The Economics of Ethical Consumption

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Abstract

Although there has been little economic research on ‘ethical consumption’ in a general sense, work on its various aspects is growing. This paper reviews economic research on ethical consumption, examining both demand- and supply-side aspects. It is argued that the most promising way to see ethical consumption through an economic lens is via models with heterogeneous consumers, in which some have strong intrinsic motivation to adopt ethical-consumption practices, others will adopt if they perceive a practice to be becoming a social norm and its extra costs are moderate, and others still will be impervious to it. Implications for the spread of ethical consumption and its ability to affect change are considered.

Keywords: ethical consumption, consumption ethics, socially responsible consumption, corporate social responsibility, sustainable consumption, consumer behavior, pro-social behavior, consumer economics

JEL Codes: E21, D11, D12, A13, A12, Q5

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1. **Introduction**

‘Ethical consumption’ refers to practices that consumers engage in, in the interest of connecting their consumption patterns to their ethical, environmental and social values. These practices may include: buying goods and services perceived by the consumer to have positive ethical, environmental, or social attributes; not buying goods and services perceived to have negative ones; and altering patterns of consumption, transportation, energy and water use, recycling, or other aspects of lifestyle in ways the person takes to be ethically, environmentally or socially preferred. As such, ethical consumption encompasses a wide range of practices, from bringing reusable bags to the grocery store, to buying fair-trade or sustainably-produced foods, to switching from driving to biking to work. It also includes consumer boycotts.

To date, there has been little economic research on ethical consumption in this general sense. Searching the ProQuest Central electronic database for work on “ethical consumption” returns over 450 peer-reviewed studies. But in the part of the database that indexes economic research (EconLit), only 13 studies return. To some extent this overstates the extent of the discipline’s neglect or disinterest in ethical dimensions of consumption and lifestyle decisions because there is a good amount of research on specific dimensions of ethical consumption, including organic and local foods, recycling, and environmentally-conscious transportation choices.¹ There has also been a boom in experimental economic research on pro-social behaviors, which has inspired new interest in individual decisions that may in part reflect pro-social concerns.² Still, the relative neglect of ethical consumption in economic research is a missed opportunity: Because ethical consumption arises within the market economy and often aspires to reshape it, economics is an obviously important lens through which to view it.

This chapter provides a review of economic research relevant to characterizing ethical consumption from both demand-side and supply-side perspectives. It begins with the traditional analysis of individual consumers, whose purchases are so small relative to total sales in the markets in which they buy goods

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¹ Beatty, Berck, and Shimshack (2007); Kahn (2007); van den Bergh (2008); Brekke, Kipperberg, and Nyborg (2010); Gallagher and Muehlegger (2011); He and Bernard (2011); Viscusi, Huber, and Bell (2012); and Liu (2014).
² Valuable references include Fehr and Fischbacher (2002), Camerer and Fehr (2004), and Meier (2007)
and services that they cannot expect their individual purchasing patterns to affect what companies produce and how produce it. We explore three reasons why, in this framework, consumers might nonetheless choose to consider ethical, environmental or social factors when deciding what goods or services to buy. These are: ‘warm glow,’ social image, and hedonic attributes of ‘ethically preferred’ goods. We then go on to outline a conceptual framework that goes beyond the standard approach, incorporating pro-social motives, social norms, and social networks. In a nutshell, the model posits that consumers have heterogeneous motivations for engaging in a given ethical practice, with a first group having strong intrinsic motivation for engaging in the practice whether or not anyone else does, a second group will adopt the practice if it is not too costly and they see it starting to become a social norm within their social networks, and a third group that evaluates the practice strictly from the point of view of self-interest. A good amount of research with findings consistent with this framework is summarized. Then the third section of the paper covers three supply-side shifts that have some relationship with ethical consumption, including fair-trade networks, the growing sector of small businesses that cater to and aim to reinforce ethical-consumption practices, and corporate social responsibility. The paper ends with some reflections on what the conceptual framework and empirical evidence imply for further research on ethical consumption, and for what we should think of its ability to affect change.

2. Conceptualizing the demand side

The individual

Standard economic frameworks conceptualize consumers as small autonomous agents who go out and buy things they want or need in large competitive markets for goods and services. The sheer size of these markets is so great relative to buying power of individual consumers, that it is assumed the latter always take prices and other characteristics of products on the market to be given.³ In essence, the consumer

³ As the top-selling introductory economics textbook puts it, “Economists use the term competitive market to describe a market in which there are so many buyers and so many sellers that each has a negligible impact on the market prices. A seller has little reason to charge less than the going price, and if he charges more, buyers will make their purchases elsewhere. Similarly no single buyer … can influence the price … because each buyer purchases only a small amount” (Mankiw 2014: 66). Markets
may wish that farmers who grow the beans going into her morning coffee received a living wage for their work, but because her coffee purchases are a tiny drop in the ocean of total spending on coffee, whether she buys fair-trade coffee or a standard alternative cannot be expected to have any effect on the extent of social justice in the coffee supply chain. Thus, in the standard economic framework, the idea of “being the change you want to see in the world” via consumer behavior is naïve or quixotic, as there is no scope for a single individual’s behavior to influence aggregate outcomes.

Of course there are reasons for doubting that individuals should be seen in this disconnected, atomistic way, as will be discussed below. But this apparent contradiction between the individual’s aspiration to ‘do good’ and her powerlessness at the aggregate level has caused much discussion within the economics discipline as to why people behave in apparently pro-social ways if they cannot expect their behavior to affect aggregate outcomes. Three factors have been explored in this respect, all rooted in satisfactions that individuals could receive from behaving in apparently ethical ways.

First is the idea of ‘warm glow’. The term was originally used by Andreoni (1989, 1990) to explain why self-interested individuals would make charitable donations, even if any tangible benefits they would receive from giving (e.g. tax breaks, invitations to social events, etc.) were worth much less than what they gave. The warm glow is the psychic benefit the person receives from ‘doing good’; in the context of ethical consumption, warm glow is the subjective benefit that accrues to the person from taking an action he views as having good ethical or social properties. An implication of warm glow is that, even if there is low scope for the person’s actions to benefit others, he may do it anyway because he gets intrinsic satisfaction out of ‘doing the right thing’. While this notion can be invoked to explain why people buy items that have an ethical aspect without actually doing any good (like buying hybrid luxury sports-utility vehicles with very low gas mileage), it calls attention to the fact that many people who adopt ethical-consumption practices view what they do as intrinsically meaningful and valuable, so that maintaining those practices is not contingent on them having an effect (Venhoeven, Bolderdijk and Steg 2013).

for consumer goods are not always highly competitive on the supply-side, but vast numbers of consumers in consumer-product markets guarantee that they are on the demand-side.
A second and somewhat related issue is social projection. Some aspects of ethical consumerism are small and done within the home, so they may never be noticed by others (e.g. taking a shorter shower, turning lights off when leaving a room, using cloth rather than paper towels, etc.). But others are done in ways that are readily noticeable by others, raising the question of whether they are done in part for a social identity the person enjoys projecting (Pedersen 2000). The classic example is the distinctive-looking Toyota Prius hybrid vehicle. Sales prices for the Prius have been consistently above those of otherwise similar hybrid vehicles, such as the Honda Accord which has been available in both hybrid and non-hybrid models.\(^4\) This suggests that part of the price premium on the Prius reflects its value for signaling green identity - a phenomenon that has been referred to as “conspicuous conservation” (Sexton and Sexton 2014). But here too it is not entirely obvious that people pay extra for driving a Prius because they want others to think highly of them; it is at least plausible that they hope that driving a recognizably hybrid vehicle increases the salience of messages about environmental sustainability to others and so may help to promote those changed views. Either way, research here suggests that it does sometimes matter to people to be able to signal to others that they have aligned their consumption with their social and ethical values.\(^5\) From the point of view of achieving aggregate impact, this is potentially a problem as some of the most environmentally-significant behaviors are not matters of social-projection (e.g. household energy consumption) (Gatersleben et al 2002).

The third issue is that some of the goods and services thought of as ‘ethical’ have other attributes that may make them more desirable than conventional goods. Notable here are issues related to food, where ethically-preferred items like organic, local or sustainably-grown produce may have attributes that make them preferred over conventional products anyway (better taste, freshness, or appearance, and perceived health advantages).\(^6\) There is a substantial literature in economics that tries to quantify the value people place on food attributes such as organic, local or sustainably-grown designations or fair-trade certification, either by trying to back the premium out of price wedges between ethically-preferred and conventional products or by trying to elicit people’s preferences for different food attributes via

\(^4\) According to Sexton and Sexton (2014), the price premium for the Prius that has ranged from $430 and $4200, depending on geographic location.
\(^5\) Dastrup et al (2012) have a similar finding for homes with solar panels.
\(^6\) See Johnston and Szabo (2011).
experimental or survey methods (Maguire, Owens, and Simon 2004; Batte et al. 2007; Chang and Lusk 2009; He and Bernard 2011). While research is clear that foods with preferable environmental or ethical attributes often command price premia over conventional equivalents,\(^7\) premia vary a good amount across types of goods and tend to be more appreciable for goods that also have superior hedonic attributes (e.g. taste, freshness, appearance).\(^8\) Again, this can lead to questions about whether ethical considerations are ‘really’ the cause of rising sales of alternative foods (organic, local, sustainably-produced, non-GMO, etc.), versus standard issues of consumer preferences and tastes.\(^9\) The trouble with that argument is that people who buy goods with ethical or environmental attributes vary in their reasons for buying them, where social influences on their consumption patterns may be as important as the satisfactions they realize as individuals from consuming different goods. It is to this issue that we now turn.

**The social**

An important shortcoming of economic analysis of ethical consumption focused on individual preferences is its neglect of social variables and processes involved in its rise and spread. As in other social sciences, the economics discipline has increasingly recognized the potential importance of social networks and relationships in shaping behaviors and outcomes of individuals.\(^10\) Social networks can be important as sources of information and ideas, as reserves of social and financial support, and as mechanisms for relating and enforcing a community’s social norms. This suggests the possibility that different people may follow different paths into ethical-consumption behaviors, with some seeking them out or developing them ‘on their own’ and others picking them up from others within their social networks.

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\(^7\) For example, studies find that consumers are willing to pay a premium of 5-20\% for coffee procured under fair-trade arrangements (e.g. Loureiro and Lotade, 2005; De Pelsmacker et al., 2005; Arnot et al., 2006).

\(^8\) Thus, for example, He and Bernard (2011) document that organic and non-GMO premia tend to be higher for fresh produce than they are for processed foods. For additional discussion, see Loureiro and Hine (2002); Yiridoe, Bonti-Ankomah, and Martin (2005); Chang and Lusk (2009); and references therein.

\(^9\) Thus, for example, Johnston and Szabo (2011: 303) argue that “shopping at venues like [Whole Foods Market] is primarily motivated by traditional consumer pleasures, even for politicized consumers, a finding that poses serious limitations for a consumer-regulated food system.”

\(^10\) Jackson (2011) provides an overview.
In an important set of papers, Brekke, Nyborg, and coauthors laid out a conceptual framework for understanding how ethical-consumption behaviors spread within social networks. The framework is consistent with Elster’s (1989) understanding of the social dynamics of collective actions. It is also consistent with findings from experimental research on heterogeneities across people in pro-social behaviors (Fehr and Fischbacher, 2002; Camerer and Fehr, 2004; and Meier, 2007). There are three groups of people in the model. There is a first core of people whose rationales for adopting an ethical-consumption practice come from its intrinsic value. For example, they may get satisfaction from keeping their behavior aligned with their own values, and/or they may get disutility from actions that impose harms on nature, wildlife, future generations, or disadvantaged people. But their decisions to adopt the behavior do not depend whether others are doing it, nor on whether they expect the collective action to have concrete effects. In this sense, they can be described as duty-bound or ‘Kantian’, as they will engage in the behavior whether or not it has social returns.

A second (and usually larger) group consists of people who have lower intrinsic motivations for engaging in the behavior, but who will tend to adopt it if the monetary and time costs are reasonable and they see others within their social networks doing it. A central issue for this group is that they do not like to feel that they are violating social norms or failing to help uphold them; they prefer not to violate social norms both because it would lower their own self-regard and/or because they do not want to lose the good regard of others. People in this group may see a given ethical-consumption practice as worthy, but they may not adopt it until it seems to be becoming common in their social network and/or until its costs in terms of time and money fall below the gains they would experience from bringing their behavior into line with the new norm. Because this group’s propensity to adopt an ethical-consumption practice is positively affected by the share of others within their network who have adopted it, these people may

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11 See Brekke, Kverndokk, and Nyborg (2003); Nyborg, Howarth, and Brekke (2006); and Brekke, Kipperberg, and Nyborg (2010).

12 This is not to say that traditional factors like price, income, convenience and time are irrelevant to such consumers, just that the intrinsic satisfactions they get from following the practice are high relative to other consumers, while satisfactions from following it because doing so upholds social norms are relatively low.

13 See Matsumoto (2014) on the subject of opportunity costs of pro-environmental activities. Muster (2011) investigates the role of workplace practices in promoting sustainable-consumption norms.
respond little to early policy efforts aiming to get them to change their behavior, but then seem well-responsive if the same policy effort is launched after the behavior has spread. Finally there is a third group of consumers whose behaviors in the domain of interest are well-described by the standard paradigm of the self-interested consumer, with standard considerations like prices, tastes, income, convenience, etc. explaining what they do.

This framework suggests that the extent to which any given ethical-consumption practice or behavior becomes widespread will depend on a number of factors. One is the size of the first group relative to the second and the extent to which the two are tied together in the same social networks. If the first group is quite small or has low densities of social connections to the second group, chances for the behavior to spread out of the niche of committed consumers are relatively low. Another is the extent to which people in the second group view the social rewards of adopting the behavior as large enough to offset its extra costs. Again the problem arises here that some ethical behaviors are visible (e.g. bringing re-usable bags to the grocery, driving a Prius, biking to work) while others are less so (e.g. turning off lights, buying energy-efficient home appliances). As a result, people may be more likely to perceive new norms related to visible behaviors to be spreading within their social networks, and to change their behaviors in these sorts of domains, even though the less-visible types of behaviors may be environmentally more significant (Eriksson 2004). But at the same time, because time and money costs do play a role in the behavior of the second group, there is scope for accelerating adoption of ethical-consumption behaviors within it via projects that lower the costs, such as establishing curbside recycling, promoting bike-share programs, encouraging farmers’ markets, etc. Finally, there is the issue of how large the third group is relative to the first two in any given consumption domain. For example, because many U.S. communities were established in the era of cheap gas and abundant land, they have spatial organizations that limit people’s ability to substitute out of driving to work in private vehicles towards greener modes of transportation. In such cases, the shift to green transportation in the core group of people with high intrinsic motivation may simply have too little potential to make a dent in the community’s carbon emissions, underlining that in
some domains government regulations and programs may be the only way of significantly tackling the problem.\textsuperscript{14}

While the richness of this sort of framework for understanding the spread of ethical consumption makes it difficult to ‘test’ in the usual sense, the framework captures a number of common empirical findings on ethical-consumption issues. Notably, it is widely recognized that there is a lot of heterogeneity in people’s attitudes and behaviors in given domains of ethical consumption, with people having good knowledge, clear values, and behaviors aligned with their values tending to be a minority and larger pools being more socially influenced in their uptake of ethical-consumption behaviors. For example, the Co-operative Bank’s 2007 Ethical Consumerism Report (2007: 6) identified 6\% of the U.K. population as “committed ethical consumers” at that time, meaning they shopped weekly for ethical-consumption items; this share was up from 5\% in 2003. Another 11\% of the population was identified as “regular ethical consumers”, meaning they bought ethical products at least once a month; this group was up from 8\% in 2003. As examples of research studies identifying minorities of informed and committed consumers for whom intrinsic motivations to consume ethically may be strong, Kahn’s (2007) study of Californian consumers identifies a “green” subset who are concerned about the environment and more likely to take public transit or drive a hybrid vehicle; they also have lower average gas consumption. In a semi-experimental study using Swedish subjects, Lindman and Söderholm (2013) find that people expressing greater personal sense of responsibility for climate change have higher willingness to pay for carbon-emissions allowances.

Other studies have examined the role of social norms in promoting ethical-consumption behaviors. In a study using data from a broad multi-country sample, Videras and Owen (2006) found that people who had a moderate sense of social responsibility had higher life satisfaction when they conformed to social norms, while for those with a strong sense of social responsibility conforming to norms caused disutility. Using data from the U.S. General Social Survey, Starr (2009) found that people were more likely to buy ethically when they lived in areas where ethical buying was more common, \textit{ceteris paribus}. Schulz (2002) found that people’s likelihood of recycling rose with the share of their neighbors they believed to be recycling.

\textsuperscript{14} Nyborg, Howarth, and Brekke (2006) discuss potential interactions between government taxes and subsidies and the spread of pro-social norms.
Abbott, Nandeibam, and O’Shea (2013) found social norms related to recycling to be more important than “warm glow” in explaining recycling patterns in U.K. communities. Carlsson, García, and Löfgren (2010) found that that willingness to pay a premium for fair-trade coffee is in part a function of people’s perceptions of the choices of others, implying that they attach value to conforming to social norms. Still, the sense that a given ethical-consumption practice is spreading in one’s social network may not tilt people towards adopting it themselves, if its costs and inconvenience remain high relative to social and intrinsic rewards (Viscusi, Huber, and Bell 2011).

3. **Understanding the supply side**

Seen through an economic lens, ethical consumption cannot be only about the demand side of product markets, because shifts in consumption towards ethically, environmentally and socially preferred products require parallel shifts on the supply side. Recent years have seen a substantial amount of research in business economics, environmental and ecological economics, business ethics, and financial economics that examines businesses’ incentives to shift what they produce and how they produce it in socially-responsible and/or environmentally-sustainable directions. While a full review of this research is beyond the scope of this paper, here I talk about three sets of supply-side changes that pertain most closely to issues of ethical consumption and the question of whether it can “make a difference” in terms of consumers’ ethical, environmental, and social concerns.

The first set of changes, which both promoted and in turn has been stimulated by the ethical consumer turn, is the emergence of fair-trade networks. In brief, fair-trade networks are alternative supply chains that connect third-world farmers and first-world consumers via arrangements in which farmers (a) receive guaranteed minimum prices that give them a decent livelihood, (b) organize into cooperatives that serve as efficient vehicles for disseminating information and inputs and for processing and selling output, (c) use sustainable farming methods, and (d) get access to credit. A growing body of economic research examines

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15 See, for example, Thompson and Doherty (2006), Krane et al. (2008), Kitzmueller and Shimshack (2012), and Borgaza (2013).
16 For a recent overview, see Dragusanu, Giovannucci, and Nunn (2014).
the extent to which fair trade has benefited poor farmers, with the balance of evidence so far suggesting that fair-trade projects do tend to meet their objectives of raising and stabilizing farmers' incomes and promoting sustainable farming methods, relative to what they would have otherwise been (Drausanu, Giovannucci, and Nunn 2014).

At the same time, it is an ongoing concern that fair-trade arrangements, while continuing to expand at a good rate, remain a small part of the global supply chain, with the number of farmers and workers participating in fair trade estimated at 1.4 million in 2012 (Fairtrade International 2013). From an economic perspective, issues that may potentially limit the ability of fair-trade networks to come to occupy a more substantial role in global supply chains for primary commodities include: (a) shortage of resources for setting up and maintaining alternative supply chains that run on a different logic from standard primary-commodity production and exports, and (b) interest in fair-trade products by first-world consumers that is not sufficiently widespread or strong to cause a changeover in the dominant logic. In terms of the heterogeneous-consumer model laid out above, these two issues imply a possibility that commitment to buying fair-trade products over conventional ones may not spill much beyond the core of consumers who feel strongly about buying fair-trade, with the broad swath of mainstream consumers not perceiving that they too should buy fair trade because so many others are.

A second set of changes concerns the emergence of an eclectic subsector of businesses set up in part to advance and reinforce the growth of ethical-consumption patterns. Often small and driven by the values of their owners and other principals, these types of ethical-consumption businesses aim to expand the supply of goods and services needed for lifestyles and consumption patterns to become more sustainable, while providing decent livelihoods for their principals and perhaps enriching community life. Common businesses in this category include sustainable local farms; restaurants emphasizing cuisine based on local, organic, and/or sustainable produce; food-buying clubs that deliver organic, sustainably-farmed produce and/or organic and cruelty-free animal products; fair-trade craft shops; thrift shops aiming to increase the use people get out of mass-produced clothing and household items; sustainable-tourism outfits; and social
businesses set up in part as vehicles for employing or providing job training to disadvantaged groups, or for generating revenues for charitable work.\textsuperscript{17}

Casual observation suggests that businesses having ethical dimensions mixed in with their business goals are cropping up increasingly, perhaps especially in urban neighborhoods that have notable concentrations of people inclined towards ethical consumption. But it is difficult to quantify or substantiate that this is a notable trend, in part because such businesses are not well-differentiated from standard businesses in business-data sources; some are specifically ‘social businesses’ or ‘social enterprises’ that seek to operate differently from conventional for-profit businesses, but others are more like traditional small businesses where the owners hope their vision for the business will cater to and enrich consumption choices in the community, while earning them a good income.\textsuperscript{18}

It is also an open question how much potential for growth there is in this subsector. Like all new businesses, those in part motivated by environmental, social or ethical concerns face relatively high failure risks, as it is no easy task to build up a good volume of regular customers in good time, while keeping quality of output consistent, operating costs moderate, and prices not too far above mass-produced equivalents.\textsuperscript{19} But again, much depends here on the extent to which habits of frequenting such businesses spread beyond the core of people who feel strongly about ethical consumption, and into the pool of people who will adopt ethical-consumption practices as they see them becoming a norm within their social networks, as that will determine the extent of demand to which such businesses have access.

Finally, in the past 15 years, large corporations have increasingly taken on goals of operating in more socially or environmentally responsible ways, as well as reporting their activities in these respects. According to a KPMG global survey of 4,100 companies around the world (the 100 largest companies in 41 countries), about 70\% issued an annual report on their corporate social responsibility (CSR) in 2013, up

\textsuperscript{17} Inwood et al. (2009) discuss growth of restaurants emphasizing local foods, while Alkin (2012) analyzes motives of suppliers at farmers’ markets. Hills et al. (2013) studied commercial bakers and the re-localization of wheat in Washington State. For discussion of social enterprises, see Borzaga and Defourny (2001), and Borzaga (2013).

\textsuperscript{18} Thompson and Doherty (2006) discuss the eclectic character of businesses with goals that are in part social or ethical.

\textsuperscript{19} Liu and Ko (2012) discuss managerial capabilities among charitable thrift stores in the U.K.
from 64% in 2011; of the world’s 250 largest companies, 93% reported on their CSR activities in 2013 (KPMG 2013). While CSR is a complex topic on which much has been written, economists have tended to doubt that corporations ‘do good’ ethically for any reason other than to ‘do well’ financially (Kitzmueller and Shimshack 2012). This is in part because corporate executives have a fiduciary responsibility to their shareholders to maximize the value of the firm; as a result, executives who try to ‘do good’ without at the same time trying to do as well as possible would be abrogating this responsibility, and so would be likely to be reined in or displaced. This is the classic view of Milton Friedman (1970), who argued that “The social responsibility of business is to increase its profits.”

The central question of interest here is whether CSR has much to do with ethical consumption, and if so how. On one hand, the view that corporations ‘do good’ primarily as a matter of ‘doing well’ is certainly an important part of the bridge between the two. As defined above, ethical consumption entails favoring goods and services with ethically-desirable properties and disfavoring those without. In consumer-goods markets where a good amount of competition takes place along dimensions of product characteristics more so than price, changes in consumption patterns that boost the sales of companies selling ethically-favored products will spur those with lagging sales to copy the strategies of their competitors. For example, in the U.S. the success of the Whole Foods organic supermarket chain in the 1990s and early 2000s spurred conventional groceries to expand their offerings of organic and local products, so much so that these have become commonplace. Similarly, booming sales of the Toyota Prius have prompted other automakers to work on developing their own distinctive-looking hybrid vehicles, as offering existing models in standard or hybrid forms has proved to be insufficient to lure ‘green buyers’ away from the Prius. These examples suggest that pro-social shifts in consumer spending can at least at times cause the idea of ‘being the change you want to see in the world’ to have real effects.

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20 The economics literature also doubts that it is efficient for corporations to devote resources to social goals, as they would not be expected to have a comparative advantage in producing public goods (goods underprovided by the market). See, e.g. Kitzmueller and Shimshack (2012) and Lilley and Slonim (2014).

21 Note that Friedman did not argue that executives ought to behave without regard to ethics, just that their own ethics should not interfere with their primarily goal of advancing the objectives of shareholders, “which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom” (p. 33).
At the same time, the voluntary character of corporate social responsibility means that companies can pick and choose which ethical, environmental or social goals to include their CSR strategies, where they presumably pick those goals which they expect to benefit them most and cost them the least. Thus, for example, retail giant Wal-Mart has opted to stress sustainable energy use and improving its offerings of organic and healthy foods, while doing little about low wages and lack of benefits for its retail employees, or its shaky commitment to working conditions in the plants of its overseas suppliers. As a result, it is unclear whether ethical shifts in consumption patterns have potential for substantially altering patterns of investment, production, and employment in the corporate economy. This could well imply that achieving societal goals of shifting economic activities all the way onto sustainable trajectories may depend on government policies and regulations, if ethical-consumption behaviors alone have insufficient force.

4. Concluding thoughts

In sum, a growing body of economic research suggests that, contrary to the view of the self-interested isolated consumer who would only adopt ethical-consumption practices only if its personal satisfactions were sufficiently high to cover its extra monetary and time costs, people have varied reasons for making consumption and lifestyle choices in part with regard to ethical, environmental and social considerations - where the sense that a given practice is becoming a social norm within their social networks may be part of what tilts them towards adopting the practice themselves.

While a good amount of economic research on ethical-consumption practices is consistent with this sort of model of heterogeneous consumers embedded in social networks, it is largely suggestive than rather than conclusive, and leaves open many questions about whether ethical-consumption practices have potential to become widespread and/or to affect the kinds of changes its proponents visualize. Notably, the model suggests that if the group of consumers with strong intrinsic motivations to engage in a given ethical-consumption practice is small, the group is only weakly socially connected to the broader consumer

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22 Jaffee and Howard (2010) elaborate on this argument with respect to agri-food initiatives in the domains of organic and fair-trade foods.
23 Kitzmueller and Shimshack (2012).
population, and the extra costs of the practice are relatively high, the practice would not be likely to spread outside of its initial core. This could well be an area where government policies or programs would be needed to affect a positive change. In contrast, if the group of intrinsically motivated consumers is itself growing, this group is well-connected socially to other consumers, and the costs of the practice are declining due to robust supply-side response (e.g. large supermarkets starting to carry organic and local produce), there would be reason to expect the practice to spread well into the population. Still, the extent to which this spread could ‘make a difference’ in terms of the ethical, environmental or social issues at stake would remain to be seen; for example, increased purchasing of organic produce may not improve environmental sustainability if at the same time the types of product brought are tending to increase food miles. This underlines the problem that, although we understand given consumption practices to be ‘ethical’ if people who have adopted them believe that they are, there is no assurance that behaviors individuals adopt for ethical reasons map into social outcomes with good ethical properties. This in turn goes to show how much more research needs to be done to understand the origins, social dynamics, and effects of ethical-consumption practices for the ultimate desiderata that people care about in the ethical consumption domain.
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