SETTING THE RESEARCH AGENDA FOR THE GLOBAL VILLAGE:
CONSUMER'S PUBLIC INTEREST

by

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ABSTRACT

As consumers live in more modern urbanized places, their satisfaction with their own consumption activities depends more and more on the consumption habits of their neighbors. Six major research issues are proposed that involve consumption externalities. They are: the Quantity and Quality of Food, Environmental Pollution, Investment in Human Capital, Limited Institutional Capacity, Income Disparities, and Illegal Drugs. Research questions are posed for each issue after a brief discussion of research design.
SETTING THE RESEARCH AGENDA FOR THE GLOBAL VILLAGE:
CONSUMER'S PUBLIC INTEREST

The assignment for this forum is to think about and identify research topics relevant to the "Global Village" that affect the well-being of consumers. That is an awesome task. It requires eliminating a lot of good ideas. Having been involved in exercises to set research agendas before, I am painfully aware that it is relatively easy to find a large number of small ideas. Routine activities of scholars and researchers (including myself) leads them to want to test one more hypothesis, to retest an accepted theory, to apply their favorite estimating technique to a new set of data, to refine their favorite model or to update numbers in case behavior has changed in the past five years. All of these activities are the nuts and bolts of good research; they advance science and extend knowledge. But they all occur within relatively narrow fields of inquiry.

For this forum I will attempt to consider a relatively small number of big problems that are shared by consumers around the world. But first, a look at terminology. The phrase "global village" appears to be an oxymoron. "Global" relates to the entire world and to something that embraces virtually all considerations. "Village" is a settlement smaller than a town with a governmental unit. These seemingly incompatible terms may be used, however, as a way to think about all villages and neighborhoods of the world, each with its own set of consumers and unique set of preferences but tied together by common interests and problems relating to health, status and governance. The consumers in these
villages are linked together by common air, water, defence mechanisms, religious and political beliefs, economics, and traded goods and services. The spillover effects of private trading and private consumption ultimately force individuals and small villages to consider their interdependencies with a broader community. As strongly as we may defend individual's rights, state's rights and national sovereignty, when the externalities from private consumption threaten our collective livelihood, global governance begins to look attractive. As the spaces between villages shrink, literally and figuratively, village leaders simply must come to terms with some common rules for the game.

Thinking about villages of consumers as a collection of interdependent economic units as well as individual, sovereign utility maximizers allows me to split the role of consumers into two parts. 1) First and foremost consumers act in their own self interest, maximizing their utility by purchasing goods and services for private consumption. This is the consumer's role as defined in economics textbooks. Most of the past research about consumer issues and behavior has focused on this role. It is the role upon which "consumer rights" are based and the role that consumer education informs. To a large extent it is the role that consumer/citizens play when they purchase public goods and services with their tax dollars. 2) The second role of the consumer is that of being a citizen. Acting in one's own self-interest takes on a different dimension when the "activity of consumption" itself becomes a public good (or bad). The positive or negative externalities of consumption (and production) are increasingly important as the world becomes more crowded, more interdependent and more engaged in international trade. It is at this
juncture where private consumer's interests and the public interest overlap and where consumer's private choices begin to take account of the social costs of their own and their neighbors's consumption habits.

It is this second role of consumers, on which this forum will focus. Not because research on understanding consumer behavior and how to make markets fairer, more competitive, and more responsive to consumer preferences has become unimportant. It is very important. Not because micro data and models do not produce useful results. They do. But because we already know how to do that kind of research and we know what most of those research questions are. And because we are challenged to explore those issues that seem to be important to the well-being of large numbers of people in the world. We are challenged to learn more about how consumer's well-being is affected by involuntary consumption and how that affects their private choices. We are challenged to ask how research on public policy issues can help enlighten private and public policy makers who will determine the future well-being of many peoples.

RESEARCH DESIGN

Before discussing some of the research issues that grow out of the consumer's role as a citizen, let us examine the position of consumer policy research in the larger scheme of research methodology. Most of us probably plunge into our data without thinking a lot about our philosophical orientation much less about how that fits with the kind of knowledge we want to produce or the kind of research we are likely to conduct. Glenn Johnson (1986) from Michigan State University helps us put this in perspective.
Figure 1

FACETS OF RESEARCH

PHILOSOPHICAL ORIENTATION

Source: G. Johnson (1986)
The three major dimensions of every research activity are 1) the philosophical orientation, 2) the kind of knowledge and 3) the kind of research. Their order of importance may be debatable, but they interact at all stages of research from setting the agenda to publishing the results.

One of three major types of philosophies that shape our research decisions is called logical positivism. This view treats emotions or values as mere figments of the imagination. Data is confined to that which can be experienced with the five senses. Since this philosophy acts as a constraint on research concerned with values--with the welfare and behavior of people--and on consumption economics, we may be happy to learn that it is on the wane in terms of its popularity. The second type of philosophical bent, normativism, deals with questions of right and wrong.\(^1\) Normative philosophy prescribes what "ought to be done." The "Consumer Bill of Rights" for example, is distinctly normative and research that prescribes "what ought to be done" to further its goals is generated by normative philosophy (Figure 2).\(^2\)

The third philosophy is pragmatism. This view insists that there is an interdependence between knowledge gained by positivistic, value-free inquiry (for example the supply and demand elasticities of rice in a developing country) and the values implied in the normative use of that

\(^1\) It is important to distinguish here, between knowledge about values (right and wrong) and knowledge about good and bad, which may be positivistic.

\(^2\) The Consumer Bill of Rights declared by former United States President Kennedy and expanded by former President Nixon, included the rights to Safety, Information, Choice, Voice (Representation and Redress), and Environmental Safety. Consumer Education was added informally as an extension of the right to information. Basic Needs was added by governments of third world countries.
Figure 2

THE 8 CONSUMER RIGHTS

1 BASIC NEEDS
The right to basic goods and services which guarantee survival: adequate food, clothing, shelter, health care, education and sanitation.

2 SAFETY
The right to be protected against the marketing of goods or the provision of services that are hazardous to health and life.

3 INFORMATION
The right to be protected against dishonest or misleading advertising or labelling. And the right to be given the facts and information needed to make an informed choice.

4 CHOICE
The right to choose products and services at competitive prices with an assurance of satisfactory quality.

5 REPRESENTATION
The right to express consumer interests in the making and execution of government policy.

6 REDRESS
The right to be compensated for misrepresentation, shoddy goods or unsatisfactory services.

7 CONSUMER EDUCATION
The right to acquire the knowledge and skills necessary to be an informed consumer.

8 HEALTHY ENVIRONMENT
The right to live and work in an environment which is neither threatening nor dangerous and which permits a life of dignity and well-being.

knowledge (for example prescribing a government policy to raise the price of rice). The criteria used by the pragmatist to judge the truth or falsity of empirical results depends on whether or not they "work." The truth of beliefs depends on the consequences of acting on them. If the outcome of the raising the price of rice caused the "right" actions to be taken (in this case an increase in the supply of rice), then it would be considered the correct result. This type of philosophy can also be seen in the attitude that says "if it isn't broke, don't fix it." A pragmatist is not likely to conduct research on an issue that is not perceived to be a problem since results calling for a change would contradict the observation that the status quo was already working.

Those of us interested in consumer research carry a mixture of all these philosophies, but I suggest that we are largely normativist. We want our research to help improve the welfare of consumers. We are, therefore, also pragmatists. We want to do the kind of research that influences decision makers (private and public) to make the "right decisions."

What kind of research is that? Of the three kinds of research depicted by Johnson (1986), it is largely that of "problem solving" but in the context of specific "subject matter." Consumer research is usually subject oriented--subjects like consumer credit or food safety. Subject matter research is usually multidisciplinary in nature. It is designed to influence a number of decision makers facing a variety of practical problems. For example food can be made more safe by appropriate actions on the part of consumers or producers or government agencies or all of the above. It involves research in disciplines from chemistry to economics to political science as it tries to solve a problem. "Disciplinary" research
is concerned with developing or improving theories, quantitative techniques, or measuring basic phenomena. It is not concerned with practical applications. It has the highest respect in academic circles, and it is an important input into subject matter and problem solving research. The latter is by far the most complex. It requires employing all types of knowledge.

In order to set an agenda for research for the global village, acknowledging its interdependencies, will certainly involve using all kinds of knowledge and all kinds of research. For purposes of this discussion, however, let us adopt the normative philosophy, think in terms of subject matter and problem solving research, and aim to provide the type of knowledge that is useful for prescribing courses of action.

MAJOR RESEARCH ISSUES: AN AGENDA

Problem solving research begins by asking "what are the problems that need solutions?" Many problems for worldwide consumers today involve international interdependencies. Major new problems are rising on the agenda even as old ones remain. Which are most important will vary by country and culture but there are at least six major issues that impinge on consumers' well-being around the world.

One, is the continuing problem of an adequate quantity of food especially for those in the lowest income countries. In the middle and upper income countries the issue is adequate quality of food as concerns about safety, nutrition and health ratchet upwards.

Two, is the battle to save the planet earth and our environment as we have known it. Pollution of air, soil, and water is so pervasive that
consumers of all income levels in all nations are affected one way or
another. Consumers have a split personality when it comes to this issue
because the solutions may involve giving up some of the old ways of private
consumption. It may involve a decrease in the "standard of consumption" as
we know it in the Western world. It may even question some of our
individual rights. At best it appears that some of our most convenient
products will disappear. On the other hand, we are well aware that a large
and growing part of the earth's water supply is unsafe to drink, that the
nature of our air and atmosphere is changing for the worse, and that we are
producing tons and tons of garbage (toxic and otherwise) that we cannot
destroy.

Three is the underinvestment in human capital including "consumer
capital" (Kerton, 1981). The two most important aspects of this are: 1)
universal education to a level of competent literacy and numeracy and 2)
progress in improving health and longevity, especially in low income
countries. This encompasses the problems associated with vast
(un)underemployment and consumer's vulnerability to economic or political
exploitation.

Four is the limited institutional capacity in many lower and middle
income countries. The inability to mobilize local resources for
development, to deliver services and build infrastructure, to trade with
other countries and earn foreign currency inhibits the supply of the most
basic consumer needs. It also continues to foster markets where "caveat
emptor" prevails and consumers are exposed to unusually hazardous
products. Governmental regulatory powers are either absent or exploitive
leaving individuals to fend for themselves.
Five is an apparent growing disparity in income and other resources between the haves and the have nots both intra and inter country. This includes such issues as the "homeless" in United States as well as the variation in standards of product safety and quality between the Western world and lower income countries.

Six is the international problem of illegal drug production, transport, sale and use. This is a consumer/citizen problem that vastly diminishes the resources of consumers whether they consume the drugs directly or not. The tax dollars spent on related crimes, the insurance premiums to cover theft and the loss of productive human time is an untold drain on resources and productivity. On the other side, it is a source of income to many consumers in the producing countries. How the benefits of this income are distributed across the population is unknown. How the activity corrupts bureaucracies and exploits farm households is largely undocumented.

RESEARCH QUESTIONS: AN AGENDA

Having identified six consumer problems with global ramifications and with public goods dimensions the task now turns to identifying the type of knowledge needed. What is it that we want to know about the interactions of individual consumer's choices and their long term welfare and the welfare of their neighbors? How does the behavior of consumers in the aggregate affect their collective well-being? How does one design and implement public policy to provide incentives for individual consumers to bear their share of the cost of negative externalities? How does one balance individual's freedom of choice and consumer rights with the
collective well-being of all consumers? Every researcher working with their own disciplinary tools will have some knowledge to contribute. The puzzle will have to be solved piece by piece, keeping in mind the overall picture. For each of the six problems identified above, some parts of the picture will be explored and some research questions will be suggested. The reader is challenged to ask, "What can I do in my research program to add to the knowledge needed by decision makers to make public policy that works towards improving the long run well-being of consumers?"

Quantity and Quality of Food

The problem of having enough food to feed the hungry of the world is anything but new. New methods of solving it are, however, in need of discovery. It is well known that the world as a whole produces more than enough food. Figure 3 illustrates that the world's production and consumption of grains and the amount left over remains positive. For example, even with the drought of 1987/88, close to 400 million tons of grain remained in reserve.

The problem is one of distribution. The source of production must be closer to the place of consumption. Figure 4 shows that the per capita production of food has fallen in Africa and other low income countries since 1951. Increases elsewhere cannot meet these needs.

The big question is how to increase agricultural production 3-5% per year over the next quarter century in the poorest countries? The traditional way, by increasing the amount of land used, is no longer available. Limited water or increasing salinity of soils limits further irrigation of arid land. Furthermore, the contamination of ground water
Figure 3

World Grain Production, Consumption, and Ending Stocks

Million metric tons

1.800
1.600
1.400
1.200
1.000

1970/71 75/76 80/81 85/86

World production

World consumption

Million metric tons

500
400
300
200
100
0

1970/71 75/76 80/81 85/86

World ending stocks
U.S. ending stocks

EXCLUDES REPUBLIC OF SOUTH AFRICA.

** EXCLUDES JAPAN.

from plant nutrients and pesticides and other environmental concerns decreases the ability to increase agricultural production by using chemicals to increase yields. Sometimes the problem is more political than physical. For instance, the starving of the Sudanese and Ethiopians has more to do with internal wars than anything else.

Most of us in the social sciences may think we have little to contribute to solving these problems. But if we look at the total food system as outlined in Figure 5, we see many pieces that belong squarely in our fields of expertise.

The human nutrition and consumer side of the issues we can handle. One part of the starvation equation is population growth and a lack of human capital. Here, possible research questions include: What are the incentives most likely to slow down population growth? Who performs what tasks in a given society and how can they become more productive? What is the best way to deliver health care and improve longevity? What are the resources these consumers have to work with and what are some of the simple things that can make their life easier? If there is a reasonably stable and benevolent government in place, what sorts of incentives do they (both the leadership and the bureaucrats) need to ensure consumers some modicum of protection against hazardous conditions? What incentives and help (economic or social) do farm households need to increase food production? Does direct food aid help the hungry? Does it help or hinder the development of local food production? A plethora of household survey data exists from various low income countries. Most of it resides in the Food and Agriculture Organization (FAO) of the United Nations; much of it can be accessed somehow. It provides a wealth of data on which to conduct
Figure 5

FOOD SYSTEM

INCOME

POPULATION GROWTH

DIRECT CONSUMPTION AND FEEDING

MARKETS AND PRICES

GOVERNMENT POLICIES

INTERNATIONAL TRADE

RURAL DEVELOPMENT

URBAN GROWTH

RESOURCES

WATER

LAND

LABOR

CREDIT

EDUCATION

FARMING

PROCESSING

CHANGING TASTES

TECHNOLOGY

BIOLOGY

CHEMISTRY

MECHANICS

CROP CHOICE

RESEARCH

GENETIC

VULNERABLE GROUPS

HOME ENVIRONMENT

KNOWLEDGE

HEALTH

Source: Adapted from Timmer, Falcon & Pearson.
research that may yield some knowledge that will help solve these problems.

The problems of food quality are more pervasive. They exist on different levels in every country of the world. In the United States for example, food quality includes aesthetics and status as well as ingredients and nutrition that may alter our health and longevity (sodium, cholesterol, saturated fats). It also includes the presence of potentially harmful additives and residues that may be carcinogenic. And, we are still facing the old dangers of microbiological contaminants like salmonella. Our demands for consumer protection and information regarding the safety and quality of our food are ratcheting up with every daily newscast. We desperately need research on the objective, relative risks of the various "hazards" and how to articulate those risks in a way that consumers can understand. We need benefit/risk and benefit/cost analyses that help us and our governments decide which risks to downgrade first and at what cost. The U.S. consumer is in danger of demanding lower quality produce in a panic over low risk carcinogens while indiscriminately consuming contaminated poultry and saturated fats. This year congress has renewed interest in mandatory nutritional labeling and we still do not know the most effective way to implement that. Some of the data and methodologies needed for this research lies in food science and chemistry, nutrition and epidemiology. Some of it lies in surveys about food consumption. Some of it lies in our ability to assess the value of lost life years and lost time in work and leisure. Some of it lies in our conducting original surveys to learn consumer attitudes and willingness to pay for particular food characteristics.
Concern with food and other product's quality and safety and its variability across national boarders has caused it to enter into current international trade negotiations, specifically in the General Agreement on Tariffs and Trade (GATT) and between the U.S. and Canada. One attempt to deal with these evolving standards is the European Community’s (EC) efforts to harmonize its product standards by 1992. It is only a matter of time before the United States and Canada and the EC will join in this effort. There is some fear that harmonization of standards will be used to protect those producers of high quality products preventing trade in competitive products. Simultaneously, there is a fear that the harmonized standards will gravitate to the lowest common denominator. Whose standards will be adopted is a critical question; there is some evidence that they are generally being set at higher than average levels. Whatever harmonized standards the EC and North America eventually agree upon will undoubtedly be higher than those that most low income countries can afford. The question of who will trade what with the third world remains. The "standards gap" will surely widen and the market for lower quality products will be further segregated under Western harmonization.

The task of trying to harmonize international product standards among active trading partners and also "protect" consumers in low income countries from inferior or hazardous products is indeed enormous. It demands that we clarify what it is we are trying to achieve. Is it a more homogeneous set of products with uniformly higher quality characteristics? This conflicts with the goals of increasing consumer’s choices and competitive markets. Is the goal to average out the benefit/risk ratios across consumers in countries with different resources? If one designed a
set of health and safety standards to equalize the risks across consumers of the world, the highest standards would be imposed on those products consumed by the poorest people since those with the poorest health are the least able to resist harm from unsafe products and environments (Graham and Reader, 1979). Again identifying the relative risks faced by consumers living in different environments is critical.

Determining how to best reduce those risks involves looking at more than the obvious hazard. It may involve improving health through a variety of means or improving education and literacy so that "informed consent" can operate. It also involves learning about the institutional framework for protecting consumers and what the rules of the game are in various countries.

The Western world stands accused of exporting hazardous foods and drugs to the third world; it is also exporting its hazardous garbage. Consumer Currents (September, 1988) referred to this as "Toxic Terrorism" a term that may be a bit strong, but it highlights the extremes between the safety standards in the wealthy and the poor nations (see Figure 6). The poor sell us space in which to dump our waste materials. It brings them foreign currency that can be used for building local infrastructure and advancing development. It is economics; it is aedical. Or is it? Who is gaining what by this trade and who is exploiting whom? Do we have a long run self interest to protect in this issue? Will storing toxic or nuclear waste in these parts of the world, where proper containment is unlikely, eventually release it into our common atmosphere, water and food chain? This issue leads directly into the second major problem, that of the environment and universal problems of pollution.
'Toxic Terrorism' in Africa
Who is dumping what, where

Status
Radioactive
Chemical
Toxic
Type of waste

From US:
Morocco
Djibouti
UN PHOTO

From the USA:
Senegal
Guinea-Bissau
Guinea
Ecuador
Comoros

From the UK:
South
Status:
Already Dropped
Operational
Contract
Under review

Operational
Under review

Operational
Under review

Operational
Under review

Operational
Under review

Operational
Under review

Operational
Under review

Operational
Under review

Operational
Under review

Operational
Under review

Source: Consumer Currents, September 1988
Environment and Consumption

From the beginning it must be acknowledged that the environmental impacts of consumption patterns, as well as the spill over effects from consumer's individual private choices, are trivial compared to the pollution produced by the production sectors and by macro level forces such as new technology and the drive for economic efficiency. In the aggregate, however, consumers do purchase the final products and vote with their dollars for the product characteristics that please them most. We (economists) identify consumers behavior as being driven by utility maximization which is achieved by consuming as many goods and services as their budgets will allow. They act solely in their own self interest which generally precludes volunteering to pay for anything that they can obtain for "free" i.e., air or water or a variety of public goods. Though technically possible, the utility maximizing paradigm does not generally deal with disutility. Yet, individual and aggregate consumption yields a mix of satisfaction and dissatisfaction. And, in a more crowded, urbanized and modern world the satisfaction of individual needs becomes more dependent on other people's behavior. The negative externalities of consumption tend to congregate and impose themselves upon large groups of people. When this happens, there arises a demand for "collective means" to secure individual's satisfaction. How can this be done? How can individual consumers be enticed into changing their consumption patterns in the interest of improving the well-being of the whole? The typical answer to treating production externalities is to incorporate them into the price of the product so that consumers (or producers) include the social costs of the externality in their evaluation of its worth. This usually involves
government policy to impose taxes or subsidies. We do it now by taxing cigarettes, alcohol and gasoline. We subsidize public transportation. But the effect of such a tax/subsidy is spread so thinly over so many consumers that it changes their individual budgets very little. It is not likely to be very effective in changing aggregate consumption patterns. What else might work? Using education and information to try and change preferences through moral suasion is always suggested and notoriously ineffective. Changing property rights has been used effectively to change behavior in some instances, the most well known of which is the right to smoke. When the institutions (rules of the game) assigned the right to use the air to the nonsmoker, the costs of smoking increased; social pressure reinforced the new entitlement.

Clean air, like many other "free goods" in this world have been considered common property. As such it is overused because no one pays directly for its use. Furthermore, it is very hard to assess the correct proportion of the cost to any individual user. Some of the research questions that arise in this context have to do with creating markets for the externalities. In other words, how do you assess the cost of the externality to the proper party so that the right result is forthcoming? How do we incorporate other aspects of life's pleasures into the calculus of consumer satisfaction, e.g., the use of leisure time, the availability of option goods, the cleanliness of the air and water and safety of food? How do we account for the interdependencies of choices and cultural and social norms in our benefit/cost analyses?

The research in this area to date has used household expenditure and time allocation survey data and has focused on aggregate consumer trends
and their correlation with increased pollution and wastes. The trend of "modernism" (the use of processed verses home produced goods), the trend of "enrichment" (the purchase of a large variety of material goods and cultural and recreation services) and the trend of "intensive automobile use" has been correlated with the amount of waste and energy consumed in various Western societies (Uusitalo, 1986). Figure 7 illustrates the relationship found between the rate of growth in OECD countries and the rate of growth in energy consumption. (About 35-45% of all energy consumed directly by households.) There is a positive correlation, even in the era of expensive oil prices (1973-1980).

The striking thing is that rapid increases in aggregate income are accompanied by rapid increases in the use of energy. The message that comes through is that richer counties, those with the highest level of consumption, use the most energy and also produce the most pollution. This should not come as a big surprise, but it posses nothing short of the famous "prisoner's dilemma" for individual consumers. Unless everyone acts in concert to change the polluting activities (and knows that everyone else will cooperate) no one individual has any incentive to do so. The question is what kind and how much government regulation will consumers subject themselves to in their own long term interest? How can we learn consumers preferences for this? What are they willing to pay to save common property for the common good and for their own enjoyment?

Human Capital

Human capital refers to the durable stock of knowledge, skills, and health that are embodied in individual consumers. In all countries, but
Relationship between energy consumption and economic growth in some OECD-countries during the years 1960-73 and 1973-80

Growth of energy consumption (primary energy) 1960-1973 on average x 1973-1980 on average

Growth of GNP

especially in developing, low income countries, the need to invest in good nutrition and good health is paramount. This issue is tied closely to the need for adequate food and agricultural development. How can we measure the actual and perceived payoffs to education in various cultures? What is the relationship between health and the acquisition of skills and income? What is the relationship between child and/or adult nutrition, health and lifetime earnings? How does education affect the employment opportunities in different cultures?

Is there a pending global health crisis? We now seem to have less concern about adequate calories per capita, or nutrition as infant mortality and fertility have improved moderately. Infectious diseases have been reduced, but less progress has been made against parasitic diseases. Malaria control is less certain than it once was. The emerging problems of AIDS has high priority; unhealthy effects of agricultural and industrial pollution lurk on the horizon. There are many research challenges here in the examination of clashes between short run private choices and the long run ability to maintain those choices.

Institutional Capacity

It is well known that many lower income countries lack stable governments and institutions that foster development. There is often no infrastructure of rules that allows government agencies to perform the most rudimentary protective functions like food inspection, labeling or distribution. This again relates back to the problems of quantity and quality of food. But it also relates to the ability to structure markets in such a way that they have credibility. There is a need to identify the
most basic elements that need to be "standardized" across a nation like grades and standards for common foods, like appropriate weights and measures, like minimum standards of safety and quality. There is a need to identify some way to build incentive systems into the bureaucracy so that government officials take seriously the job of protecting consumer's and the public's interest.

Consumer organizations have organized worldwide boycotts to try and improve the safety of food in low income countries. Figure 8 shows a chronology of such activities against the Nestle Company.

There has developed a body of "soft law" comprised of the United Nations' International Code of Consumer Safety (1985), the Codex Alimentarius Code of Ethics for International Trade in Food (1979) and FAO's International Code of Conduct on the Distribution and Use of Pesticides (1985). We are wont to cite violations of the codes and we cling to them with a great deal of hope, but do we know what their impact has been or is likely to be? The Codex Alimentarius is, I understand, being heavily used as a reference for the EC harmonization efforts. As such, it has a good chance of being quite widely followed. Research on the effectiveness of such codes and Nongovernmental Organizations's activities and boycotts, relative to other means of securing safety and quality, is needed. In another paper (Kinsey, 1988, p. 410), I suggested that a change in the entitlement between international sellers and consumers would change the "hard law" and redistribute the risks of unsafe or low quality products. Research could estimate how much internalizing of transaction costs would change the profits to sellers. How much would it cost local governments to enforce new entitlements and what incentives would they need
Figure 8

Consumer Boycotts

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>1977</td>
<td>Start of first Nestle Boycott</td>
</tr>
<tr>
<td>1979</td>
<td>WHO/UNICEF Meeting on Infant Feeding</td>
</tr>
<tr>
<td>1984</td>
<td>End of first Nestle boycott with pledge by Nestle to abide by WHO/UNICEF decision</td>
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<tr>
<td></td>
<td>on free/subsidised 'supplies'</td>
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<tr>
<td>1985</td>
<td>WHO Experts meeting on 'supplies'</td>
</tr>
<tr>
<td>1986</td>
<td>WHO Resolution, based on Experts' report, bans all free 'supplies' to maternity</td>
</tr>
<tr>
<td></td>
<td>hospitals</td>
</tr>
<tr>
<td>1988</td>
<td>IBFAN monitoring shows continuation of 'supplies' by several companies</td>
</tr>
<tr>
<td>Jun</td>
<td>Ultimatum delivered to Nestle and Wyeth, a subsidiary of American Home Products.</td>
</tr>
<tr>
<td>Oct</td>
<td>Second Nestle Boycott and consumer campaigns against other companies.</td>
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*'Supplies': free or low-price quantities of baby milk to hospitals and clinics. (377/88)

Source: Consumer Currents, October/November 1988
to do so? Further, documenting the level of risk faced by third world consumers of unsafe products is needed. How do these risks objectively compare with the other risks they face? How does one assess the benefits of decreasing food and product risk in a low wage and largely subsistence economy?

Disparate Income Distribution

There seems to be an increasing rift between the wealthy in the West and the poor in developing countries and technological advances make it increasingly difficult to close the gap. Within the U.S., the distribution of income is less equal than it was 10 years ago, though the statistics are less impressive than casual observation. The juxtaposition of streets crowded with BMW's between sidewalks crowded with homeless folk makes one pause and wonder. Whether the middle income group is diminishing in the U.S. or not and if so, how this affects the standards of consumption, is a subject of much debate and analysis. What is readily documented is a slowdown in the rate of growth in incomes for the vast majority of Americans in the last decade (Levy, 1989, pp. 113,124). Do we understand the effect of slow growing incomes on investments in human capital, on working patterns, on the perceptions of relative income and on actual consumption patterns? How will this affect consumer's willingness to share the social costs of their own consumption habits? How will it affect their attitudes towards taxes that serve to redistribute income?

Redistributing income is a function of government and a delicate balancing act. Do consumers as taxpayers prefer "budget transparency" or are they happier with hidden transfers? One example is the current debate
about government subsidies to farmers. Traditionally, these transfers have come out of general revenue as part of the overall congressional budget or off-budget expenditures in the name of food security. A more transparent way to transfer money from consumers to farmers would be to tax food purchases directly. This method is more regressive than using general tax dollars, but it is also more readily identified by consumers.

Research on the incidence of the costs and benefits of various taxes and government programs can be useful for designing policy in consumers' interest. We are concerned with the amount of money that leaks out of the bucket that carries funds from the affluent to the poor. Research on how big the leaks are and where they occur could be helpful. Generally, the more tightly targeted and controlled the program benefits are, the more that leaks into administrative costs. The less well-targeted the program, the more that leaks out to marginally qualified people. But, the bucket will leak--which catch basin do consumers prefer?

Though equal income distribution is a national economic goal, no one really wants to reach it. But there is some optimal range where, in the aggregate, consumption and savings balance out to push up per capita incomes, leaving us all better off. What is that range? Does it vary by stage of development?

Illegal Drugs

Numerous countries export high value drugs that are illegal in the country of import. This goes on around the world, has forever, and has provided the producers and sellers with good incomes. What are reasonable substitutes for this income source? How evenly is the drug income
distributed across the consumers in the exporting country? How important is it to their GNP? How much has it corrupted the governments of the producing countries? What proxy variables can we use to measure some of these effects?

On the demand side, what does the import of these drugs cost in terms of law enforcement, loss in productivity for users, debilitating diseases and poor health. What are the perceived and actual benefits for the millions of (unidentified) casual users? How might we measure this?

Several attempts have been made to estimate the magnitude of the "Underground Economy" in the U.S. and the EC. One such guesstimate shows that the total personal disposable income on a cash basis in the subterranean economy in the U.S. averaged about 5.6% per year during the seventies based on the National Income and Product Accounts (O'Leary, 1988). This percentage peaked in 1984 at 20.2% and fell to about 5% in 1987. Other estimates have shown that unreported income from drugs alone are 36% of unreported income from all illegal sources but only 12% of all unreported income (Business Week, 4/5/82). The percent of GDP attributable to the underground economy in the EC and the U.S. ranged from 30% in Italy to 5% in the U.S. in 1978-80 according to The Economist (1987). Clearly gathering data on this topic is problematic. That doesn't mean it doesn't have important sources of costs and benefits of many consumers. We need to find better ways to identify these if we are ever going to design effective policies to deal with this world wide problem.

One possibility is to seriously investigate the ramifications of legalizing those drugs now traded illegally. Several courts in the U.S. have ruled that tobacco companies may be held liable for health problems or
deaths caused by smoking cigarettes even when the packages display warning labels. What might happen, for instance, if similar strict product liability standards were applied to the sale of all addictive (but legalized) substances? This may be considered a flight of fancy, but one worth considering.

CONCLUSIONS

The research issues identified herein deal with consumers as citizens of the world. While they are acting in their own self interest as consumers, they are both the recipients and perpetrators of large spill over effects. The research agenda herein makes a few suggestions for identifying those spill over effects and figuring out how to pay for them. The research questions are meant to be mere suggestions of much broader and deeper sets of questions that could be studied under each of the agenda items. The challenge is for each researcher to identify the niche that they can address and to direct their efforts towards helping to solve these global consumer problems.
REFERENCES


