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consumers with a conscience: will they pay more?

Most Americans say they will pay more for clothes not made in sweatshops. Is this just talk, or will they actually put their money where their mouth is? An in-store test of consumer behavior turns up some surprising results.

Being a consumer—especially in a society as materialistic as ours—comes so naturally to most of us that we hardly give it a second thought. Economists, however, have made it their business to understand what makes consumers tick by carefully dissecting their behavior into its smallest constituent units: the "utilities" that we seek to maximize by consuming the optimum combination of high-quality, low-price goods and services.

This conventional economic model of consumer behavior has come under sharp attack in recent years. Behavioral economists, conducting laboratory experiments and running computer-generated game simulations to test the core assumptions about *Homo economicus,* have found them wanting (see sidebar). Neuropsychologists have repeatedly shown that people experience pleasure when acting against their narrowly defined self-interest, and anthropologists have found that ordinary consumers bear little resemblance to the calculating, self-interested materialists who populate the imagined world of neoclassical economic theory. All three bodies of research support sociologists' long-standing claims that altruistic and ethical considerations are central to the real world of market exchange.

The long history of consumer boycotts in America—from the Boston Tea Party through the union movement of the 1880s to the civil rights movement of the 1960s—demonstrates how ethics influence economic choices. Consumer boycotts have targeted corporations, products, and organizational practices for allegedly violating the rights of their employees, harming the environment, or compromising consumer safety. Monroe Friedman, in one of the few serious studies of the boycott, concludes that it "has been used more than any other organizational technique to promote and protect the rights of the powerless and disenfranchised segments of society."

We hope to outline the limits and possibilities of contemporary consumer activism as a "weapon of the weak." We examine the trend away from the traditional boycott, which relies on consumer abstinence to punish offending firms, to the more proactive "buycott" strategy that urges consumers to increase their support for exemplary firms. This tactic arose in the United States in the late nineteenth century with the emergence of the National Consumers League (NCL), dedicated to improving the working conditions of women and children. Appealing to the conscience of its mostly middle-class constituency, the NCL called upon consumers to resist the temptation of low-priced goods, many of them the product of sweatshop labor. The NCL proclaimed that it was "the duty of consumers" to see that the things they bought were made under "wholesome" conditions "consistent with a respectable existence on the part of the worker."

The NCL's battle cry has been taken up today by a new generation of activists seeking to build a consumer-based

Lessons from Economics

Support for our findings comes from a most unlikely source: the field of economics, which is undergoing a behavioral revolution that challenges many of the core assumptions about rational, self-interested actors. In recent explorations of "prisoner's dilemma" games, which are designed to encourage selfish as opposed to cooperative behavior, new experimental research techniques are revealing that many subjects actually prefer to cooperate.

Similarly, participants in Ultimatum game experiments, which require two subjects to divide up a given sum of money, frequently reject the opportunity to maximize their cut, preferring to end the game with nothing rather than dividing up the money unfairly. Applying these insights to consumer behavior, Julian Rode and his colleagues found that, under carefully controlled laboratory conditions, many subjects paid more for products that were not tainted by child labor. These and other studies carried out by behavioral economists suggest that all kinds of economic actors, including ordinary consumers, can be motivated by ethical considerations alongside—and sometime in place of—their immediate economic self-interest.

Contexts, Vol. 5, Issue 1, pp. 24-29, ISSN 1536-5042, electronic ISSN 1537-6052. *© 2006 by the American Sociological Association. All rights reserved. Please direct all requests for permission to photocopy or reproduce article content through the University of California Press's Rights and Permissions website, at www.ucpress.edu/journals/rights.htm.*

movement opposed to the proliferation of sweatshops across the globe. Led by college students targeting the lucrative youth sportswear market, these groups have pressured many universities, especially in the United States, to adopt codes of conduct regarding worker rights and labor standards that all companies supplying sportswear bearing their institution's logo should meet. A national organization—the Worker Rights Consortium—investigates and publicizes noncompliance by major sportswear companies like Nike.

The student anti-sweatshop campaign has focused on a small subset of apparel—products with university logos—and targets institutional consumers (universities) that are vulnerable to student pressure. The SweatFree Communities Campaign now seeks to apply that approach to the purchases of school boards and local governments by forming and mobilizing broad political coalitions. But can these activists legitimately claim to speak for most American consumers? If so, will these "conscientious consumers" pay a premium to induce sweatshop owners to recognize unions, increase pay, and improve working conditions to avoid being driven out of business? In short, is there a viable market for moral consumption?

the market for conscientious consumption

Four nationwide surveys have addressed these questions, and their findings are, at first glance, encouraging. A sizable majority of respondents to each survey reported that they would pay more for goods not produced by sweatshop labor. Those majorities ranged from a high of 86 percent who said they would be willing to pay $1 more on a $20 garment made under good working conditions, to a low of 61 percent who said they would be willing to pay $5 more on a $20 garment not made in a sweatshop.

Critics have questioned the reliability of such findings. As observers of survey research have long recognized, what respondents report on a survey often differs from what they actually believe, especially when one of the answers carries greater moral authority or is seen as more socially desirable. Then, too, a response is only as good as the question. In this case, the surveys posed differently worded questions about the desirability and cost premium of buying "sweat-free" goods. Some of the variation in the percentage of those responding positively is no doubt related to how much extra they were asked to pay for sweat-free products—between 5

and 25 percent, depending on the survey. Still, even if the questions posed did not vary, the results would only reflect consumer choices in a hypothetical world without real economic costs.

Recognizing these limits, we designed an experiment to see if this high level of support for buying sweat-free goods would carry over to the real world of consumer behavior, where acting on our moral convictions has real costs. Our research site was a well-known department store in a stable working-class community in southeast Michigan. We chose this store after using census data to identify nearby tracts in which the median household income was at or below the national average, targeting a population of price-conscious consumers.

Our store is located in a community of 40,000 residents within the greater Detroit area, where per capita income in 1999 was slightly below the national average. Only 7 percent of residents have a bachelor's degree or higher as compared to 25 percent of the population nationally. Our store caters to a semiskilled, unionized, blue-collar, predominantly white customer base whose limited income would presumably lead them to spend cautiously. In short, these are "middle Americans," not the affluent, highly educated, and socially lib-

Howard Kimeldorf has written extensively on the history of the American labor movement, including Battling for American Labor. *Rachel Meyer is writing a dissertation on forms of collective action in the American labor movement. Monica Prasad's book,* The Politics of Free Markets, *was recently published by the University of Chicago Press. Ian Robinson, co-director of the Institute of Labor and Industrial Relations' Labor and Global Change Program, has written widely on globalization and labor issues. This study is the result of a fully collaborative effort; the authors' names are listed alphabetically.*

eral consumers often seen as the natural constituency of conscientious consumerism.

socks for sale

We designed this project to collect what we believe is the first empirical evidence on what ordinary consumers will actually do—rather than what they say they will do—when faced with the choice of paying more for sweat-free goods. We chose white athletic socks as our test product, both because we wanted an inexpensive item that would generate enough sales to allow us to measure consumer behavior and because socks, an undifferentiated, mass-produced item, are typical of products made in sweatshops. Between March 2002 and August 2003, we recorded consumer choices, employing two different research designs to address possible pitfalls in our approach.

In the first round of data collection, we placed identical pairs of Wigwam brand socks in two display racks next to each other in the men's and women's clothing sections of the store (see photo, page 25). The only visible difference between the two racks was that one displayed a fairly conspicuous sign, labeled "Buy GWC . . . Good Working Conditions," along with an explanation that the socks in that rack were not produced with child labor, in an unsafe environment, or under sweatshop conditions. We also placed a small "GWC" label on each package. The other rack had neither a sign nor package labels, suggesting that the socks were not made under good working conditions. (In fact, the socks in both racks were produced by union labor, but the stark visual contrast between labeled and unlabeled racks clearly suggested otherwise). Over a period of five months, we increased the difference in price between the two racks incrementally from zero to 40 percent more for the labeled socks. We recorded the number of customers who bought socks from each rack at each price point.

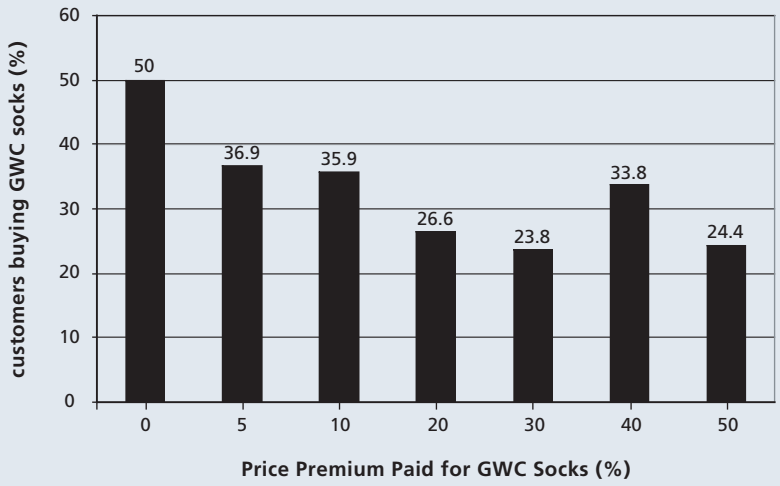
Assuming that our customers noticed the GWC label and understood what it meant, the use of identical socks allowed them to choose solely on the basis of two factors: price and whether or not the product displayed a GWC label. We eliminated the appearance of any difference in quality between the two racks of socks. However, precisely because the socks were indistinguishable, some consumers may not have believed they were actually choosing between two different products, perhaps assuming that the GWC label was simply missing from one rack. Such customers were choosing only on the basis of price and not on the desirability of sweat-free production. Thus, our observations might understate the actual level of support for sweat-free products.

To address this concern, we changed the research design for the next round by using socks that were similar but not identical: white athletic socks made by Wigwam that very closely matched (in style, quality, and market price) white athletic socks made by REAC. We alternated which brand displayed the GWC label, in order to separate possible preferences for the Wigwam or REAC brand or for (minor) style differences from the desire (or lack of it) to purchase sweat-free products.

Introducing different brands in round two yielded no significant difference in consumer behavior. Combining the results from the two rounds of data collection, our graph shows the percentage of GWC sock customers as a share of all customers who bought socks from one of our racks.

As expected, GWC sales declined significantly from 50 to 37 percent as prices first diverged. However, the decline was more modest as the price of the GWC socks continued to rise. Averaging across all trials in which there was a price difference, about 30 percent of customers were willing to pay a premium to avoid purchasing a product morally tainted by sweatshop labor.

percentage of customers buying GWC socks at each price premium, rounds one and two combined (573 cases)



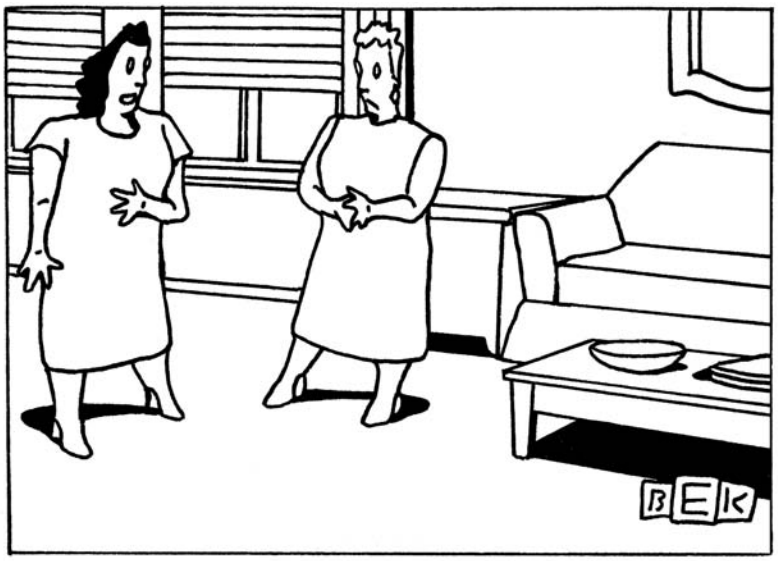
About 30 percent of customers were willing to pay more to avoid a sweatshop product

who knew?

These findings are encouraging, but before we can call these customers "conscientious consumers," we need to look beyond their observable behavior to the perceptions

and motives that guided their choice of socks. Some shoppers may not have noticed the GWC label or, if they did, may have had no idea what it meant. Still others may have based their choices in round two on the small differences in style or fabric between the two racks of socks. In short, purchasing from the GWC rack would not necessarily make one a conscientious consumer unless the decision was well informed and based at least in part on a moral preference for sweat-free products.

To get inside the heads of our customers, we began conducting brief in-store interviews. In this third round of data collection, we were not interested in the price elasticity of demand for GWC socks, so we did not vary the relative prices: the non-GWC socks always sold for $1.00, and the GWC socks sold for $1.20. A research assistant took an unobtrusive position close to our sock display and intercepted customers who had selected from one of our racks, asking permission to conduct a ten-minute interview. We designed the questions to determine whether the minimal criteria for conscientious consumption had been met: that the consumer noticed the price difference between the two racks, saw the GWC label, and understood its meaning. Most customers—regardless of which socks they chose—agreed to the interview, so we do not believe there is a problem of selection bias in who was interviewed. Conducting in-store interviews has been slow going, and the work is still in progress, but we have so far managed to conduct 45 interviews.



Cartoonbank.com

"I finally found a designer with a sweatshop that's right for me."

The interviews offer a revealing, if preliminary, glimpse into the thinking of our customers. To our surprise, only 14 (31 percent)—of our customers met all three of the criteria. Most either did not notice the GWC label or did not understand what it meant. Some failed on more than one count. Of the 14 customers who met all three criteria, 8—representing 57 percent of all adequately informed consumers—purchased the more expensive GWC socks. All of these customers said that avoiding goods made in sweatshops was important to them, and all but one characterized the GWC label as the decisive factor in choosing those socks, despite their higher price.

These results are critical for interpreting the first two rounds, in which 27 percent of customers paid more for the labeled socks at the 20 percent price differential. We initially assumed that the gap between this figure and the much higher level of conscientious consumption reported in national surveys, in which 68 percent of respondents said they would pay 20 percent more for clothes made under good working conditions, reflected the typical disjuncture between thought and action. But our interviews suggest another explanation: most customers either did not notice or did not understand the GWC label, so their choices must have been based on price alone.

Once we set aside shoppers who did not meet the criteria for conscientious consumption, the remaining customers we interviewed showed a preference for sweat-free products that was much closer to the level reported in national surveys. For shoppers who met all three preconditions, the attitude-behavior gap fell from 41 percentage points (the difference between the 68 percent in national surveys versus the 27 percent in our study) to just 11 percentage points (68 percent in the relevent national survey versus 57 percent in our study). Put another way, we may attribute more than three quarters of the gap between the survey results and our experimental findings to customers who did not meet the criteria that serve as the baseline for all survey respondents. This suggests that the market for conscientious consumption in the real world of American shoppers is close to that reported in the national surveys.

Our finding that only a minority of the customers we interviewed met all three criteria may also partly explain why people did not buy more labeled socks when the price difference was zero. Given that most of the customers we interviewed did not qualify as conscientious consumers, the majority may simply have acted randomly at the zero price point, buying socks in roughly equal quantities from the two racks. Among those who met the criteria (31 percent in our interviews), a slight majority preferred the GWC socks. Summing the

weighted percentages for these two groups, we would expect the rate of conscientious consumption at the zero price differential to be about 52 percent—very close to the 50 percent who purchased labeled socks in the first two rounds of our experiment. Although the small number of interviews does not conclusively support this interpretation, we see it as the most plausible hypothesis based on the available behavioral and interview data.

For the majority of customers who lack general knowledge of sweatshop conditions and are not accustomed to looking for GWC-type labels when they shop, meeting the criteria for conscientious consumption is clearly asking a lot. But as more information on sweatshops is made public, and with stronger and more vigorous international monitoring of overseas workplaces, credible labeling of products, and more outlets for such products, many more consumers may begin to fulfill the hope of Florence Kelly, the NCL's first general secretary, that "the power of the purchaser, which is potentially unlimited, becomes great . . . just in proportion as purchasers become organized and enlightened."

Photo by AP/Wide World

Guatemala City

expanding the market for conscientious consumption

Our study highlights the often neglected moral dimension of economic exchange by focusing on consumers who buy on the basis of both ethical considerations and material self-interest. These conscientious consumers were willing to pay more for ordinary athletic socks made under sweat-free conditions. In choosing the socks with the "Good Working Conditions" label, they were following their hearts instead of their pocketbooks.

Focusing on a store that catered to people with modest means and education, and using a label with which the public was not familiar, our experiment offers a conservative estimate for the extent of conscientious consumption. Despite this conservative bias, we found that, on average, 30 percent of our customers bought the more expensive GWC socks. If the results of our in-store interviews are representative, the market for conscious consumption may extend to a majority of American consumers.

We cannot generalize with any confidence from our preliminary pool of 45 interviews, but if our current findings hold up as we complete more interviews, our results will provide the first behavioral confirmation for the national survey data that shows majorities of Americans willing to pay more for apparel made under good working conditions. Such support for sweat-free goods suggests that conscientious consumers could become a powerful force for improving pay and workers' rights in the apparel sector, where workers are often paid less than 10 percent of the final sales price. But this will only happen if market and regulatory institutions can be made to provide would-be conscientious consumers with accurate information on the labor conditions under which products are made. Without this information, such people cannot act on their convictions, however strong.

We do not wish to overstate the lessons to be drawn from a local study of one product. Athletic socks, like any product, occupy a particular market niche—not only with regard to consumer demand, as economists teach, but also with regard to the ability of activists to make moral claims on its behalf. Clothing, for example, is more closely tied in the public mind to sweatshops than, say, computers, breakfast cereal, or books. But again, this is where consumer education and mobilization play a central role. In the early 1960s, the United Farm Workers organized a highly publicized consumer boycott that elevated the grape from its mundane existence, known mainly as the source of either raisins or wine, into a powerful national symbol of economic justice and worker rights.

Recently, coffee beans have enjoyed a similar rise in visibility and political status as the result of a decade's work by "fair trade" activists. Last year, activists and consumers succeeded in getting two of the world's four largest coffee roasters and distributors to stock beans for which eligible coffee growers who meet "fair trade" criteria (mainly producer coops) are guaranteed almost three times the current international price. Starbucks now sells fair trade coffee by the bag, and Dunkin' Donuts has recently decided that all of its espres-

so-based coffees will come from fair trade growers. Despite the higher prices paid by roasters, outlets, and ultimately consumers, the retail value of coffee sold in the United States under the fair trade label has tripled to over $208 million in the last three years. This still represents only 2.5 percent of the $8 billion gourmet coffee market, or 1 percent of the entire $19 billion coffee market, in the United States. However, fair trade coffee is the only segment of the domestic coffee market that is growing rapidly, and its eventual share, now that retailers are finally beginning to make it more readily available, is anyone's guess.

The moral appeals on behalf of grapes, coffee, and other products clearly resonate with a large and growing segment of consumers in the United States and elsewhere. It may be possible to adapt the fair trade model's strategy of connecting conscientious consumers to the minority of producers—in apparel and other sweatshop industries around the globe—who already meet sweat-free conditions and are committed to maintaining them. If these firms flourish, their success may convince other sweatshop producers that their bottom line will not suffer if they too give up the familiar (though increasingly perilous) "low road" that they have followed so far and switch to marketing sweat-free products at higher prices. They need to be convinced, in short, that any revenue lost due to falling demand from consumers who see price as the decisive factor can be offset by increased sales to the sizable and largely untapped market of conscientious consumers who are willing to pay more for sweat-free products. In today's neoliberal environment, appealing simultaneously to the morality of consumers and to the bottom-line of employers and retailers may offer the most realistic hope for reversing the destructive "race to the bottom" that turns today's winners into tomorrow's losers.

recommended resources

Kimberly Ann Elliott and Richard B. Freeman. *Can Labor Standards Improve Under Globalization?* (Institute for International Economics, 2003). An assessment of the potential of different approaches to the struggle against sweatshops, published by a Washington think tank that supports trade liberalization but recognizes the need for a "social dimension" to international economic integration.

Jill Esbenshade. *Monitoring Sweatshops: Workers, Consumers and the Global Apparel Industry* (Temple University Press, 2004). Explores and assesses the recent proliferation of approaches to monitoring working conditions and worker rights in this industry.

Monroe Friedman. *Consumer Boycotts: Effecting Change Through the Marketplace and the Media* (Routledge, 1999). A general overview of the history and contemporary practice of boycotts as a means of supporting various social causes.

Monica Prasad, Howard Kimeldorf, Rachel Meyer, and Ian Robinson. "Consumers of the World Unite: A Market-Based Approach to Sweatshops," *Labor Studies Journal* (Fall 2004): 57–79. More details on the first experimental phase of this project and a discussion of its relevance for a market-based approach to sweatshops.

Robert S. J. Ross. *Slaves to Fashion: Poverty and Abuse in the New Sweatshops* (University of Michigan Press, 2004). Analyzes the causes of the renewal of sweatshop production and what can be done to address it. Well-documented and reasoned, and written in an accessible style from an activist standpoint.

"There were 117 psychoanalysts on the Pan Am flight to Vienna and I'd been treated by at least six of them."
—Erica Jong, *Fear of Flying*

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