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An Experiment
Using Fair Trade Coffee

By Mark Hudson, Ian Hudson and Jason D. Edgerton

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# **Executive Summary**

This paper aims to contribute to an exploration of whether ethical consumption (purchasing commodities that contain a public-good element) might be used as part of a Community Economic Development strategy.

The research used an experimental methodology in which 200 students at a large public university were asked to choose between "conventional" coffee for \$5.00 per half-pound, and fair trade coffee for \$7.00 per half-pound. We tested whether making purchases in public vs. in private affected the likelihood of purchasing the fair trade coffee. We also tested whether the provision of information at the point of purchase made any difference.

Students were asked, in addition to choosing one of the two bags of coffee, to complete an online survey. The survey collected demographic data such as gender and household income, data on the students' pre-existing knowledge about fair trade, their political ideology, their awareness of global development and environmental issues, as well as their membership in civic associations.

Students participated in the experiment in groups of 4 to 9 people. The total sample was divided into four groups, each of which made its purchases under different conditions, as shown in the table below.

Most impressively, 64% of our participants selected the fair trade coffee, suggesting a strong willingness to pay a high premium for commodities with public-good qualities. Surprisingly, in contrast to much of the existing literature, we also found that public purchasing had no significant effect on the likelihood of purchasing fair trade. This calls into question the widespread claim that ethical consumption is largely a status-driven

TABLE		
	Public Purchase	Information Provided
Group 1	No	No
Group 2	No	Yes
Group 3	Yes	No
Group 4	Yes	Yes

practice. Similarly, we found that information provision was also insignificant. Rather, gender, pre-existing knowledge of fair trade, and political ideology were shown to be the best predictors of one's likelihood of purchasing fair trade.

From this, we draw some tentative conclusions about the effectiveness of ethical consumption in fostering CED. Fair trade certified coffee is produced in a manner that aligns very closely to many of the principles of CED. It is produced in a way that improves the environmental impact of

coffee production, encourages greater economic democracy and improves the income of impoverished producers. If consumers are willing to choose fair trade coffee over its conventional competitor then it would suggest that there is scope for fostering CED by differentiating products by contrasting those with more desirable (CED) based production practices. Our experiment suggests that the majority of participants in our study were willing to spend considerably more money to purchase ethically.

# Introduction

In its broadest sense, community economic development (CED) is the attempt to improve the social, economic and environmental conditions of often marginalized communities. Traditionally, this has involved a strong dose of government policy to correct for the undesirable market outcomes that make CED necessary in the first place. However, with the widespread withdrawal of the state from its social welfare role in the neo-liberal era, CED practitioners have increasingly turned to non-state alternatives. One of these alternatives has become known as ethical consumption, in which products are marketed to consumers based on production practices that contain CED attributes. In effect, consumers are being asked to choose products that are produced more in line with CED principles. These products can be identified for consumers in a variety of ways, but the most common is a label guaranteeing specific production criteria.

One of the more successful attempts at ethical consumption has been fair trade, in which goods that are produced under improved social, economic and environmental conditions in the global South are marketed and sold to consumers in the more affluent North. Fair trade provides an excellent test of people's willingness to

purchase products produced with CED principles because its production criteria, though focused on internationally-traded commodities rather than local exchange, align very closely to how most people would define CED, particularly on issues of human dignity, local development, and environmental sustainability. Fair trade has mobilized producers and consumers into a network designed to stabilize prices, increase incomes for low-income workers and farmers, create greater security of land ownership (and thus an increased ability to avoid absorption into the system of wage labour), and encourage more sustainable ecologies of production. What lies behind the fair trade label is the tremendous detail that attempts to operationalize these admirable goals. While the exact standards that qualify a product for the fair trade label vary across products (there are different standards for wine, for example, than there are for cotton), they all have to comply with a baseline of standards that broadly reflect CED objectives. In what follows, we look at the case of coffee.

Fair trade coffee importers purchase directly from producer organizations in order to avoid the middleman. At the producers' request, importers must also provide up to 60% of the con-

# CED Principles (as developed by the Neechi Worker Co-op)

- 1. Use of locally produced goods and services
- 2. Production of goods and services for local use
- 3. Local re-investment of profit
- 4. Long-term employment of local residents
- 5. Local skill development
- 6. Local decision-making
- 7. Public health
- 8. Physical environment
- 9. Neighbourhood stability
- 10. Human dignity
- 11. Support for other CED initiatives

tract value (valued at the established floor price) as credit to the producer group, to be available at the beginning of the harvest. Finally, the importer must make a long-term commitment to the producer organization. No deals are to be made for a period less than one crop cycle and must be set out in mutually agreed on and exchanged letters of intent (Firl 1996; FLO International 2008).

Producers participating in the network are guaranteed a minimum price for their crop (in 2011 this was US\$1.40/lb for washed Arabica beans), and they receive a price premium (\$0.20) when the world price is above this minimum. In order to qualify for this price premium, producers must have their name included in the International Coffee Producers' Register (ICR), which is a kind of "Big Book of Fair Trade Coffee Producers." To qualify, producer cooperatives, and the farmers who make up the cooperatives, need to meet several important criteria. Although many of the measures, such as administrative transparency, are fairly mundane, cooperatives

must also primarily consist of small-scale producers not dependent on hired labour and must be democratically controlled by their members.¹ In addition, producers must strive to follow several general principles or objectives. Among the more radical include reduced dependency on single cash crops; a commitment to social development through financing education, health, housing, and water supplies; and the conservation and sustainable use of natural resources (FLO International 2009).

Fair trade's success in terms of sales has been impressive. When household budgets tightened or collapsed, in the wake of the economic crisis of 2008, predictions emerged that ethical purchasing would be among the first victims of decline, as a "luxury" that consumers could no longer afford. However, between 2009 and 2010, global sales of fair trade goods grew by 27% and fair trade coffee increased by 19%. In Canada, total sales grew by 6% (FLO International 2010: 2-3). What explains peoples' continued willingness to part with more of their income in exchange for a "guarantee" that producers of goods like coffee, tea, bananas, cotton, or sugar were more fairly treated? After all, convincing consumers to purchase products bearing actual ethical content must overcome several crucial hurdles.

The first hurdle is to convince consumers to consider the process of production. When most people make their purchasing decision, they examine the attributes of the final product, not how that product was made. This is a difficult hurdle because production criteria (considerations about how something was made) are what economists term "credence goods." They do not reveal themselves at the point of purchase or even in the act of consumption. As a result, they involve an element of trust in the sense that people must believe that the production criteria claimed are an accurate representation of the actual production

<sup>1</sup> This is no longer the case with coffee certified by the US based labeling initiative "Fair Trade USA" (FTUSA), who split with the international fair trade labeling group over this issue. FTUSA will now certify plantation-grown coffee.

practices.<sup>2</sup> So people must care about, and believe in, the production criteria on offer. While this is undoubtedly a significant change of mindset for the consumer, it is not impossible. The organic movement, for example, created a willingness among many people to consider production practices.

The second hurdle for ethical consumption is to convince people to make decisions based on factors beyond their narrow economic selfinterest. In making their purchasing decisions, most people consider how the product will impact them personally. How much will it cost them? How fashionable is a dress? How delicious is a frozen pizza? Ethical consumption requires people to make decisions that benefit other people or the environment. While organic foods can certainly be credited for pioneering consumer awareness of production criteria, its success in getting consumers to think beyond their narrow self-interest is less clear. Organic marketing strategies include two messages: that buying organic is good for the environment and good for your health. The latter is clearly an appeal to the consumer's self-interest.

If ethical consumption is to be used to foster CED, the final hurdle it must overcome is to get people to act on their desire to improve the environment and the lives of other people. It is very possible that people might genuinely desire the kind of improvements offered by CED, but fail to act on this desire through their consumption choices. This is because CED outcomes, such as an improved environment and a reduction in world poverty, have the public good characteristics of being non-rival and non-excludable. Non-rival means that once a good is provided,

consumption by one person does not diminish the quantity available for others to consume. Non-excludability is when it is impossible (or at least extremely difficult) to exclude a person from benefitting from the good once it is provided. For public goods, it is rational for people to free ride on the contributions of others since they can enjoy the benefits of the public good without paying for it (Samuelson 1954).

So, if ethical consumption is to succeed as a CED strategy, it must overcome three fairly high hurdles. It must convince people to consider, and believe in, the production criteria of their product. It must encourage people to care about issues like poverty alleviation and environmental sustainability, which are beyond their narrow self-interest. Finally, it must convince people not to free ride, hoping that they can receive the benefits of reduced poverty and environmental sustainability through the purchases of others.

In this context, what drives people to select more expensive, public goods-bearing options, when they could more easily pass that responsibility off onto the next person in the supermarket aisle? This paper, in addition to adding to the empirical evidence on the extent of existing market demand for ethically-produced goods, investigates two possible explanations for the willingness of people to engage in ethical consumption: increased status, and improved information about the benefits of ethical consumption for workers and for nature. We approach the question through an experimental method in which people are asked, under varying conditions, to choose between Fair Trade and "conventional" coffee.

<sup>2</sup> US consulting firm EcoLogo found that 98% of the 2,200 North American "green" consumer products they investigated lacked any proof to back up their marketing claims (Dauvergne and Lister 2011: 152).

# Tests of Ethical Consumption

With the rise in various forms of ethical consumption, researchers have made a number of attempts to theorize and empirically test why some people pay more for something that benefits others. Economists have started to acknowledge that people can be motivated by a desire to do the right thing for others as well as themselves. In laboratories, they find, test subjects fail to behave in a consistently self-interested manner. The typical result of one often-studied game, for example, is that given a choice between putting their money in a purely private account (that only pays them) and a public account (that is shared equally among all the participants), people start out by contributing about half of their money to the public account. In a repeated game, however, contributions to the public good decay and freeriding increases, although complete free-riding does not occur (See, for various versions of this game, Isaac et al. (1985); Mestelman and Feeny (1988); Ledyard (1995); Gintis et al. (2005); Fong et al. (2005)).

Empirical studies outside of the lab setting also confirm that people are willing to engage in ethical consumption. Two studies, in particular, have attempted to take empirical investigation of willingness to pay for "ethical content" or public goods beyond the lab. Prasad et al. (2004) were the first to undertake this, with an ingeniously designed experiment conducted in a well-known department store in a stable working-class community of roughly 40,000 in Southeast Michigan. The authors sought to determine a) how much of a premium consumers were willing to pay for ordinary, undifferentiated, mass-produced athletic socks conspicuously labeled as sweat-free (the price of the labeled, sweat-free brand of socks was gradually increased over the price of the unlabelled brand of socks from o% to 40% over the course of several months), and b) whether there is strong evidence for the feasibility of an emerging, market-based strategy for eliminating sweatshops (i.e. whether there is a large enough market of 'conscientious consumers' willing to pay for bundled public goods). They found that more than one in four were willing to pay 40% more for the labeled socks and fully one-third of consumers were willing to pay 10% more, concluding that "a sizable and profitable niche market could be developed for some consumer products manufactured under good working conditions." (72) Furthermore, they argued that increased consumer awareness of working conditions as well as the proliferation

of strong, reputable monitoring and certification networks can expand the market of 'conscientious consumers'. A follow-up study (Kimeldorf et al. 2006) confirmed the substantial willingness to pay for decent working conditions that is revealed in market settings, and drawing on post-purchase interviews of consumers, they found that those who purchased the "ethical" product did so because they were concerned about purchasing a product 'morally tainted' by sweatshop labour (27).

A subsequent study by Arnot et al. (2006), examining revealed preferences for fair trade coffee in a market setting, found that just over one-fifth of purchasers opted to pay a premium for fair trade, and that those choosing to do so were resilient in response to price fluctuations.

Increases in the price of fair trade relative to the conventional product did not result in significant abandonment of the fair trade product, and in fact, own-price elasticity of fair trade coffee was near zero (563).

To a limited extent, then, people do overcome the free riding problem and contribute to public goods, both in laboratory settings and in the field. However, ethical consumption can only be a viable model for increasing the provision of public goods like environmental quality and poverty reduction if this type of behavior can be expanded. In this paper, we are primarily interested in two potential influences on people's willingness to choose ethically produced products: increased information provision and status effects.

# Information

It has long been held that providing more information about the distinctions between "ethical" and conventional products will increase the likelihood of ethical consumption—in fact, fair trade and other labeling initiatives base much of their marketing on that assumption. Practitioners of ethical consumption, like fair trade, have argued that one of the major impediments to its expansion has been a lack of information about both the production practices embodied in the conventional supply chain and the superior alternative represented by fair trade. Obviously, a necessary (although not sufficient) condition for ethical consumption is the belief that conventional production is problematic and that ethical consumption is an avenue through which these problems can be addressed. If ethical consumption is fostered by imagining the benefits accruing to others (say, impoverished farmers), or avoiding complicity in the destruction of nature (Starr 2009: 918), these benefits are dependent on information. For example, although awareness of fair trade has been growing in the US, in 2006 only 27 percent of Americans could identify the fair trade label (Downie 2007). This is in sharp contrast to the UK where recognition of the fair trade label stood at 57 percent in the same year.

It is probably no coincidence that in the UK, fair trade organizations have spent a substantial \$23 million on awareness raising activities (Barrientos et al. 2007: 59) and that per capita fair trade sales are much greater in the UK than they are in the US (Fairtrade International (FLO) 2010: 2).

Gavin Fridell (2007) argues that lack of awareness is a crucial impediment to the expansion of fair trade and other forms of market driven social justice. According to Fridell the limited size of the market for these kinds of products is due not to people's reluctance to purchase ethically but rather to a "lack of resources of the fair trade network" that constrains its ability to inform the public on a broader scale (273). Interestingly, for Fridell, this lack of resources cannot be overcome by engaging with large corporations who, even though they might have the financial capacity to inform people about the benefits of ethical consumption, have little inclination to do so since this would draw attention to problems in their own conventional supply chains. A more promising avenue for information that might foster consumer engagement with ethical consumption is evident among more committed activist retailers. Fridell's example of this is the workers' coffee cooperative Planet Bean, which

views educating consumers as central to its mission (Fridell 2007: 272). This approach speaks to the importance of long term engagement around the genuine issues that are central to the problems in conventional commodity production like international trade, food security and corporate concentration as well as ethical consumption's ability to rectify these difficulties.

The idea that information is an important driver of consumer action has some support in the empirical literature. Kimeldorf et al. (2006) found that when there was no price difference between labeled and unlabeled socks, purchases were split evenly between the two. One could interpret this as evidence that 50% of people actually prefer their

socks manufactured by sweatshop labor, or, more plausibly, that people are oblivious to the labeling, unsure what it means, or disregard it as empty marketing. When these researchers interviewed participants after their purchase, they found that most customers failed to notice the labels or did not understand their meaning. When they limited their sample to those who noticed and understood the "made under good working conditions" label, a much more substantial 57 percent of shoppers chose no-sweat socks. This suggests that increased information provision (making information more available, visible, and credible) at the point of purchase might raise the likelihood of ethical consumption.

## Status

Other research suggests that people are motivated to engage in ethical consumption by their quest for status. This implies that there is a distinction between "internal" and "external" motivators. By "internal" we don't mean to suggest that some motivators emerge and are activated independently of social forces. Rather, we consider *external* motivators to be those dependent on the *visibility of practices*. Motivations we label external come from the perceptions of others. If I am seen to be kind to cats and dogs, for example, what effect do I suspect this might have on the esteem others hold for me?

While our actual behaviors are the products of multiple motivating factors (I may want to appear kind to cats and dogs in order to be held in higher esteem by animal-lovers, but in fact I may do my best to avoid them due to the fact that I dislike the smell of dogs or having cat hair all over my pant leg), this paper attempts an analytical and empirical separation of internal and external motivations for ethical consumption. To what extent are people driven to consume ethically due to the scrutiny of others, and to what extent are they doing so regardless of such scrutiny? If there is no possibility of "looking good" in the eyes of others

do people consume differently than when others are looking on?

This division follows Starr (2009) who separates motivations into similar categories. She argues that people consume ethically in part because of the intrinsic value of their decision, which outweighs the increased cost of goods like fair trade coffee or chocolate, or certified-sustainable lumber or fish. This value is independent of the values, perceptions, or preferences of others—what we label internal. Starr suggests that this value might be rooted in the satisfaction of establishing greater consistency between values and ethics, on the one hand, and behaviour on the other. Starr also isolates what she calls the "social benefit" of consuming ethically—what we call the external motivator—which is the benefit derived from social appreciation of such action. This might take the form of either increased satisfaction from improving one's social standing or concrete rewards, such as enhanced social support (Starr: 918).

Griskevicius et al. (2010) add to this by suggesting that people engage in ethical consumption as a signaling mechanism designed to increase status. That is, engaging in "altruistic" acts such as sacrificing income to avoid envi-

ronmental harm is understood to increase one's standing in a community, which offers access to positions of leadership and other rewards. In short, they suggest that status-seeking within a social context is an important driver of ethical consumption, since it offers concrete rewards derived from building a "pro-social" reputation (402). There are overlaps here with the rational economic perspective, in that actors engage in costly altruism with the expectation of future payback. The difference in Griskevicius et al's status-seeker model is the emphasis on the social nature of the reward: esteem. The reward of ethical consumption is, in this model, neither immediately financial nor divorced from the individual's embeddedness in a community or a peer group. Starr finds evidence to support this social component, in that people are more likely to purchase ethically if those around them do so as well (Starr 2009). Furthermore, Hardy

and Van Hugt (2006) find laboratory evidence that people are more likely to behave altruistically if this behavior is public, and that more altruistic participants are accorded higher status within groups.

This previous research suggests that more visible actions might make more ethical actions more likely. This can be framed positively in that it should be possible to harness people's inherently social nature and desire to be seen as an ethical person to encourage them to consume in a manner than fosters CED principles. Framed negatively, if we could all "get away" with not caring about the ethical content of our purchases (that is if nobody knew about the depth of our uncaring), how likely would we be to engage in ethical consumption? To put it another way, acting ethically might not be driven by internal, intrinsic desires, but only by the how we appear in front of others.

# **Hypotheses**

So, two important suggestions arise from the economic and sociological literature on ethical consumption. One is that as information about the ethical content of a good is increased, people ought to be more likely to engage in ethical consumption, such as purchasing fair trade. The other is that, to some extent, ethical consumption relies on an audience in order to trigger people's status seeking behaviour. Thus, the greater the opportunity to make consumption a performance, a public act, the more likely it is that people will put their "ethical selves" front stage. Presented with a choice between a more ethical option such as fair trade coffee and its conventional counterpart, we expect that exposure to detailed information about the ethical nature of "fair trade," and making one's purchase in front of an audience will both increase the likelihood of consumers purchasing fair trade coffee.

Additionally, the model under investigation includes several other variables—gender, income, knowledge of "fair trade" criteria, political ideology, awareness of political economy issues, membership and/or participation in particular organizations—that are expected to affect the likelihood of participants purchasing fair trade.

We test whether, as some evidence suggests (Arnot et al. 2006), women are more likely than men to engage in ethical consumption. There is also a widespread claim that fair trade is primarily a middle or upper-middle class option, reserved for those with spare disposable income (Goodman 2004: 895; Jaffee et al. 2009: 187; Stolle et al. 2005: 253; see Pedersen 2000 for a dissenting view). According to this account, the ethical, or "public good" component of a commodity good is seen as a luxury item, and therefore demand for it can be hypothesized as precarious. Predictions that fair trade purchases would plummet as employment and income dropped post-2008, for example, were common (Cevallos 2009; PriceWaterhouseCoopers 2008). Thus, we included an income variable in the model to test the "common wisdom" that higher income people would be more likely than lower income people to purchase fair trade.

Since we are concerned in part with the effect of information provided at the point-of-purchase, a fair trade knowledge variable was included to capture participants' pre-existing understanding of how fair trade differs from conventional coffee. We anticipated that people with greater knowledge of "fair trade" certification criteria would be more likely to purchase fair trade, since such knowledge suggests a history of fair trade purchases, and a pre-existing concern for the consequences of consumption decisions.

A political ideology variable was also included in the model, as it was expected that the likelihood of purchasing fair trade would increase as political attitudes shifted toward the "left" side of the political spectrum. Some conservatives and many liberals view "fair trade" as working to ameliorate the poverty produced among farmers by market processes. However, many conservatives have been critical of such intervention, as they hold that prices arrived at in the market provide vital information to market actors. In this view, fair trade does a disservice to farmers by artificially inflating prices and reducing the incentive to shift one's labour and investment into more lucrative channels, thus trapping them in an unproductive, low-income occupation. Liberals, on the other hand, are more likely to see fair trade as an important corrective to unfair

market forces that expose farmers to price fluctuations and make them subject to unequal relations of exhange.

We also hypothesized that people interested in questions of global and domestic politics—including the politics of development and the environment—would be more likely to seek solutions to ameliorate problems of poverty and environmental degradation, and thus would be more likely to purchase fair trade.

Finally, since churches, unions, environmental groups, and humanitarian organizations have been active in promoting fair trade among their memberships, we also included an "engagement" variable to test whether membership and/or participation in such organizations is associated with an increased likelihood of purchasing fair trade. A significant result for the engagement variable would be evidence that individuals' social networks (or social capital) as measured by their organizational affiliations, matter to their decisions about purchasing fair trade.

# Methods

### Sample

The subject pool consisted of 204 university students. The subjects were recruited by posters placed around the University of Manitoba and an advertisement in the student newspaper. Pilot tests were run with the same subject pool to ensure that the instructions were clear and easily understandable. The study used a balanced sample of males and females. A balanced sample was selected from across university faculties in order to avoid drawing disproportionately from social sciences students.

Although the vast majority of experimental work in the social sciences is based on student populations (Hooghe et al. 2010: 86), a number of authors have expressed concern over the validity of generalizing from students to the broader population. As early as the 1970s, Cunningham et al. (1974: 399-401) argued that, "[w]hat we know about consumer behaviour may be too closely tied to the sociopsychological and behavioural profile of the college sophomore," who are more alienated, dogmatic, status conscious, conservative, personally competent, socially responsible, and cosmopolitan than the rest of the population. Enis et al. (1972: 72) concurred, claiming that stu-

dents, "typically are psychologically, socially, and demographically different from other segments of the population." More recently, Hooghe et al. (2010: 88) caution researchers against generalizing results found in student experiments because students have, "systematically higher levels of socioeconomic resources, skills, and interests and potentially higher levels of political knowledge compared with the average population." In a broad critique of generalizing the results of lab experiments on human behaviour using Western, Educated, Industrialized, Rich, and Democratic (WEIRD) subjects to other cultures, Henrich et al. (2010: 76-77) argue that students behave differently even in comparison to the non-student US population.

Yet, the use of students may not be as problematic for this study as the previous paragraph suggests. While it is true that students do behave differently, this difference is in the opposite direction of the saying (often dubiously attributed to Winston Churchill), "Show me a young Conservative and I'll show you someone with no heart. Show me an old Liberal and I'll show you someone with no brains." In contrast to this pithy assertion about the caring yet foolish nature of youth, in experiments students exhibit

lower levels of trust, fairness, cooperation, and punishment of unfairness or free-riding than the general population (Heinrich et al. 2010: 76). Several studies have found that undergraduates will invest less in public goods than the general population (Bellemare and Kröger 2007; Egas and Riedl 2008; Falk et al. 2010). The conclusion seems to be that to the extent that students do behave differently from the rest of the population, they set a "lower bound" for pro social behavior. On the other hand, students are disproportionate purchasers of fair trade (Becchetti and Rosati 2007). There are, therefore, conflicting effects on the possible direction of bias in generalizing the results of this study to the broader population. Students purchase more fair trade than average but will behave in a less public-spirited way than the population as a whole.

### **Procedures**

A classroom setting was chosen rather than a retail environment in order to control the information provision and the degree of privacy involved in the purchase, and to facilitate completion of a more comprehensive questionnaire than many people would be willing to fill out in a coffee shop where many people are making their purchases on a tight time schedule (Arnot et al. 2006). Participants were grouped in sessions ranging from 4 to 9 people, and were asked to fill out a five to ten minute online survey that collected data on gender and income as well as data on their knowledge of fair trade, political ideology, awareness of political economy issues, and membership in community organizations (churches, unions, etc.).

Once the survey was completed, participants were paid \$20 and asked to purchase either "conventional" coffee for \$5 or "fair trade" coffee for \$7 (retaining the remaining \$13-\$15) under four different treatments designed to test the impact of making the setting public and providing information to purchasers. In all of the treatments, participants were informed that the only differ-

ence between the two types of coffee was production criteria. They were told that there was no difference in quality aspects like taste. This was reinforced by offering the coffees in generic, unbranded black bags. The only visible difference in the packaging was that the fair trade coffee had a fair trade label on the package.

- 1) The control group of "no information/ private" provided no information on the production of coffee or the difference between conventional coffee and fair trade. Purchases were made privately, behind a screen in silence so that individual purchases remained unknown to the rest of the group.
- 2) The second treatment maintains the private setting, but provides participants with information in the form of a three and a half minute clip from the PBS video *Coffee Country* that describes the economic hardships of coffee production for producers in Mexico and how fair trade attempts to ameliorate those conditions.
- 3) The third treatment contains no information but creates a more public setting by having participants make their purchases in front of the rest of the group and announcing each participant's purchase to the rest of the group.
- 4) The final treatment combines the public and information conditions.

### **Variables**

The outcome of interest is whether participants purchase "fair trade" coffee (coded 1) or not (purchases of "conventional" coffee are coded as 0). The experimental variables — information (1) vs. no information (0), and public (1) vs. private (0) — are also dichotomous, as is gender (female coded as 1). All other modeled predictors are treated as continuous. *Income* — survey respondents were asked to indicate which of 8 ordered income categories their household income

fell within. Fair Trade Knowledge was measured by the total number of correct responses on a checklist of the requisite conditions for fair trade certification. *Political Ideology* — participants were asked to rank four statements such as "We need income differences as incentives for individual effort" from 1 (strongest disapproval) to 10 (strongest approval). The items operationalize "conservative" ideology as belief in the capacity of market processes to produce optimal social outcomes. Responses were averaged across the 4 items, with higher scores indicating a more conservative political ideology. Awareness — participant awareness of general political economy issues was measured by a checklist of items pertaining to the causes of the greenhouse effect, which organizations are responsible for making loans to developing countries for stabilization and/or development purposes, and the current balance of power within the Canadian House of Commons. Scores ranged between o and 4, and given that the scores on this variable were normally distributed, it was treated as continuous (Bentler and Chou 1987). Engagement — general level of active engagement in social and/or political issues, causes, or activities was measured with a checklist of membership in various voluntary organizations including: religious organization, labour union, environmental organization, humanitarian or charitable organization, and consumer organization. Possible scores range from o (not a member in any such organizations) to 10 (an active member in each type of organization).

# Results

Inspection of the data confirmed that the assumptions underlying logistic regression were satisfied (Tabachnick and Fidell 2007). Four cases were removed as they were extreme outliers on the income variable, so logistic regression was conducted with a sample of 200. Descriptive statistics for the variables in the analysis are presented in Table 1. Of note, 64% of participants purchased fair trade coffee.

Logistic regression results indicate that, as expected, being female, having knowledge about what fair trade is, a left-leaning political ideology, and awareness of political economy issues were all positively associated with probability of purchasing fair trade coffee. The odds of a female purchasing fair trade coffee are almost 2.5 times greater than the odds for a male. For each one-point increase in fair trade knowledge, the odds of purchasing fair trade are 1.262 greater; that is, the odds increase by 26.2%. For each one-point increase in score on the political ideology scale, the odds of purchasing fair trade are 1.232 greater; that is, for each one-point shift toward the liberal/leftwing pole of the political ideology scale, the odds of purchasing fair trade coffee increase by 23.2%. Finally, for each one-point increase in awareness of political economy issues, the

TABLE 1 Descriptive Statistics for Variables in the Analysis			
Variable	Mean	SD	
Annual Household Income	\$57700.44	\$54212.30	
Fair Trade Knowledge	2.38	1.38	
Political Ideology	5.01	1.38	
Awareness	0.98	0.81	
Engagement	1.85	1.81	
Female	.53	.50	
Public Purchase	.52	.50	
Information	.51	.50	
Fair Trade Purchase	.64	.48	

odds of purchasing fair trade coffee are 1.473 (or 47.3%) greater.

Contrary to expectations, neither purchasing in public, nor exposure to information about the

benefits of fair trade practices significantly affected the odds of choosing fair trade coffee over conventional coffee; neither did income or engagement in social and political causes or activities.

# Results

### High numbers of fair trade purchasers

Perhaps the most striking finding is the number of participants that opted for fair trade. Figure 1 shows the percentage of fair trade and conventional purchases in each of the four treatments (the percentages in each treatment and the total will add up to 100). In every treatment, more fair trade was purchased than conventional. In total, sixty four percent of participants chose fair trade over conventional coffee despite the 40 percent price differential. While this suggests great potential for ethical consumption as a CED strategy, the results should be seen in the context of other empirical findings. Our finding is considerably higher than the 25 percent found by Prasad et al. (2004) and 20 percent found by Arnot et al. (2006). Yet it is similar to Kimeldorf et al's (2006) finding, discussed above, that 57 percent of those who noticed and understood their "good working conditions" sign purchased more ethical socks. Given the design of the experiment, where participants are asked to purchase either "fair trade" or "conventional" coffee, it would be virtually impossible not to notice that there was some difference between the two types of coffee. The extent to which the difference was

understood, at least in the treatments, with no information provided, is more open for debate. Even in these, however, participants would have known that there was some difference between the coffees and the suggestive labels of "fair trade" and "conventional" would have implied that one was, in some way, more desirable than the other. The obvious difference between our study and the Prasad et al. and Arnot et al. studies is these two were studies in the field, in which consumers were very much left to their own devices and so they represent willingness to purchase ethically without any form of manipulation — or perhaps a better way to put it would be under the usual manipulations that currently predominate in any consumption decision. Our higher numbers, and those of Kimeldorf et al, might suggest that increasing the *visibility* of fair trade at the point of purchase is one, relatively straightforward method of fostering ethical consumption.

Another possible interpretation of our results is that our use of students overestimates the willingness of the general public to purchase fair trade. The fact that students are more prevalent purchasers of fair trade than the rest of the population would tend to support this conclusion. Yet in experimental tests similar to this

study, students behave in a less public-spirited manner and were less willing to contribute to public goods. This seeming contradiction is an area in which further study is required.

### **Status and Information**

The raw data appear to suggest that information provision did alter purchasing behavior. According to Figure 2, in the treatments without information, 56 percent of participants made fair trade purchases while in the information treatments this number increased to 71 percent. However, when controlling for other variables in our logistic regression model, our information variable was not significant at the five percent level (although it was significant at the 10 percent level). This suggests that increasing the amount of information at the point of purchase may have limited influence on the purchasing decision.

In this study, purchasing in a more public setting had little impact. Figure 3 shows that the percentage of participants that selected fair trade changed very little between the public and private treatments. In the private treatment 63 percent of participants chose fair trade compared with 66 percent in the public treatment. We were surprised at the complete lack of effect that consuming in public had on the likelihood of purchasing fair trade. Much of the literature reviewed above suggests that external motivators—those dependent on the visibility of consumption—help us explain ethical consumption (or other altruistic acts). Both status-effects and distinction projects are to a large extent dependent on an audience to appreciate ones' taste or ones' altruism—particularly if the motivation is based on a payback from enhanced status. Our results suggest that the presence or absence of an audience is immaterial to the choice of purchasing conventional or fair trade coffee.

Two conclusions are possible from this finding. First, and most straightforwardly, we might

conclude that people consume ethically primarily because they actually care about the people and the places that are impacted by the production of commodities they purchase, rather than because they are concerned about their image in the eyes of others. That is, they accept that their consumption behavior is consequential for others, they accept some degree of responsibility for ameliorating the damage done, and they are willing to sacrifice income in the hope or expectation that this will benefit people or nature at the other end of the trade link. This motivation is equally active in private and in public. A more qualified conclusion is that if people do indeed consume ethically partly or only because of increased status effects or distinction projects, and again, we have no evidence here to suggest that they do, then it may be that they feel obliged to remain consistent in their adopted behavior even when unobserved. That is, they feel a need to maintain consistency between the status-compelled, class-distinguishing ethical affectations they adopt in public, and their actual behavior even in private, because to do otherwise would be to admit to oneself that one's allegedly moral conduct is actually self-serving. This conclusion would lead to the corollary that status or distinction motives work to some extent "behind the backs" of consumers, rather than at the level of rational calculation.

### Control Variables: Significant<sup>3</sup>

As suggested above, though the evidence is not unanimous, studies of consumer activism have long suggested that women "were and are predominantly involved in this activity" (Stolle et al. 2005: 250; for reviews see Stolle et al. 2005: 250; DePelsmacker et al. 2005: 366), and some recent empirical research has supported this claim (Stolle et al. 2005; Goul Andersen and Tobiasen 2003) Starr (2009: 919), for example, provides a review of evidence that women behave more al-

<sup>3</sup> The significance of all these variables at the 95% level was confirmed in a logistic regression.

truistically in laboratory settings than do men. De Pelsmacker's (2005: 378) research, meanwhile, suggests that gender is not a significant factor. Our results provide further evidence that females are more likely to engage in ethical consumption than are males. In fact, in our study, being a woman dramatically increases the likelihood of purchasing fair trade. Figure 4 shows the percentage of fair trade and conventional purchases by gender. While the male purchases were relative equal (53 percent fair trade), 76 percent of female purchasers selected fair trade. It remains to be explained why this might be the case. Stolle et al.'s (2005) research tested whether this was simply the product of shopping frequency, and found that among students, there was no significant difference on this variable between males and females. They do suggest that this might be a "hidden" form of political participation among women, who engage in more of the labour required for household reproduction, and who might be more heavily socialized to consume "consciously." Starr (2009) suggests that women, because of their higher shopping frequency, face lower additional costs of ethical consumption because of their familiarity with brands, prices, and products.

The manipulation of information in this study was not found to be conclusively significant, despite the raw data presented in Figure 2. However, it might be premature to make the sweeping conclusion that information does not influence ethical purchasing decisions. Information was present in this study in a number of different ways in addition to the deliberate manipulation of showing the informational video. As was mentioned in the discussion of the overall level of fair trade purchases in this study, information provision was in some ways a feature of all of the treatments in the experiment since the fact that there was some distinction between the two coffees was very much front and center when participants were explicitly asked to choose between "fair trade" and "conventional." A dif-

ferent form of information was also contained in the Fair Trade Knowledge variable, which measured participants' understanding of the criteria behind the fair trade label. Figure 5 shows how participants' choices of fair trade or conventional changed depending on their level of preexisting fair trade knowledge. Figure 5 (and Figures 6 and 7 to be discussed later) show the ratio of fair trade to conventional purchases. So, among those who received a score of zero on the fair trade knowledge questions, there were one and a half times as many fair trade purchases as conventional. Those who scored a five on fair trade knowledge purchased 4.5 times as much fair trade coffee as conventional. So a greater preexisting knowledge of fair trade seems to increase the likelihood that people will purchase fair trade. Yet providing more information just prior to purchase had no significant additional impact on the decision to buy fair trade. One possible interpretation of this seeming contradiction is that information in the form of pointof-purchase badgering has little impact on the likelihood of ethical consumption, but that more long term understanding about the goals and methods of the fair trade network has a positive impact. This would point to the continued importance of the kinds of educational activities that fair trade has adopted so successfully in the UK, but which have not been as prominent in US fair trade activities.

General awareness of political economy also appeared to be a factor in whether participants chose fair trade. Figure 6 shows the ratio of fair trade to conventional purchases by participants' awareness of political economy issues. A score of zero indicates that the participant did not answer any of the questions correctly. Participants that scored higher on the awareness scale were more likely to purchase fair trade than those with lower scores.

Ideology also appears to influence the likelihood that participants would choose fair trade. Our ideological score range was between one

and nine, which scores toward the lower end of the scale tending to be associated with what is commonly thought of as a more "left" leaning ideology and those with higher numbers being more "right". We have classified the scores from one to four as "left" and those from six to nine as "right." We have not included those that scored five, which we take to be in the middle of the spectrum. Figure 7 compares the ratio of fair trade to conventional purchases by those on the "right" and "left" sides of the ideological spectrum. Those on the "right" side of the spectrum are only slightly more likely to purchase fair trade than conventional, with a ratio of 1.2. Those who scored on the "left" of the scale purchased fair trade coffee 2.6 times as often as conventional.

### **Control Variables: Insignificant**

As was mentioned in the previous section describing the variables in the study, ethical consumption is often characterized as a luxury good affordable to those with higher disposable incomes. In this study, income was insignificant, which seems to run counter to previous research. In part this may have been due to the lack of variation in income among the participants, whose household incomes were fairly closely grouped around the mean. The results of this study more closely match those of Pederson (2000: 203) who, in her study investigating whether the purchasing of organic food is related to pro-environmental behaviors in other areas, found that "green consumption is not primarily a question of in-

come". The slight qualification of this comparison is that Pederson's use of organics muddies the public good element of ethical purchasing. If people are buying organic products in order to improve their own health, then there is no reason to conclude that they are consuming in order to contribute to a public good, which is how we have defined ethical consumption for this study. However, to the extent that people in her study were choosing organics to improve the environment, her result is consistent with our finding of no income effect.

We were somewhat surprised at the lack of network effects. In addition to the fact that social capital theory suggests that those with more connections to civic or associational life find it easier to overcome collective action problems, church, environmental, humanitarian, or labour organizations have been active advocates for fair trade. We had thus anticipated that membership in these activities would increase the likelihood of purchasing fair trade. Yet this was not the case in our study. Our data here provides one clue as to why this might not have had an important effect: in general there were very low levels of engagement among our participants. Although 67% of our sample reported at least one membership, the mean number of memberships was only 1.85. Additionally, our data only attempt to capture formal, institutionalized network effects, leaving open the possibility that friendship or other informal networks play a significant role in encouraging or discouraging ethical consumption.

# Conclusion

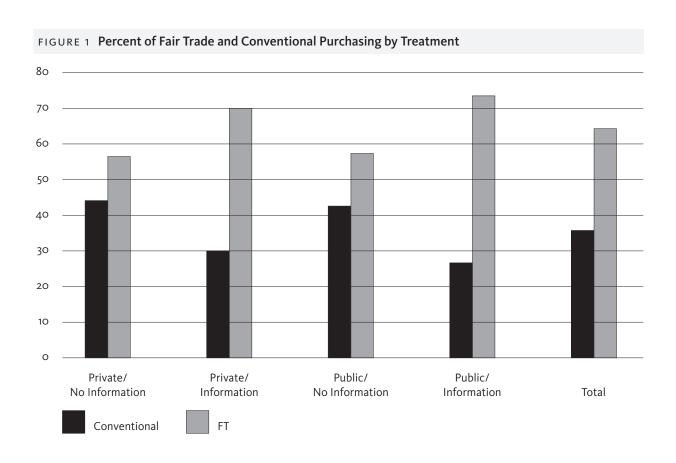
We can draw some tentative conclusions about the effectiveness of ethical consumption in fostering CED. Fair trade certified coffee is produced in a manner that aligns very closely to many of the principles of CED. It is produced in a way that improves the environmental impact of coffee production, it encourages greater economic democracy and it improves the income of impoverished producers. If consumers are willing to choose fair trade coffee over its conventional competitor then it would suggest that there is scope for fostering CED by differentiating products by contrasting those with more desirable (CED-based) production practices. Our experiment suggests that the majority of participants in our study were willing to spend considerably more money to purchase ethically. This willingness could present an opportunity for inner-city/ Aboriginal communities as part of a CED strategy. Participatory research would need to be undertaken to explore the specific kinds of products that would be appropriate for rural and urban communities, and a labeling or "direct trade" scheme could be organized to effect an income transfer, based on a price premium, from higher-income segments of the population into inner city and Aboriginal communities, similar to that

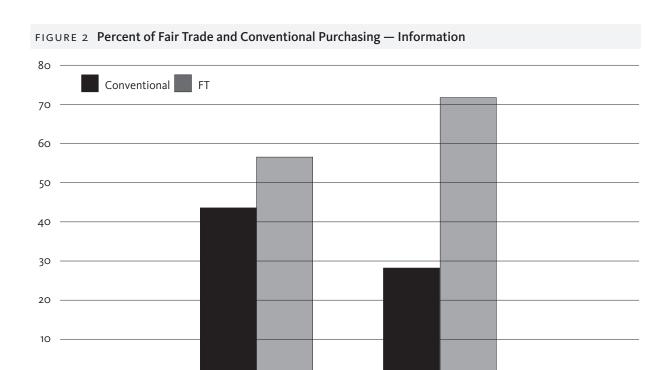
accomplished by fair trade. This would require establishing partnerships with willing retailers outside of the inner-city, in a kind of "localized export" model.

One caveat to this potential is raised by research suggesting that people are more likely to behave compassionately toward an exotic and distant other, (and consume ethically on that basis) than they are to poor or working class people in their own communities. The former producers in distant countries—are successfully constructed as 'deserving poor' while more proximate groups—no less structurally and historically marginalized—are constructed as lazy, unambitious, or otherwise undeserving (Adams and Raisborough 2008). Bringing the idea of fair trade to a local level, then, might present difficulties not encountered by long-distance fair trade schemes. However, there is also significant energy at the levels of activism, commerce, and policy, for the relocalization of food systems. An innercity/Aboriginal CED strategy could potentially piggy-back on the work of the vibrant local food movement, which emphasizes practices such as the 100-mile diet, and helps build localized institutions such as farmers' markets and buyers' cooperatives.

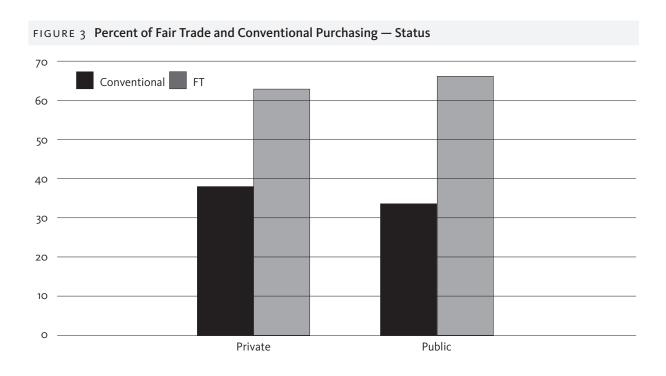
The experimental results also reject the claim that ethical behaviour can be motivated by status concerns. This calls into question the idea empirically supported elsewhere—that ethical consumption is a self-serving act of status-enhancement. It also presents a challenge to the notion that it is primarily a signal of belonging or a project of distinction. If people are just as likely to purchase ethically in private as they are in public—that is, if no audience is required to motivate the act, and no "payback" is expected in the form of status enhancement—it is worth exploring alternative structures of motivation that rely more heavily on "internal" dimensions. Information provision at the point of purchase appeared to have more of an impact in the raw data, but this was not conclusively confirmed by a more rigorous regression analysis. From the perspective of asking how ethical consumption might be increased, our results suggest two potential strategies: 1) longer-term consciousnessraising efforts that take place prior to the act of consumption and are aimed at getting people to understand what they are paying for, and 2) raising levels of general political awareness. Of course, these efforts face an enormous array of hurdles in the obfuscating environment of the market, where commodities (and their marketing) serve to mask the social relations embodied therein. Considerable potential also seems to exist for raising the frequency of ethical purchasing by men, given the degree to which they underperform women in our sample, but the mechanisms of this gender disparity remain clouded, suggesting one area for possible future research.

# Appendix: Figures

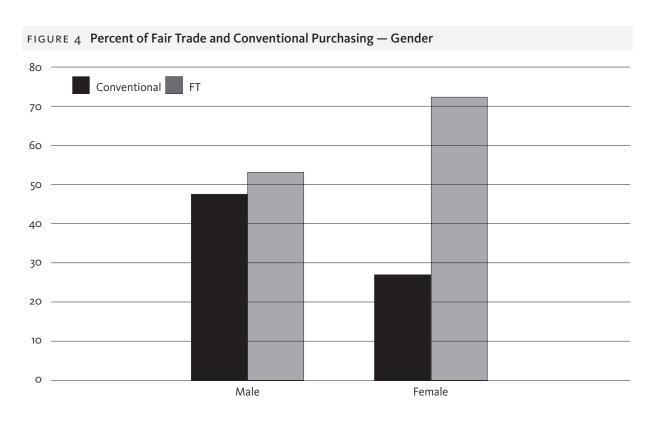




Information



No Information



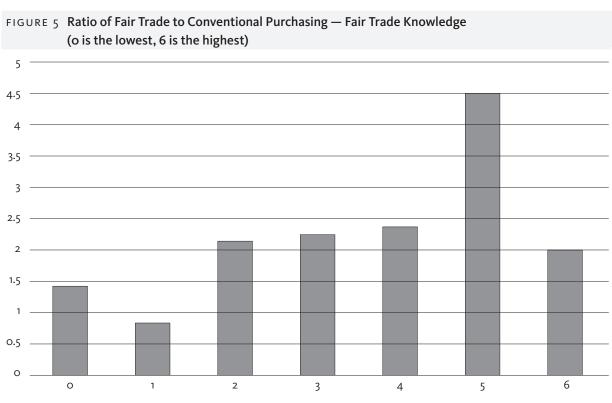
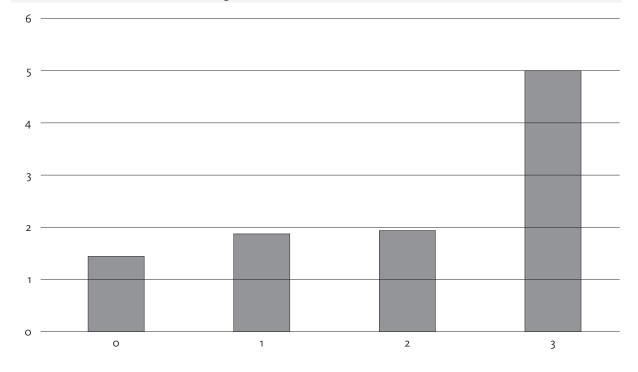
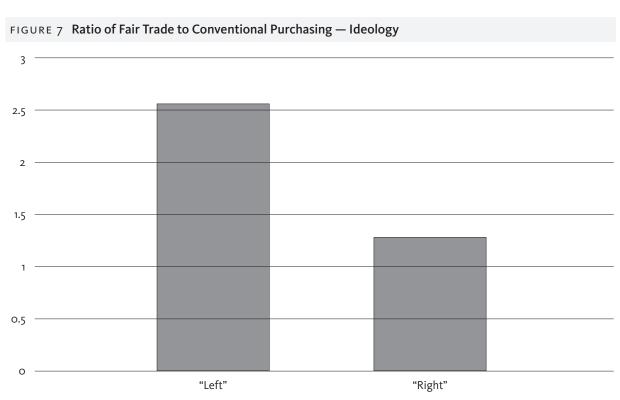


FIGURE 6 Ratio of Fair Trade to Conventional Purchasing — Awareness of Political Economy Issues (o is the lowest, 3 is the highest)





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