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## PROGRAMME & ABSTRACT BOOK



## P14

### **Analysis of Social Context of Developing Green Economy in Russia and Latvia**

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The green economy discourse is closely related to the notion of postindustrial society, to the transition to a new technological structure that, in terms of business and economy, is characterized by postindustrial, information, bio- and nanotechnologies. However, the nature and design of a green economy is formed not only by means of technological quality changes in producing and consuming goods that are inherent to the postindustrial society, but also by means of specific transformations in the existing matrix of social development.

Countries differ significantly both in the scale of developing green segments of economy, in the levels and nature of green investment influence on the economic growth and in their institutional support. The tendencies of permanent intensification or local weakening of the policy of green economic growth are developed in a certain social context that includes the interaction of different entities on forming and developing a green economy, as well as a set of certain sub-processes with specific ways and results of this interaction.

Countries can react in different forms – from certain actions on greening the national economy by following the chosen path of development, to significant changes in certain political spheres that are accompanied by shifts in socioeconomic conditions, public opinion, governing and other subsystems. The research was aimed to discover a social context of developing the green economy in Russia and Latvia and to identify the role of the local communities' environmental identity in this process. Herein, the authors interpret “environmental identity” as a whole variety of means that serve to a person or a group for identifying themselves towards the environment and the processes of changing environmental conditions of the area they live in. Environmental identity is characterized by common environmental interests, close environmental values and ideas, norms of interaction with the environment and common ways of choosing actions in making environmental decisions. The economic dimension of environmental identity distinguishes itself due to the fact that people prefer actions which maximize profitability under the conditions of certain norms and social categories. In terms of methodology, the research is based on the sustainable development theory that stresses the importance of social context of transition to environmentally-oriented development, as well as the methods of identity economics that highlights the role of identity for developing collective actions and overcoming negative effects of social dilemmas and that determines norms and objectives of people' economic behavior.

The research empirical basis is results of expert interviews and social research which were carried out by the authors in Russia and Latvia, as well as statistical and other data.

The research main hypothesis was that wide diffusion of green economy practices could not take place beyond a certain social context that creates a social request of local communities for benefits related to the green economic growth; being a strong source of motivation for making economic decisions, this diffusion creates a demand and offer in the market of green goods and services. The research results allowed for identifying a set of common factors which form and support environmental identity in both countries. One of these factors is a “sense of place”, i.e. belonging to a certain region, its natural and social environment that intensifies the desire for living and working for the local community benefit. Moreover, a territory itself can be an environmental article that may be promoted for attracting investors in order to develop a specific environmentally-oriented economic complex, e.g. the ecotourism industry. Despite the significant differences in cultural and behavioral patterns as well as in social experience of members of the local communities, the feeling of environmental identity is based on both objective natural features of the area and integrated subjective realities in all dimensions of life.

An important element of forming environmental identity is environmental literacy, knowledge of ecology (at least at a general level) and clear ideas about the principles of ecosystems functioning. Environmental identity often becomes actual when natural disasters, accidents and unfavourable environmental conditions emerge. In this case, people realize the importance of nature and their own dependence and weakness in comparison with the natural forces. Almost all the environmental risks accelerate constructing environmental identity that is often based on a one-way protest, e.g. against deforestation, urban development of greenfield areas etc., though the community members' readiness for collective actions in order to optimize environmental, economic and social interests spreads even wider, forming specific environmental identity.

Actualizing environmental identity also takes place in the context of observing certain socioeconomic norms. Just as social identities that are formed in the interaction with social groups and key agents of identity, environmental identity is intensified as a result of communication with people that already have it. An important way of forming environmental identity is holding a position in the sphere where this type of identity is welcome or required. It can be employment in environmental activism or consulting, environmental sciences or education. Environmental identity is also formed in the nonprofit sector, social entrepreneurship and in green economy sectors.

Based on the conducted research, the authors mark out several effects of environmental identity influence on economic behavior.

A social effect is based on normative ideas about the necessity of healthy eco-friendly lifestyle, methods of environmental education and upbringing that integrate the necessity of protecting and preserving the environment into the consumers' value system, as well as of green marketing technologies that include meeting environmental standards; it is also conditional to observing conventional norms of behavior and choosing goods and services which are the least affected by external factors. Rising income level and life quality promotes the social effect, as green goods or services are often qualified as normal or even superior goods.

A speculative effect is related to the consumers' expectances when they realize the threat of health loss or possible financial losses and start consuming green goods (e.g. water treatment equipment or solar batteries) for meeting a basic need for safety. Applying direct or indirect regulation methods that are used by the government (such as different types of preferences for manufacturers and consumers) can intensify this effect significantly.

An important question is why there are a lot of cases when the environmental identity that was formed and is expressed in careful attitude towards environment, preservation of local traditions of natural resources management and commitment to local eco-friendly products does not stimulate local communities' demand for development of environmental technologies and production of green goods and services.

In our opinion, the answer lies in consumers' limited rationality caused by high transaction costs of seeking information in the market of green goods and services as well as by the existing economic stereotypes and indifference to novelties. Ambiguous parameters of "environmental friendliness" of many green goods and products also cause additional preconditions for increasing transaction costs when assessing quality of goods and services. It seems that advance in a rationality level requires wider application of methods for environmental certification and standardization, ecological assessment and rise in the level of general environmental literacy and culture.