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**Do German Consumers Differentiate Between Fair Trade
Certification and Charitable Giving?**

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Abstract

The reduction of poverty is one of the United Nations millennium goals. Whether aid, free trade or Fair Trade (FT) is the best way of decreasing poverty and increasing welfare in developing countries is still an open and widely discussed question in the scientific community. Not least because there are differences between values behind concepts, between topics taken into account (sustainability, environmental issues, societal aspects etc.) and between implementations - e.g. FT as originally North-South movement stresses market failures and seeks to implement longterm business relationships, special pricing mechanisms etc. whereas the central objective of today's aid programmes is poverty reduction.

Similar for FT (according to FLO certification system) and donations to developmental purposes is that they are the most common options allowing Western consumers to contribute to the realisation of the millennium goals. Because consumers interested in poverty reduction in developing countries can spend their money only once we analyse if German consumers prefer FT or donations or if they use them as substitutes. Moreover, if they make a difference, we investigate why they are making it. In times where the German donation volume stagnates and FT sales increase this is an important issue. Therefore, we raise the question how well informed German consumers feel about FT, charity organisations, their respective goals and the efficiency of both systems. Also, we want to know how much consumers think of 1 € given to each system should reach the needy person / the farmer. For this purpose we conducted a survey with n=112 in 2009 in Germany. We found evidence that even if knowledge about FT, donations, the goals and efficiency of the systems is sparse, German consumers differentiate between FT and donations. Besides this, the demanded efficiency for both systems is significantly different: if FT products are 1 € more expensive than conventional products consumers expect that at least 74 % of the additional charge goes to the producing farmer. Regarding charitable organisations they are thinking that these should work more efficient.

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