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Closing the Gap: Syncretic Stewardship in an Age of Inequality. The Social, Environmental, Business, and Economic Case for Fashion Subsidization

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Abstract

Purpose: There is a consensus that the fashion industry must be reinvented to face the challenges of inequality and anthropogenic climate change. Sustainable and Socially Responsible (SSR) fashion demonstrates how the implementation of conscientious practices can offset negative environmental, social, and cultural impacts. However, its high pricing structure highlights economic and racial inequalities of domestic fashion consumerism whereby consumers turn to fast-fashion even if they are concerned about the environment, demonstrating a "green attitude-behavior gap." This research proposes a policy to subsidize SSR fashion with the goal of closing the price gap compared to fast-fashion. This is a call to action for U.S. intervention with subsidy reforms to correct market failures, improve equity, mitigate climate change, support green industries, and stimulate the economy.

Methodology: Through literature review, this research proposes an approach for subsidy deployment for both upstream production operations and downstream consumers.

Findings: A theory of subsidies frames a social, environmental, business, and economic case for fashion subsidization.

Implications: Government intervention may be the turning point for brands being able to achieve "syncretic stewardship" in an age of inequality.

Originality/value: Global leaders have discussed the need for incentives to encourage sustainable production and consumption. However, there are no incentives or safety nets in place to encourage such behaviors. There is also no discourse in the public sphere regarding a fashion-centered subsidy policy to mitigate climate change, reduce inequality, and improve social responsibility.

Keywords: subsidization, fashion, inequality, climate change, market failure, government intervention.

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1. Introduction

We are living in an age of inequality. In the U.S., income inequality[1] has seen an "uninterrupted increase" of 39% since 1980 (Horowitz et al., 2020). In fact, the Congressional Budget Office (CBO) reports that the top richest 1% now own more than 1/3 of U.S. wealth (Wilkins, 2022). This degree of unequal income and wealth is more prominent in the U.S. than in most developed countries, whereby economic and racial inequality is the result of discriminatory economic policies (Siripurapu, 2022). Inequality is "corrosive… it rots societies from within…it illustrates and exacerbates the loss of social cohesion" (Weisskopf, 2017) and is thus detrimental to the economy. In the fashion industry, inequality thrives with impunity, particularly regarding "fast-fashion" – Western firms have become "agents of exploitation," taking advantage of developing countries' low wages and weak social and environmental regulations/enforcement to produce low-quality goods for bottom-of-the-barrel prices (Locke et al., 2007). Fast-fashion brands market these products as accessibly priced, "high-end" fashion for the masses, thereby making fashion affordable for everyone, regardless of race or class. This is of note considering historically, "fashion" was the domain of thin and wealthy white women (Hoskins, 2014). Fast-fashion has since embedded itself into American culture.

However, the rise of fast-fashion has caused irreparable harm to the planet (particularly regarding CO2 emissions and waste) and contributes to anthropogenic climate change. Fast-fashion also exploits and dehumanizes people of color, particularly women, in developing countries (Hoskins, 2014). The United Nations Economic Commission for Europe deems the fashion system an "environmental and social emergency" (UNECE, 2018) which precipitated global leaders at COP26 to discuss fashion in the context of climate change mitigation efforts. They concluded that the entire system *must* become sustainable (Kent, 2021). Sustainable and Socially Responsible (SSR) fashion seeks to address societal and environmental issues, demonstrating how the implementation of responsible practices can offset negative environmental, social, and cultural impacts. In doing so, it has inadvertently highlighted the economic and racial inequalities of domestic fashion consumerism. For the fashion industry to play its part in a more sustainable future, SSR fashion must become mainstream (British Fashion Council, 2014), a challenge given that its high-pricing structure makes it unattainable for the masses. This context frames the need for transformative and radical reforms to address SSR fashion's issues with class, equity, accessibility, and race. In the context of this research, "accessibility" refers to the ability to afford SSR fashion and consumers' geographical location[2] relative to apparel stores.

The price disparity between fast-fashion and SSR fashion creates a situation whereby SSR fashion is under-consumed in the marketplace, even though most Americans believe and are worried about climate change (Funk & Hefferon, 2019) and want their purchases to reflect that. The disconnect between what consumers say they want versus what they purchase represents the phenomenon of the "green attitude-behavior gap," which exists because "it takes green to be green" (Brisman, 2009). Fast-fashion does not factor negative social and environmental externalities (the consequences of industrial activity) into the cost, meaning that sustainable fashion "is competing on a completely unlevel playing field" (UK Parliament, 2019). This uneven playing field represents a market failure that needs to be corrected via policy interventions (Kattel et al., 2018), as corporate self-interests do not necessarily lead to social efficiency (Caplan, 2021).

This policy proposal is a call to action for government intervention in the fashion industry. A framework emerges to correct market failures, level the playing field for SSR fashion, close the price gap and green attitude-behavior gap, and transition the fashion industry toward sustainable development. A social,

[1] Income inequality can be measured by several metrics, the Gini coefficient, aggregate income, mean household income, consumption levels, and gaps in income between the upper and lower classes (Horowitz et al., 2020).

[2] Future research agendas should include utilizing GIS to overlay geographical locations of fast-fashion stores relative to neighborhoods with varying income levels versus SSR alternatives.

environmental, business, and economic case for government intervention is developed through (1) upstream production subsidies (top-down) and (2) downstream consumer-facing subsidies (bottom-up) to improve sustainability and encourage a shift in consumer purchase behavior toward SSR fashion and away from fast-fashion. This proposal follows an Organisation for Economic Cooperation and Development (OECD) recommendation that promoting sustainable production *and* consumption are important aspects of achieving sustainable development (OECD, 2008). Similarly, the British Fashion Council (2014) seeks to incentivize fashion companies to use more sustainable manufacturing methods while making their products more affordable and accessible to consumers. This research seeks to address whether a subsidy deployment strategy will assist fashion companies in attaining "syncretic stewardship" (the integration of responsible social and environmental business practices) in an age of inequality.

2. Literature Review

2.1 Syncretic Stewardship

SSR fashion must integrate the "triple bottom line" – people, planet (noneconomic), and profit (economic) objectives – into a firm's culture, business strategies, and operations in a transparent and accountable manner (Berger et al., 2007). Accomplishing this balancing act represents the achievement of syncretic stewardship, a holistic model of Corporate Social Responsibility (CSR) that establishes "best practices" (e.g., ensuring fundamental human rights and "environmental sustainability" which entails balancing natural capital (resource inputs) with sinks for waste (outputs) so that resources are not harvested faster than they can be renewed while waste does not exceed what can be digested naturally by the environment (Muthu, 2017)). In theory, integrating CSR *should* create wealth and improve society (Berger et al., 2007). However, there are numerous challenges in attaining syncretic stewardship in an age of inequality. Niinimäki et al., (2020) outlined the need for a shift in consumer behavior, representing consumption challenges; the introduction of sustainable development throughout the supply chain, which encompasses numerous manufacturing challenges; and a deceleration or "degrowth" of production quantities, which represents societal challenges since it is counter to capitalistic principles that herald economic growth. These challenges often deter brands from overhauling business operations to integrate CSR.

2.1.1 Consumption Challenges

Forbes found that 52% of people surveyed want SSR fashion while just 29% are willing to pay a higher premium (Moore, 2019), demonstrating how environmental benevolence (the adoption of green living) is not immune to the phenomenon of inequality (Brisman, 2009), which creates price sensitivity in consumers. This is unsurprising as nearly half of all American workers earn less than $30k while less than 10% make more than $100K (Amoros, 2018). Inequality, essentially, acts as a barrier to green consumption (Joshi & Rahman, 2015) and is thus the root cause of the green attitude-behavior gap phenomenon.

2.1.2 Manufacturing Challenges

Novel manufacturing methods and design principles add extra costs that reduce a firm's value in revenues (Pal & Gander, 2018) meaning that CSR does not always make business sense. Therefore, integrating CSR is risky because most firms are sensitive to standard economic factors like quality and price (Berger et al., 2007), whereby business sustainability could be jeopardized should price increases shrink a firm's consumer market. Furthermore, environmental stewardship comes with numerous challenges that require complex actions and an influx of capital and resources to (a) maintain farming and soil health/water quality, (b) minimize chemical/oil usage, (c) minimize deforestation, (d) decarbonize the supply chain, and (e) reduce waste.

2.1.3 Societal Challenges

American society adheres to capitalistic principles of infinite economic growth, but this is not sustainable because the Earth has ecological limits. Sustainable development and degrowth conflict with capitalism because capitalism cannot sell any idea that supports less (Fournier, 2008). Degrowth is then a critique of the modern economy, requiring a paradigmatic re-ordering of social and ecological values and a re-evaluation of societies' priorities (Fournier, 2008). Sustainable development within the fashion industry must include the concept of degrowth for the industry to truly become sustainable, which is why global leaders at COP26 discussed degrowth in terms of consumers buying less and companies producing fewer products (Friedman, 2021).

2.2 Subsidy Theory

2.2.1 Definition and Purpose

The WTO (formally called GATT) officially defined a "subsidy" in the Agreement on Subsidies and Countervailing Measures from the Uruguay Round Table. **Table 1.** describes the definition and purpose.

Table 1: Subsidy Definition & Purpose

	Definition & Purpose
GATT (1994) as outlined by OECD (2003)	A financial contribution by a government or any public body (given to businesses, individuals, or non-profits) that confers a "benefit:" (i) direct transfer of funds (cash grants & vouchers[3]) or liabilities (ii) government revenue is not collected (fiscal incentives) (iii) government-provided goods or services other than infrastructure (iv) government payments to a funding mechanism (v) any form of income or market price support
Calamai & De Moor (1997), as outlined by Rubini (2009)	Any measure that: (i) keeps prices for consumers below the market level (ii) keeps prices for producers above the market level (iii) reduces costs for consumers and producers by giving direct or indirect support
Le Grand (1991)	Defined in terms of minimum standards of consumption: (i) subsidizing a commodity will make it easier for low-income groups to afford it (ii) ensure that consumption asymmetries are balanced (iii) everyone has a minimum quantity (iv) create equity

Subsidies are an interventionist tool to stimulate and encourage nascent but crucial industries that the government deems vital and in the best interest of the American people, the economy, and the collective national well-being (Davis, 2019; Amadeo, 2020). Subsidies deployment began at the turn of the 20th century during the early stages of fossil fuel extraction to help cover the initial cost of investments, lower the cost of production, and incentivize new domestic energy sources so Americans could enjoy cheap energy (Laporte, 2019) – a parallel for SSR fashion subsidies. These subsidies have been crucial for America's economic development[4]. Subsidies are a support structure and are intended to be time-bound and removed once obstacles have been overcome, market failures are resolved, and equilibrium has been achieved (Grantham Research Institute, 2018). In other words, subsidies act as a short-term boost to help level the playing field and support struggling industries.

[3] Cash grants and vouchers are often recommended as market price support for low-income families/individuals.

[4] However, because externalities from fossil fuels are not reflected in the price, the costs are imposed on society through public "bads" such as air pollution and climate change (Taylor, 2020).

2.2.2 Types of Subsidies

Subsidies are either universally deployed (given to everyone) or means-tested (given to people with low incomes to balance consumption asymmetries between classes) (Le Grand, 1991). The Ministry of Economy, Trade and Industry (METI) describes six primary types of subsidies based on purpose, but there is also a seventh type, consumer subsidies: (1) export, (2) promoting domestic over imported goods, (3) industrial promotion, (4) structural adjustment, (5) regional development, (6) research and development (R&D), and (7) consumer subsidies aimed at reducing inequality (e.g., food stamps, housing vouchers, and private school vouchers) or encouraging green behavior (e.g., incentives for purchasing solar panels or electric vehicles).

2.2.3 SSR Fashion Subsidy Frameworks

<u>*Pigouvian Framework*</u>

According to economist Arthur Cecil Pigou, when producers do not factor in all the costs of production, including negative externalities, a market failure occurs since equilibrium (balancing opposing forces) has not been achieved. The use of a Pigouvian subsidy creates a framework for SSR fashion subsidization (**Table 2.**) since fast-fashion brands do not factor in negative externalities (social and environmental degradation resulting from production) into consumer-facing prices. This lack of consideration creates a market failure within the sector and a price disparity compared to SSR fashion.

Table 2: SSR Fashion Pigouvian Subsidy Framework

	Pigouvian Subsidy	**SSR Fashion Pigouvian Subsidy**
Externalities	Predicts that goods with positive externalities will be under-consumed in the free market (Pettinger, 2022).	SSR fashion has positive externalities (e.g., environment stewardship) but is under-consumed in the free market due to high prices. By Pigou's logic, a subsidy can correct this failure.
Green Consumption	Encourages consumers to buy certain green products (Donev, 2016).	Encourage green fashion consumerism.
Wholesale Prices	Encourages sellers to continue production while still receiving the full price (Donev, 2016).	Upstream subsidies could help firms reduce costs while still receiving the full wholesale price of SSR products.
Consumer Prices	Seeks to lower consumer-facing prices (Donev, 2016).	Upstream and downstream subsidies could lower costs and increase purchase power.
Consumer Demand	Consumer-targeted subsidies increase demand for certain products due to lower price points (Donev, 2016).	Affordable prices for SSR fashion could increase demand by low-income groups.
Pollution	A subsidy for behaviors that reduce pollution (e.g., solar panels).	SSR fashion subsidies could reduce production pollution & post-consumer waste.
Individuals & Society	Encourages behaviors that positively affect others and enhance society as a whole (Donev, 2016) to bring about the social optimum (Heutel, 2014).	Integrating CSR would benefit workers in developing countries, consumer subsidies would benefit consumers, and mitigating climate impacts would benefit the global community.

<u>*Voucher Framework*</u>

This proposal also puts forth voucher theory, described by Parker (1991), as a framework for downstream subsidies (future research agendas should create a framework for upstream production subsidies) (**Table 3.**).

Table 3: SSR Fashion Voucher Framework

	Traditional Vouchers	**SSR Fashion Vouchers**
Supply & Demand	Cause changes in supply and demand to create positive changes in the marketplace.	Increase demand for SSR fashion & reduce demand for fast-fashion.
Client Choice	Shift the funding scheme and increase client choice through expanded competition.	Lower SSR fashion prices would increase client choice and expand competition.
Costs & Quality	Create improvements with price, supply, & quality.	Reduce costs for a better, higher quality product with a longer lifecycle, thereby also reducing waste.
Wealth	Redistribute economic power by increasing citizen purchase power.	Increase purchase power for low-income & marginalized groups for green goods.
Innovation & Diversity	Increase innovation & diversity.	Increase innovation in the industry and improve the diversity of apparel options.
Client Satisfaction	Increase citizen satisfaction.	Increase consumer satisfaction by providing a better product.
Community Welfare	Compel the welfare system to improve.	Could reduce domestic and global inequality and increase environmental stewardship thereby benefiting society.

2.2.4 Case Analysis: Renewable Energy Subsidies

In the early 1990s, renewable energy subsidies were enacted to counteract the negative impacts caused by fossil fuel extraction and use, providing a framework for SSR fashion subsidization (**Table 4.**).

Table 4: "Green Subsidies"

	Renewable Energy Subsidies	**SSR Fashion Subsidies**
Market Failures	Address market failures and price disparities (due to environmental costs not being factored into fossil fuel prices) (Grantham Research Institute, 2018).	Address market failures and price disparity against fast-fashion's low pricing structure and lack of factoring negative externalities into prices.
Climate Change	Transition the country to new energy technologies and infrastructures to mitigate climate change (Johnson, 2011).	Address fashion's negative environmental impact and contribution to climate change.
Consumer Behavior	Reduce reliance and usage of fossil fuels (Grantham Research Institute, 2018).	Aims to spur fast-fashion divestment.
Cost/Benefit Analysis	The cost of wind and solar subsidies was about equal to the monetary value of climate benefits (improved air quality) (Grantham Research Institute, 2018).	Considering the "climate emergency," the cost/benefit analysis for promoting SSR fashion is underscored.
Consumer Costs	Green energy became price-competitive with fossil fuel energy (Laporte, 2019).	Close the price gap and the green attitude-behavior gap.
Risk & Certainty	Provide certainty for the private sector which drove down consumer-facing prices (Pfund, 2011).	Aims to reduce risk and provide certainty for fashion businesses by securing a consumer market.
Sustainable Development	Encourage sustainable development (Pfund, 2011).	Encourage sustainable (fashion) development.
Economic Development	Create new jobs and industries (Johnson, 2011).	Potential to create good-paying domestic apparel jobs.

Client Choice	Expand the energy mix (Grantham Research Institute, 2018).	Reduce costs to stimulate new SSR businesses and give consumers greater choice in the marketplace.
Innovation & New Technologies	Increase innovation which reduced green technology costs (Grantham Research Institute, 2018).	Aims to encourage green R&D that could improve sustainability, environmental stewardship, and social responsibility.

2.3 Government Intervention Theory

Many theories on the role of government include eliminating the causes of inequality because inequality is corrosive and a detriment to society (Weisskopf, 2017). Today, governments intervene for social and economic reasons to improve efficiency and equity (Lipford & Slice, 2007) and maximize the pursuit of social welfare (Gao, 2017) through wealth and income redistribution (Tătulescu, 2013). In terms of the fashion industry, the House of Commons Environmental Audit Committee adds that government intervention should be harnessed to level the playing field[5] (UK Parliament, 2019). Interventionist policies typically fall under four categories, which serve as a framework for SSR fashion intervention (**Table 5.**).

Table 5: SSR Fashion Intervention Framework

Type	**Categories of Intervention**	**SSR Fashion Intervention Framework**
1	A provision, good, or service	While not technically a public good, SSR fashion has social & environmental benefits domestically & globally.
2	Transferring income/wealth (vertically across income levels or horizontally)	Redistribute wealth horizontally to low-income groups (via downstream subsidies).
3	Taxation or subsidy deployment	Subsidy deployment as a market-shaping policy correcting market failures.
4	Regulation	Regulate the fashion industry to curtail social & environmental degradation.

However, despite the benefits of intervention, for more than half of U.S. history intervention domestically and abroad was minor (Lipford & Slice, 2007). In the late 19th century, Germany initiated a shift in government action and implemented the first elements of a welfare state (Lipford & Slice, 2007). The U.S. has since been more involved in intervening in the economy, particularly regarding regulation, because the laissez-faire style of government had been acknowledged to create inequalities (Tătulescu, 2013). Furthermore, without regulation, there is often an imbalance of power whereby such imbalances can lead those with capital to intentionally let markets fail if there are resources to be exploited, creating high environmental degradation (e.g., the deforestation of the Amazon or exploiting cheap labor in fashion-producing countries). Boyce (1994) dubbed this phenomenon the "power-weighted social decision rule."

3. Research Concept

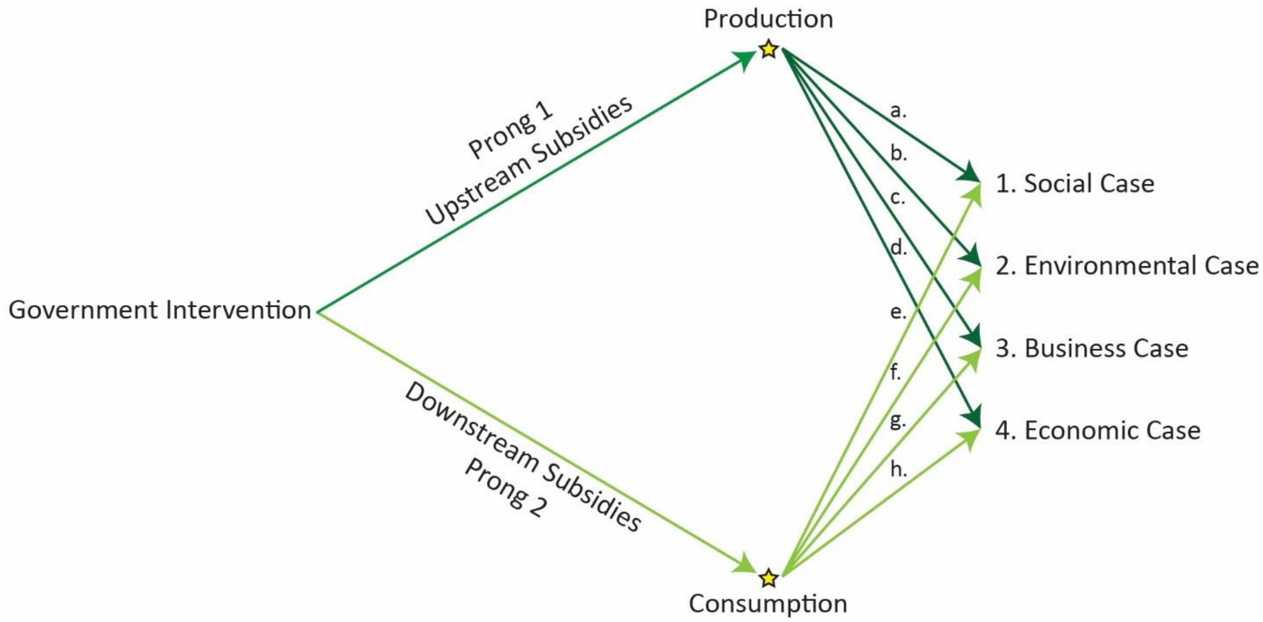
3.1 Overview

SSR fashion needs to make commercial sense, but it also needs to be mainstreamed for the industry to contribute to a more sustainable future (British Fashion Council, 2014). Given that the fashion industry represents an environmental and social emergency (UNECE, 2018), this policy proposal calls for a two-prong approach to subsidize SSR fashion. Through a top-down and bottom-up approach, this policy can promote

[5] According to page 50 of the report, policies and incentives are needed to create a new economic model for the industry and level the playing field because SSR fashion companies face extra costs and barriers in the marketplace compared to fast-fashion, which only seeks to maximize profits regardless of social and environmental costs (UK Parliament, 2019).

green consumer behavior and sustainable development, in alignment with recommendations by the OECD regarding promoting sustainable production and consumption simultaneously (OECD, 2008). The goal is to mitigate fashion's negative environmental impact by helping brands achieve syncretic stewardship, which can be achieved by closing the price gap and, subsequently, the green attitude-behavior gap. SSR fashion subsidization could level the playing field and make SSR fashion more accessible and equitable for a larger swatch of consumers, potentially leading to mainstream adoption. This frames SSR fashion subsidization as a fashion-centered climate policy, justified by theories of government intervention whereby the aim is to promote societal welfare by reducing inequality, correcting market failures, and stimulating the economy. Within this framework, there is a social, environmental, business, and economic case for a fashion-subsidy program to promote green production and consumption as well as justification for a two-prong approach (**Figure 1.** where "a," "b," and "c" represent the three pillars of sustainability – the triple bottom line.)

Figure 1: The Case for SSR Subsidization



	1. Social Case	**2. Environmental Case**	**3. Business Case**	**4. Economic Case**
	Reduce Domestic & Global Inequality: *Close the Price Gap to Improve Equity & Accessibility*	*Mitigate Climate Change:* *Close the Green Attitude-Behavior Gap*	*Support Green Industries:* *Reduce Business Risks*	*Correct Market Failures:* *Achieve Sustainable Development*
Upstream Production Subsidies	**a. Social Responsibility:** -Decolonize fashion -Reduce inequality & social degradation in the	**b. Environmental Sustainability:** -Address environmental degradation contributing to climate change	**c. Business Sustainability:** -Reduce risks associated with integrating CSR -Increase capital	**d. Economic Development:** -Stimulate a global industry -Domestic job creation

	supply chain by integrating CSR	-Reduce environmental injustice	-Reduce manufacturing costs -Increase funding for R&D -Increase corporate wealth & value -Reduce "greenwashing," thereby improving brand reputation & authenticity	
Downstream Consumption Subsidies	**e. Reduce Inequality:** -Reduce legislated economic and racial inequality in the U.S. by increasing purchase power for low-income & marginalized groups	**f. Consumer Behavior:** -Reduce inequality because it increases environmental degradation (fast-fashion consumption) -Incentivize green behavior -Spur fast-fashion divestment	**g. Business Sustainability:** -Reduce risk by securing a consumer market by closing the price gap	**h. Green Citizenry:** -Increase purchase power & green consumption -Stimulate a green economy

3.2 Social Case

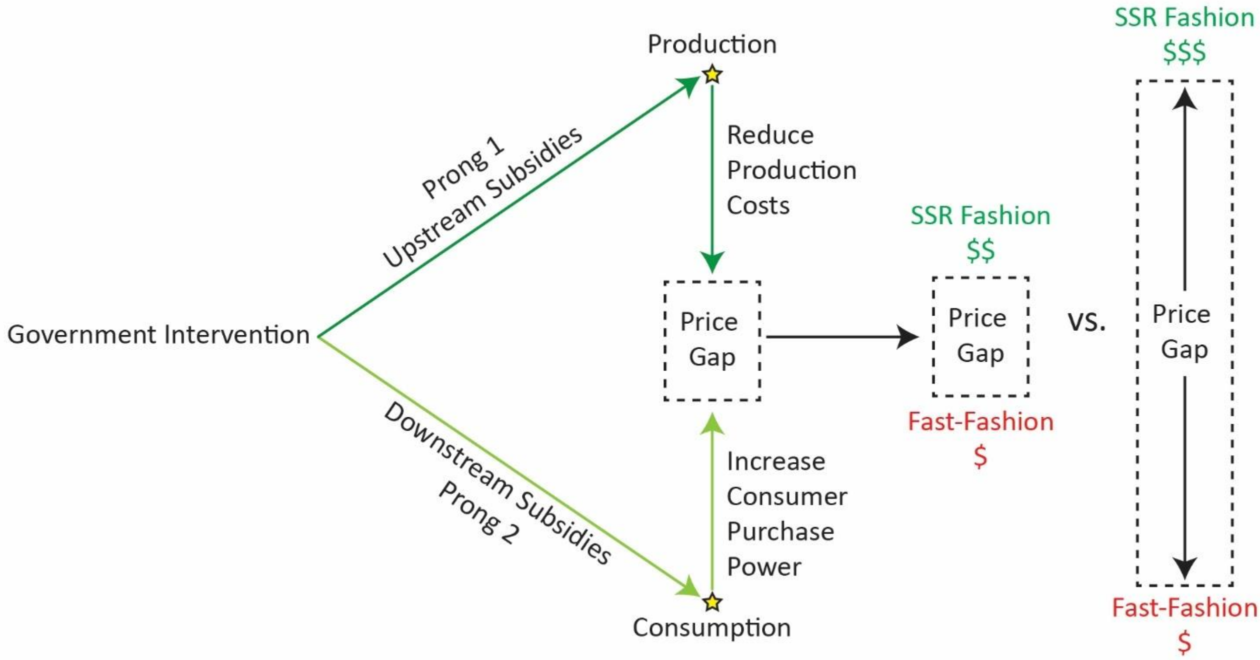
The **social case** for SSR fashion subsidization centers on reducing domestic and global inequality, where it has been shown that upstream production subsidies can reduce regional and individual inequality (Dupont & Martin, 2003). Reducing inequality is crucial as it skews the "free" market in terms of supply and demand by constraining consumers' ability to pay for environmental goods. Inequality prevents low-income and marginalized communities from participating in green living and reinforces power structures that prevent green consumption (Brisman, 2009). Specifically, this policy aims to:

(1) Reduce legislated economic and racial inequality in the U.S. by closing the price gap (**Figure 2.**) and increasing purchase power, thereby improving equity and accessibility regarding SSR fashion.

(2) Decolonize the fashion industry, thereby reducing inequality and social degradation in the supply chain through integrating CSR.

Figure 2: Closing the Price Gap

The Price Gap after Government Intervention ($$) vs. without Intervention ($$$)



3.2.1 Legislated Inequality

Adam Smith believed that it was the role of the government to "protect citizens from external and internal aggression" (Lipford & Slice, 2007) but since 1980, income growth for Americans has shifted so that a greater share is going to upper-income households (particularly the top 5%) while the share going to middle- and lower-income households is falling, representing a rapidly shrinking middle class while the richest get rich faster (Horowitz, et al., 2020). This income and wealth gap is stark as just 38% of jobs pay enough to afford a middle- or upper-class lifestyle while 30% pay a "hardship wage" and just 32% pay a "living wage" (Bhandari & Brown, 2018). Income inequality is due to decades of government failure whereby tax cuts and corporate loopholes for the wealthy alongside simultaneous cuts to welfare programs that help lower-income and marginalized groups represent *legislated* economic inequality (Weisskopf, 2017). America's legacy of slavery and racist economic policies (e.g., Jim Crow laws) has also created institutional racial inequality but the U.S. government has not done much to help Black families, providing net-zero wealth opportunities while policies have often provided additional wealth expansion for white families (Mock, 2019). Beyond racist economic policies, the cause of the wealth gap hinges on stagnant federal poverty metrics and eroding minimum wage laws.

In 1960, the federal poverty metric was defined by the Social Security Administration (SSA). They recognized that it needed to be adjusted over time to account for inflation, increases in living standards, and buying habits (Fremstad, 2016). This has not been the case, which led the Center for American Progress to report that the federal poverty line is "remarkably outdated" (Haider & Schweitzer, 2020), framing a subsequent political case for SSR fashion subsidization considering economic inequality is *legislated* due to several factors:

- In 1968, the Johnson administration outright prohibited the SSA from making any adjustments, a political calculation that updating the metric would show an "increase" in poverty (Fremstad, 2016).

- Richard Nixon issued a directive that made the Orshansky threshold the "official" poverty measure and specified that it could *only* be adjusted to account for inflation, not changes in the cost of living (Fremstad, 2016).
- No President has since been willing to change the Nixon directive due to the same political calculation of "increasing" poverty (Fremstad, 2016).

Federal poverty metrics influence minimum wage laws, which further perpetuates legislated inequality. Pew Research Center reports that one factor fueling an increase in inequality is the eroding value of the minimum wage (currently $7.25 per hour while the "minimum cash wage" for tipped employees is $2.13 per hour) (Horowitz et al., 2020). Bloomberg found that 44% of Americans 18-64 are considered "low-wage workers" (Gaetano, 2019) in that 62% of jobs do not pay a living wage or support a middle-class lifestyle (Davidson, 2018). This income discrepancy demonstrates that low wages are part of our system, keeping people in poverty. Furthermore, people of color are more likely to be paid wages that would leave them in poverty (Cooper, 2018), whereby 21% of African Americans live below the poverty threshold (NAEH, 2021). Aliprantis et al., (2019) ran a model where they removed the labor income gap and found that the black-to-white wealth ratio would have reached 90% by 2007 in the absence of racial inequality, demonstrating how unequal income perpetuates the worsening racial wealth gap among marginalized communities (Mock, 2019).

As it relates to fashion, why would people struggling to earn enough money to live on prioritize green fashion? Fast-fashion has a place in the market because the low-pricing structure suits those with less disposable income, which is why Miyashita (2022) believes that SSR fashion will not be successful until the government raises the minimum wage. This research argues that more effort is needed to encourage SSR fashion adoption.

3.2.2 Social Responsibility

Walraevens (2021) found that inequality establishes a dangerous power imbalance whereby "undue partiality and indulgence towards the rich and powerful" creates a lack of incentives for them to "behave morally." Therefore, decolonizing fashion entails dismantling the current system and reorienting power structures, specifically the power imbalance between the West and the Global South (Katz, 2021). In this situation, the power imbalance and lack of government regulation in developing countries explain why global corporations behave immorally and act as agents of exploitation. This is the injustice of the current fashion system. SSR fashion subsidies could assist in transforming the industry and propel the integration of CSR into the supply chain. For instance, an influx of capital could help implement business practices like paying workers living wages, whereby it's estimated that only 2% of fashion workers make a living wage (Segundo, 2022).

3.3 Environmental Case

The **environmental case** for SSR fashion subsidization seeks to mitigate the industry's contribution to climate change (which is also a human rights crisis[6]) and reduce injustice. Currently, sustainability targets for 2030 are out of reach as the fashion industry as a whole is not adopting responsible business practices fast enough (Kent, 2022) – the industry is on track to miss the Paris Agreement's target of 1.5˚C pathway by 50% (Berg et al., 2020). Specifically, this policy aims to:

(1) Encourage green consumption by closing the green attitude-behavior gap (**Figure 3.**).

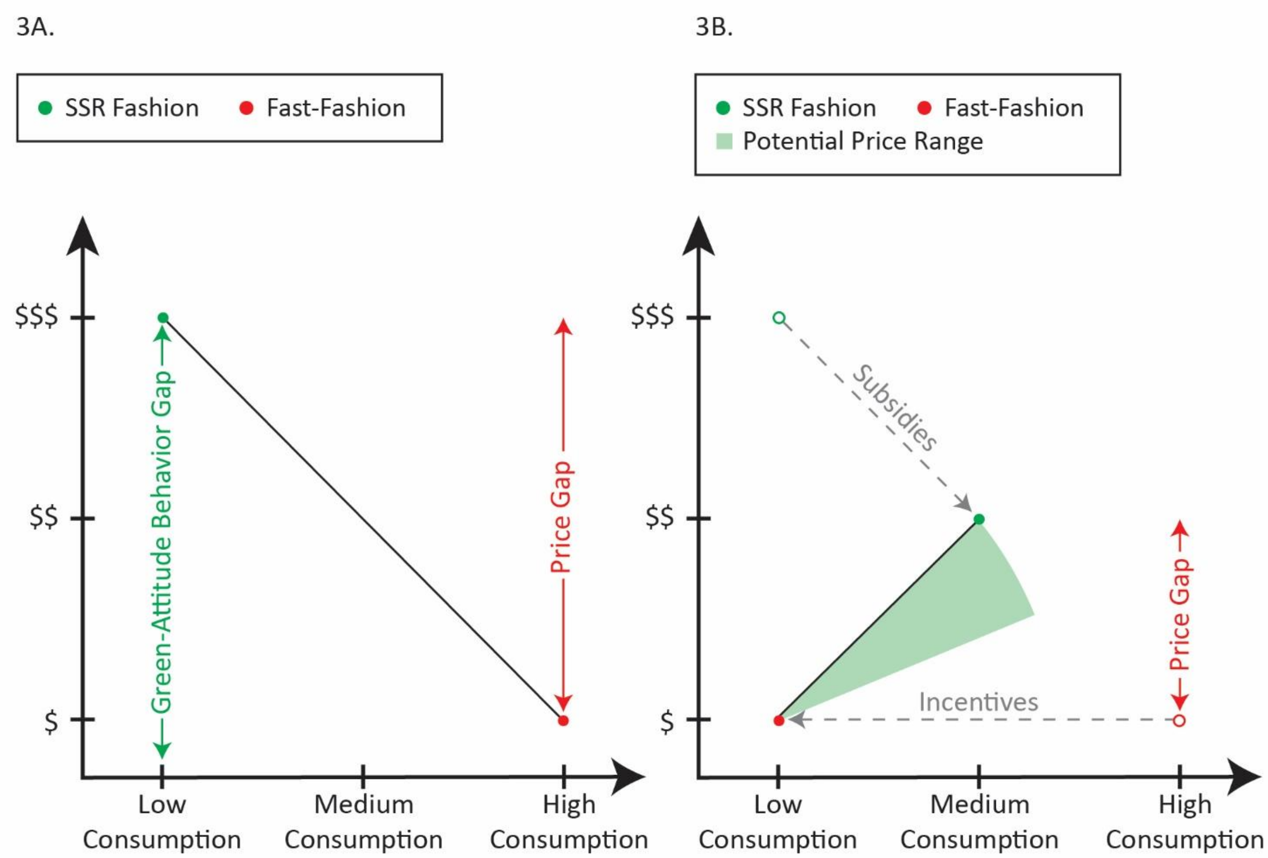
(2) Address environmental degradation in the global supply chain that contributes to climate change.

[6] The Human Rights Council acknowledges that it is a human right to have a clean, healthy, and sustainable environment meaning that environmental degradation and climate change represent human rights crises (United Nations, 2021).

(3) Reduce domestic inequality since it increases environmental degradation (in the form of fast-fashion consumption by low-income groups, which perpetuates degrading activities in fashion-producing countries).

(4) Spur fast-fashion divestment by lowering the cost for a better and green product. **Figure 3.** demonstrates how green incentives to divest from fast-fashion can be used in tandem with subsidies aimed at closing the price gap and the green attitude-behavior gap.

Figure 3: Closing the Gaps[7]



3.4 Business Case

The **business case** for SSR fashion subsidization is business sustainability for the nascent SSR fashion sector, which needs governmental support to adopt environmental stewardship. Such preferential treatment would also improve competition between SSR and fast-fashion because businesses need assurance that CSR and environmental sustainability efforts will be successful since "being good" doesn't always create business sustainability (Zadek, 2004). Subsidization would effectively act as a reward structure for green corporate behavior and help create a new business culture (e.g., syncretic stewardship) by offsetting the risks of being

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[7] 3A demonstrates the price gap and green attitude-behavior gap between SSR and fast-fashion. 3B demonstrates the potential result of government intervention – the price gap has been drastically reduced, and the green attitude-behavior gap does not appear to exist because SSR fashion is more affordable, and green incentives encourage fast-fashion divestment. While unlikely to reach the bottom-of-the-barrel price points of fast-fashion, the green "wedge" symbolically represents the potential price range for SSR fashion as determined by the monetary amount of the subsidy.

ecologically responsible and providing certainty for the sector[8]. This is aligned with theories of government intervention whereby a goal is to develop new leaders of industry and new business cultures (Datta et al., 2007). Specifically, this policy aims to create business sustainability by:

(1) Reducing business risks associated with integrating CSR through increasing capital allocation and reducing manufacturing costs, thereby closing the price gap and securing a consumer market.
(2) Increasing funding for R&D aimed at curtailing environmental degradation and helping upgrade systems and operating procedures to support environmental stewardship. Currently, federal research spending is at a 60-year low, equal to just 0.6% of U.S. GDP (Pethokoukis, 2020) meaning that an increase in federal spending may be needed to increase industrial research and private sector investment in innovative technology for textile and apparel production (U.S. Congress, Office of Technology Assessment, 1987). R&D spending for the textile sector can also promote innovation (Trade Lawyers Advisory Group, 2007).
(3) Increasing corporate wealth & value whereby government intervention can increase corporate governance and preferential treatment[9] (Gao, 2017). This is key as SSR fashion requires preferential treatment in order to compete with fast-fashion.
(4) Improving brand reputation and authenticity through CSR integration, by which government intervention could also reduce the prevalence of greenwashing. Government regulation and oversight would effectively serve as a "stamp of approval" verifying genuine and authentic SSR manufacturing processes.

3.5 Economic Case

The **economic case** for subsidization is to correct market failures, thereby stimulating the U.S. and global economy, spurring sustainable development, and a green economy. Specifically, this policy aims to:

(1) Correct market failures caused by:
    a. The price disparity between SSR and fast-fashion.
    b. Capitalism, since its unrelenting growth must be re-evaluated to achieve a challenge-led policy[10] like the UN's 17 Sustainable Development Goals (SDGs).
(2) Promote economic development through
    a. Increasing consumers' purchasing power.
    b. Domestic job creation.
(3) Reward green citizenry, thereby moving closer toward a green economy and a sustainable future.

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[8] Renewable energy subsidies provided certainty for the energy sector while driving costs down (Pfund, 2011).

[9] Energy sector subsidies helped fossil fuel and renewable energy industries achieve scale and grow capital.

[10] Challenge-led policies aimed at addressing complex social and environmental problems can be effective if they aim to shape and co-create markets in order to reach societally-agreed targets driven by public purpose (Kattel et al., 2018).

(4) Stimulate the domestic and global economy by supporting a large industry's capacity for greater sustainability, in alignment with changing global politics.

3.5.1 Market Failures & Capitalism

Market failures permit some enterprises to strategically operate in a way that squeezes out the competition, whereby government regulation is "indispensable" (Gao, 2017). Such is the case with fast-fashion – it squeezes out SSR fashion competition by utilizing a low-pricing structure that ignores negative externalities. In this case, government intervention theory explains the phenomenon of correcting government and market failures (Le Grand, 1991) while market failure theory recommends specific government policies aimed at repairing flaws in the market pertaining to supply and demand. Furthermore, government regulation theory combined with public interest theory explains the necessity of correcting market failures for the betterment of the citizens (Gao, 2017), thus improving welfare.

Capitalism and the 'free market' (which determines pricing based on supply and demand) create market failures by breeding inequality and skewing the demand for certain goods and their counterparts. As Robert Reich put it, "to reverse inequality, we need to expose the myth of the 'free market'" (The True Cost, 2015). In the context of fashion, capitalism must be addressed for the industry to achieve syncretic stewardship because capitalism "is the reason the fashion industry looks as it does today," says Tansy Hoskins, author of *Stitched Up: The Anti-Capitalist Book of Fashion* (The True Cost, 2015).

3.5.2 Economic Development & Green Citizenry

Fashion is one of the greatest economic forces in the global economy (Stone, 2013). It spans numerous industries (e.g., agriculture, manufacturing, transportation, distribution, advertising) and employs more than 300 million workers throughout the value chain (UN Alliance for Sustainable Fashion, 2022). Its estimated value is roughly 3 trillion dollars, accounting for 2% of the world's GDP (FashionUnited, 2022). However, the SSR sector is nascent. As such, there is space for a large industry to transfer its established resources to a growing industry that values environmental stewardship and aims to work within the confines of climate change. In this case, 'strategic subsidies' can be optimal from a global perspective (Fischer et al., 2018). Transitioning the fashion industry to operate under a framework of sustainable development would have substantial domestic and global benefits. SSR fashion subsidization also seeks to increase economic or sustainable development by injecting purchasing power into the hands of individuals (encouraging green citizenry and green consumption), whereby increasing purchase power is the "best method" of creating economic stability and growth (Datta et al., 2007). The second potential outcome is new domestic apparel jobs considering subsidies can attract firms to an area (Dupont & Martin, 2003). This is in alignment with theories of government intervention which seek to create new jobs (as renewable energy subsidies did (Johnson, 2011)) and stimulate regional, local and social development (Datta et al., 2007).

4. Limitations

The main limitation of this policy proposal includes swaying 'bad actors' and overcoming political gridlock within the American system of government. However, SSR fashion subsidization can specifically address arguments against integrating CSR, as outlined by Dickson et al., (2006), who state that 'bad actors' often argue that:

(1) Strict labor and environmental laws and regulations will stunt international trade and industrialization.

(2) Efforts to integrate CSR are attempts at domestic protectionism.

(3) The fashion supply chain is too complex for brands to solve, especially regarding culturally diverse non-employees at geographically distant locations.
(4) It is too expensive to implement labor and environmental reforms since it will raise retail prices.
(5) Consumers are to blame for fueling overconsumption because they don't buy fewer, higher-quality garments.

5. Conclusion/Discussion

While some may view this as a radical proposal, "radical change is needed to move environmental stewardship and social responsibility from individuals and individual acts to part of the business process" (Dickson et al., 2009). This research has laid out a social, environmental, business, and economic case for SSR fashion subsidization. Considering the threat of climate change and the fact that fashion is an environmental and social emergency (UNECE, 2018), the monetary costs would likely be worth the effort because without "immediate and drastic intervention" regarding the climate, over the next few decades, humans will face a "ghastly future" (University of California, 2021). For this reason, the current decade represents a "critical inflection point" regarding the industry's transformation to align with global ambitions to curb climate change through responsible business practices (Kent, 2022). However, the window for such a transformation is rapidly closing (Kent, 2022).

Since government intervention to mitigate climate change is a popular position – 67% of Americans want the federal government to do more to reduce the effects (Funk & Hefferon, 2019), SSR subsidization is thus a fashion-targeted climate policy seeking to address issues pertaining to the climate, race, equity, accessibility, classism, and legislated inequality. Through a two-prong approach, it may be possible for current and future generations to enjoy fashion with a clear conscience, knowing that it is designed, manufactured, and consumed while having a positive social and environmental impact. For all of these reasons, an SSR fashion Pigouvian subsidy should be considered as it may facilitate a turning point for brands being able to achieve syncretic stewardship in an age of inequality. This proposal is a call to action for U.S. subsidy reform whereby "government action could be the fastest lever for change" (Kent, 2021). In the end, until fashion companies are regulated and have oversight, "progress won't happen as quickly as it needs to" (Farra, 2022).

6. Future Research Agenda

This proposal should be the first step in a comprehensive policy analysis to gather empirical data on the effectiveness of subsidies for supporting green production and consumption practices. The agenda for future research can focus on several aspects to further the conversation, including:

(1) Developing a policy framework for upstream production subsidies.
(2) Utilizing GIS mapping to demonstrate one of SSR fashion's accessibility problems.
(3) Case analyses on parallel examples of how upstream and downstream subsidies have been successful in addressing inequality and environmental injustice (e.g., housing, food, and private school vouchers in the U.S., agricultural vouchers in Africa; subsidies for sustainable land use in Iceland; and shopping vouchers in Taiwan).
(4) SSR fashion subsidy funding sources, for instance:
    - Redistributing redundant fossil fuel subsidies, considering the coal, oil, and natural gas industries have grown to be mature, highly profitable, and well-established (these subsidies have been redundant since the 1950s because the situation that dictated their necessity

simply no longer exists) (Laporte, 2019). Phasing out subsidies for the fossil fuel industry should be a priority for policymakers (and is backed by former President Barack Obama, the G20, the International Energy Agency, the OECD, the European Union, the UK government, and the International Monetary Fund) (Laporte, 2019).

- Sanctions and taxes for environmental degradation, an opinion shared by Fashion Revolution (2021) who want governments to legislate sanctions and possibly reparations when human industry exceeds planetary boundaries.

(5) Exploring ways to incentivize upper classes to divest from fast-fashion (e.g., universal subsidies like tax breaks) which is important considering the middle and upper classes prop up the fast-fashion model (Willow, 2021).

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