

The role of product labelling schemes in shaping more sustainable production and consumption systems

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Abstract

To facilitate more sustainable consumption different actors have introduced various labelling schemes providing information about a product's environmental, social or other attributes. Based on case studies of existing labelling schemes this paper analyses how sustainability related product labels try to shape the production and consumption system by enabling political consumerism and facilitating a more sustainable modification of the supply chain. Labelling schemes are thereby understood as representing a new form of governance, which to be effective, needs the legitimisation from all actors that are essential for these processes. On the one hand this offers opportunities from empowering non-governmental actors and being dissolved from national boundaries; on the other hand it sets clear limitations for the instrument.

1 Introduction

To facilitate more sustainable consumption different actors have introduced various labelling schemes over the past few decades providing information about a product's environmental, social or other attributes.

This paper presents an analytical framework showing how labelling schemes can shape a more sustainable production and consumption system. After an introductory clarification of the main terms used in this paper, the third section explains how labelling schemes try to shape the production and consumption system. Two main processes that labelling schemes try to facilitate are distinguished: political consumerism and modification of the supply chain towards sustainability. To be effective these processes and the labelling scheme as a whole need legitimisation by all essential actors involved. The legitimisation process and different forms of legitimacy granting are explained in section four. The fifth section describes how labelling schemes can try to achieve legitimisation by these actors through inclusive structures and the problems related to it. Main opportunities and limitations related to labelling schemes as a political instrument are discussed in the last section.

The paper is grounded in academic and grey literature from different disciplines focussing on the broader theme of product information as well as findings from case studies on the EU energy label, the EU ecolabel, the Fair Trade label and the Marine Stewardship Council (MSC). The case studies are based on a review of respective grey literature as well as secondary reviews of academic evaluations of these schemes. For more detail on the case studies please see (Dendler In progress b; Dendler In progress a; Dendler In progress c; Dendler In progress d).

2 Terminology

The focus of this paper is product labelling, which usually builds on some form of standardisation of certain production, management or other processes certified by a more or less independent institution. While information about the standardisation of processes and its certification does not necessarily need to be delivered with a product, product labelling implies the communication of product information on or with the product. The typical general steps of a certification and labelling process are: conception and institutionalisation of the scheme, criteria or standard setting, (more or less) independent assessment of processes against these criteria or standards, certification of the results of the assessment, controlling of the continuous adherence with the standard and communication of the results. These steps can take different characteristics and involve various actors.

In an attempt to classify the variety of existing labels, the United States Environmental Protection Agency (EPA) distinguishes between first party and third party verified labels¹ (United States Environmental Protection Agency 1998). The International Standardisation Organisation (ISO) calls the former type II labels² or self declarations. Via first party labels, businesses themselves usually highlight positive attributes, either of their products or of their company. First party claims may be in accordance with very high environmental or social standards, be in accordance with minimum standards, or even take the form of 'green-washing', in the sense of being deceptive. For consumers, these differences are generally difficult to distinguish. For this reason, products increasingly display labels that are verified by an independent third party (Upham et al. In Press, Accepted Manuscript). Such third party labels include voluntary but also mandatory labels. Voluntary third party labels are typically positive or neutral and EPA classifies them as 'report cards', 'single-attribute certification', or 'seal-of-approval programmes' (United States Environmental Protection Agency 1998, p 10). Report cards are a type of information disclosure label using a standardized format to categorize and quantify various impacts that a product has on the environment. ISO refers here to type III labels.³ Single-attribute certification programmes signal that claims made for a single-attribute of a product (e.g. 'recycled' or 'biodegradable') meet the definition specified by the respective programme. Seal-of-approval programmes, like MSC or the Fair Trade label, certify and award the use of a logo to products that the labelling scheme judges to be less environmentally or socially harmful than comparable products. Decisions are based on a set of award criteria or standards. A subcategory of seal of approval labels are ISO type I (so far only eco-) labels which review and tighten their criteria or standard on a regular basis in order to ensure that only the best products within one product group are highlighted. Prominent examples include the EU Ecolabel or the German Blue Angel. Mandatory schemes can take different forms, for example as information disclosure labels (e.g. the EU energy label), single attribute certification or hazard information or warnings.

3 How labelling schemes try to shape the production and consumption system

3.1 The production and consumption system

The life of a commodity "can be traced in two directions, either forward to the buyer and an act of consumption or backward through the seller to the commodity's origins in production" (Fine & Leopold 1995, p 20). Opinions differ which side, the consumption or production part, is key for change.

¹ Even though EPA as well as ISO developed their classification for environmental labels, their framework can also be used on a more general level including social labels.

² In their norm 14021 ISO gives guidelines e.g. regarding terminology, comparability and verification (ISO 2001).

³ Principals for type III labels are written down in the ISO norm 14025 (ISO 2007).

While some assume consumer sovereignty - where consumption and production with all their impacts is allocated to the final consumers since "the system of production responds as a servant to the needs and wishes of consumers, subject to the availability of resources" (Fine & Leopold 1995, p 20) - others deny the validity of consumer sovereignty "viewing the consumer more as a passive victim of the dictates of production and of producers [...] producers decide what is to be made, do not respond to consumers needs or, worse, they manipulate them through advertising or through the numbness brought on by overfamiliarity with what they make available" (Fine & Leopold 1995, p 21).

Another position is to view production and consumption as a system. Fine and Leopold argue that consumption **and** production play a significant role in the social construction of the commodity "in its material and cultural aspects" (Fine & Leopold 1995, p 33). Production and consumption are connected "by shifting systems of distribution, by retailing as well as the cultural reconstruction of the meaning of what is consumed" (Fine & Leopold 1995, p 4). Such production and consumption systems (PCS) link goods and services, individuals, households, organizations, and states through linkages in which energy and materials are transformed, utility is derived, and relationships take place. Relationships are shaped not only by economics and material flows, but also by things like culture, values, and power (Lebel & Lorek 2008). Relationships are dynamic and both sides, production and consumption, are subject to many variables (e.g. finance, distribution, marketing). They therefore change in their degree of influence.

Sustainability oriented product labelling schemes try to shape production and consumption systems towards a more sustainable state. Most labelling approaches and literature follow an end consumer oriented approach viewing the main aim of labelling schemes in enabling consumers to shape the PCS according to their attitude. The following sections will show that in many cases end consumers have been less influential than such approaches would suggest. A more systemic approach looking for key influencing aspects in various actors and factors on production as well as consumption side seems more appropriate to explain the effectiveness⁴ of labelling schemes.

3.2 The labelling process

Sustainability oriented labelling schemes try to shape the PCS via two main processes:

1. facilitate political consumerism;
2. facilitate the transformation of the supply chain into a more sustainable direction.

3.2.1 Facilitation of political consumerism

As argued above, most labelling approaches and literature follow a consumer oriented approach by seeing the main aim of labelling schemes in empowering individual consumers to shift the PCS in a more sustainable direction. Such a shift can be seen as an act of political consumerism. Political consumerism is based on "attitudes and values regarding issues of justice, fairness, or non-economic issues that concern personal and family well-being and ethical or political assessment of business and government practice" (Micheletti et al. 2006) including environmental protection, social equity and other issues on the sustainability agenda. Political consumerism understands material products "as embedded in a complex social and normative context which may be called the politics behind products" (Micheletti et al. 2006, pp x–xiv) and the global marketplace as a site of political agitation

⁴ Effectiveness is a debated term. This paper takes a very broad approach by defining effectiveness as the degree to what a scheme influences the production and consumption system.

(Gulbrandsen 2006). This "moralisation" of the consumption decision "is a way to attribute power to consumers" (Wallenborn 2007, p 58). Consumers are seen as citizens and citizens as consumers (Kaskeala 2010) who can act either individually or collectively (Micheletti et al. 2006) through social movement organizations, NGOs or other interest groups.

There are three ways for individuals to exert political consumerist power, labelling schemes can facilitate

1. the exertion of market power through purchase decisions
2. active participation in labelling and certification schemes
3. being indirectly prepared to discriminate among products because of political consumerist concerns

3.2.1.1 Consumers as exhibitors of purchase power

Main aim of sustainability labelling schemes, most argue, is to enable the individual consumer to identify environmental and/or socially preferable products to make purchase decisions in a way that supports sustainable development. This approach grounds on the so called information deficit model assuming "that the main barrier between environmental [or social] concern and action is lack of appropriate information" (Blake 1999, p 260). Next to informational economics (e.g. Akerlof 1970; Nelson 1970; Darby & Karni 1973) the information deficit model roots in neoclassical economic understandings of consumer behaviour, more precisely rational choice theory and the homo economicus concept. According to these concepts individual consumption is based on rational decision making to maximize individual utility by means of consumption. One of the prerequisites for rational choices is information. Since sustainable products are generally trust goods⁵, large information asymmetries exist between suppliers and consumers, which producers can use to provide false information. To correct this market failure labelling schemes are introduced that either deliver the information consumers need to evaluate the product themselves (as happens, for example, through parts of the EU energy label) or display an evaluation of the social and/or environmental performance of a product by a more or less independent panel of experts (e.g. in the case of the EU ecolabel). With the help of both forms individual consumers are supposed to be enabled to make more sustainable consumption decisions, which ideally raises the demand for and production of more sustainable products (Landmann 1997). Through this process individual consumers can shape the PCS.

Such models allocate a rather large responsibility to the individual consumer. They take for granted that consumers are concerned with sustainability issues and are interested in expressing this concern through their buying behaviour as part of rational decision making. Advocates of this logic can find support in various consumer studies stating that many consumers (especially in developed countries) have an increased interest in environmental and social product attributes and agree that consumers can greatly influence producers (e.g. European Commission 2008, p 30).

⁵ In the case of trust goods consumers cannot evaluate the attributes of a product, neither before or after purchase. They have to trust the information about these attributes (Darby & Karni 1973).

Research shows however a huge “value action gap” (Blake 1999) between what people say and how they act. The information deficit model has been challenged constantly for being oversimplifying and ignoring other important factors influencing consumption behaviour, for example, regarding its sociological or psychological dimension (e.g. Blake 1999; Collins et al. 2003). In fact there are various barriers, apart from a lack of sufficient information, preventing consumers from consuming more sustainable at the micro, meso and macro level.

At the micro level, which might be defined as consumers’ personality and motivations (Wallenborn 2007), Reisch speaks of an “unmanageable consumer”. Most consumers are scarce in time and cognitive capacity, overloaded and/or uninterested. Consumption decisions happen on a limited, habitual, impulsive and emotional rather than rational decision making basis (Reisch 2003, pp 22–26). Other barriers on the micro level include feeling disempowered and perceived inaction by others (sustainable consumption roundtable 2006, p 24). Consumers may also not be aware of the moral and politisation of their purchase behaviour. “As a result, people’s concerns as citizens often do not get reflected in their choices on the shop floor” (sustainable consumption roundtable 2006, p 15).

Regarding the meso level, defined as consumer’s social situation, many authors emphasize the symbolic values of consumption as social signal (Wallenborn 2007; Kraemer 2003) but also the role of routines. According to Randles and Warde consumed items are used to engage in particular practices (Randles & Warde 2006) which are often “governed by routine and habit” (Jackson et al. 2006, p 48). As Empacher points out, during the majority of consumption decisions consumers do not intentionally choose between different purchase options but consume as an integral part of our everyday life on the basis of habits and routines. This routinised consumption is very difficult to access in terms of changes (Empacher 2007). By positioning in different practices individuals position themselves in society and display their social affiliation to particular social groups and lifestyles.

At the macro level, consumers’ attitudes and behaviour affect and in turn are affected by the dominant economic, social, cultural and political institutions and social and technological structures (Wallenborn 2007; Randles & Warde 2006). Structural barriers can include a lack of respective technology, infrastructure but also an often higher price for more sustainable products.

Due to these multiple barriers purchase power of most individual consumers and the use of labels to exert this power might in fact be limited. This is not to say that there are no political consumers actually purchasing in a sustainable way, for which product labelling can be an aid to make informed choices or create a sustainable identity. However, it is difficult to identify a stable group of consistently sustainably purchasing consumers. For Pedersen, to see the small number of consistently sustainably purchasing consumers “as a guarantee for sustainable development is to ascribe super (purchasing) powers to the group” (Pedersen & Neergaard 2006, p 25). Even though individual purchase power is important for labelling schemes to shape the PCS, it probably has to be accepted that the degree of responsibility attributed to consumers individual purchase decisions needs to be limited. A sole focus on individual purchase decision making when designing labelling schemes should be avoided.

Where individual end consumer’s demand has been quite low, procurement bodies are increasingly seen as an important source of strategic demand. Especially public procurement can take a pioneering role not only to rise respective demand but also to set examples of best practice to influence the procurement policies of businesses (Allison & Carter 2000, p 56).

3.2.1.2 Consumers as active participants

Another way for individuals to exercise power is through active participation in labelling and certification schemes to influence their processes. So far direct and active participation of individual consumers in labelling organisations has been limited. Bostroem and Klintman call for increasing such involvement through forums for education, discussion, and debates (Boström & Klintman 2008). As outlined above, individual action is restrained by complex dynamics on micro, meso and macro level. Considering a current lack of participation and engagement with systems of governance in many areas (see e.g. Whitmarsh et al. 2010) Bostroem and Klintman's seem to base on very optimistic assumptions regarding the interest, capacity, and possibility of individual consumers to get actively involved in labelling schemes. As with purchase power the power of individuals through active participation in PCS shaping institutions will probably remain limited.

3.2.1.3 Consumers as indirect influence

Even if consumers stick with conventional shopping behaviour and refuse to actively participate in labelling schemes, they can nevertheless play latent roles by being mentally prepared to discriminate among products because of concerns related to sustainability issues (Boström & Klintman 2008). Social movement organisations or NGOs can use this preparedness for pressuring businesses to implement more sustainable practices. They can threaten to stage consumer boycotts, provide consumer recommendations, and promote consumer reflections, which can result in huge reputation losses for businesses. One way for businesses to avoid such risks or counteract rising criticism is the participation in a labelling scheme, which is legitimised by the respective criticising party.

This indirect influence has been much more influential in many cases than direct influence through purchase behaviour or institutional participation. For Gulbrandsen "in the cases of fishery and forestry certification, it was not actual buying behaviour that mattered, but the fact that retailers were aware of the power of environmental organizations to 'name and shame' companies and industries, as well as consumers' ability to express political and ethical preferences through boycotting and 'buycotting' (i.e. positively choosing) products and brands. The rise of global norms and principles related to corporate social responsibility and sustainable development, frequently invoked by environmental groups, meant that retailers committed to sustainability could not afford to ignore calls for demonstrating responsible procurement policies" (Gulbrandsen 2006, p 486). Similar arguments can be made for the Fair Trade scheme (see e.g. Fridell 2009). The Fair Trade commitment of Starbucks, for example, was, according to Barrientos et al., mainly due to the increased pressure by the NGO Global Exchange who turned planned demonstration activities into celebrations of Starbucks after they signed their Fair Trade commitment (Barrientos et al. 2007).

3.2.2 Supply Chain Transformation

Due to increasingly differentiated goods produced across global geographic spaces and firms, relationships in today's supply chains have become ever more complex (Gereffi et al. 2005). Standards and criteria, most labelling schemes are based on, can facilitate a transformation of the processes along the supply chain towards sustainability by offering supply chain actors their criteria as a guide and coring across to coordinate and harmonize norms and knowledge (van Wijk et al. 2008).

As information becomes embedded and codified in criteria and standards, there is less need for repeated interactions and the building of the 'personalized' relationships, which enables more hands-off forms of coordination (Gereffi et al. 2005; Ponte & Gibbon 2005). "In a sense, we can say that trust becomes institutionalized in the label or code of conduct, rather than by reference to a specific firm" (Ponte & Gibbon 2005, p 15). Indeed, the Fair Trade case study has shown that the

implementation of a label (together with the involvement of large scale actors) has resulted in a replacement of relational by modular types of supply chains (Dendler In progress). According to Gereffi et al. while relational supply chains are characterised by complex interactions between buyers and sellers, managed through reputation, or family and ethnic ties, which often creates mutual dependence high costs switching partners, in modular value chains “typically, suppliers [...] make products to a customer’s specifications” (Gereffi et al. 2005, p 84). Suppliers usually take full responsibility for competencies and make capital outlays for components and materials on behalf of customers. Even though complex, codified information is still exchanged, this happens with little explicit coordination. Therefore “the cost of switching to new partners remains low” (Gereffi et al. 2005, p 86).

4 The legitimisation of labelling schemes

Labelling schemes aim to shape the PCS by connecting the political consumerist demand on the one and the modification of the supply chain towards sustainability on the other side. Through this process they can gain their policy-making authority (Cashore 2002, p 504). While doing so (especially private) labelling and certification schemes lack the legitimisation and enforcement capacity of traditional governmental rule making⁶. To be effective in shaping the PCS and retain their policy making authority they need to be legitimised by all actors essential for political consumerism as well as the transformation of the supply chain. Otherwise these actors rather than supporting the shaping process can use their influence to block the scheme.

4.1.1 Crucial actors for the legitimisation by political consumerist actors

For political consumers to use a labelling scheme to exert their power the scheme needs to be legitimised not only by consumers, consumer organisations, and NGOs, but also by governments, academia, media and other institutions forming societal interests. Otherwise the societal and market demand for (positively) labelled products is threatened. Especially governmental actors can be crucial. The Fair Trade scheme, for example, has been supported by a growing state involvement. The EU for instance has positioned itself favourably with regard to Fair Trade since 1998 promoting support through the promotion of consumer awareness and the implementation of public procurement policies (Wilkinson 2007). Local governments in Europe, and recently the USA, have enrolled in so-called Fair Trade town campaigns. These campaigns have stimulated demand for Fair Trade products especially on the side of public procurement chains. Fair Trade has also found support among various civic organisations ranging from students unions, over the Youth Hostel

⁶ Mandatory governmental initiated schemes like the EU energy label gain (at least part of their) legitimisation and enforcement capacity through state regulation. The process as described in the following mainly addresses voluntary private schemes. But also the effectiveness of labelling schemes enforced and partly legitimised through governmental authority benefit from a legitimisation by the directly and indirectly involved stakeholders. Example for this can be found with the EU energy label where further attempts to update its scale have been blocked “by industry stakeholders’ resistance” (Commission of the European Communities 2008b, p 18). “As a consequence, most of the appliances today have reached the A or B level” (Commission of the European Communities 2008b, p 27) which means that “A” rated products “are no longer at the leading edge of energy efficiency” (Commission of the European Communities 2008b, p 66). Currently there are huge debates between industry actors and NGOs how to update the scale. The commission’s recent decision to follow industries demands now threatens the legitimisation of the scheme by some NGOs with the respective influence on the political consumerist demand for positively labelled products (Dendler In progress b).

Association to the Salvation Army as well as different social movements and campaigns for trade justice etc. (Dendler In progress c). The opposite has been the case in some countries for the MSC, where a lack of support from governments (mainly in their role as resource owners) and producers in Nordic countries led to a major failure of the scheme. Governments feared a lack of governmental involvement and threat for what has been traditionally governmental authority. The support from and legitimisation by these groups, next to NGOs, retailers and processors, proved much more important than, for example, the demand from individual consumers (Dendler In progress d).

Other important actors include academia and media. In the case of the British MSC the legitimisation of the scheme by political consumers has been supported by a consistent media interest supported by celebrity chefs and other opinion leaders (Howes 2008). Yet the MSC has also experienced the negative influence of academia and media. After the publication of two reports evaluating the MSC certification of various fisheries the Guardian wrote the "Marine Stewardship Council lacks credibility and will collapse unless drastically reformed" (Brown 2004). Similarly a report by the Adam Smith Institute criticising the Fair Trade scheme was picked up in a Guardian report titling "Not so fair trade" (Chambers 12.12.09). Such negative publicity can threaten the legitimisation of a labelling scheme by political consumers.

4.1.2 Crucial actors for the legitimisation by supply chain actors

To ensure the labels facilitation of more sustainable supply chains the legitimisation and participation by business actors is essential. Otherwise schemes risk not being feasible and ignored by the supply chain.

Motivations for businesses to set up, use and/or participate in certification and labelling schemes are manifold. First, in adopting or participating in voluntary labelling schemes or reacting positively to mandatory ones businesses can meet societal pressure by indirect political consumerism and protect and improve their reputation as single firm or collectively for the whole industry. Second, through over compliance with mandatory standards to go beyond what is legally required is a margin to influence or pre-empt future government standards (van Wijk et al. 2008). Third, labelling can be used as a marketing instrument to offer information to political consumers during their purchase decision in order to gain competitive advantages, extract a price premium or to gain greater access to markets (Gulbrandsen 2006). According to Jordan et al. producers and service providers are often driven "by fears about a loss of market shares rather than the hope of increasing their market share" (Jordan et al. 2006, p 176). Once a critical mass of businesses has applied a label within a certain market segment, the remaining companies find themselves under considerable market pressure to seek the label for their competing products. The breakthrough in terms of sales of certified Fair Trade products in the US, for example, came when Starbucks made their commitment and shortly after other speciality-coffee companies followed (Barrientos et al. 2007, Fridell 2009). In the UK a major push happened in 2000 with the involvement of the co-op retailer who started selling Fair Trade bananas and the first own brand, Fair Trade certified chocolate bar. By the end of 2002 all major supermarkets in the UK sold at least one Fair Trade item (Barrientos & Smith 2007).

Traditionally, labels themselves and its literature have mainly focussed on the third motivation. More recent research has increasingly highlighted the importance of the first motivation. In many cases labelling schemes have developed rather into a voluntary standard to protect against attacks from NGOs and indirect political consumerist action than to gain competitive advantages from political consumers using their purchase power (see already discussion on page 6 et seqq.).

Political consumerist demand and societal pressure is usually more intense for larger, more prominent firms towards the consumer end of the supply chain (Boström & Klintman 2008), such as large producers and branders, processors, or retailers, who often inhabit a core or lead position within the chain.⁷ Especially retailers have shown to be of key importance in many supply chains. According to an evaluation study of the EU ecolabel “in many markets, and for several product groups, retailers are more important than consumers [...] Most companies interviewed [...] declared that they were ready to respond to any request made by the retailers on the environmental performance of the supplied products” (IEFE & ICEM CEEM 1998, pp 71–72). By moderating and directing between the production and consumption side retailers influence which goods, information and values reach the customer and vice versa (Hansen 1988, p 336). During the last decade or so retail companies have further expanded this influence through vertically integration and concentration. According to Iles “as focal points in supply chains, [retail companies] need to respond to the varied, intersecting demands of a horizontal cross-section of society: citizens, producers, consumers, other companies, NGOs and fund investors” (Iles 2007:291). To meet this pressure retailers (or other core actors) increasingly use their power to push for modular supply chains that adhere to labelling standards which are legitimised by the respective political consumerist actors (Lebel & Lorek 2008; Reynolds & Ngcwangu 2010). Some argue that the exponential growth of Fair Trade sales in recent years is due largely to the expansion of Fair Trade certified products in mainstream distribution and retail channels especially into retailers own brands (Barrientos & Smith 2007; Mohan 2009). Also for the MSC, retailers have led the demand for MSC-labelled seafood, supported by leading brands in frozen white fish (Marine Stewardship Council). For many fisheries the main motivation to get certified is a ‘preferred supplier’ status that retailers and importers offer to certified suppliers instead of a premium paid to producers on a regular and predictable basis (Ponte 2008).

Additionally, the involvement of mainstream retailers and/or other large mainstream actors can further increase the market impact of a scheme by reducing the problems and costs involved in penetrating the market. By adding a label to existing reputations, it is possible to take advantage of the image already created, the knowledge the corresponding industries have with regard to the market demand and often heavily boosted marketing efforts (Renard 1999). For all such reasons the involvement of large mainstream actors seems unavoidable if a scheme aims to achieve large scale transformations.

4.2 Forms of legitimacy granting

To understand the different dynamics of legitimacy granting Cashore (2002) distinguishes between pragmatic, moral, and cognitive legitimacy based on Suchmann’s social legitimacy framework.

4.2.1 Pragmatic legitimacy

For Suchmann pragmatic legitimacy “rest on the self interested calculations of an organization's most immediate audiences” (Suchman 1995, p 578). It generally refers to more short term benefits like the compliance of firms in order to improve market access or meet societal pressure or the support of a scheme by NGOs.

⁷ “When a group of firms in a particular functional position (or positions) is able to shape who does what along the chain (and at what price, using what standards, to which specifications and delivering at what time), they are said to be in a ‘lead firm’ position” (Ponte & Gibbon 2005, p 5).

4.2.2 Moral legitimacy

Moral legitimacy refers to the question if a scheme seems to be "the right thing to do" (Suchman 1995, p 579) which finds its roots in broader societal values (Cashore 2002). For Boström to achieve the approval from its stakeholders a scheme must be credible (Boström 2006). Important for the credibility are inclusiveness and independence, scientific validity, global applicability, and auditability (Boström 2006).

4.2.2.1 *Inclusiveness and independence*

Any labelling process involves many highly subjective decisions (Dendler In press). Key factor for credibility are institutional structures that are based on and facilitate shared decision making and open and inclusive deliberation among all parties affected by a scheme (e.g. Gulbrandsen 2008; Boström 2006). Groups with different concerns, knowledge, and experience can then shed light on different aspects of the problem to make responsible decisions and reduce burdens and risks (Boström & Klintman 2008; Lebel & Lorek 2009). Closely related to inclusiveness is the independence of the scheme. In fact inclusiveness can create independence: "Whereas most individual members reflect a certain 'interest' relative to the aim of the project—they are not 'independent' or 'neutral'—it is the combination and mutual adjustment of interests that create this image" (Boström 2006, p 141).

4.2.2.2 *Scientific validity*

Schemes like the MSC highlight the involvement of science in their decision making processes, usually referred to as involvement of experts from universities, NGOs, business, social associations and regulators with both scientific and industrial experience. These experts are involved as regular members but also in special panels to review cases of problematic scientization (Eden & Bear 2010). Reference to and inclusion of science "are often seen to be essential in order to establish trust and create an impression of independence" (Boström 2006, p 142).

4.2.2.3 *Global Applicability*

The scheme needs to fit in with the existing international sets of institutionalised norms already accepted as legitimate in the relevant issue areas (Boström 2006). Potential conflicts can evolve, for example, with WTO law.⁸

4.2.2.4 *Auditability*

A credible scheme needs a verification procedure for analysis, audit and accreditation by an independent body to ensure that the regulated entity actually meets the stated standards (Boström 2006; Cashore 2002).

4.2.3 Cognitive Legitimacy

Cognitive legitimacy is based on "comprehensibility" or "taken-for-grantedness" (Cashore 2002, p 519). In the former case, legitimacy is given because the actions of an organization are understandable; in the latter case, it is given because alternatives "become unthinkable" (Suchman 1995, p 583). To enhance comprehensibility a transparent and verifiable structure is essential (e.g. Scholl 1999; Eden & Bear 2010). Taken-for-grantedness can be triggered through the compliance with international established modes or standards. The standard of the MSC, for example, is

⁸ See for example Keck (2002); Zarrilli et al. (1997); Melser & Robertson (2005) or Eberle (2001) for a detailed discussion of labelling conflicts with WTO law.

designed to comply with international codes of conduct “to enhance the legitimacy” (Gulbrandsen 2008, p 570).

Which legitimacy granting process is more durable and more worthwhile depends on the actor. While moral legitimisation is crucial from groups that influence political consumerist powers, in the case of profit maximizing companies, pragmatic evaluations will be more influential than moral ones and are thus potentially more durable. However, if political consumers demand the participation in schemes they morally legitimise participation can become pragmatic for companies (Cashore 2002). Cognitive legitimacy seems equally essential for the supply as well as the demand side.

5 Inclusiveness to gain legitimacy

The key to gain moral as well as pragmatic legitimisation from essential actors is the inclusion of their interests in decision making processes. Next to ensuring their legitimisation the inclusion of stakeholders also enables to utilise their knowledge, structural and financial resources.

5.1 Institutionalisation of inclusive structures

Labelling schemes have tried to institutionalise inclusive decision making processes through various structures which usually go further than loose coalitions between different actors directly or indirectly interested in the scheme. For Boström and Klintman many labelling schemes are in fact policy networks, in which actors orient their strategies and actions towards each other. They have become a permanent activity which requires resources, administration, and enduring, rule-based participation between parties usually formalised in an institutional organization (Boström & Klintman 2008). The Fair Trade label, for example, has introduced a membership body as the main authority. Other decision making processes are institutionalised including even more actors. The development and revision of the Fair Trade and EU ecolabelling standard, for example, involves several multi-actor bodies and public consultations (Dendler In progress a; Dendler In progress c). A complex multi-actor process involving several stakeholder bodies and public consultations can also be found for the revision of the MSC standard (Dendler In progress d).

The importance of such inclusive institutional structures can be seen in most of the case studies. The EU ecolabels main authority body, for example, consists solely of governmental experts which has resulted in criticism for an insufficient involvement of relevant actors (Dendler In progress a). Also during criteria development “many stakeholders [...] do not feel fully involved in the scheme” (Commission of the European Communities 2008a, p 16). As a result, many stakeholders have been quite reserved in their support. This includes national governments, NGOs and businesses, which has hampered its progress (Dendler In progress a). Similarly the MSCs membership body had originally only an advisory role. For that structure the MSC faced criticism WWF and Unilever would control the MSC inappropriately without offering enough room for participation and inclusive decision-making. Auld assumes that by not giving organizations a direct stake in the MSC, it was easier for groups like the producer associations or some governments “to stay outside the process, creating their own initiatives, or raising criticisms about the program without having to then help implement those changes” (Auld 2007, p 39). Perhaps, had they been offered membership, such groups “would have jumped at the opportunity to be involved” (Auld 2007, p 39). Even though it is probably oversimplified to attribute the limited influence of the EU ecolabel on the PCS only to insufficient inclusion of key actors, similar holds probably for the EU ecolabel. Jordan et al conclude “without stakeholder support, the EU ecolabel is unlikely to become a successful new environmental policy

instrument that helps to bring about more sustainable consumption patterns" (Jordan et al. 2006, p 174).

5.2 Inclusion of indirectly participating actors

Legitimation is essential not only by actors that participate in the institutional structures of the scheme, but also the ones that have direct (e.g. companies interested in certification) and indirect interests (e.g. values held by individuals). NGO led schemes, for example, must include market based arguments to ensure the participation and pragmatic legitimation of business actors to influence the supply chain even if businesses are not formally involved. Likewise, business led schemes, even though they are in theory able to ignore societal demands, this will most likely threaten their moral legitimation by consumers, NGOs, media, academia or other institutions shaping political consumerism. To include every actor interested schemes like MSC or Fair Trade have introduced public consultation and opportunities to raise objection for the revision of their standard and during certification processes (Dendler In progress d; Dendler In progress c). The MSC developed their standard in a multi-actor dialogue including several workshops around the world.

5.3 Limitations and problems of inclusion

Inclusive structures introduce many demands and power struggles. Actors that need to participate in and legitimise an effective labelling scheme try to achieve different aims and can have contradictory views (Boström 2006). One of the key challenges for a labelling scheme is the setting of labelling criteria that gain legitimation by all crucial actors. Businesses actors usually favour criteria that ensure that products remain marketable (look normal and are not too expensive) which often requires compromises in the environmental or social message (Boström & Klintman 2008). Groups, whose legitimation is essential for the political consumerist part, usually call for very rigorous standards focusing on environmental or social benefits. To ensure the legitimation of both sides the standard setting body needs to find a compromise between these two poles.

The list of conflicts between actors especially the ones essential for the political consumerism process on the one and the supply chain side on the other hand is long. As explained above the involvement and push from mainstream businesses seem crucial to achieve large scale modification of the supply chain. Yet in many cases, the push for sustainability oriented modular supply chains through large buyers has also increased sourcing from larger commercial producers rather than small scale producer. The former not only offer more revenues from license fees for the certification scheme but are also more likely to have the financial, personal, and structural resources to adapt the processes according to the labelling criteria and gain the respective certifications. This is especially an issue when price premiums gained at the retailers end do not reach the producer end of the chain. Certification then risks to outsource the extra costs of achieving environmental and social standards and move them up the value chain at the expense of producers while eroding their financial margins (Ponte 2008). Moreover, the involvement of large scale, powerful buyers facilitates the emergence of industrial-market conventions (e.g. demand for high quality for small prices), which are more likely to be met by large producers profiting from economies of scale. Labelling and certification schemes therefore risk to facilitate not only large scale modifications of the supply chain towards sustainability but also a shift towards more buyer driven supply chains characterised by large scale, powerful actors exchanging goods and using labelling and certification standards to exert control over the rest of the supply chain actors. Additionally, some have argued that, for example to gain Fair Trade certification, mainstream actors have often implemented standards in a much narrower sense (Dendler In progress c). For Klooster "the effect of mainstreaming on certification is often, but not

always, a straightforward erosion of rigor” (Klooster 2010, p 119). Such dynamics are not only at odds with sustainability goals but can also threaten the legitimisation of the scheme by actors who are essential to ensure political consumerist demand as well as more rigorous acting companies. In the US coffee sector some Alternative Trade Organisations for example, gave up their Fair Trade certification in reaction to the involvement of large corporations like Starbucks, Procter and Gamble etc. (Raynolds & Murray 2007). Similar opposition occurred against Transfair's plans to involve Chiquita causing Transfair to "shore up its demands in negotiating the certification of transnational companies' bananas" (Raynolds 2007, p 77). Also the MSC has been repeatedly accused of eco imperialism for favouring large industrialised, centralized, and company-owned fishing operations from the developed world (O'Riordan 1996) over small scale fisheries from developing countries. To counteract such dynamics the MSC as well as the Fair Trade scheme have introduced financial, structural, and technical support and less complex certification processes for small scale producers to increase their participation (Dendler In progress c; Dendler In progress d).

Another problem results from asymmetrical power relationships. Especially large scale business actors usually have more resources to influence labelling processes than e.g. small scale producers or NGOs. The EU ecolabel, for example, faced repeated criticism from NGOs and more environmentally oriented businesses for too much influence of economic interests on the scheme's decision making processes (Dendler In progress a). Especially the undue discrimination against developing country producer's interest has been a problem for most labelling schemes. They often not only lack the resources to participate in and influence a labelling scheme; if standards are devised in the developed world and influenced by the respective local conditions, this can cause additional barriers. Such dynamics can threaten the legitimisation of the scheme if discriminated actors themselves or other actors crucial for the political consumerist part officially withdraw their legitimisation as a result. In the case of the MSC a lack of sufficient involvement of small scale producers especially from developing countries in decision making processes contributed majorly to the withdrawal of legitimization by small scale producers as well as governments and environmental groups (Dendler In progress d). Similar processes took place in the case of the Fair Trade label (Dendler In progress c) and the EU ecolabel (Dendler In progress a).

All these examples show that key for a labelling scheme to be effective is to find the right balance between the legitimisation by actors essential for the political consumerist part on the one and the supply chain modification side on the other hand. Yet, inclusiveness is always coupled with increased complexity and time consumption which can threaten the pragmatic and cognitive legitimisation of a scheme. According to Nadai "one main obstacle in the development of the European ecolabel since 1992 has been the difficulty of reaching a compromise on the criteria during the negotiation phase" (Nadai 1999, p 203). Additionally, the EU ecolabel has been accused for being too bureaucratic and complex (e.g. Commission of the European Communities 2008a). "As a result, the negotiation phase has been very long for most groups of products, often taking from three to four years and delaying the development of the European ecolabel" (Nadai 1999, p 205). Similar example can be found with the MSC where the certification of a fishery lasted over four years (Gulbrandsen 2008). Especially in the case of products with rapid scientific and technological development such periods are far too long to ensure up to date criteria that stimulate innovation (Rubik et al. 2007). Even though both schemes have still faced criticism for insufficient stakeholder inclusion from both, the supply and the demand side, such lengthy processes illustrate that the complexity of any inclusion process needs to be restricted and find a decision at some point. Hoel names this "an efficiency vs democracy issue" (Hoel 2004, p 36). Decisions will always be a compromise with some parties displeased with it (Boström 2006). Which actors to displease and to what extent is the key challenge for any labelling scheme.

6 Benefits and limitations related to labelling schemes as a political instrument

Recent decades have seen an increased disassociation of people especially in the western world from traditional political life as well as a withering of traditional instruments of the state acting singly and sovereign due to increased globalization (Micheletti et al. 2006). While in some cases national regulation is replaced by multinational regulation in most cases global political coordination has developed much slower than economic globalization. For Micheletti et al. the state has proven "unable to develop itself more globally" (Micheletti et al. 2006, p x). Van Zeijl-Rozema et al. argue that especially for the sustainability agenda "wicked problems, social complexity and weak institutionalization undermine the rationale of 'traditional' governing with governments as institutions with hierarchical power" (van Zeijl-Rozema et al. 2008, p 411). As a result international businesses "may stand in need for justification in ways that domestic businesses do not" (Follesdal 2006, p 13). On a national level governments are often led to compete for mobile capital and multinational leading, some fear, to a race to the bottom regarding wages and environmental, social and health and safety standards etc. (Follesdal 2006).

To fill this gap market actors increasingly take responsibilities and initiative that formerly belonged to the regulatory prerogative of the state (Micheletti et al. 2006, pp x–xiv). Economic and political trends in the last ten years "have given market-oriented policy instruments increasing salience" (Cashore 2002, p 506) with a shift of power "that favours market thinking and action over politics" (Micheletti et al. 2006, pp x–xiv). Regarding the environmental agenda Gale states: "If policy analysts and legal scholars dominated the first era of environmentalism, economists moved centre stage during the second" (Gale & Haward 2004, p 3).

By triggering political consumerist demand for more sustainable supply chains and trying to make use of market mechanisms and economic interest of participating actors labeling schemes are a good example for this recent trend (de Boer 2003; Lübbe-Wolf 2001). As outlined throughout the paper to be effective labeling schemes need to gain legitimization through inclusive structures and the support and participation of all actors crucial for this process. They therefore represent a shift from government to governance⁹ which Eden and Bear define as "a shift from closed debates and state-led, reactive and technocratic decision-making to more open, stakeholder-led debates in a civil society mode" (Eden & Bear 2010, p 84). For van Zeijl-Rozema et al. the principle of deliberative governance approaches is "that all parties (state, market and civil society) share their powers and operate on an equal footing in an open deliberative way" (van Zeijl-Rozema et al. 2008, p 413).

With these two main characteristics – working through the market and being multi stakeholder led - labelling schemes are also in line with general neoliberalisation trends (e.g. Eden & Bear 2010; Klooster 2010; Fridell 2009). The latter for Klooster implies "a political philosophy of free markets and less government" (Klooster 2010, p 118). In broad terms, for him, the process of

⁹ The term governance has several distinct meanings (Rhodes distinguishes between at least six different meanings). This paper follows Rhodes definition of governance as self organising interorganizational networks characterised by an interdependence between organizations, ranging from governmental to non state actors from the public, private and voluntary sectors; continuing interactions between network members, caused by the need to exchange resources and negotiate shared purposes; game-like interactions, rooted in trust and regulated by rules of the game negotiated and agreed by network participants; and a significant degree of autonomy from the state through self organisation (Rhodes 1996).

neoliberalization is characterised by a rollback period of traditional forms of state regulation and a subsequent “roll-out period of neoliberalization attempts to re-stabilize and re-regulate the system with a patchwork of regulatory institutions and bodies, frequently including public–private cooperation, multi-stakeholder, and/or non-governmental organizations, voluntaristic mechanisms, and reliance on the social responsibilities of rational economic individuals and ethical corporations” (Klooster 2010, p 118).

For Meidinger great strength resulting from these characteristics is the dynamism of labelling scheme due to their continual competition and contestation in an effort to gain adherents and legitimacy (Meidinger 2008). An effective labelling scheme can neither totally withdraw from societal demands, nor from market logics and the support by business actors. They politically empower all sorts of societal actors to shape the PCS including non-governmental actors like NGOs and businesses but also end consumers. Advocates of the political consumerism concept argue that consumption decisions are “the most efficient means to state one’s beliefs considering that those of us in the North consume every day but only vote once every four years” (Gendron et al. 2009, p 73). Political consumerist action facilitated through labelling scheme can also influence practices beyond the national jurisdictions to which a citizen is subjected, “thus presiding over a real globalization of social mobilization” (Gendron et al. 2009, p 73). Without being tied to governmental boundaries labelling scheme can spatialize in ways that reflect the geographical variability of the respective commodity and the involved actors (Eden & Bear 2010, p 84). Labelling schemes could therefore be seen as representing a form of cosmopolitan democracy. This model claims “that the distribution of power should not be primarily vertical, but rather horizontal, to include non-governmental organizations” (Lidskog & Elander 2010, p 36). It stresses the importance of “enabling citizens’ organizations and social movements to participate in and influence politics even outside their own nations” (Lidskog & Elander 2010, p 36). “The cosmopolitan model views participation as a central mechanism for avoiding power concentration and hierarchy, and also as a central factor in handling the spatial challenge presented by [...] trans-national environmental problems” (Lidskog & Elander 2010, p 36). For Van Zeijl-Rozema et al. such multi actor governance approaches detached from governmental boundaries are of special advantage to address sustainable development, which is an inherently normative concept and requires collective action and dealing with multiple actors on multiple levels. Deliberative governance approaches like labelling schemes can help to “create a common vision on sustainable development and to resolve trade-offs” (van Zeijl-Rozema et al. 2008, p 411) .

Yet the need to work through the market and implement inclusive structures that ensure the legitimisation from all essential actors also sets definite limitations for the instrument. The question is to what extent labelling schemes are capable of challenging negative impacts evolving from neoliberalism and the market logic, while being dependent on the support from business actors and making use of the market and neoliberal ideas at the same time. In fact some argue that “instruments which rely so heavily on the tenets and market-based instruments of neoliberalism might only serve to reinforce neoliberalism” (Klooster 2010, p 120).

Indeed, as outlined in section 4.1.2, labelling schemes risk to facilitate a shift towards more buyer driven supply chains characterised by large scale, powerful actors exchanging goods and using labelling and certification standards to exert control over the rest of the supply chain. Reynolds and Ngcwangu (2010) report such developments, for example for the Fair Trade Rooibos tea sector, where “market-driven Rooibos distributors pursue conventional sourcing strategies, purchasing bulk tea through export brokers that is produced mostly on large South African estates . In this case Fair Trade networks do not fundamentally transform international relations, but largely reproduce traditional inequalities which concentrate control and profits in the hands of American buyers and allied South African exporters” (Reynolds & Ngcwangu 2010). Even though originally developed to

question the mainstream market the Fair Trade schemes very success (the increased spread of its products in the conventional market) subjects it nowadays "to increasing pressures from conventional market logics and practices" (Taylor 2005, p 132). Similar dynamics can also be found for the MSC, the EU ecolabel and the EU energy label which have been all accused of being highly influenced by mainstream business interests and generally discriminating small scale actors. For Taylor therefore "one of the most serious challenges of certification and labelling initiatives today is to be "in the market but not of it," that is, to be able to pursue alternative values and objectives such as social justice and environmental sustainability without being captured by the markets conventional logic, practices and dominant actors (Taylor 2005).

Due to their aim of facilitating political consumerism labelling schemes also risk to further reduce the influence of disadvantaged individuals. The degree of direct political consumerist action is directly bound to material consumption in exchange for financial resources. The higher the financial resources and purchase power the more political power the consumer holds. Political consumerist empowerments therefore discriminates individual who lack such resources especially in developing countries but also within developed nations. Discrimination against developing nations is further reinforced by the fact that labelling criteria are usually based on western values and ideals and influenced by powerful stakeholders. Some therefore refer to labelling schemes as "cultural imperialism through market means" (Follesdal 2006, pp 3–4).

Another dynamic labelling schemes do not fundamentally challenge and potentially even enforce is the focus and dependence of our current societies on mass consumption of goods and resource use. Positive environmental labelling evaluations are often based on efficiency gains without addressing questions of sufficiency – is the consumption of the product necessary in the first place? Efficiency gains can be compensated due to so-called "rebound effects"; improvements made through the consumption of more efficient products are compensated by a growth in consumption (e.g. the purchase of a more efficient car can be compensated by increased use of the car). Some argue that a positive label suggesting the consumer the product is more sustainable could even convey such dynamics (Allison & Carter 2000; Lell 2003). This means labelling schemes do not take into account and address the overall effects of consumption activity. Facing limited resources and most urgent needs to drastically reduce negative environmental effects like CO₂ emissions on the one and an increasing population and large scale growth rates of economies in countries like China and India on the other hand a reduction of the amount of overall consumption especially in western countries can hardly be neglected however. To address such issues instruments that much more fundamentally challenge our current structures are urgently needed.

Yet as long as such instruments are missing, international regulation still fails to address urgent problems like climate change and society does not seem to be ready for deeper changes market solutions appear to be the 'better than nothing' solution. Also, a certain amount of consumption will always be necessary. This consumption should ideally be based on sustainability criteria developed in multistakeholder dialogues that are transparent to the consumer.

Some also see labelling schemes as an as an interim solution on the way to enhanced forms of international governance. Bostroem and Klintmann highlight that "in all sectors that we have studied, the introduction of labelling appears to have provoked or stimulated the introduction of new ideas, dialogues, and reflections on how to make any practice more environmentally or socially sustainable" (Boström & Klintman 2008, p 189). Similarly, an evaluation study of the EU ecolabel highlights that multi-stakeholder approach introduced by labelling schemes can function as an

initiator for co-operative action (IEFE- Università Bocconi 2005). Labelling schemes might also create sufficient believe in stronger regulation. Philippe and Warde even see labels as part of a bigger "evolutionary path" usually followed by individual purchase agreements and standards, industry wide standards, and finally national governmental and international standards (Ward & Philips 2008, p 430).

7 Conclusion

To facilitate more sustainable consumption different actors have introduced various labelling schemes over the past few decades providing information about a product's environmental, social or other attributes. Labelling schemes try to shape the production and consumption system through two main processes: the facilitation of political consumerist demand for more sustainable products and the reaction of supply chain actors to this demand by using labelling standards to modify their processes into a more sustainable direction. To be effective and retain their policy making authority labelling schemes need to be legitimised by all actors essential for both processes, which can be mainly achieved via including their interests in inclusive decision making processes. They can therefore be seen as a new form of governance based on neoliberal ideals of stakeholder participation and market mechanisms.

On the political consumerist side most labelling literature has been based on information deficit models focussing on enabling individual consumers to shape the production and consumption system through their purchase decisions. Taking into account concepts explaining consumerism from a sociological and psychological perspective as well as the findings from the case studies this direct influence has shown to be less influential than the information deficit model would suggest. Instead political consumerist power has been often used indirectly (in a sense of individual consumers being mentally prepared to discriminate among products because of concerns related to sustainability issues) by NGOs to pressure businesses to transform their supply chains towards sustainability. To be used as a tool for political consumerism labelling schemes therefore not only need to be legitimised by individual consumer but also NGOs and other groups like media, academia and governments which form societal demands.

One way for businesses to meet this pressure is to participate in labelling schemes and adjust their processes in a way that meets the respective labelling standards. Societal pressure is usually higher for large mainstream businesses who are often also in a powerful position to transform the rest of the supply chain in a way that it adheres to respective sustainability standards. Large scale modifications of the supply chain have shown to necessitate the participation of large scale mainstream actors. Their participation however risks facilitating the implementation of modular supply chains where large buyers and branders impose sustainability standards in a narrow interpretation at the expenses of small actors. Such dynamics are not only at odds with sustainability goals but can also threaten the legitimisation of the scheme by actors who are essential to ensure political consumerist demand as well as more rigour acting companies. One of the key challenges for labelling schemes is therefore to find the right balance between the interests of actors essential for the political consumerist part on the one and the supply chain modification side on the other side.

This dependence on market mechanisms and integration of business actors as well as societal demands not only offer opportunities like empowering non-governmental actors and being dissolved from national boundaries but also makes it incapable of fundamentally challenging current

structures. In fact the instrument risks to even enforce dynamics like the favouring of powerful businesses, NGOs and consumers at the expense of already discriminated actors or the focus and dependence of our current societies on mass consumption of goods and resource use without addressing the results from the overall amounts of consumption.

Yet as long as such more fundamentally challenging instruments are missing labeling schemes appear to be the 'better than nothing' solution which can potentially path a way towards more radical changes.

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