
Grzegorz Zasuwa1, Agnieszka Marek2, Grzegorz Wesołowski3, Joanna Niewiadoma4

Abstract:

Purpose: This paper’s objective is twofold: 1) to show how the outbreak of an economic crisis and then an economic recovery affect consumer activism; and 2) to examine how social capital moderates the effects of economic crisis and economic recovery.

Design/Methodology/Approach: Drawing on the economic and sociological literature, this study develops a set of hypotheses that explain the role of social capital in consumer activism under different economic conditions. In order to test research predictions, the study uses a reliable data source that is European Social Survey.

Findings: The research findings clearly demonstrate that social capital at the country level boosts consumer activism during an economic recovery. Intriguingly, the study shows that social capital seems to have a neutral effect on boycotting products during an economic crisis.

Practical Implications: This study suggests that consumers are likely to become more sensitive to unethical behaviour by companies in a situation of economic recovery. Thus, firms should be particularly careful about ethically questionable situations in that time.

Originality/Value: The added value arises from showing the role of social capital in consumer activism, in different economic conditions.

Keywords: Economic crisis, social capital, consumer boycotts.


Paper Type: Research study.

1The John Paul II Catholic University of Lublin, Faculty of Social Sciences, Institute of Journalism and Management, Lublin, Poland, grzegorz.zasuwa@kul.pl;
2The John Paul II Catholic University of Lublin, Faculty of Social Sciences, Institute of Journalism and Management, Lublin, Poland, agnieszka.marek@kul.pl;
3The John Paul II Catholic University of Lublin, Faculty of Social Sciences, Institute of Journalism and Management, Lublin, Poland, grzegorz.wesolowski@kul.pl;
4The John Paul II Catholic University of Lublin, Faculty of Social Sciences, Institute of Journalism and Management, Lublin, Poland, joanna.niewiadoma@kul.pl;
1. Introduction

The present study tries to get a deeper understanding of how two macro-level antecedents, the state of the economy and the social capital of a country, affect consumer activism, in particular the boycotting of products. When selecting these factors, we assume that consumer activism, like other consumer behaviours, is vulnerable to the economic conditions (such as a crisis or recovery) in which the consumer lives. Secondly, given that consumer boycotts involve a collective action problem (Klein et al., 2004), we want to know how social capital interacts with different economic conditions when shaping the environment for boycotting. More specifically, we set up a twofold objective: 1) to show how the outbreak of an economic crisis and then an economic recovery affect consumer activism; and 2) to examine how social capital moderates the effects of economic conditions.

Drawing on economic and sociological literature, we argue that the social capital of a country buffers the negative effects of an economic crisis on consumer activism, and boosts the positive effects of recovery. Our key argument is that a high level of trust within a society and strong social ties among people create an environment that rewards virtue and punishes corporate wrongdoing.

2. Theoretical Framework and Hypotheses

To explain how economic conditions affect consumer activism, we refer to a rationalistic approach to ethical decision making (Schwartz, 2016). According to this view, a person who faces a moral dilemma makes a logical and deliberative decision, taking into account various moral standards and the outcomes of his or her subsequent behaviour. This approach can be helpful in understanding how a change in economic conditions shapes, on the one hand, consumers’ decisions to boycott the products of irresponsible firms, and, on the other hand, firms’ decisions to act in an unethical way.

A decision to join a product boycott involves a moral dilemma, as consumer boycotts typically address irresponsible activities of companies (Grappi et al., 2013). With regard to the rational factors behind boycotting, past studies have shown that an individual takes into account the relationship between personal costs and personal benefits before withholding his or her consumption of a particular product (John and Klein, 2003; Sen et al., 2001). This depends on the amounts of the product the consumer used to buy (Albrecht et al., 2013; Klein et al., 2004; Sen et al., 2001), the availability of substitutes (Sen et al., 2001) and the competitiveness of the industry (Egorov and Harstad, 2017).

During a recession, there is a general decline in economic activities and their outputs. Growing unemployment, higher lending standards and falling stock prices negatively affect personal incomes and wealth. The economic literature clearly shows that lower incomes lead to lower consumer spending; this is the “income
effect” (Friedman, 1957). There is a similar relationship between personal wealth and consumption expenditure (i.e., a wealth effect) (De Bonis and Silvestrini, 2012). These two economic effects explain why and how real economic conditions influence consumption. Not surprisingly, the Global Financial Crisis and the subsequent recession created a downturn in consumer spending (e.g., Khamatkhanova and Khusnutdinova, 2017; Nivorozhkina et al., 2018).

The change in consumer behaviour during an economic crisis is driven not only by the income and wealth effects. Notably, Carrigan and De Pelsmacker (2009) pointed out that in a time of recession even consumers who are not affected by the crisis may exhibit caution in their purchasing behaviour, because of greater uncertainty. Taking the restraint effect and the lower purchasing power together, one may reasonably expect that, during a recession, consumers would place more importance on economic criteria than on other factors when making purchasing decisions. Given that product boycotts typically address socially irresponsible activities (i.e., non-economic criteria), we expect that consumers would be less likely to participate in boycotts at a time of crisis.

Another argument for a lower prevalence of boycotts during an economic recession rests on corporate behaviour. As we mentioned earlier, an economic crisis involves greater uncertainty about the future (Bloom, 2014). Bianchi and Mohliver (2016) showed that a CEO during a time of economic crisis is less likely to engage in corporate misconduct, because of the limited opportunities for finding a new job. Another reason for corporate leaders maintaining higher standards in a recession refers to the moral roots of the crisis. The outbreak of the Global Financial Crisis clearly demonstrated that when financial institutions, particularly subprime mortgage lenders, ignored ethical rules and avoided responsibilities, this contributed to the emergence of a global economic disaster (Schoen, 2017). For that reason, the business world experienced tighter regulations and more rigorous audits during the subsequent recession (Bruner, 2010). Thus, we conclude that during the recession it is much riskier for business leaders to conduct irresponsible actions. Considering the all arguments we hypothesise as follows:

**H1. An economic crisis decreases consumer participation in product boycotts.**

As opposed to recessions, economic recovery involves high economic growth, an increase in corporate investment, growth in employment and a rise in personal incomes. These positive changes in the real economy increase consumer confidence and optimism. The economic literature clearly shows that during such a time, because of income effect (Carroll, 1994) and wealth effect (Paiella and Pistaferri, 2017), consumer spending tends to rise. Higher incomes better enable consumers to express their needs and values, including justice, honesty and openness, in the market. Because of lower uncertainty in a time of recovery (Bloom, 2014), consumers may also be more likely to take into account non-economic criteria, such as corporate ethicality, when making purchasing decisions.
When characterizing the economic recovery stage, we should add that the time after the Global Financial Crisis was not the same as the time before the crisis. Because of the unethical behaviour of financial institutions, trust in business was undermined and consumers tended to be more demanding and cynical (Piercy et al., 2010). Given that consumer boycotts are typically aimed at reducing socially or environmentally harmful corporate activities, we suggest that a period of economic recovery is a favourable environment for consumer activism. Thus, we hypothesise as follows:

**H2. An economic recovery increases consumer participation in product boycotts.**

Intending to extend our exploration into how economic conditions affect the boycotting of products, we introduce social capital as a moderator. This phenomenon has been defined in many different ways, as researchers cannot agree on its meaning or components, or how it functions in different aspects of economic and social life. For the purpose of our study, we will use the network perspective, in which social capital is understood as “features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions” (Putnam, 1993, p. 167). In this understanding, the features of social capital “consist of some aspects of social structures, and they facilitate certain actions of actors – whether persons or corporate actors – within the structure” (Coleman, 1988, p. 98).

In an attempt to explain how social capital moderates the relationship between economic conditions and consumer participation in product boycotts, we refer to the functions of social capital (Coleman, 1988). The major function of social capital is facilitating collective actions. Fukuyama (2001, p. 12) stated that social capital is “a source of spontaneously organised groups”. Putnam (2008) has proved that social capital, built from social networks, can increase the efficiency of a society and facilitate social trust. From the perspective of participation in boycotts that are aimed at reducing the unethical behaviour of a company, the key importance lies in the function mentioned by Portes (1998), who perceived social capital as being embedded in bounding solidarity and enforceable trust, a source of social control. With respect to the range of a boycott, the crucial issue is spreading information about the unethical behaviour so that people join the protest. That is why social capital, as a facilitator of information flow within networks (Lin, 2002), is highly likely to enlarge the number of boycott participants. In line with this finding, several studies from the field of pro-social behaviour, including boycott participation, have reported the positive effects of social capital (Marek and Zasuwa, 2020; Zasuwa, 2019).

When explaining the moderating role of social capital, it is also worth addressing the effect of social capital on economic conditions. Fukuyama (2001) perceived social capital to be an important asset for building a modern society with a large radius of trust in which many heterogeneous groups are connected with weak ties. Within
such a society, norms and values are shared by the majority of members, and the interests of individuals and their families do not outweigh the interests of the whole group. This is why social capital performs economic functions: it reduces transaction costs like the costs of negotiations, litigation, monitoring and many formal agreements, as well as preventing corruption (Fukuyama, 2001). In line with this argument, several studies show that countries or regions with higher social capital also have higher economic outputs and entrepreneurial behaviour (e.g., Knack and Keefer 1997, Rahmat, 2019).

Considering the positive effects of social capital on boycotting and on economic development together, we predict that social capital buffers the negative effects of economic crisis on consumer participation in product boycotts, and boosts positive effects of economic recovery. More specifically, we hypothesise as follows:

**H3. The negative effects of financial crises on consumer participation in product boycotts are greater in countries with low social capital than in countries with high social capital.**

**H4. The positive effects of economic recovery on consumer participation in product boycotts are greater in countries with high social capital than in countries with low social capital.**

### 3. Methods

In order to test our predictions, we used data collected by the European Social Survey (ESS), as this high-quality research has monitored several social phenomena, including consumer participation in product boycotts and social capital variables, across European countries since 2002. The use of the same validated measures in all participating countries and large, representative national samples enabled us to conduct cross-country comparisons.

Given that our hypotheses address the effects of a financial crisis and financial recovery, we made a decision to use the Global Financial Crisis of 2007–2010 as the context of this study. In particular, we chose three rounds of the ESS to establish a window of analysis. For most of the countries in our sample, we took the fourth round of the ESS to mark the time before the outbreak of the financial crisis. In the case of Switzerland, we selected the third round of the ESS, as this country was one of the first in Europe to be hit by the crisis because of its strong links with the US banking system. Similarly, we used data from the third round of the ESS in the cases of Estonia, Spain and Ireland, as careful analysis of economic indicators demonstrated that unemployment rates in those countries rose sharply in 2008. In other countries within our sample, the increase in unemployment and decline in GDP took place in 2009. We selected the fifth round of the ESS for the situation during the financial crisis, because this seemed the most appropriate. Finally, we
chose the sixth round of the ESS as a source of data on the time of economic recovery, because its targeted fieldwork period was 2012.

To assess the level of social capital for the particular countries in our sample, we selected the fourth round of the ESS, because that round was the beginning of the window of analysis. At the same time, the fourth round of the ESS included the largest number of participating countries. Given that social capital is an asset that remains relatively stable over time (e.g., Paxton, 1999), and in an attempt not to lose any observations from the boycotting analysis, we added the scores on social capital in Latvia from the fifth round of the ESS.

When deciding on how to operationalise social capital we followed past studies, particularly Van Oorschot, Arts and Gelissen (2006) and Putnam (2000), who used trust and social networks as the two major components of social capital. With regard to trust, he distinguished ‘thick trust’, embedded in frequent and strong relationships with family and close friends, from ‘thin trust’, which is trust in ‘the generalised other’ existing within one’s social network and based on the norm of reciprocity.

All variables in this study were aggregated at the country level. Table 1 presents descriptive statistics on the social capital variables.

4. Results

For the purpose of testing our first hypothesis (H1) we compared the percentage of boycotters before the financial crisis to the percentage of boycotters during the crisis. According to our expectations, participation in consumer boycotts dropped during the time of crisis ($M = 13.69$, $SD = 10.62$ vs. $M = 13.02$, $SD = 10.24$). However, a repeated-measures t-test showed that this decrease was statistically insignificant ($t(25) = -1.502$, $p > 0.05$). Thus, we failed to find support for hypothesis H1 that a financial crisis decreases consumer participation in product boycotts.

Hypothesis H2 predicts that economic recovery increases consumer participation in product boycotts. In line with this expectation, we found that, on average, more consumers took part in protests against firms during the time of economic recovery ($M = 15.32$, $SD = 12.23$) than during the time of crisis ($M = 12.79$, $SD = 10.61$). In respect of the magnitude of this rise, Cohen’s $d$ showed a medium effect size of this change ($d = 0.63$). The increase in the percentage of boycotters was also statistically significant ($t(24) = 3.149$, $p < 0.01$), indicating we can accept hypothesis H2.

A further stage of the analysis involved splitting the sample into three clusters of countries with homogenous social capital structures. Following past studies on social capital, we applied a k-means clustering as an analytical tool for distinguishing homogenous groups of countries in terms of social capital (Park et al., 2012). The
optimal solution was obtained after three iterations in the SPSS statistical package. The outcomes of this procedure gave us three clusters of countries. The detailed analysis of centroids in Table 1 demonstrates that these groups differed in terms of their level of social capital. The high social capital (HSC) cluster comprised four Scandinavian countries (Denmark, Finland, Norway, Sweden) and Belgium. The medium social capital (MSC) cluster included eleven rich western countries (Switzerland, Germany, France, the United Kingdom, Ireland, Israel, the Netherlands, Czech Republic, Spain, Croatia, Portugal) and Israel. Almost half of the countries in our study fell into the low social capital (LSC) cluster. Specifically, this group consisted largely of central and eastern European countries (Bulgaria, Estonia, Hungary, Lithuania, Latvia, Poland, Romania, the Russian Federation, Slovenia, Slovakia, Turkey, Ukraine), together with Cyprus and Greece.

Table 1. Descriptive statistics for social capital variables and country classification

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
<th>HSC</th>
<th>LSC</th>
<th>MSC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Averaged generalised trust</td>
<td>4.9</td>
<td>0.97</td>
<td>6.26</td>
<td>4.23</td>
<td>5.16</td>
</tr>
<tr>
<td>The percentage of respondents who contacted a politician or government</td>
<td>12.3</td>
<td>5.22</td>
<td>18.3</td>
<td>9.6</td>
<td>13.1</td>
</tr>
<tr>
<td>officer in the last 12 months</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The percentage of respondents who worked in a political party or action</td>
<td>3.7</td>
<td>1.63</td>
<td>4.7</td>
<td>3.4</td>
<td>3.6</td>
</tr>
<tr>
<td>group in the last 12 months</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The percentage of respondents who were involved in work for voluntary or</td>
<td>11.3</td>
<td>9.72</td>
<td>27.0</td>
<td>4.2</td>
<td>12.6</td>
</tr>
<tr>
<td>charitable organisations (at least once every three months)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The percentage of respondents who are a member of a trade union or similar</td>
<td>16.8</td>
<td>15.32</td>
<td>47.9</td>
<td>9.8</td>
<td>11.6</td>
</tr>
<tr>
<td>organisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of people who socially meet with friends, relatives or</td>
<td>78.6</td>
<td>11.05</td>
<td>90.0</td>
<td>68.8</td>
<td>86.0</td>
</tr>
<tr>
<td>colleagues at least several times a month</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Own studies based on European Social Survey.

After splitting the whole sample into the three clusters, we were able to test our hypotheses concerning the moderating role of social capital on the relationship between boycotting products and financial crisis. In hypothesis H3 we propose that the negative effects of financial crises on consumer participation in product boycotts are greater in countries with low social capital than in countries with high social capital. In order to test this hypothesis, we examined how the outbreak of the
financial crisis had affected consumer participation in product boycotts in each of the different clusters of countries.

The results show that the percentage of boycotters dropped during the financial crisis in all three clusters of countries. In the HSC countries, the rate of boycotters was only 0.64 per cent lower during the crisis ($M = 23.90$, $SD = 10.70$) than it was before the outbreak ($M = 24.54$, $SD = 9.83$). In other words, consumer involvement remained at the same level despite the emergence of the crisis ($t(4) = -0.637$, $p > 0.05$). This research finding is in line with our expectation about the buffering role of social capital on the effects of the crisis. However, we are not able to accept hypothesis H3 because in the LSC and the MSC countries we also did not find any significant changes in the rate of boycotters before and during the crisis. More specifically, in the LSC cluster, on average, slightly more than 5 per cent more consumers declared that they boycotted a product before the financial crisis ($M = 5.66$, $SD = 3.51$) than did so after its outbreak ($M = 5.47$, $SD = 2.74$). Again, the difference turned out to be statistically insignificant ($t(9) = -0.495$, $p > 0.05$). In the MSC countries, 16.05 per cent of consumers ($SD = 10.13$) claimed that they had participated in at least one product boycott during the 12 months before the crisis. During the financial crisis, the proportion of consumers who actively engaged in product boycotts decreased to the level of 14.92 per cent ($SD = 9.47$). As before, we failed to detect a statistically significant difference ($t(9) = -1.129$, $p > 0.05$). Taking these research findings together, we reject hypothesis H3. Our study does not provide any evidence of the buffering role of social capital during the financial crisis.

According to hypothesis H4, we expected to detect a positive effect of social capital on consumer participation in product boycotts in the recovery time following the financial crisis. To test this prediction we analysed how consumer engagement changed between the sixth round of the ESS and the fifth round of the ESS. We conducted calculations for each cluster of countries separately and then compared the results. In the HSC countries, consumer participation in product boycotts increased from 23.90 per cent ($SD = 10.70$) to 27.77 per cent ($SD = 11.91$) in the recovery time. This positive effect proved to be statistically significant, despite the low number of countries in the HSC cluster ($t(4) = 4.009$, $p < 0.05$). The change in the rate of boycotters in the MSC countries was also positive. During the time of recovery, 19.36 per cent ($SD = 10.20$) of consumers, on average, stated that they took part in a product boycott, compared to 15.40 per cent ($SD = 9.88$) during the crisis. This increase, amounting to 3.96 percentage points, turned out to be statistically significant ($t(9) = 2.436$, $p < 0.05$). Finally, in the LSC cluster we also found an increase in the rate of boycotters during the economic recovery, but the size of this change was meaningless and statistically insignificant ($M = 5.06$, $SD = 3.21$ vs. $M = 4.62$, $SD = 1.56$, $t(9) = 0.539$, $p > 0.05$).

Taking together all the results on boycotting products during the period of recovery, we see that the positive effects of recovery were greater in the HSC and the MSC
countries than in the LSC countries. In terms of Cohen’s d we detected a strong positive effect in the HSC cluster ($d = 1.791$), moderate effect in the MSC cluster ($d = 0.770$) and small, insignificant effect in the LSC cluster ($d = 0.17$). Thus, our research findings provide support for hypothesis H4, stating that the positive effects of an economic recovery on consumer participation in product boycotts are greater in high social capital countries than in low social capital countries.

5. Discussion of Research Findings

In the present study we address the effects of economic conditions on consumer participation in product boycotts. Our research findings provide support for the argument that an economic recovery has positive effects on consumer activism. On the other hand, we demonstrate that a deficit of social capital in a country is a significant obstacle to the emergence of consumer activism, particularly in relation to boycotting products.

This study contributes to consumer activism and social capital literature. Past research paid little attention to the contextual-level determinants of consumer reactions to corporate wrongdoing. In the present study we show how two macro constructs, economic conditions and social capital, shape consumer behaviour. To the best of our knowledge, this is the first research to address the moderating role of social capital in boycott participation. Previous studies on consumer boycotts disregarded the interaction of social capital with other variables (Marek and Zasuwa, 2020; Neilson and Paxton, 2010; Zasuwa, 2019). The moderating effect of social capital that we identify suggests that the role of social capital in consumer activism and/or ethical consumption is much more important than was previously thought.

In a broader perspective, this research contributes to a fuller understanding of the ethical behaviour of consumers. Specifically, it helps in explaining the differences in consumer activism between developed countries and transition economy countries such as Poland, Slovakia, and Hungary. Surprisingly, past studies have paid little attention to the heterogeneity of EU consumers and the conditions in which they live. Gregory-Smith et al. (2017) proved that a ‘one-size-fits-all model’ has a limited utility in explaining eco- friendly consumption patterns, because of cultural differences between countries. By showing how social capital at the country level moderates the effects of economic conditions on the boycotting of products, we contribute to the knowledge on cross-country differences in ethical consumption. Specifically, our findings suggest that lower consumer support for initiatives against irresponsible firms in transition economy countries is not a matter of lower income, but a problem of a deficit in social capital. Despite the economic recovery, consumer participation in boycotts remained unchanged. Economic recovery boosted activism only in high and medium social capital countries. This clearly demonstrates that a deficit in informal social structures is a major obstacle to consumer activism. Taking into consideration the fact that social capital is an accumulative asset that requires many years to grow, it is highly probable that in the LSC countries the level of social
capital has not yet reached a level sufficient to support consumer activism. In those countries, the radius of trust is small and people concentrate on the interests of family and friends rather than on global issues.

References:

Friedman, M. 1957. Introduction to "A Theory of the Consumption Function". In A theory of the consumption function (pp. 1-6), Princeton University Press.


Piercy, N.F., Cravens, D.W., Lane, N. 2010. Marketing out of the recession: recovery is coming, but things will never be the same again. The Marketing Review, 10(1), 3-23.


