

What next?

1) The Reduction of Consumption

2) Inequality, Social Responsibility and Directed Innovation

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Content

Idea 1:

Reducing Consumption Levels

The environmental costs of inequality

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Reducing Consumption Levels

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⇒ **this project focuses on a **reduction** of consumption**

This Paper

Research Question

What are the effects of a reduction in consumption on inequality and macro variables?

Model

- neoclassical growth model: output and consumption determined by factor supply
- ⇒ Key to this paper: demand-determined production level allowing for excess supply of labour
building on models of economic slack/ disequilibria, such as
- sectors differ with the degree of resource usage
 - households differ wrt the sector where they are employed ⇒ unequal effects
 - with basic needs questionable if reduction in consumption by one type implies resource usage in unequal society

How to model the reduction of consumption?

- deliberate reduction by households; by certain household types
- government policy \Rightarrow political economy

Empirical analysis

- measure resource consumption by household
 - What household characteristic/ events determine consumption levels?
- \Rightarrow Informs model on how a reduction of consumption can be implemented
- introduce reduction necessary to meet 1.5° warming goal
 - measure

The environmental costs of inequality

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Make model in first project a quantitative model:

(1) heterogeneous agents to capture distribution of income more accurately; (2) estimate social responsibility by household and **subjective** basic needs \Rightarrow households do not want to reduce the level of consumption beyond what they perceive as needed (will be a function of income); (3) introduce carbon cycle to account for dynamics in externality; (4) directed innovation \Rightarrow interaction with demand!

Research Question

How important an obstacle are subjective basic needs and inequality for a transition to sustainable production?

\Rightarrow empirical research has shown that income determines the level of resource consumption; Empirical work on how income inequality and CO₂ emissions relate and why; But, income inequality is also a factor that impacts a transition to sustainable production: subjective basic needs are a positive function of income \Rightarrow social

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