



**INDIANA INSTITUTE FOR
CORPORATE GOVERNANCE**

THE ETHICS OF CONSUMER CHOICE

NEERU PAHARIA
ARIZONA STATE UNIVERSITY



5.8: ACHIEVING GROWTH AND
PROFITABILITY IN WAYS THAT ARE
CONSISTENT WITH UNITED NATIONS
SDGS: **RESPONSIBLE
PRODUCTION AND
CONSUMPTION**



**CONSUMPTION AND THE
CONSEQUENCES: LABOR AND THE
ENVIRONMENT**



A satellite view of Earth from space, showing the Americas. The United States and Mexico are visible in the center, with the Atlantic Ocean to the east and the Pacific Ocean to the west. The image is a high-resolution satellite photograph showing cloud patterns and landmasses.

1. THE GROWTH IMPERATIVE
2. WHY WE DON'T CARE
3. SOLUTIONS

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1. THE GROWTH IMPERATIVE

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3. SOLUTIONS

CAPITALISM: THE GROWTH IMPERATIVE



INCREASE CONSUMPTION

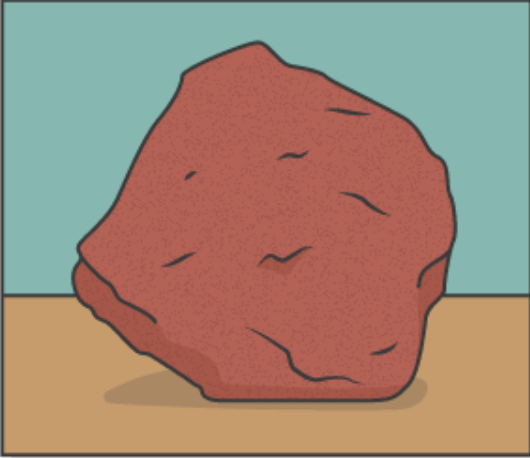


INCREASE NUMBER OF CONSUMERS

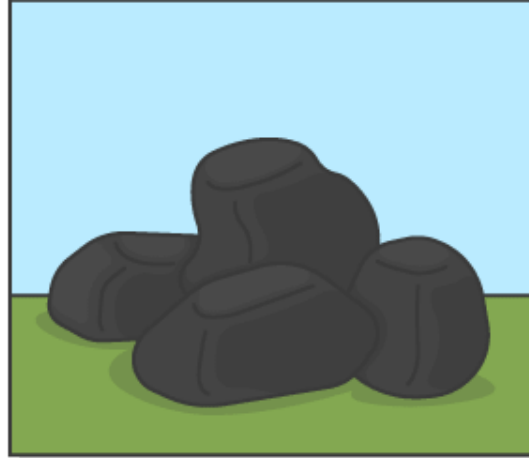
In 2017, there were 3.5 billion consumers in the world. By 2030, the number will be 5.6 billion. 88% of the next billion consumers will be from Asia.

FINITE RESOURCES

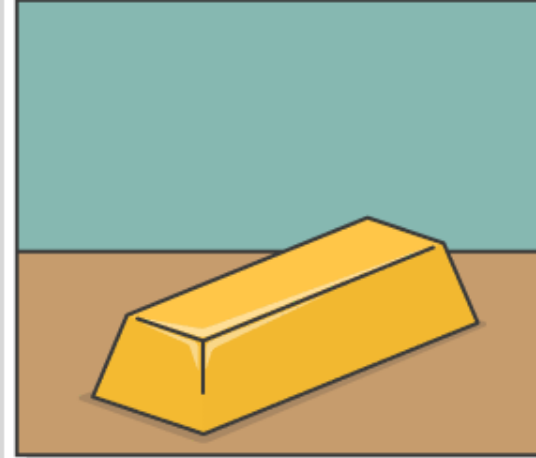
iron ore



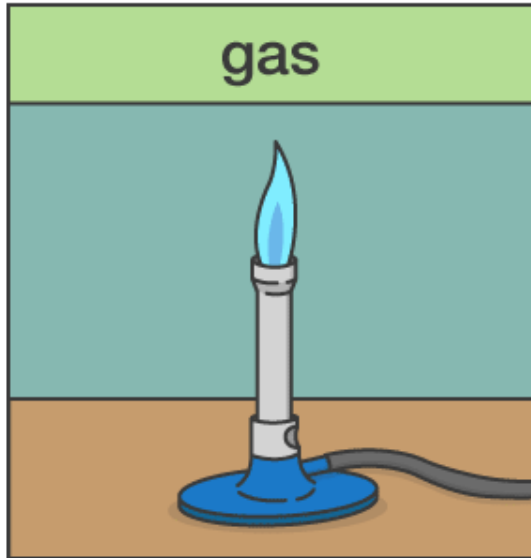
coal



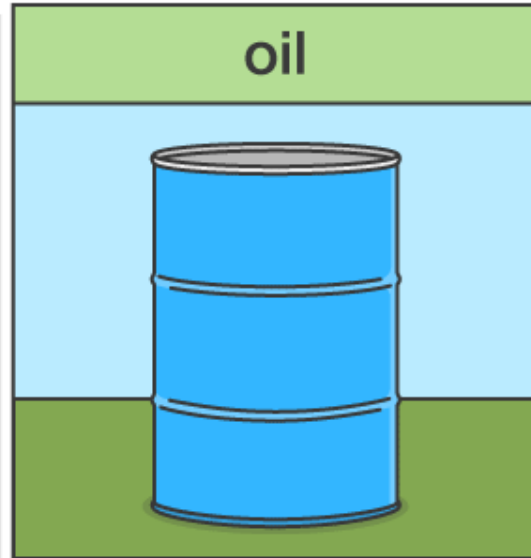
gold



gas



oil



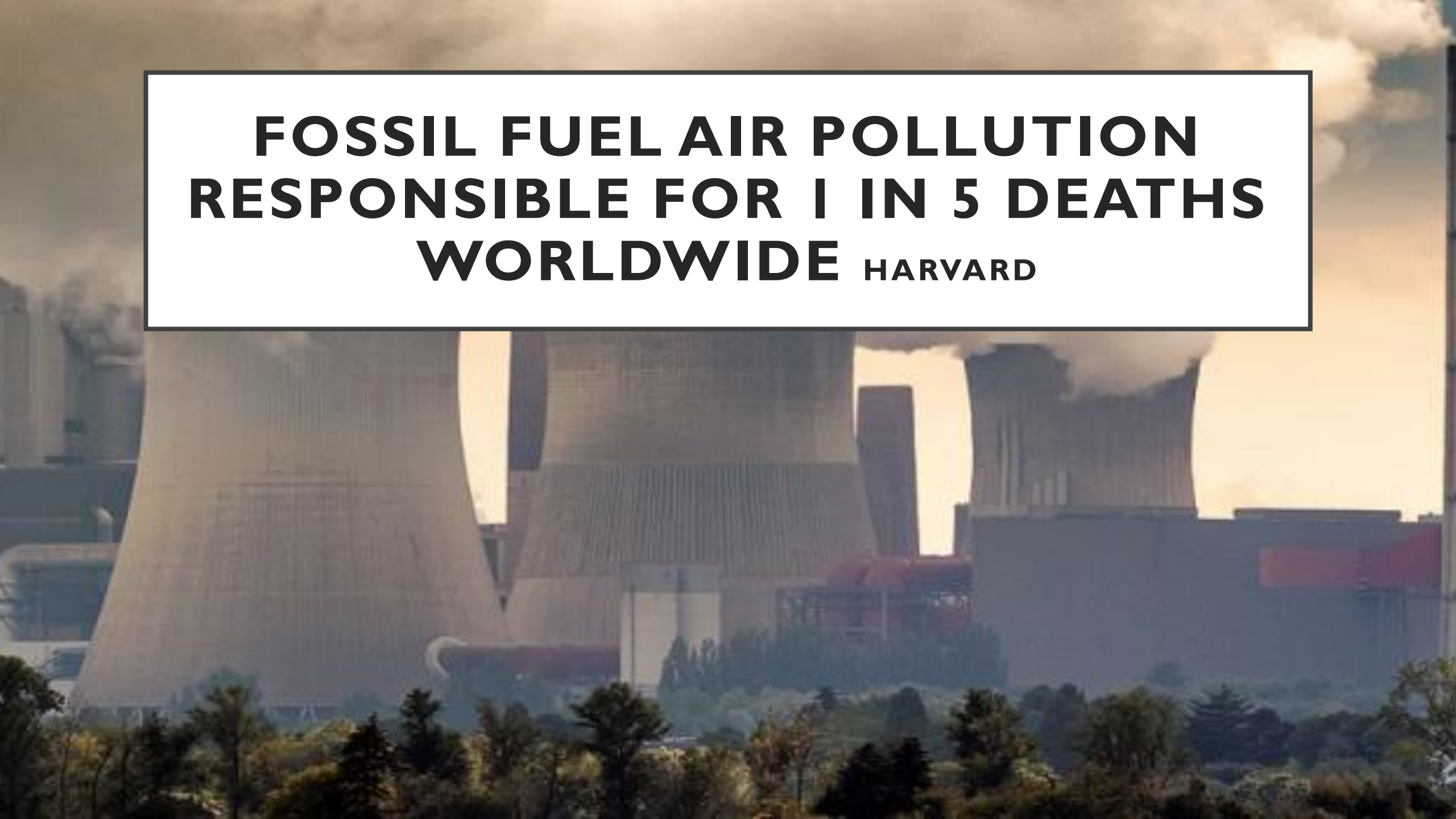
2.0

The number of "Earths" we will need by 2030 to provide resources for 5.6 billion consumers and absorb the waste.

NEGATIVE EXTERNALITIES



**FOSSIL FUEL AIR POLLUTION
RESPONSIBLE FOR 1 IN 5 DEATHS
WORLDWIDE HARVARD**



CONSUMPTION: THE ULTIMATE DRIVER



60%

Greenhouse Gas Emissions

Consumer goods account for more than 60 percent of global emissions.



80%

Water Withdrawals

More than 80 percent of water withdrawals linked to consumer goods.



2/3

Deforestation

Nearly two-thirds of tropical forest loss is due to agriculture.

SHOULD THE BURDEN BE ON:

1. CONSUMERS: SUSTAINABLE CONSUMPTION

2. COMPANIES: SUSTAINABLE PRODUCTION

3. GOVERNMENTS: REGULATION



A satellite view of Earth showing the Americas, with a white text box overlaid in the center. The text box contains the following text:

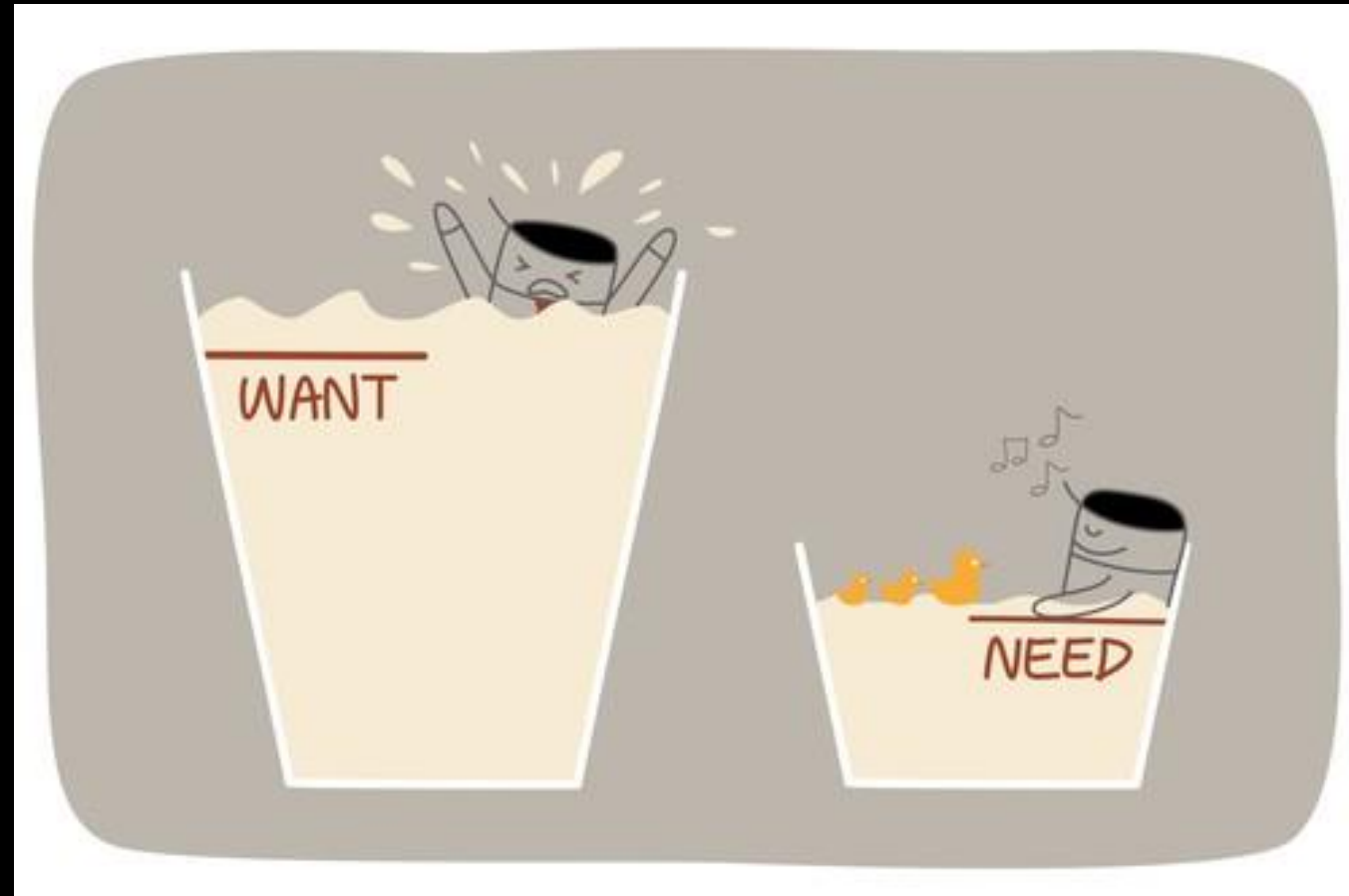
**AS CONSUMERS CAN WE
CHOOSE TO CONSUME LESS?
CAN WE CONSUME MORE
SUSTAINABLY?**

BATTLING THE GROWTH IMPERATIVE

CAPITALISM



MARKETING CREATES NEEDS





DIAMONDS



\$80 BILLION GLOBAL MARKET
\$39 BILLION ENGAGEMENT RINGS



LAB CREATED DIAMONDS SELL FOR 1/10
OF THE PRICE

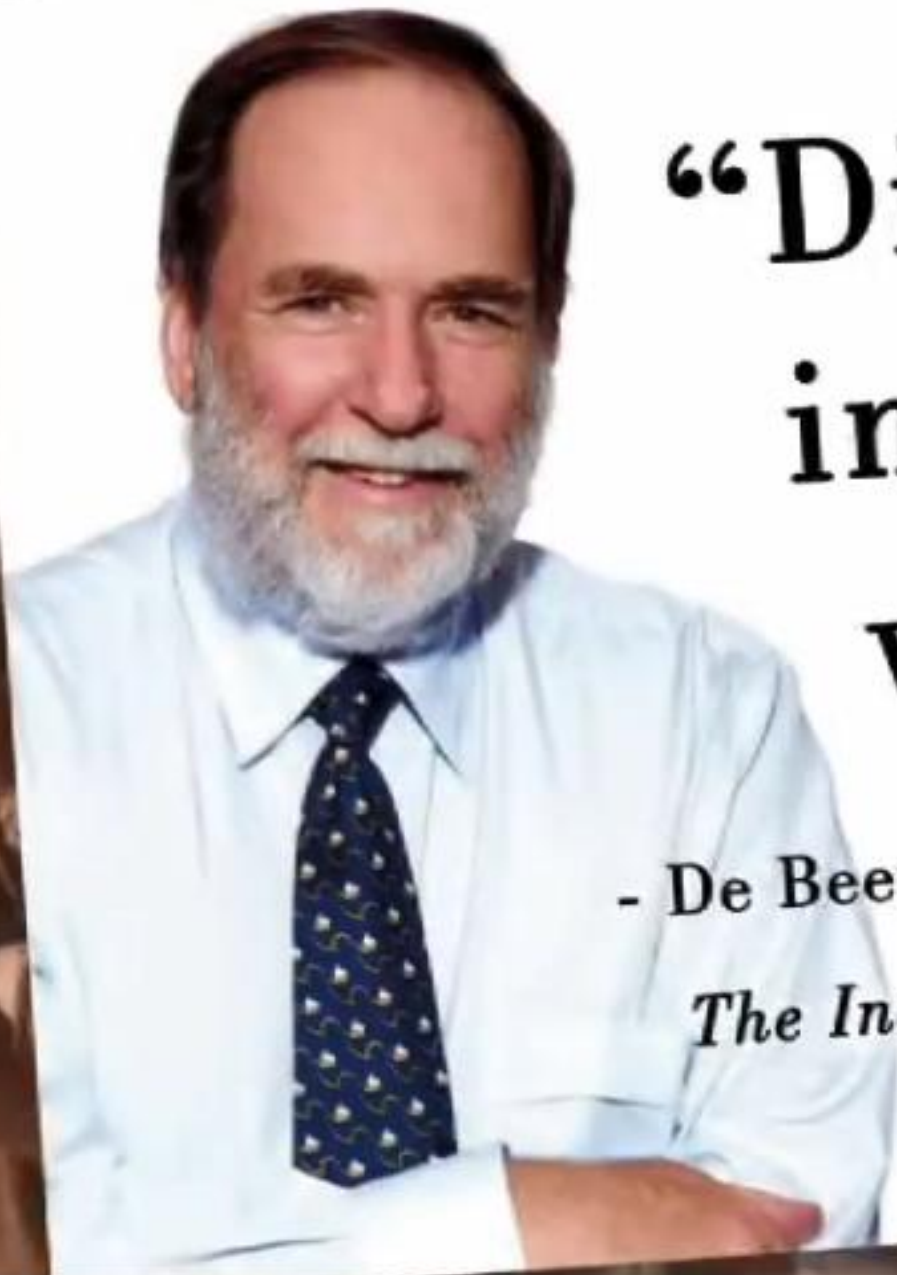
EQUIPMENT TO DETECT NATURAL VS. LAB
CREATED COSTS \$20,000-\$40,000



RESALE MARKET: SELLERS ARE ABLE
TO SELL FOR BETWEEN 5% AND 30%
OF THEIR ORIGINAL PRICE







**“Diamonds are
intrinsically
worthless.”**

- De Beers Chairman Nicky Oppenheimer
The Independent, February 13th 1999

WHY DO PEOPLE PAY FOR
DIAMONDS?



MOTIVATIONS:
FUNCTIONAL
EMOTIONAL
SYMBOLIC (IDENTITY/STATUS)



THEORY: POSSESSIONS AS THE EXTENDED SELF, *BELK*





**THEORY: CONSPICUOUS
CONSUMPTION, WASTEFULNESS** *VEBLEN*



**WE COMPETE WITH EXPENSIVE
SYMBOLIC PRODUCTS**

“WE ARE DEALING WITH A
PROBLEM IN MASS PSYCHOLOGY.
WE SEEK TO STRENGTHEN THE
TRADITION OF THE DIAMOND
ENGAGEMENT RING – **TO MAKE
IT A PSYCHOLOGICAL
NECESSITY** CAPABLE OF
COMPETING SUCCESSFULLY AT
THE RETAIL LEVEL WITH
**UTILITY GOODS AND
SERVICES**”

How can you make
two months' salary last forever?



The Diamond Engagement Ring.

When you've found the woman of your dreams, give her the diamond of her dreams.

The two months' salary guideline helps you find a diamond of quality, brilliance and breath-taking beauty. For other tips on buying, and the 4Cs—cut, color, clarity and carat weight—consult your jeweler. Or call 1-800-FOREVER for a free diamond buying guide.

www.adiamondisforever.com

A diamond is forever.
De Beers

1. Jennifer Lopez



The fiancé: Alex Rodriguez

The ring: A 16-carat emerald diamond

The price: [Reportedly \\$1.8 million](#)

4. Demi Lovato



The fiancé: Max Ehrlich

The ring: An emerald cut diamond, flanked by two trapezoid diamonds

The price: An estimated \$1 million

The proposal: July 2020

Called off: September 2020 Photo: Courtesy of Demi Lovato/[@demilovato](#)

10% U.S. BRIDES RECEIVED A
DIAMOND ENGAGEMENT
RING IN 1939

BY THE END OF 20TH
CENTURY 80% OF BRIDES
RECEIVED THEM

**WHAT IF THIS
CAMPAIGN WASN'T
SUCCESSFUL?**



**WE ARE
SOCIAL
CREATURES**

COULD THE SAME
FORMULA BE APPLIED
TO OR OTHER
PRODUCTS?





Supreme

SHOP NOW



\$9.99 vs. \$100

FUNCTIONAL, EMOTIONAL, AND SYMBOLIC BENEFITS



lululemon



athletica

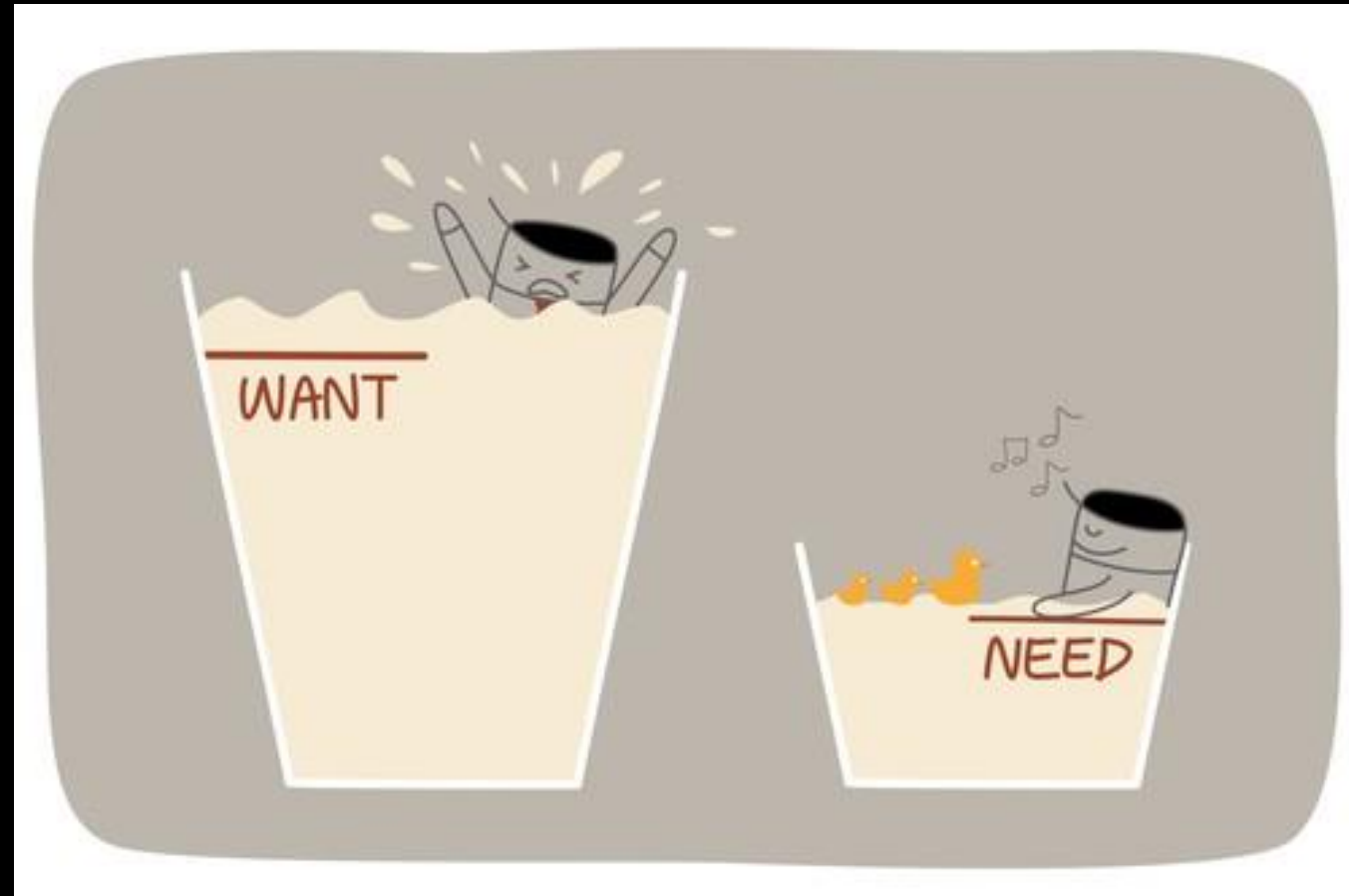
**NEEDS ARE
MANUFACTURED
BY MARKETING**



WHAT IS THE VALUE OF A
SYSTEM WHERE **LABOR IS
EXPENDED AND
ENVIRONMENTAL HARM
IS CREATED**, PURELY IN THE
PURSUIT OF A **SYMBOLIC
PRODUCT...**

...ONE THAT HAS NO
AESTHETIC OR FUNCTIONAL
BENEFITS BEYOND
ALTERNATIVES?

MARKETING CREATES NEEDS





GLOBAL BEAUTY

How the beauty market is growing all over the world.



H&M

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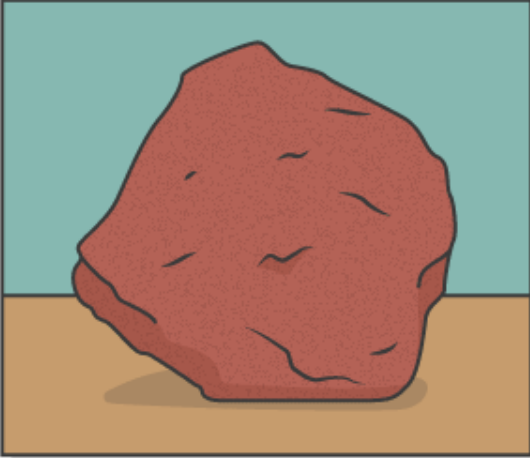
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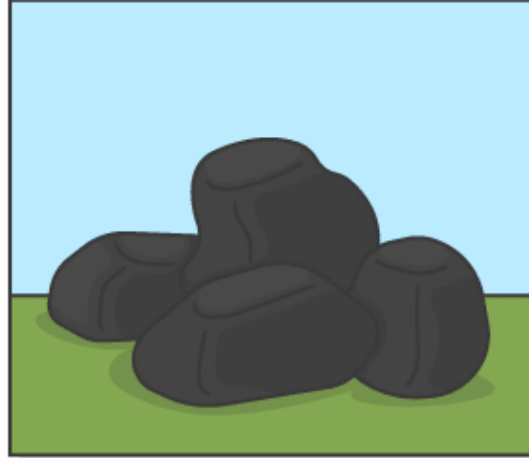


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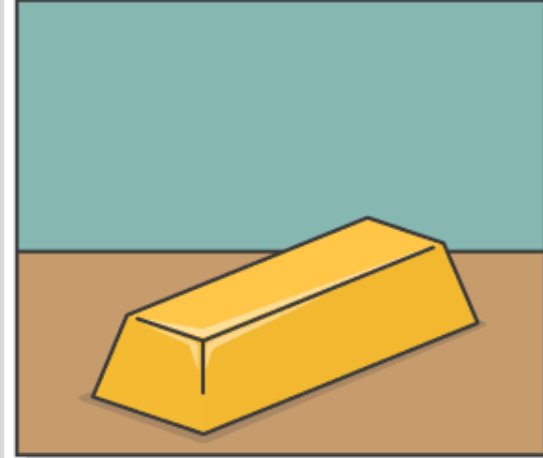
iron ore



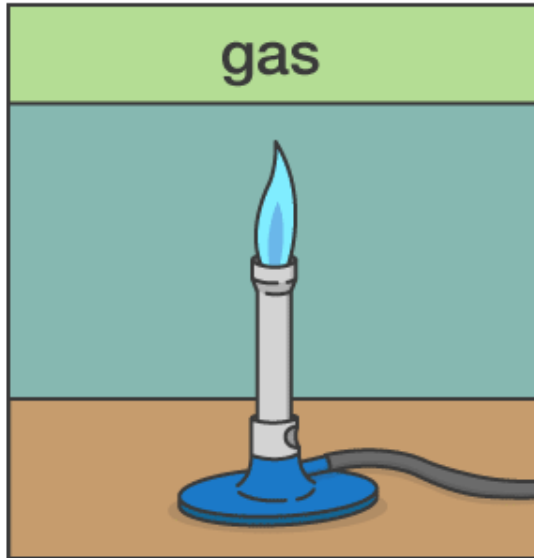
coal



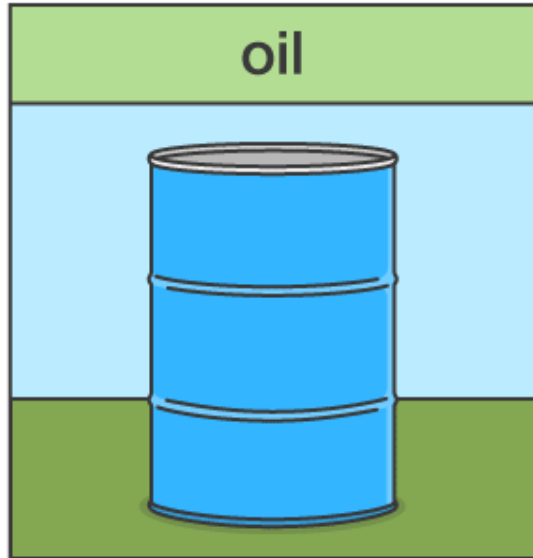
gold



gas



oil



NEGATIVE EXTERNALITIES



**DO CONSUMERS CARE ABOUT
ETHICAL ISSUES (SUSTAINABILITY:
ENVIRONMENT, LABOR)?**



A PARADOX: THE MAJORITY OF SURVEYED CONSUMERS CLAIM TO PREFER SUSTAINABLE PRODUCTS OVER NON-CERTIFIED ALTERNATIVES, AND TO BE WILLING TO PAY A PRICE PREMIUM FOR SUCH PRODUCTS.



HOWEVER THE MARKET FOR
SUSTAINABLY-PRODUCED
PRODUCTS REMAINS SMALL.



WHY?



SURVEYS ARE WRONG? MAYBE
PEOPLE ARE NOT BEING
HONEST.



PROJECTIVE: THIRD PERSON TECHNIQUE



SURVEYS ARE WRONG?

**WOULD YOUR
NEIGHBOR PAY
MORE FOR
SUSTAINABILITY?**

The background of the entire image is a bright yellow color. Scattered across this background are numerous small, stylized illustrations of documents or forms. These documents are drawn in a simple, hand-drawn style with black outlines and some light blue or grey shading. They contain various symbols, lines, and text boxes, representing different types of information or data. The documents are oriented in various directions, creating a sense of a cluttered or busy environment.

INFORMATION: CONSUMER MAY NOT KNOW ABOUT PRODUCTION CONDITIONS.



“THE ODDS ARE SUBSTANTIAL THAT A CHOCOLATE BAR BOUGHT IN THE US IS THE PRODUCT OF CHILD LABOR” WASHINGTON POST 2019

INFORMATION PROBLEM?

MAYBE THEY DO KNOW...

IN OTHER CASES CONSUMERS DO KNOW THAT COMPANIES HAVE BEEN THE TARGET OF PUBLIC CRITICISM...

Coca Cola
world's w

This is the third year in a row

NIAL CHRISTIE | 7 Dec 2020



Color China Photo, via Associated Press

An explosion last May at a Foxconn factory in Chengdu, China, killed four people and injured 18. It built iPads.

By CHARLES DUHIGG and DAVID BARBOZA

Published: January 25, 2012 | 1770 Comments

for 71%





PSYCHOLOGICAL DRIVERS: QUALITY INFERENCES (LUCHS ET AL. 2010)



PSYCHOLOGICAL DRIVERS: DURABILITY NEGLECT

(SUN, BELLEZZA, AND

PAHARIA 2021)

The H&M logo is centered on a red rectangular background. The letters 'H' and 'M' are large, white, and stylized with a brush-like, slightly irregular font. A smaller white ampersand (&) is positioned between the 'H' and 'M'.

PSYCHOLOGICAL DRIVERS: WILLFUL IGNORANCE (EHRICH AND IRWIN 2005)

MAYBE THEY ARE MOTIVATED TO BE WILLFULLY IGNORANT?

PEOPLE ARE “WILLFULLY IGNORANT” AND ARE MORE LIKELY TO USE ETHICAL INFORMATION WHEN THEY HAVE IT, BUT ARE MOTIVATED NOT TO ASK FOR IT. EFFECT IS STRONGER FOR PEOPLE WHO CARE ABOUT THE ISSUE.

Ignorance is bliss.

PSYCHOLOGICAL DRIVERS: ECONOMIC JUSTIFICATIONS

(PAHARIA, VOHS, AND DESHPANDE 2013)

1. SWEATSHOPS ARE THE ONLY REALISTIC SOURCE OF INCOME FOR WORKERS IN POORER COUNTRIES.
2. WITHOUT SWEATSHOPS POORER COUNTRIES COULD NOT DEVELOP.
3. THE USE OF SWEATSHOP LABOR IS OKAY BECAUSE OTHERWISE THESE PRODUCTS WOULD NOT BE AFFORDABLE TO LOW-INCOME PEOPLE.

PSYCHOLOGICAL DRIVERS: INDIRECTNESS AND A DIFFUSION OF RESPONSIBILITY

(PAHARIA ET AL. 2009)

Building Collapse in Bangladesh Leaves Scores Dead



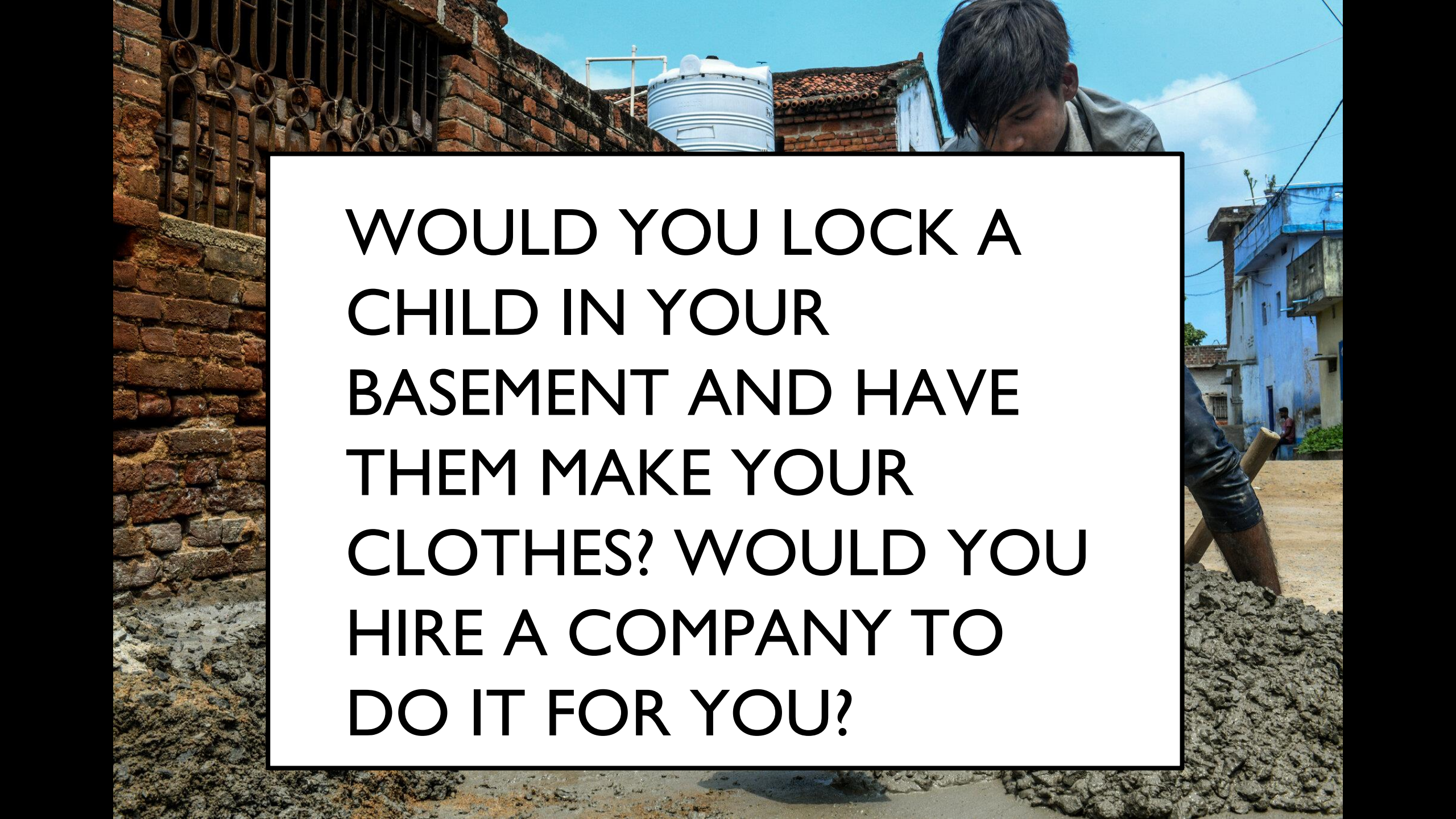
PSYCHOLOGICAL DRIVERS: AGENCY

(PAHARIA

2020)

A photograph of a clothing store with many racks of clothes. The racks are filled with various types of clothing, including shirts, blouses, and dresses, in a wide range of colors. The store has a clean, organized appearance with white racks and a light-colored floor. The lighting is bright, highlighting the variety of garments.


**OUR ECONOMY IS SET
UP FOR MASS
PRODUCTION, WHICH
LIMITS CONSUMER
AGENCY**

A young boy with dark hair is looking down, his face partially visible in the upper right corner. He is wearing a light-colored shirt. The background shows a construction site with a brick wall on the left, a white water tank on a roof in the middle, and a blue building on the right. A pile of grey concrete is in the foreground, and a person's leg in blue pants is visible on the right side. The sky is blue with some clouds.

**WOULD YOU LOCK A
CHILD IN YOUR
BASEMENT AND HAVE
THEM MAKE YOUR
CLOTHES? WOULD YOU
HIRE A COMPANY TO
DO IT FOR YOU?**



**MARKETING
MANUFACTURES
NEEDS**

A person wearing a blue long-sleeved shirt and a grey beanie is seen from the side, working in a cacao field. The background is filled with cacao trees and pods. In the foreground, there is a large pile of processed cacao beans, some of which are yellow and some are dark. The person's hands are visible, holding a cacao pod and a knife.

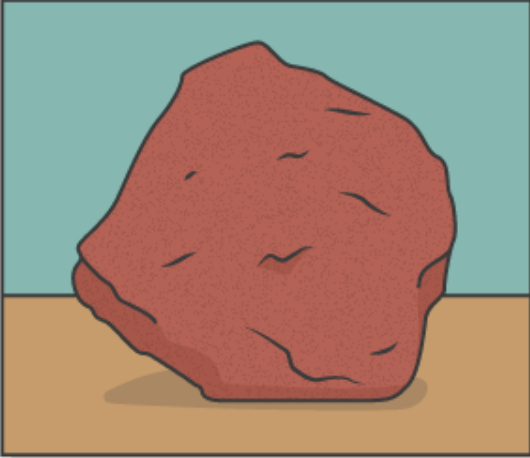
**THE SYSTEM
IS SET UP SO
WE DON'T
CARE ABOUT
THE COSTS**

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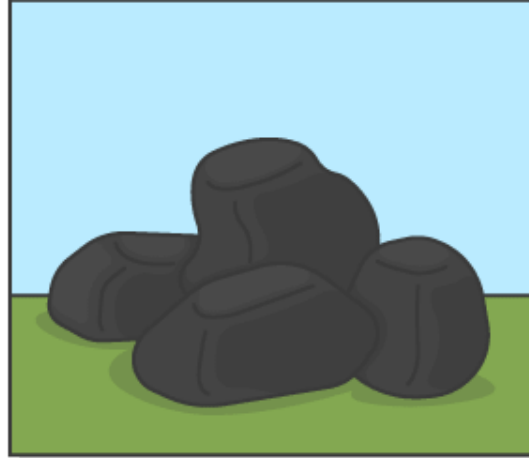
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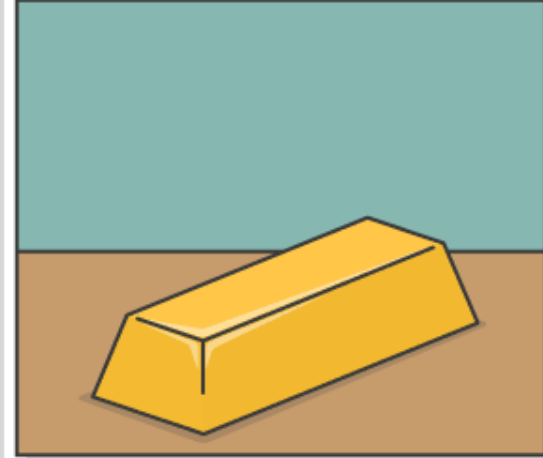
iron ore



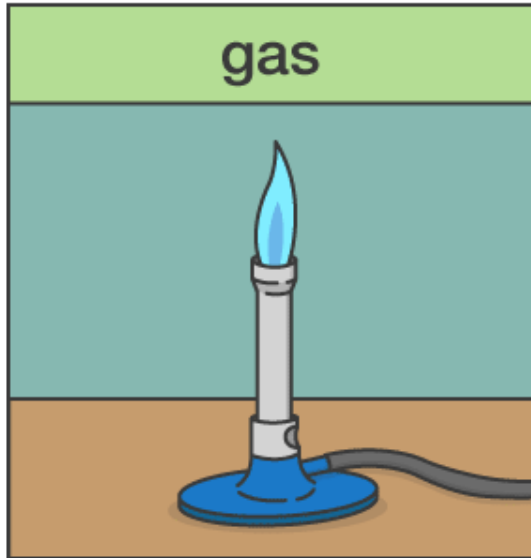
coal



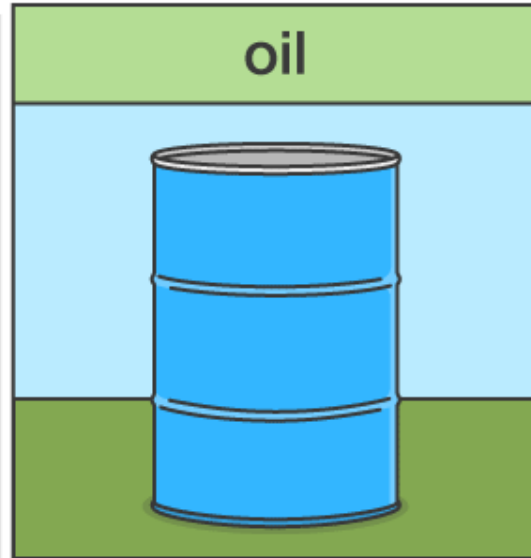
gold



gas



oil



NEGATIVE EXTERNALITIES



SHOULD THE BURDEN BE ON:

1. CONSUMERS: SUSTAINABLE CONSUMPTION

2. COMPANIES: SUSTAINABLE PRODUCTION

3. GOVERNMENTS: REGULATION



SHOULD THE BURDEN BE ON:

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Citizen

Consumer:

Civic activities in
the marketplace

Voting with our
dollars



Bank of America



NORDSTROM



IVANKA TRUMP

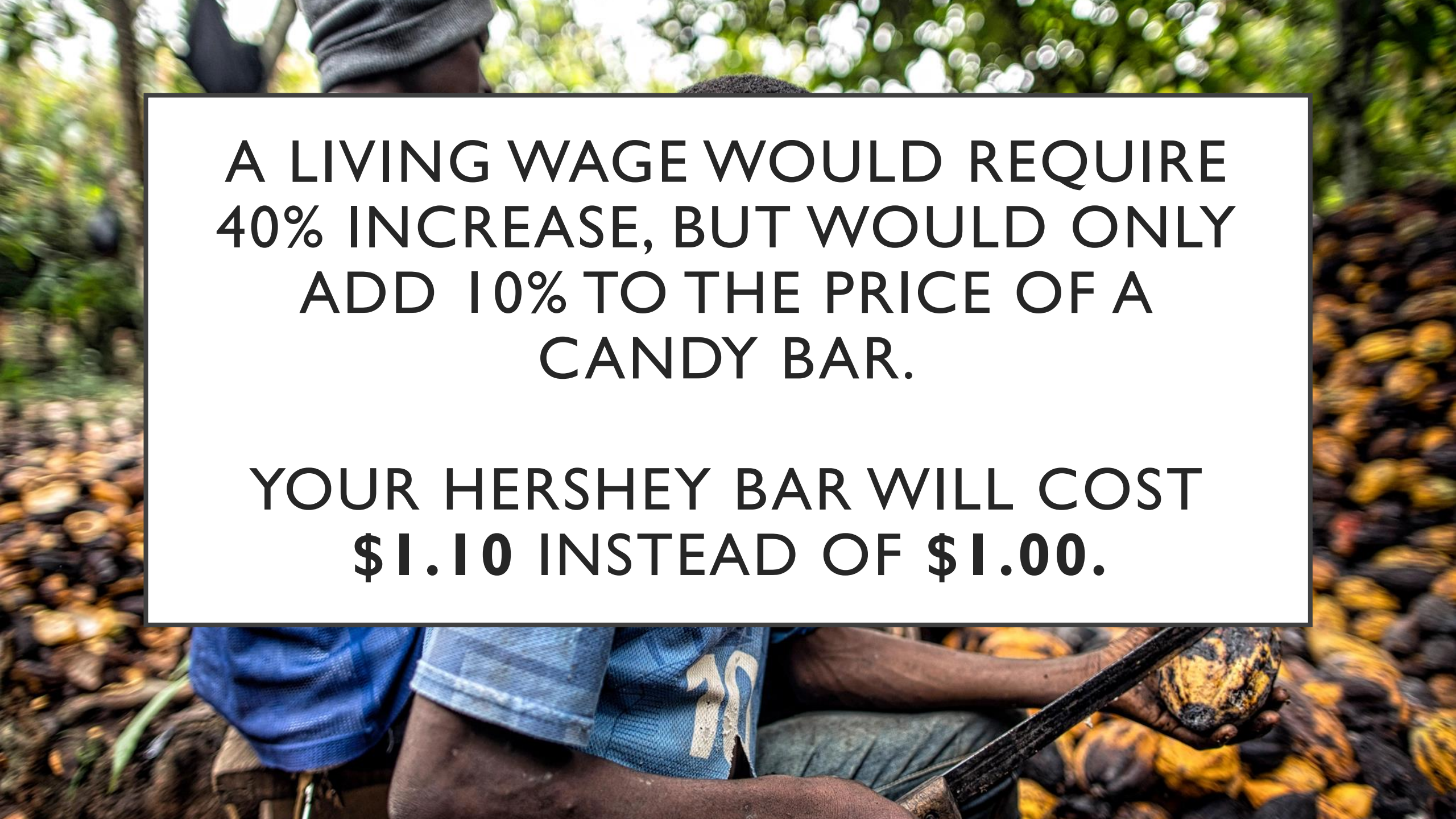


Microsoft





**IF COMPANIES PRODUCED
PRODUCTS SUSTAINABLY
(WITHOUT EXTERNALITIES)
WOULD CONSUMERS PAY?**

A person wearing a blue shirt is using a machete to cut a cocoa pod in a field. The background is filled with many cocoa pods on the ground, some yellow and some dark. The scene is outdoors with green foliage in the background.

A LIVING WAGE WOULD REQUIRE
40% INCREASE, BUT WOULD ONLY
ADD 10% TO THE PRICE OF A
CANDY BAR.

YOUR HERSHEY BAR WILL COST
\$1.10 INSTEAD OF **\$1.00**.

**COUNTER FACTUAL: WHAT IF WE
HAD NO LABOR OR ENVIRONMENTAL
REGULATION IN THIS COUNTRY?**





SHOULD CONSUMERS HAVE THE
RESPONSIBILITY?

SHOULD THE BURDEN BE ON:

1. CONSUMERS: SUSTAINABLE CONSUMPTION

2. COMPANIES: SUSTAINABLE PRODUCTION

3. GOVERNMENTS: REGULATION





**“WE DON’T NEED LEGISLATION TO
DEAL WITH THE PROBLEM. WE ARE
ALREADY ACTING”** CHOCOLATE
MANUFACTURERS ASSOCIATION

MARKET BASED STRATEGIES

Choice (having options)

Making it Easy (reducing monetary/behavioral costs) (White, Habib, and Hardisty 2019)

Information and Transparency (Mohan, Buell, and John 2020)

Segmentation (Kilbourne and Beckmann 1998; Choi, and Feinberg 2021)

Quantification and Concreteness (Camilleri et al. 2019; Winterich, Nenkov, and Gonzales 2019)

Certification/Eco-Label (Manget, Roche, and Munnich 2009)

Connection (White, Habib, and Hardisty 2019; Paharia et al. 2009)

Ownership and Agency (vs. Diffusion of Responsibility) (Peck et al. 2021, Paharia 2020)

Social Influence via Conspicuousness (Goldstein, Cialdini, and Griskevicius 2008; Habib et al. 2021)

Status (Griskevicius, Tybur, and Bergh 2010)

Business Models

Dematerialization (minimalism, experiences) (Csikszentmihalyi 2000; Wilson and Bellezza 2022)



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Our Progress This Season

**As of 2020,
39% of our
apparel
assembly
factories are
paying
workers a
living wage,
on average.**

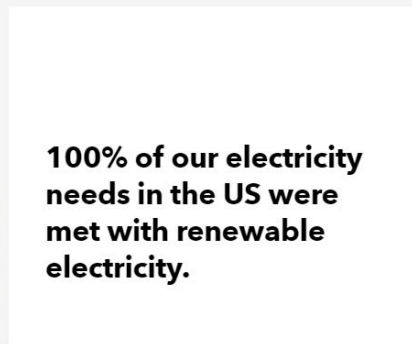


**100% of our down is
responsibly sourced.**



**98% of the products in
our line are made with
recycled materials.**

**100% of our electricity
needs in the US were
met with renewable
electricity.**



**88% of the products in
our line are Fair Trade
Certified™ sewn.**



Transparent Pricing

We believe customers have the right to know what their products cost to make.



MATERIALS
\$12.54



HARDWARE
\$2.78



LABOR
\$7.33



DUTIES
\$6.48



TRANSPORT
\$0.69



TRUE COST
\$29.84

\$78

EVERLANE

\$150

TRADITIONAL RETAIL

MARKET BASED STRATEGIES

Choice (having options)

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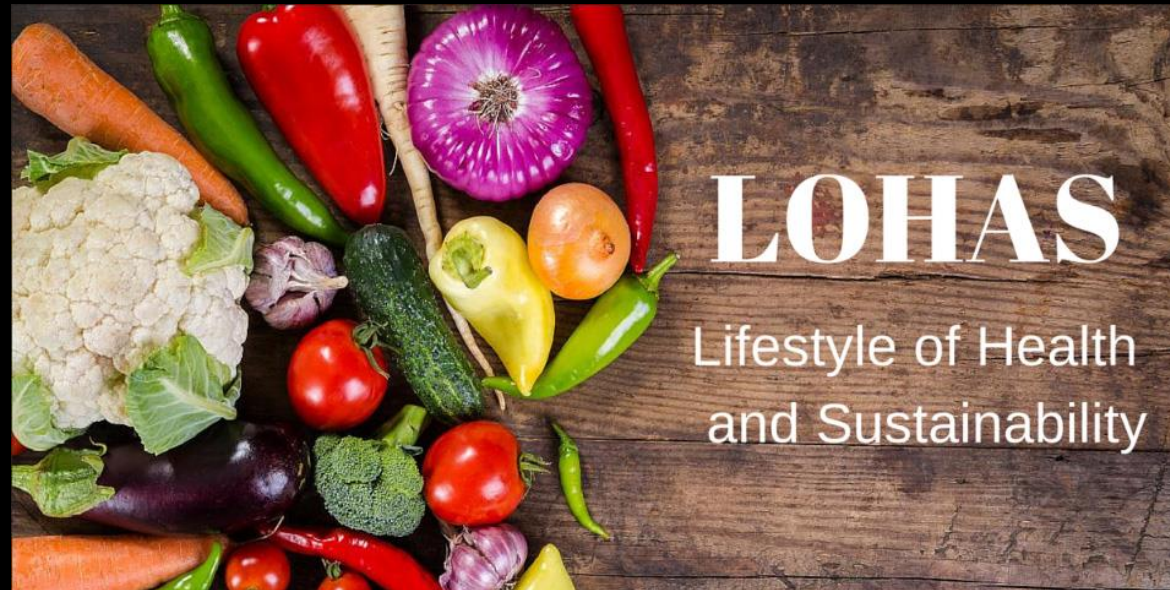
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SEGMENTATION: LOHAS



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CARBON FOOTPRINT



FOOD PRODUCTION: LIGHTBULB MINUTES



<i>Attributes</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<i>Price</i>	\$1,000	\$1,250	\$1,500
<i>Style</i>			
<i>Color</i>	Black	Navy	Gray
<i>Durability of Textile</i>	The textile used to make this coat will last about 5 years	The textile used to make this coat will last about 10 years	The textile used to make this coat will last about 15 years
<i>Sustainability</i>	Made with down feather meeting strict Down Integrity System and Traceability (DIST) requirements for animal welfare	Manufactured at Fair Trade Certified™ facilities with fair wage and labor practices	Certified to meet bluesign® criteria for advanced waste-reduction technologies to minimize carbon footprint after disposal

**DON'T BUY
THIS JACKET**



50 EASY DIY projects made from items in your RECYCLING BIN

MyMommyStyle.com



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FAIRTRADE
AMERICA

MARKET BASED STRATEGIES

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GOOD PAPER

Beautiful Cards. Better Lives.

HANDCRAFTED in THE PHILIPPINES with **HANDMADE PAPER**

This card was created for you by women who have escaped sex trafficking in the Philippines. Your purchase provides jobs that enable these women to support their families.

This card was made by

Jan

Learn more about her story at
www.goodpaper.com



sanctuary
spring
A Good Paper collection



SICHUAN PROVINCE

Nanchong

EMPLOYEES

1000


ESTABLISHED

2017

Nanchong Fashion Foundation Mfg, Ltd.

Silk is a beautiful natural fiber. But making it? Not always so pretty. Conventional silk production can wreak havoc on the environment. At Everlane, we're always working to reduce our impact. So when we finally found a silk producer that shared


DETAILS


 Model is 5'8" · Wearing size 2

 Relaxed fit

 100% silk · Dry clean

 Made in Nanchong, China · [See the factory >](#)

 **Safer For The Environment:** This product is dyed with bluesign®-approved dyes, which are safer for dyehouse workers and better for the environment.
Reduced CO2 Emissions: The LEED-certified factory uses energy-efficient AC, sewing machines, and lighting to lessen its carbon impact.

 [Questions about fit? Contact us >](#)

A graphic featuring the text "BUY LOCAL" in a bold, sans-serif font. The text is contained within a thick, black, rounded rectangular border that has a distressed, cracked texture. This rectangular border is superimposed over a circular border, also with a distressed, cracked texture. The entire graphic is rendered in black on a white background.

BUY LOCAL

MARKET BASED STRATEGIES

Choice (having options)

Making it Easy (reducing monetary/behavioral costs) (White, Habib, and Hardisty 2019)

Information and Transparency (Mohan, Buell, and John 2020)

Segmentation (Kilbourne and Beckmann 1998; Choi, and Feinberg 2021)

Quantification and Concreteness (Camilleri et al. 2019; Winterich, Nenkov, and Gonzales 2019)

Certification/Eco-Label (Manget, Roche, and Munnich 2009)

Connection (White, Habib, and Hardisty 2019; Paharia et al. 2009)

Ownership and Agency (vs. Diffusion of Responsibility) (Peck et al. 2021, Paharia 2020)

Social Influence via Conspicuousness (Goldstein, Cialdini, and Griskevicius 2008; Habib et al. 2021)

Status (Griskevicius, Tybur, and Bergh 2010)

Business Models

Dematerialization (minimalism, experience) (Csikszentmihalyi 2000; Wilson and Bellezza 2022)



Psychological Ownership





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Business Models

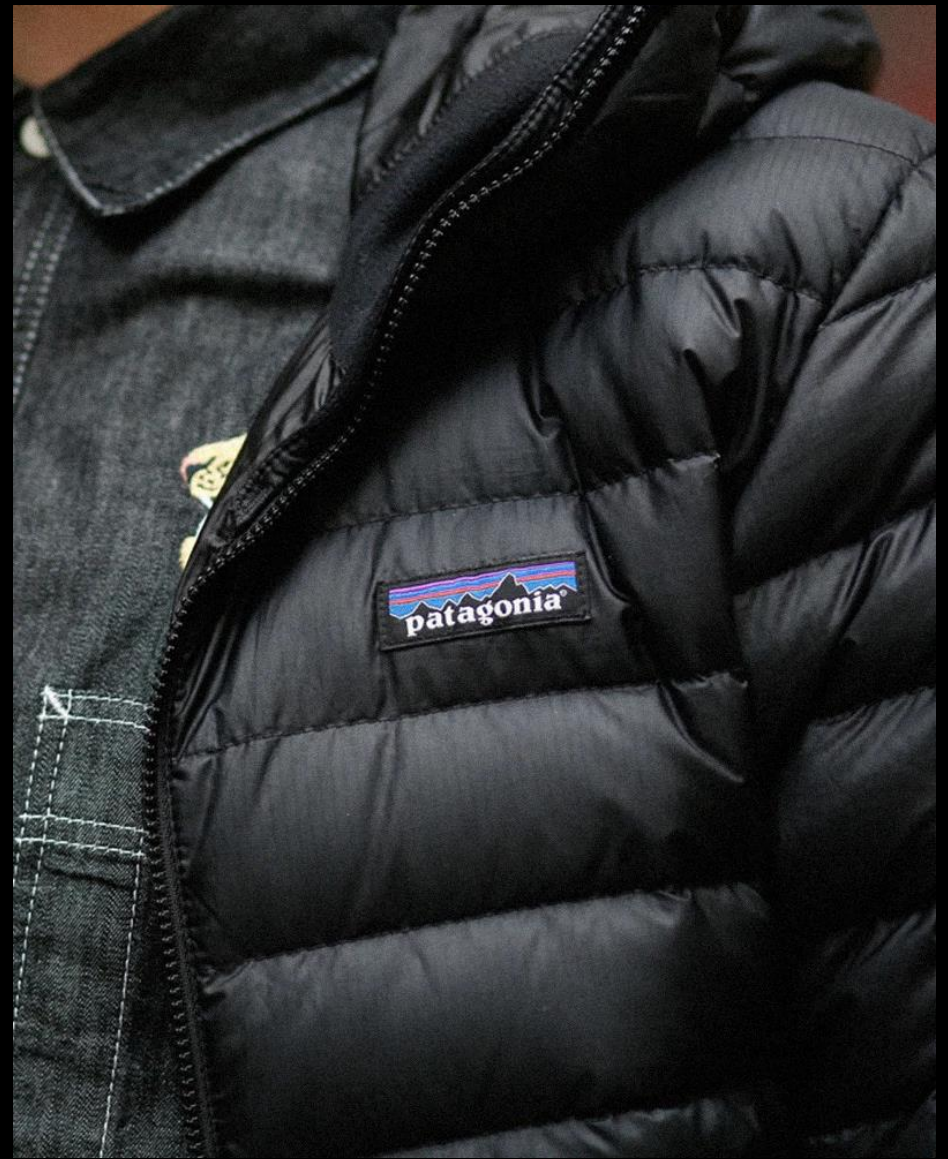
Dematerialization (minimalism, experience) (Csikszentmihalyi 2000; Wilson and Bellezza 2022)

November Neighbor Comparison | You used 28% MORE



COURTESY OF POWER

homes t



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RENT THE RUNWAY

RENT THE RUNWAY



Carbon Offsets

Offsets represent emission reductions that have been achieved outside of the capped sector.

1 Company A needs to meet its emissions cap



2 Company A invests in an emission reduction project that produces carbon offsets



INVESTMENT

3 Company A receives carbon credits for its investment



CARBON OFFSET



Carbon offsets programs can include:

- Reforestation
- Renewable energy
- Methane capture/combustion

One carbon credit = One tonne of greenhouse gas emission reductions

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Minimalist **LIFESTYLE**



SHOULD THE BURDEN BE ON:

1. CONSUMERS: SUSTAINABLE CONSUMPTION

2. COMPANIES: SUSTAINABLE PRODUCTION

3. GOVERNMENTS: REGULATION



THERE IS A MORAL
RESPONSIBILITY...FOR US NOT TO
ALLOW SLAVERY, CHILD SLAVERY, IN THE
21ST CENTURY” REP ELIOT ENGEL (NY)



WE HAVEN'T ELIMINATED CHILD LABOR (IN THE CHOCOLATE INDUSTRY) BECAUSE NO ONE HAS BEEN FORCED TO" VOICE NETWORK

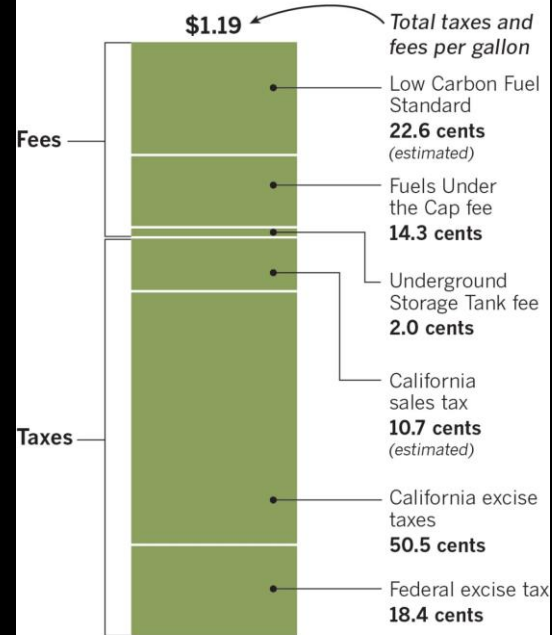


INCENTIVES/TAXES



Gasoline taxes and fees in California

As of March 12, the average price of a gallon of regular gas was \$3.80, and almost one-third of that is for taxes and fees.



Source: Stillwater Associates

MICHELLE GUERRERO U-T



© dreamstime.com

ID 132991111 © jwprw

EV REGULATION



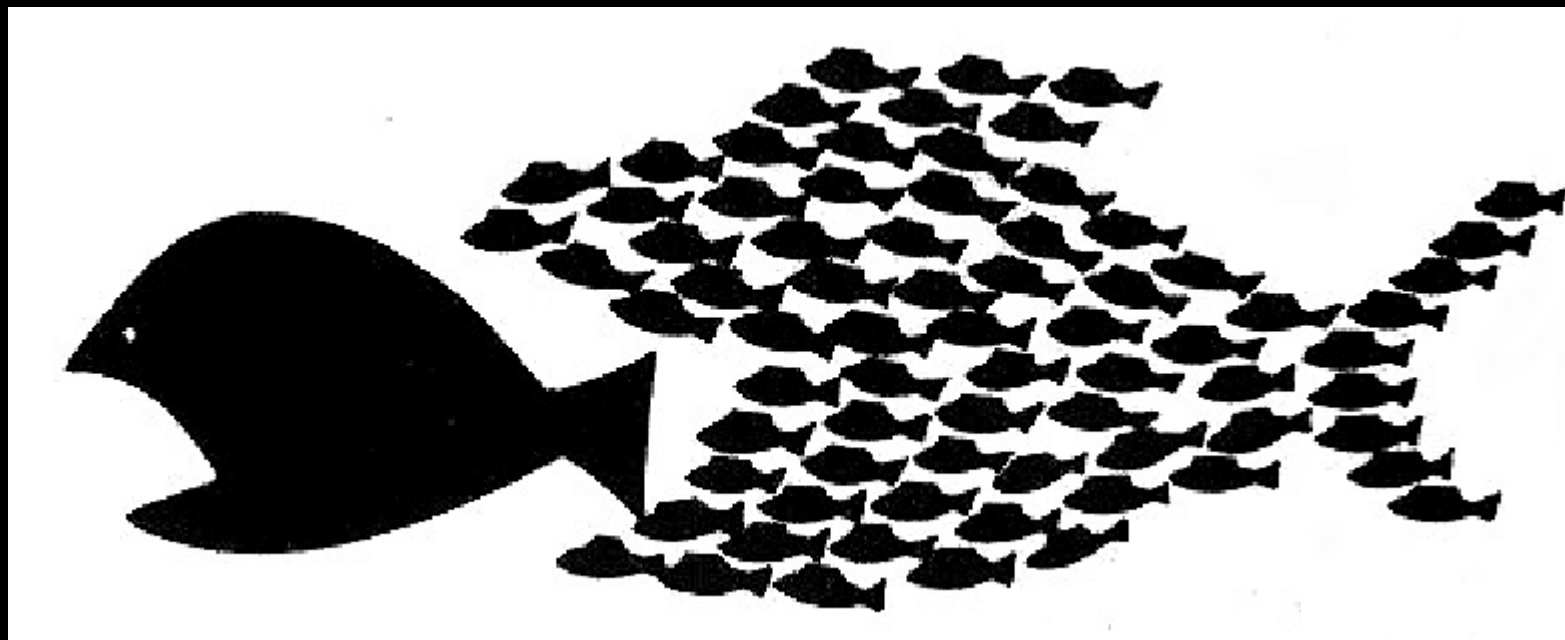
A close-up photograph of a clothing rack filled with various garments. The items are primarily sweaters and shirts in a wide array of colors, including teal, cream, orange, red, pink, green, purple, black, blue, yellow, and bright red. The garments are hanging on clear plastic hangers, and the focus is sharp on the middle section, with some items in the foreground and background slightly blurred.

FASHION SUSTAINABILITY AND SOCIAL ACCOUNTABILITY ACT

GOVERNMENTS CAN SET A FLOOR SO
THAT NO COMPANY CAN UNFAIRLY
CREATE NEGATIVE EXTERNALITIES
WITHOUT PAYING FOR THEM



GOVERNMENTS CAN SOLVE A
COLLECTIVE ACTION PROBLEM FOR
CONSUMERS



A photograph of a nuclear power plant with several large, grey, conical cooling towers. The towers are emitting thick plumes of white steam that rise into the sky. The scene is set against a bright, hazy sky, possibly during sunrise or sunset. In the foreground, there is a dense line of green trees. The entire image is framed by a white border.

POLITICAL ECONOMY: INVEST IN SUSTAINABLE TECHNOLOGIES



Regulation



Consumer Demand



