source: The World in 2004 - The Economist

Country	GDP Growth%	Inflation %	Population m	GDP per head
UK	2	1.6	60.5	31 860
US	3.4	1.3	292	38 620
Norway	2.1	1.4	4.5	48 380
Germany	1.8	0.5	82.5	30 810
India	6.6	5.4	1100	593
China	8.2	0.9	1300	1 120
Nigeria	3.7	10.4	136.5	382
Columbia	3.3	5.8	45.3	1 780

Characteristics -

Source: The World in 2008 - The Economist

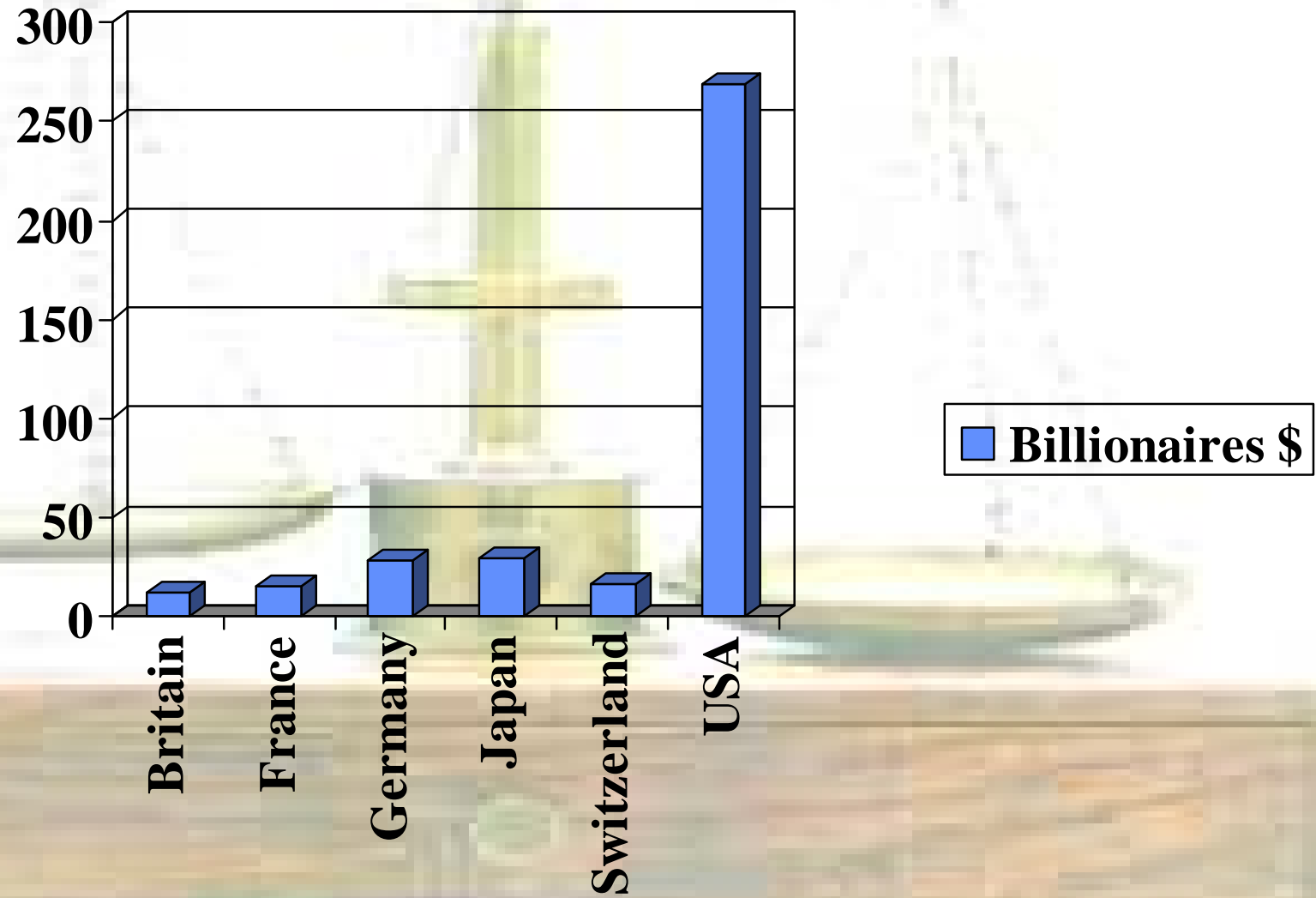
Country	GDP Growth%	Inflation %	Population m	GDP per head
UK	2.2	1.9	60.7	46 740
US	1.2	2.1	304.8	47 330
Norway	2.6	2.2	4.7	90 180
Germany	2.5	1.6	82.7	41 400
India	7.9	5.2	1130	1 180
China	10.1	3.0	1330	2 960
Nigeria	7.8	7.6	149.5	1 020
Columbia	5.8	4.5	47.6	3 550

Characteristics -

Source: The World in 2008 - The Economist

Country	GDP per head	PPP = purchasing power parity m
UK	46 740	38 340
US	47 330	47 330
Norway	90 180	58 850
Germany	41 400	34 270
India	1 180	4 720
China	2 960	9 700
Nigeria	1 020	1 420
Columbia	3 550	9 690

Economic Characteristics



Source: The Economist. The World in 2002

Economic Characteristics

- 1) USA (432)
- 2) Germany (55)
- 3) Russia (53)
- 4) India (36)
- 5) UK (29)
- 6) Turkey (25)
- 7) Japan (24)
- 8) Canada (23)
- 9) Hong Kong (21)
- 10) Brazil, Spain, China (20)
- 11) France (15)
- 12) Saudi Arabia (13)
- 13) Australia (12)
- 14) South Korea (10)
- 15) Mexico (10)

Forbes 2007 –
the world's billionaires

Economic Characteristics

**See handout 4 -
Economic Growth**

Economic Characteristics

Traditional view

- the continual increase in volume and value of production (and consumption) is desirable.
(Lipsey quote)
- reckoned to be responsible for improvements in standards of living and quality of life (see circular flow of income)
- expectations for future growth are high and continue to be so (Stanlake)

Economic Characteristics

However: Cost - (Gill ref.)

Schumacher: economists/politicians never take into account all costs e.g.

- natural resources, ‘free goods‘ - irreplaceable
- ecological systems, capital assets treated as income
- pollution - extra costs (externalities)
- queries stigma of value

Solutions:

- biologically sound production in agriculture
- industry - evolution of small scale technologies, decentralised management

Economic Characteristics

**See handout 5 -
Economic Growth
questions**

Costs of high Consumption Societies

(see also the tutorial exercise)

1. Consumption of non renewable resources

- Gas, oil, copper and other minerals
- Water, through pollution
- Tropical rainforests
- 20 million tonnes p.a. (households)
- 5% of total waste - the rest from agriculture, mining, manufacturing and food processing

2. Pollution of the physical environment

*% people (UK) think
the problem is serious*

- **Acid rain - sulphur** **72%**
- **Global warming - carbon** **65%**
- **Ozone depletion - CFC's etc** **73%**

3. Increasing evidence of some criminal activity

Notifiable offenses recorded by police (UK)
(no. per 100 population)

	Sc.	E&W
1951	2	1
1991	12	10

50% - of theft and handling stolen goods

90% - crimes against property (burglary, fraud,
forgery, criminal damage)

3. Increasing evidence of some criminal activity

Update Sep. 2005

- The risk of being a victim of crime is the lowest since recorded levels began 1981
- The number of crimes recorded by police fell by 1% in July sep. 2005
- Violent crime stable 2004-5
- fall of 7% in vehicle thefts
- 11, 110 firearm offences (increase of 1% from 2004)

3. Increasing evidence of some criminal activity

Changing nature of crime

- mobile phone theft
- car theft - stolen to order
- identity theft
- online fraud

4. Depersonalisation of services

- Banks and financial services - ATM's
- Shop checkouts
- Use of Internet
- Call centres



5. *Changing values*

“When people are persuaded, advertised, propagandised and victimised into throwing their cars away every three years, their clothes twice yearly, their high fidelity sets every few years, their houses every five years then we may consider other things obsolete. Throwing away furniture, transportation, clothing and appliances may soon lead us to feel that marriages (and other personal relationships) are throw away items as well and that on a global scale, countries, and indeed, entire sub continents, are disposable like kleenex.”

Victor Papenek: *Design for the Real World*

6. Health risks - wrong choices

Food related diet (all increasing)

- coronary heart disease
- stroke
- diverticular disease

Social habits

- smoking - cancer, heart disease etc.
- alcohol
- drugs

**Food poisoning 1971 - 91, 352% increase in
food poisoning notifications**

7. Debt problem

- **Consumer credit:**
 - 1975 - 1991 - real terms increase of 315%
 - 1991 - £54bn. (c. 10% problematic debt)
- Non-mortgage consumer credit is growing at 12.4 per cent a year while mortgage lending is growing at 9 per cent a year. Underlying incomes are growing at 5 per cent, so household finances are becoming stretched.

Source: Telegraph.co.uk 30.09.01

7. Debt problem

Total UK personal debt

- At the end of December 2005 the total UK personal debt was **£1,158bn**. The growth rate remains strong at 10.2% for the previous 12 months which equates to an increase of £100bn.
- Total secured lending on homes in December 2005 was **£965.2bn**. This has increased 10.4% in the last 12 months.
- Total consumer credit lending to individuals in December 2005 was **£192.3bn**. This has increased 9.3% in the last 12 months.
- Total lending in December 2005 grew by £9.6bn. Secured lending grew by £8.8bn in the month and consumer credit lending grew by £0.8bn in the month.
- Average household debt in the UK is approximately £7,786 (excluding mortgages) and £46,863 including mortgages.
- Average owed by every UK adult is approximately £24,833 (including mortgages). This grew by ~ £200 last month.
- Average consumer borrowing via credit cards, motor and retail finance deals, overdrafts and unsecured personal loans has risen to £4,125 per average UK adult at the end of December 2005. This has grown 52% in 5 years.
- Britain's personal debt is increasing by ~ £1 million every four minutes.

Benefits of high Consumption Societies

Benefits for consumers

- have, and expect to have, an increasingly wide choice of goods and services
- high ownership of goods and services
- more leisure time/less drudgery
- improved health and longevity
- high level of public service
- more mobility for work, leisure and residence
- convenient and efficient communications
- more needs and wants and the expectations that these will be satisfied

Discussion on high Consumption Societies



Debate:

- For: *I see the pursuance of higher consumption levels for any country as a positive*
- Against: *I see the pursuance of higher consumption levels for any country as a negative*

Conclusions



- Consumers are the generators of consumer wealth
- Consumers have:
 - high real income
 - low working hours
 - more paid holidays (relatively compared with the past)
- Industry stimulated by products seeking consumers and competition - is innovative and motivated to produce an ever developing range of goods and services

Bibliography

- Credit action -
<http://www.creditaction.org.uk/debtstats.htm>
- [The Economist](#). *The World in 2002*
- [The Economist](#). *The World in 2004*
- Home office statistical bulleting
<http://www.homeoffice.gov.uk/rds/pdfs06/hosb0306.pdf>
- Papenek Victor 1995 *Design for the Real World*
- [Telegraph.co.uk](#) 30.09.01



...any questions?