

# Financial Returns Versus Moral Concerns: Laypeople's Willingness to Engage in Fair Investments

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**Abstract** Both household consumption and savings behavior are increasingly influenced by fairness concerns. Although justice research has repeatedly investigated consumers' ethical consumption, research on laypeople's (i.e., non-experts') ethical investment behavior has received far less attention. Across four studies, we find that—on average—people are willing to accept lower interest rates for an increased ethicality of their financial investments, which suggests that fairness concerns are taken into account when making investment decisions. We find that investments with higher fairness must yield an overall lower return to be preferred over a secure fixed-income fund compared to more immoral investments (Study 1). Furthermore, laypeople prefer fairer funds in direct comparison (Study 2), an effect that cannot be solely attributed to people's general tendency to underestimate dynamic interest rate effects (Study 3). Finally, we explored the potential psychological processes that could underlie this average preference for moral investments and find that harm/care and fairness moral foundations moderate the effect (Study 4). We find that perceptions of fairness mediate the link, but perceptions of risk do not. The results provide consistent support for fairness concerns in laypeople's financial decision making, similar to what has been found in ethical consumption.

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## Introduction

Fairness in consumer behavior has received substantial research attention in social justice research and in consumer research (e.g., Lotz, Christandl, & Fetchenhauer, 2013; Poelman, Mojet, Lyon, & Sefa-Dedeh, 2008; Zander & Hamm, 2010). On the level of consumer behavior, one of the more recent trends to tackle global inequalities and poverty is an increased awareness about such inequalities and the voluntary consumption of *Fair Trade* products. For instance, when consuming a cup of coffee, an increasing number of consumers demand information about where the coffee originates from and what the production standards are at the source. In fact, many consumers display a willingness to pay extra for coffee that is ethically certified by a non-governmental organization and given a *Fair Trade* label (e.g., De Pelsmacker, Driesen, & Rayp, 2005), which helps consumers to make their purchase decisions. Many studies have started to address the psychological antecedents and consequences of such ethical consumption (e.g., Eskine, 2013; Mazar & Zhong, 2010), delivering useful insights for our understanding of people's justice motives in their roles as consumers.

However, how does this importance of fair consumption translate into fair investing? When investing into a company that produces coffee, do lay investors still care about the fairness of production standards, or do they merely focus on the financial return of their investment? After all, a small difference in interest rate can, over the course of a 40-year pension plan, lead to tremendous differences in wealth. Despite equal importance, ethical consumer finance has received much less public attention, and there is hardly any awareness about the companies we invest in with our pension plans or other financial instruments. Similarly, hardly any research addresses laypeople's moral judgments of finance or investment behavior (cf. Lotz & Fix, 2013). Although people are willing to pay a premium for *Fair Trade* goods, the question remains whether this translates into investment behavior: Are people also willing to invest in *Fair Trade* financial instruments despite lower interest rates?

The aim of the present research is to extend the research on fairness concerns in consumer behavior to the domain of personal finance. We show that people are willing to pay for fairness in their financial products that adhere to their moral code of conduct or their beliefs about what is fair (e.g., the negation of child labor, high environmental standards, etc). Including such concerns in consumer finance complements our knowledge about how justice principles affect not only social interaction, consumption, and political views but also personal and household finance behavior.

## A Justice Perspective on Laypeople's Financial Decision Making

Although some research has been interested in the ethical aspects of finance, it rarely focuses on the consumer; it instead focuses almost exclusively on the

institutional level (e.g., Schueth, 2003; Sparkes & Cowton, 2004). Importantly, thus far, financial research could only speculate about the willingness of non-experts to trade-off financial returns to adhere to their fairness concerns (Glac, 2009, 2012; Renneboog, Ter Horst, & Zhang, 2008), leaving this question open for future research. Although there has been some evidence in financial research that laypeople's investment behavior is affected by various elements other than the objective attractiveness of the financial return (Fama & French, 2007)—among them product and brand evaluation (Aspara & Tikkanen, 2010), country of origin (Morse & Shive, 2011), and even the esthetics of the financial documents (Townsend & Shu, 2010)—issues related to fairness have been largely under-researched.

Therefore, we take a justice perspective on the issue to examine laypeople's willingness to trade-off financial returns and fairness concerns. Social justice research supports the importance of justice and morality in people's lives (Lerner, 1980). Ample evidence highlights the significance of people's justice concerns and shows various methods to overcome injustice (Lind & Tyler, 1988; Lotz, Okimoto, Schlösser, & Fetchenhauer, 2011; Tyler, 1994; van Prooijen, 2010; Wenzel, Okimoto, Feather, & Platow, 2008). For instance, people are frequently willing to sacrifice their own resources to achieve justice, either when directly involved (Turillo, Folger, Lavelle, Umphress, & Gee, 2002) or when in the role of third-party observers (Fehr & Fischbacher, 2004; Lotz, Baumert, Schlösser, Gresser, & Fetchenhauer, 2011). People also hold certain moral views against particular forms of investment behavior, for example, short-selling (Lotz & Fix, 2013). However, whether people's concerns for justice or their moral convictions are relevant for their own investment behavior has not been directly addressed.

Notably, research that focused on laypeople's perception of economic processes found a robust tendency among them to base their judgments on perceptions of fairness. For example, a large body of literature indicates that there are differences in the judgments made between experts and laypeople regarding economic policy (Baron & Kemp, 2004; Caplan, 2008; Enste, Haferkamp, & Fetchenhauer, 2009; Gangl, Kastlunger, Kirchler, & Voracek, 2012; Haferkamp, Fetchenhauer, Belschak, & Enste, 2009; Jacob, Christandl, & Fetchenhauer, 2011; Kemp, 2007, 2008). More generally, it was shown that laypeople process economic phenomena such as growth and inflation differently from experts (Christandl & Fetchenhauer, 2009). One finding of the research on laypeople's perceptions of the economy is particularly relevant in the current context. Laypeople seem to accept policy measures not on grounds of selfishness (i.e., traditional economic theory) or efficiency (i.e., like economic experts) but on the grounds of fairness (Haferkamp et al., 2009). Although professional economists generally support measures that involve freedom of trade or labor mobility on the basis of efficiency argumentations (Alston, Kearl, & Vaughan, 1992; Coughlin, 2002; Jacob et al., 2011), laypeople tend to endorse more regulatory activities (Kemp, 2007), such as the protection of domestic workers with minimum wages or bans on immigration, due to fairness considerations (Haferkamp et al., 2009).

Quite plausibly, laypeople's own behavior reflects these fairness considerations as well. Although there might be economic arguments based on efficiency to

support child labor or to question *Fair Trade* products, it is quite clear that the negotiation of child labor and voluntary payments above the market price might be perceived as matters of fairness. Therefore, our very general hypothesis is that, similar to fairness concerns in consumption, people display fairness concerns in financial investments, which we address in four studies.

## Overview of the Present Research

We designed several studies to test our general hypothesis that there are differences in laypeople's willingness to pay for fair and unfair investments. In Study 1, participants were asked to indicate a minimum annual return for a fair vs. unfair investment fund that would make them prefer this fund over a fixed-income fund that yielded an annual 5 % in interest rate. Study 2 utilized a within-subjects design and directly asked participants which of two investment funds they preferred. The funds differed in their fairness perception and financial return; the fair fund yielded a lower overall expected return and equal riskiness. Study 3 addressed a potential confounder (i.e., people tend to underestimate the dynamic interest rate effects; Christandl & Fetchenhauer, 2009) and communicated the expected wealth at the end of the investment horizon to check if concerns for fairness are driven by underestimating the consequences of foregoing better interest rates. Finally, Study 4 explores the potential psychological processes by assessing the correlation with several psychological concepts and shows that the willingness to accept lower interest rates is mediated by perceptions of fairness and moderated by moral foundations related to harm/care and fairness. The overall finding supports our hypothesis: Laypeople are willing to forego higher interest rates for higher degrees of fairness when making investment decisions.

## Study 1: Minimum Return for Fair vs. Unfair Investments

### Participants and Procedure

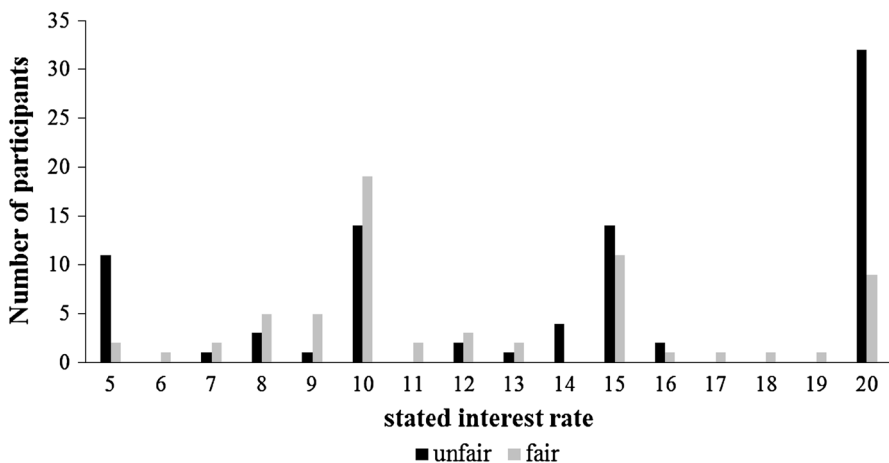
In Study 1, we assessed the differences in the minimum demanded annual return of an investment fund. We recruited 150 participants (64 % males;  $M_{\text{age}} = 29.25$ ;  $SD_{\text{age}} = 9.16$ ) who participated via *Amazon Mechanical Turk* (for the validity of psychological research using AMT, see Buhrmester, Kwang, & Gosling, 2011) in exchange for a small monetary compensation of \$.50. We assigned them to one of two conditions, and they read the following vignette, which involved the opportunity to invest in a fixed-income fund or in a fair vs. unfair investment fund: "Imagine you are starting a new job and your employer offers you an additional pension plan. You can invest in either Fund A or in Fund B. The employer will add \$50 to your monthly salary. This amount is tax-free and directly paid to your pension fund. Fund A is a fixed-income fund with an annual return of 5 %, which is risk-free. As an alternative, you can choose an investment fund in emerging markets. Here is some information about the fund: Investment fund

description: This fund invests in mining companies and related suppliers in Sub-Saharan Africa. The expected annual return is currently unknown. The fund has recently been accused by consumer protection agencies of investing in companies that have not signed the global Anti-Child Labor Treaty (ACLT); thus, they implicitly confess that they frequently rely on child labor in underground mines (vs. The fund has recently been praised by consumer protection agencies for investing in companies that have signed the global ACLT; thus, they implicitly guarantee that they rarely or never rely on child labor in underground mines). On the next page, you will have to indicate the minimum annual return that would lead you to choose the investment fund over the risk-free fixed-income fund.”

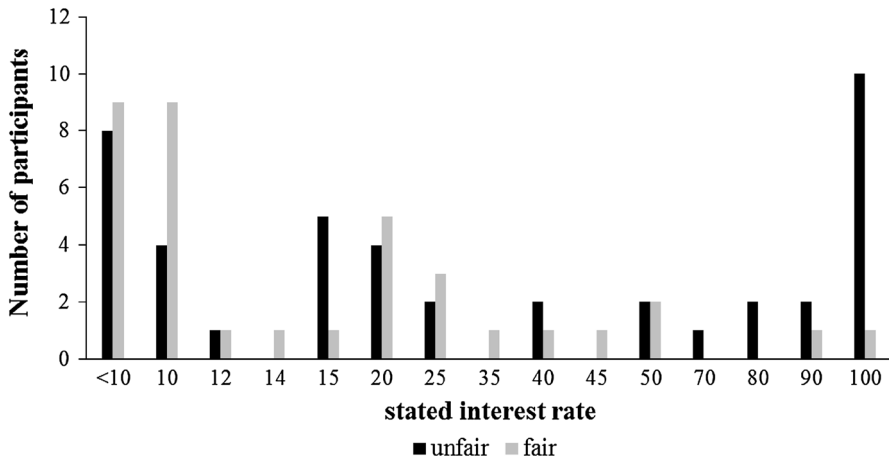
Subsequently, participants were asked to indicate the minimum required annual return, ranging from 5 to 20 % (including all percentage points), of the investment fund that would lead them to choose the investment fund over the fixed-income fund. Additionally, we collected demographic information about age and gender.

## Results and Discussion

In line with our hypothesis, the results show that participants indicated a higher minimum annual return for the unfair investment fund than for the fair investment fund:  $t(147.81) = 2.35$ ,  $p = .020$ ,  $d = .68$ . Whereas the minimum annual return was 14.23 % ( $SD = 5.43$ ) for the unfair investment fund, participants demanded only 12.37 % ( $SD = 4.30$ ) for the fair investment fund (see Fig. 1 for a distribution). An analysis of variance controlling for the covariates (gender, age) indicated positive trends regarding age:  $F(1, 146) = 2.27$ ,  $p = .134$ ,  $\eta^2 = .02$ , and gender (female = 1, male = 0),  $F(1, 146) = 2.65$ ,  $p = .106$ ,  $\eta^2 = .02$ . Importantly, the main result of the manipulation was robust when including these covariates in the model:  $F(1, 146) = 5.98$ ,  $p = .016$ ,  $\eta^2 = .04$ . As many people have opted for the highest option of 20 %, we recruited an additional 80 participants



**Fig. 1** Study 1: minimum demanded annual return in comparison to fixed-income fund



**Fig. 2** Study 1 (replication): minimum demanded return (open answer)

and conceptually replicated the study with an open answer possibility to check if a ceiling effect drove the results. However, this additional study confirmed the original findings and showed a significant difference in the expected direction ( $M_{\text{fair}} = 20.81$ ,  $SD = 22.14$ ;  $M_{\text{unfair}} = 43.14$ ,  $SD = 39.03$ ,  $t(68.17) = 3.31$ ,  $p < .001$ ,  $d = .71$ , see Fig. 2 for a distribution). Thus, the results confirmed the initial conclusion.

In total, Study 1 provides initial support for our hypothesis that people trade-off financial returns and moral concerns. People indicated a positive willingness to pay for the fund that avoided child labor; they were inclined to accept lower annual returns for the fund. However, this result should be viewed with some caution because it does not involve a direct individual trade-off but rather reflects average group behavior. Therefore, Study 2 augments the findings of Study 1 by directly letting participants engage in a comparison between two similar investment funds that vary only with respect to fairness.

## Studies 2: Trading off Interest Rate and Fairness

### Participants and Procedure

In Study 2, we addressed the within-subjects willingness to trade-off annual return and fairness. Therefore, we recruited another group of 57 participants (56.1 % males;  $M_{\text{age}} = 29.46$ ;  $SD_{\text{age}} = 8.33$ ) who participated via *Amazon Mechanical Turk* in exchange for a small monetary compensation of \$.50, and we had them choose between two similar investment funds. They read vignettes similar to those in Study 1 but had to choose which of the two investment funds they preferred. Because the minimum demanded annual interest rates were slightly above 12 % for the fair fund and slightly above 14 % for the unfair fund in Study 1, we used these numbers as

annual return rates in Study 2 and presented participants with the following vignettes:

“Imagine you are starting a new job and your employer offers you an additional pension plan. You can invest in either Fund A or Fund B. The employer will add \$50 to your monthly salary. This amount is tax-free and directly paid to your pension fund. You have to choose between the two funds described below. Your choice is definite and cannot be reversed in the next 15 years. Here is some information about the funds.

**Fund A:** This fund invests in mining companies and related suppliers in Sub-Saharan Africa. The expected annual return is 14 %. The fund has recently been accused by consumer protection agencies of investing in companies that have not signed the global ACLT; thus, they implicitly confess that they frequently rely on child labor in underground mines.

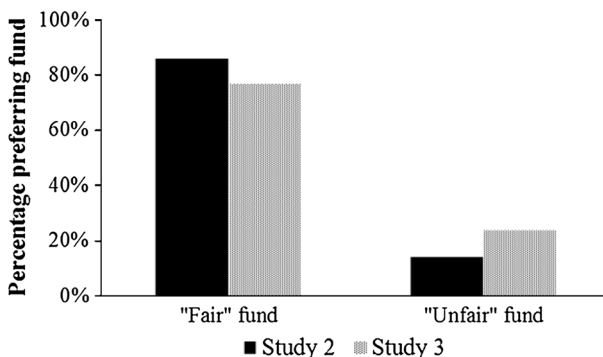
**Fund B:** This fund also invests in mining companies and related suppliers in Sub-Saharan Africa. The expected annual return is 12 %. The fund has recently been praised by consumer protection agencies for investing in companies that have signed the global ACLT; thus, they implicitly guarantee that they rarely or never rely on child labor in underground mines.

On the next page, you will have to indicate which fund you would prefer!”

Subsequently, the participants were asked to indicate their preferred investment fund. Additionally, we collected demographic information about age and gender.

## Results and Discussion

As in Study 1, the results suggest that participants were largely willing to trade annual return rates for a higher degree of fairness. Choices were heavily biased toward the fair option: Kolmogorov–Smirnov  $Z = 6.49$ ,  $p < .001$ . Whereas 86 % preferred the fair fund that yielded a lower (i.e., 12 %) interest rate, only 14 % preferred the unfair fund that yielded a higher (i.e., 14 %) interest rate (see Fig. 3). An analysis of all the covariates (gender, age) by means of logistic regressions showed no significant influence of these variables on the choices of either fund.



**Fig. 3** Studies 2 and 3: percentage preferring “fair” and “unfair” fund

Taken together, the studies thus far suggest that people display a preference for fair investments and for avoiding unfair investments based on their higher demanded minimum annual returns (Study 1) and direct choice (Study 2). However, it might be premature to conclude that people are willing to pass on profits due to fairness. Rather, their choice behavior might result from cognitive biases in the estimates of the dynamic effects of interest rates. In this respect, research suggests that people heavily underestimate the dynamics of interest rates and therefore might not fully grasp the consequences (i.e., the price) of their behavior (Christandl & Fetchenhauer, 2009). In fact, this tendency could underlie judgments in both Study 1 and Study 2. To the extent that this account is true, people might just not be aware what they are sacrificing in monetary returns for the sake of fairness. If people systematically underestimate the total returns and consequential wealth that results from their investments, they might prefer fairness due to their underestimation of the associated financial costs. Therefore, we reframed the information in Study 3 and included information about interest rates and total wealth at the end of the investment horizon. In our case, the difference between a 12 and 14 % annual return over 15 years equals a total difference in wealth of approximately \$5,000. Thus, rather than deciding about trading off a 2 % annual interest rate for the sake of fairness, we presented participants with a trade-off between fairness and \$5,000.

### **Study 3: Foregoing Higher Interest Rate for Fairness When Wealth Effects are Communicated**

#### Participants and Procedure

In Study 3, we replicated and augmented the within-subjects willingness to trade annual return for fairness when wealth effects are directly communicated. Therefore, we recruited another group of 44 participants (52.3 % males;  $M_{\text{age}} = 32.43$ ;  $SD_{\text{age}} = 10.06$ ) who participated via *Amazon Mechanical Turk* in exchange for a small monetary compensation of \$.50, and we had them choose between two similar investment funds. They read vignettes similar to those in the second study and also had to choose which of the two investment funds they preferred. In addition to the difference in interest rates, we directly communicated their wealth effects. Therefore, the following sentence was included in the otherwise identical vignettes of Study 2:

“Your expected payoff resulting from this investment fund is \$30,642.69 [vs. \$25,228.80, depending on the condition].”

Subsequently, the participants were asked to indicate their preferred investment fund. Additionally, we collected demographic information about age and gender.

#### Results and Discussion

Consistent with the two previous studies, Study 3 revealed participants' strong preference for the fair investment fund, while excluding the possibility that people may underestimate dynamic interest rate effects. As in Study 2, choices were



heavily biased toward the fair option: Kolmogorov–Smirnov  $Z = 5.03$ ,  $p < .001$ . Whereas 76.7 % preferred the fair fund, which yielded a lower (i.e., 12 %) interest rate, only 23.7 % preferred the unfair fund, which yielded a higher (i.e., 14 %) interest rate (Fig. 3). An analysis of all the covariates (gender, age) by means of logistic regressions showed no significant influence of these variables on the choices of either fund.

To summarize, Study 3 replicated and augmented the basic evidence produced in Studies 1 and 2. Participants are willing to accept lower interest rates for fair investment funds and prefer these funds when directly comparing them to more financially attractive funds. In addition, people’s tendency to underestimate the dynamic effects of interest rates does not seem to account for this effect. Even when the financial consequences are directly communicated, people largely prefer fairness in investments.

#### Study 4: Exploring the Psychological Processes

Although the previous studies demonstrated consistently that laypeople are willing to accept lower interest rates in exchange for a higher degree of fairness in their investments, these studies did not discuss the potential psychological processes. Additionally, it has not been shown that the funds actually differ in the perception of fairness. Although it is quite plausible that child labor is seen as unfair, Study 4 directly measures these fairness perceptions to see whether they mediate the effect. Additionally, the higher demanded interest rate could also indicate a perception of higher riskiness of the investment. Although the former would implicate fairness concerns, the latter could basically be a standard economic argument that higher risks need to be rewarded with a higher interest rate. Therefore, we replicated Study 1 but also measured perceptions of fairness and risk as potential mediators. Additionally, we assessed various potential moderators of the effect. If fairness motivation indeed underlies the preference for the fair fund, then harm/care and fairness moral foundations (Haidt & Graham, 2007), belief in a just world (Dalbert, Montada, & Schmitt, 1987), economic system justification (Jost & Thompson, 2000), moral identity (Aquino & Reed, 2002), or empathy (Davis, 1983) could moderate the main effect.

#### Participants and Procedure

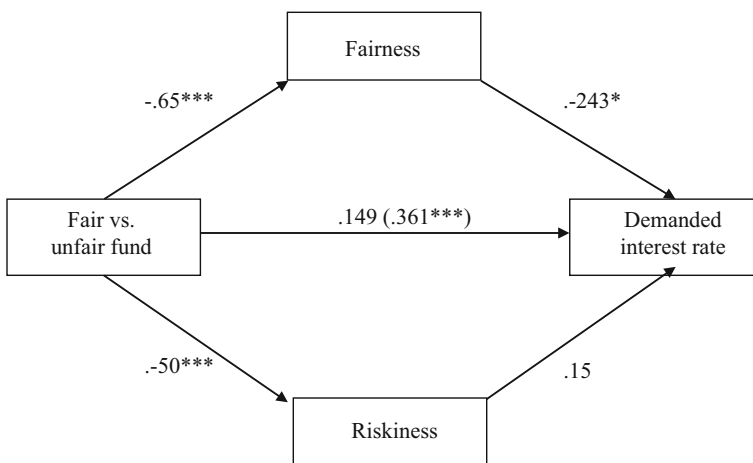
As in Study 1, we assessed the differences in the minimum demanded annual return of an investment fund. We recruited 111 participants (47 % males;  $M_{\text{age}} = 36.47$ ;  $SD_{\text{age}} = 12.87$ ) who participated via *Amazon Mechanical Turk* in exchange for a small monetary compensation of \$.50. We assigned them to one of two conditions, which were identical to those in Study 1. Before indicating the minimum demanded interest rate, they were asked to rate the fund in terms of fairness and riskiness. To assess fairness, they had to rate the two items: “The fund is unfair” (reverse-coded) and “The fund is moral.” To assess riskiness, they had to rate the item: “The fund is risky” (reverse-coded). Answers were given on scales ranging from 1 (*strongly*

*disagree*) to 7 (*strongly agree*), and the fairness items were crossed to form a composite measure of perceived fairness. Subsequently, we measured moral foundations (Haidt & Graham, 2007), belief in a just world (Dalbert et al., 1987), economic system justification (Jost & Thompson, 2000), empathy (Davis 1983), moral identity (Aquino & Reed, 2002), and various demographics.

## Results and Discussion

We replicated the general pattern found in Studies 1–3. The minimum demanded interest rate was higher for the unfair fund ( $M = 15.19\%$ ,  $SD = 5.29$ ) than for the fair fund ( $M = 11.20\%$ ,  $SD = 3.94$ ,  $t(109) = 4.48$ ,  $p < .001$ ). Furthermore, assessing a multiple mediator model that involved fairness ratings along with riskiness ratings, the results suggest that the driving force was the fairness ratings. Although the unfair fund was rated as less attractive, it was also rated as more unfair. Employing bootstrapping, as is recommended in the literature (Preacher & Hayes, 2008), only the latter was found to be a significant mediator in a multiple mediator model (Fig. 4). Including the mediators, the relationship between the experimental manipulation and the dependent variable was found to be no longer significant. The fairness ratings predicted the dependent variable, whereas the riskiness ratings did not.

Furthermore, we assessed the potential moderators of the main effect of the experimental manipulation on the dependent variable. In line with the general pattern that fairness ratings underlie the differences in demanded interest rates, Tobit regressions accounting for the censored dependent variable (i.e., the

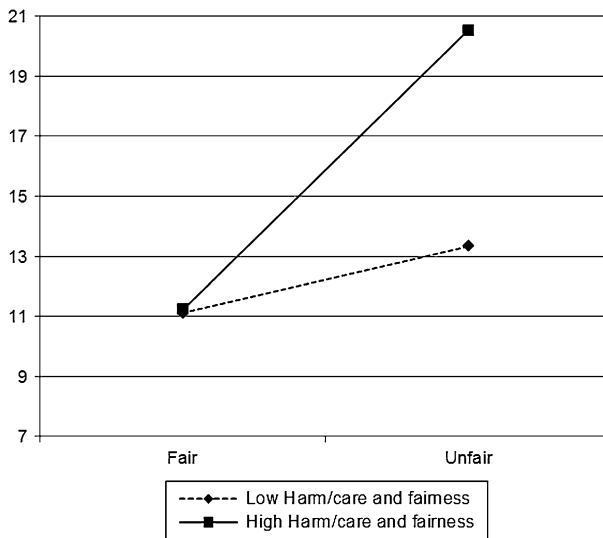


**Fig. 4** Study 4: Mediation results  $*p < .05$ ;  $**p < .01$ ;  $***p < .001$ . Values are the standardized betas from hierarchical regression analysis. Value in parentheses is the standardized beta for the simple association between the manipulation and the demanded interest rate, prior to the entry of the mediating variables. Bootstrap result for indirect effect through “fairness”: total value .82, bias corrected and accelerated 95 % lower level CI: .04; upper level CI: 1.70. Bootstrap results for indirect effect through “riskiness”: total value .26, bias corrected and accelerated 95 % lower level CI:  $-.06$ ; upper level CI: .65. Bootstrap results for total indirect effect: total value 1.08, bias corrected and accelerated 95 % lower level CI: .29; upper level CI: 1.96

**Table 1** Moderation results obtained from Tobit regressions (Study 4)

	Coeff.	SE	<i>t</i>	<i>p</i>
Step 1				
Condition (fair vs. unfair)	2.75	.68	4.04	.000
Constant	14.36	.68	21.01	.000
Step 2				
Condition (fair vs. unfair)	-4.02	3.44	-1.71	.246
Harm/care/fairness foundations	1.64	.79	2.08	.040
Condition × foundations	1.60	.79	2.01	.046
Constant	6.94	3.45	2.01	.047

Dependent measure is demanded interest rate. 5 % served as the lower limit and 20 % as the upper limit of the Tobit regression, accounting for censored variable



**Fig. 5** Study 4: interaction of manipulation and harm/care and fairness moral foundations. Low and High indicates one standard deviation below or above the mean. The *graph* indicates the estimated demanded interest rates using the Tobit results

maximum choice was 20 % and the lowest choice was 5 %) show that only harm/care and fairness moral foundations moderated the effect (Table 1). None of the other moral foundations qualified this main effect and neither did the other constructs that we have measured (Fig. 5).

### General Discussion

Overall, this research provides initial evidence that people display some willingness to accept lower interest rates in return for increased fairness of their investment. Our

findings, which suggest that financial returns are not the only variable that influences choices of investment, are similar to the findings in the growing body of literature on consumer goods (Lotz et al., 2013; Poelman et al., 2008; Schuldt, Muller & Schwarz, 2012) and to some initial evidence in the domain of finance (Lotz & Fix, 2013; Sparkes & Cowton, 2004). These findings augment previous research on fairness issues around decision making in consumption and savings behavior by showing how investment behavior can be affected by the (perceived) fairness of the underlying asset. Importantly, Study 4 provided some process evidence that fairness perception underlies these differences and documents a direct link between fairness and interest rates. Additionally, harm/care and fairness as moral foundations moderated this relationship, providing first insights into potential psychological processes.

### Psychological Processes that Could Underlie Consumers' Willingness to Accept Lower Interest Rates

Although the present research documented across various studies that laypeople are willing to sacrifice higher interest rates for the sake of higher fairness in their portfolio, our research could only *explore* the potential psychological processes that cause, increase, or moderate this effect. We have found some evidence for the relevance of moral foundations but not for belief in a just world, economic system justification, empathy, or moral identity; thus, our research cannot deliver sufficient process evidence to fully understand the reasons why people seem to be willing to pay for fairness in finance. Although many studies in psychology (De Cremer & Blader, 2006; Matania & Yaniv, 2007; Turillo, Folger, Lavelle, Umphress, & Gee, 2002) and economics (Bolton & Ockenfels, 2000; Fehr & Schmidt, 1999; Kahneman, Knetsch, & Thaler, 1986) have specifically addressed people's fairness concerns and their willingness to trade material well-being for the sake of fairness, many more mechanisms can play an important role.

One important route for future research could be the link of "taboo trade-offs" and the current findings. Research in social psychology suggests that trading sacred goods (i.e., justice, fairness, morality, respect) for profane goods (e.g., money, material goods) may not always be appropriate (Tetlock, 2003). Importantly, violations of moral codes of conduct or fairness norms often elicit socio-emotional concerns, which cannot be uniquely redressed in material terms (De Cremer, 2010; Okimoto, 2008). In fact, adding a premium on unfair funds may do even more damage than repair because it attempts to substitute emotional capital with material outcomes, an inappropriate "taboo trade-off" that can result in indignation and moral outrage (Fiske & Tetlock, 1997; Tetlock, Peterson, & Lerner, 1996). "Taboo trade-offs" are described as psychologically harmful trade-offs that exchange material goods for sacred values such as honor, love, and justice (Tetlock, Kristel, Elson, Green, & Lerner, 2000). In other words, people may find an exchange of profane money and sacred justice often unacceptable. Our data show people high in harm/care and fairness foundations demand very high interest rates, which could potentially signal their unwillingness to engage in unfair investments at all. For

them, trade-offs that involve fairness and money might constitute such a taboo (Tetlock, 2003); if fairness is a matter of “principle,” it cannot be made up for by means of a slightly lower interest rate.

However, many studies have found some positive willingness to pay for ethical and organic goods (De Pelsmacker et al., 2005; Didier & Lucie, 2008) and positive product ratings caused by ethical labels (Lotz et al., 2013). These seem like a violation of the previously described principle that people are averse to “taboo trade-offs.” One argument often put forward is that trading off material and non-material aspects such as fairness speaks to *symbolic* concerns (Okimoto, 2008) rather than outrage-inducing taboo trade-offs. This research shows that material compensation can function symbolically as a legitimate act of concern for the injustice victim or a cherished moral principle. This was also confirmed in the domain of client-relationship management (Lotz & Okimoto, 2013). Thus, it is plausible to assume that fairness concerns also affect investment behavior and fund choices: Trading financial returns for fairness not only induces illegitimate taboo trade-offs (Tetlock, 2003) but may also speak to symbolic concerns about protecting identity-relevant justice concerns (Okimoto, 2008; Okimoto & Tyler, 2007).

Another potentially fruitful avenue of future research lies in psychological distance and the relevance of fairness motives (Hoffman, McCabe, & Smith, 1996; Lieberman, Trope, & Stephan, 2007) of different investment tools. It could be expected that people are more reluctant to directly invest in unfair assets (e.g., buying stocks of unfair companies) than in rather indirect means of investment (e.g., funds of funds). Therefore, future research could delineate the exact conditions under which people are more averse to investing in unfair assets and under which conditions it becomes acceptable. Equally interesting are the psychological consequences when a direct exit is not possible. Especially in the case of funds of funds, consumers are potentially investing in hundreds of assets. It might be that, for instance, victim derogation (Kay, Jost, & Young, 2005) might play a role when an exit is not directly possible to psychologically deal with one’s unfair investment behavior.

### Shortcomings and Limitations

Although our research indicated a clear preference for fairness in our vignettes, our results are prone to some issues regarding external validity. Our focus was clearly on documenting the general phenomenon whereby laypeople take into consideration fairness issues other than interest rate maximization, but our results are entirely based on intentions. This raises questions regarding generalizability and external validity. First, our results could be interpreted as a means of “cheap talk” because participants did not affect their real financial outcomes. Although this is true for every type of vignette study, our scenario-based assessment of preference might be especially prone to such socially desirable answering patterns. Taking the point of view of psychology, however, the incompleteness of information and the complexity of real financial decision making might incur a loss of the control that researchers typically have in the laboratory. However, future research could test

whether laypeople are willing to sacrifice interest rates in a decision making context that has real financial outcomes (e.g., field experiments, experimental games, etc). For instance, examining actual decision making in banks could test if people are willing to sign pension contracts that accept a lower interest rate but are guaranteed certain ethical standards.

Another limitation of our research regarding the generalizability of the results is the fact that we uniquely relied on one manipulation of perceived fairness, i.e., the acceptance or negation of child labor. Thus, our research does not address the way that different degrees of unfairness lead to an inflation or deflation of these effects. The present context relied on a heavy fairness violation because it involved the use of child labor in mining, which is a heavily physical labor industry. Therefore, we cannot conclude how people are willing to trade-off returns for fairness in less dramatic situations (e.g., the unwarranted claim of governmental subsidies, tax avoidance, etc). That said, future research could augment the current findings by investigating whether the extent of the harm corresponds to a willingness to pay for fairness and whether people ascribe different prices to various unfair business practices. To the contrary, the effect of unfair investments might also lead to a “flat” price-premium, meaning that any degree of fairness increases the demanded return by  $x$  %.

## Conclusion

As a whole, this research provides initial evidence about fairness concerns in investment and savings behavior and shows how these concerns translate into trade-off considerations with financial profits. Recently, an intense debate has grown around ethical consumption; similar concerns regarding savings and investments are expected, especially in light of the aftermath of the financial crisis. Although some ethical banking already exists, it is far from reaching the mainstream, and it is still incomparable with research efforts and the practical side of ethical consumption. Perhaps labels (e.g., *Fair Finance*) that indicate moral standards regarding investment products are a next step to help consumers navigate the jungle of opportunities regarding the broad product range in the consumer finance markets. This would open up methods that traditionally stem from consumer research to an analysis of financial outcomes. Notably, because *Fair Trade* labels have been shown to influence highly subjective ratings, such as taste (Lotz et al., 2013), it would be interesting to see if these results translate into domains where product performance can be objectively measured, such as financial returns. This might open the door to many more psychological processes that potentially underlie justice concerns in consumption and savings behavior and open up an interesting research opportunity for justice researchers.

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