

# The relationship between Fairtrade cities

A study on the Fairtrade City certification based on all the municipalities in Sweden.



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# Abstract

The idea of fair trade is still widely debated. Yet, cities have since 2001 been able to apply for a Fairtrade City certification. In Sweden the initiative has been active since 2006 and today has 65 of its 290 municipalities certified. Proponents claim a municipalities needs to be involved while detractors se the concept as market intervention. The purpose of the thesis is to examine if there were any significant factors in the Swedish cities that became Fairtrade City certified before the year 2014. The hypothesis is that political representation and socioeconomic conditions in the municipalities have significance. The subject of the thesis is: Which factors influenced cities to their Fairtrade City certification? The method used is a qualitative and a quantitative analysis. The theory guiding the study is based on the different views of the trade market and fair trade being a new social movement. The result from the qualitative study finds that a certification is within a municipality's objectives and that political representation has significance. The quantitative study is overall significant but it does not find significance on political representation. However the tests have a low explanatory value and due to this, the study suggests that one cannot draw any conclusions from the presented results.

*Key words:* Fairtrade, sustainability, environmental & ethical consumption, political representation, quantitative analysis

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# 1 Introduction

The consumption of Fairtrade products in Sweden is rapidly increasing every year (svd.se/1). Consumers, businesses and even cities are putting more emphasis on sustainable products and the awareness of ethical consumption. Some cities have gone one step further and even applied for a Fairtrade City certification (FTC). In Sweden 65 of the 290 municipalities in the country have applied for this certification (fairtrade.se/1). Globally there are more than 1200 registered and certified cities in the initiative, including cities like London, Brussels, San Francisco, Kumamoto and Wellington (fairtrade.se/2). Through the FTC initiative the cities work on promoting and encouraging themselves and their citizens on how to consume ethically, responsible and environmentally friendly. Now that the initiative has been active for a while and more cities are becoming involved each year, an interesting question that comes to mind is whether or not the FTC is something a Swedish municipality should be engaged in? Another interesting question is why some cities decided to join the initiative. Are there any distinguishing factors that some cities have that others lack?

## 1.1 Purpose of the study

Studies about fair trade<sup>1</sup> have generated a broad research area, however the research done on Fairtrade cities is relatively limited which is why this is an area worth doing research on. The fact that no quantitative study on Fairtrade cities have been made, given more than a thousand existing towns associated with the organization since the launch in 2001 (fairtradetowns.org/1), is argued to give relevance to the study, both from a scientific as well as a from a social point of view.

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<sup>1</sup> The distinction of the word fair trade is not very clear. The study uses two different meanings when writing about fair trade. Fairtrade as in the organization will use a capital letter and be written together, fair trade as in studies about general initiatives and movements without reference to a particular certification will be defined as “fair trade”.

## 1.2 The research question

The goal with this study is to try and conclude if there were any significant factors that influenced a city to become certified as a Fairtrade City.

The study will be based on a type of mixed method analysis with both a qualitative and a quantitative part. The qualitative part will study the concept and the different views on fair trade. The quantitative part of the study, which uses explanatory variables, will try and answer the research question. A binary choice model (logistic regression) will be used to examine data and see if it can show if certain factors had a higher probability in influencing a city to become more eligible to apply for the FTC certification. The preconception forming the hypothesis and what inspired to the research is that there are similarities between municipalities that could have significance when applying for a Fairtrade City certification. The model will use the variables political representation, income, education, population, and membership in another organization to collect data in order to gain a higher reliability as a result. The research question for the study is:

- *Which factors influenced cities to their Fairtrade City certification?*

## 1.3 Delimitation of the study

Political scientists, as well as any other social scientists, work with different theory types depending on how you formulate the problem you are facing. (Lundquist, 1993:60). In this study an attempt is made to try and identify events and variables that contributed to why some Swedish cities applied for the FTC. The FTC is an international certification and one could chose to include all the cities and towns from more or less anywhere in the world (where the FTC is established) and conduct a study. However this study is limited to Swedish cities since they have a similar municipality structure and rule under the same laws, which is better for comparison and makes the data analysis simpler. Through the specific data collected from all the cities in Sweden the outcome to why a city joined a FTC is where the emphasis will be. The study will not include discussions about what could have initiated the question of applying for an FTC or how a city worked to gain its FTC certification. Nor will the question about what happened after a city joined the FTC be studied.

There is always a risk when generalizing results from a quantitative view and one should be aware that there are no guarantees that the results will apply on other similar cases or studies. However, by presenting the method, the data and

the result in an as transparent way as possible, the goal is to try and give the reader a sufficient platform to ensure a way to reproduce the study. This study will not include proofs for the statistical methods used, but will instead show the different tests and how to interpret the results.

## 1.4 Outline

The first chapter presented an introduction to the study, providing the purpose, the research question, the goal of the study and its delimitations.

The second chapter presents the background and an introduction to fair trade and the Fairtrade organization. It will discuss ethical consumption and describe how a city can apply for the certification.

The third chapter presents the methodology selected for the research and the argumentation that supports the decision on how to conduct the study.

The fourth chapter starts with a discussion on the choice of theories and afterwards presents how the operationalization will be conducted.

The fifth chapter is the part of the analysis in the study and where the discussions about the different views on the fair trade concept take place. Here the legal aspect of a Fairtrade City is examined. The binary choice model is presented together with the variables used. Criticism towards the model is also discussed.

The sixth chapter presents the results from the logistical regression and how to interpret the different tables and values presented.

The seventh and the last chapter summarizes the thesis, its results and discuss what conclusions can be made together with a suggestion for further research on the subject.

## 2 Background

The chapter will give an introduction to the definition of fair trade and Fairtrade as an organization. It will explain how the Fairtrade City initiative started. It will go into the criteria on how a city can apply for the certification, give a short introduction on how the decision making in a Swedish municipality works and explain how the follow-up procedure works for a city wanting to re-apply for the Fairtrade City certification.

### 2.1 What is fair trade and what is Fairtrade?

Fair trade is a trading partnership, based on dialogue, transparency, and respect that seek greater equity in international trade. Fair trade organizations, backed by consumers, are engaged actively in supporting producers, awareness, rising, and in campaigning for changes in the rules and practice of conventional international trade ([fairtrade.net/1](http://fairtrade.net/1)).

Fairtrade is an organization with the ambition to help people help themselves. The organization consists of 25 different organizations, all with the purpose to secure a better deal for the producers ([fairtrade.net/2](http://fairtrade.net/2)). Fairtrade works on creating a sustainable development for the families and their communities' as well as our environment. The Fairtrade movement supply financial and technical assistance to help the people develop and to empower themselves.

Fairtrade believes that trade can be a fundamental driver of poverty reduction and greater sustainable development by setting better standards for both producers and companies (*ibid*). When you purchase a Fairtrade-certified product you can be sure that the producers have acquired a fair price for their crops. Fairtrade assures the consumers that the labor condition standards have been meet and that their products have had the opportunity to compete in the global marketplace without the involvement of middlemen. Finally the farming methods are made in such sustainable conditions that neither producer nor the environment is hurt, since agrochemical and genetically modified organisms is prohibited ([fairtradeusa.org/1](http://fairtradeusa.org/1)).

### 2.2 The history of Fairtrade City

The concept of the Fairtrade City has its roots in Garstang, Lancashire in Great Britain where locals with links to the charity organization Oxfam started the



initiative in 2001. Within a few months the awareness of Fairtrade brands had grown in the city to over 70 percent, and soon after the Garstang initiative gained wider attention, the Fairtrade Foundation launched a set of Fairtrade Town Goals and created an action guide to encourage others to follow in the town's success ([garstangfairtrade.org.uk/1](http://garstangfairtrade.org.uk/1)).

### 2.2.1 Ethical consumption

Ethical consumption is defined by reference to the United Nations eight-core values. The values are followed by the International Labor Organization's (ILO) and are taken into account when producers want the branding on their products (The International Labour Organization's Fundamental Conventions 2003:8). The Fairtrade and its Swedish equivalent, Rättvisemärkt, represent these values, but in addition they also introduce a higher minimum price when buying from the producers. This additional income grants the producers a higher wage to ensure that they will be able to cover all the costs necessary for a sustainable production. The minimum price is set by the Fairtrade Labeling Organization (FLO) and guarantees that, even when world prices fall, the farmer always receives enough money to cover costs and stay in business (Bowes 2011:5).

## 2.3 How to become Fairtrade City certified

The initiative to apply for a FTC can in theory be introduced by anyone. Citizens, business entrepreneurs, politicians, as well as the city itself can officially apply for the certification. The criteria's to be granted a certification are the following:

1. Local council passes a resolution supporting Fairtrade, and agrees to serve Fairtrade products (for example, in meetings, offices and canteens).
2. A range of Fairtrade products are available locally (targets vary from country to country).
3. Schools, workplaces, places of worship and community organizations support Fairtrade and use Fairtrade products whenever possible.
4. Media coverage and events raise awareness and understanding of Fairtrade across the community.
5. A Fairtrade steering group representing different sectors is formed to co-ordinate action around the goals and work in developing them over the years ([fairtrade.se/1](http://fairtrade.se/1))

### 2.3.1 Governance and decision-making at the municipality level in Sweden

Not all the conditions' can be achieved without political involvement (i.e. the local council pass and the steering group with political representation). A granted decision needs to be taken at the municipality level by the local politicians before requesting and applying for the certificate.

To obtain political representation at the municipality level, a request to the decision-makers must first be presented for the executives at the municipality. Once presented, a voting is made where either the outcome is positive (granting the decision to apply for an FTC certification and to form a steering group) or negative (decline of the decision to apply for an FTC certification). A declined decision can in certain situations and circumstances be appealed (skl.se/1).

### 2.3.1 Follow-up for a Fairtrade City

Once a city becomes certified, one of the main requirements to keep the certification is to have a continuing improvement and increase of a city's range and consumption of Fairtrade products each year. The mandatory levels are a requirement up until 50 percent of the public sectors consumption. After that, the mandatory levels expire and become more a definition made by each city and their steering groups. Another condition for the certification is the continuing development and follow-up from the steering group (fairtrade.se/3). The steering group itself has the control of this achievement. They are the ones responsible of evaluating the work and to see that the following guidelines, specified by "*A guide for Fairtrade City* (handbok för Fairtrade City)" are followed. Once the evaluation is finished, a city can apply for a renewed certification and start planning on how to achieve their new goals (handbok för Fairtrade City, 2010:8).

## 3 Method

The chapter starts with the explanation for the method chosen and why it is suitable for this study. It also gives a description for how to test the data for the analysis and what model is suitable when conducting the study, motivating the validity and reliability of the study.

### 3.1 The choice of method

According to Holme and Solvang there are two different methodologies for approaching a problem: qualitative and quantitative methods (Holme & Solvang 1997:13-14). To include only quantitative or qualitative methods falls short of the major approaches being used today in the social and human science (Creswell 2003:4). There is always a risk when selecting what type of method you want to use when conducting a study. Views and values vary when analyzing the same event. In science this is called preconceptions (Thurén 1991:53ff). In a qualitative study the author needs to be aware of this and how it affects the results (Lundahl, Skärvad 1999:102). Quantitative research seeks explanatory laws while qualitative research aims at in-depth description. What both methods have in common is to try and explain society and how individuals and groups act and affect each other. Both methods have their strengths and weaknesses and the situation today is less quantitative versus qualitative and more how research practices lie somewhere on a continuum between the two (New & Benz, 1998 in Creswell 2003:4). One could, for example, conduct a study on the selected topic based on a qualitative, in-depth research. In the study "*Hur kan vi förklara att kommuner väljer att arbeta med Fairtrade City?*" written by Jenny Oskarsson, the author studied two Swedish cities that voted for the FTC (Oskarsson 2009:3). A study like the one mentioned discusses if a municipality should be involved in organizations like for example the FTC and why the subject cities became certified (ibid:23). Yet, a study like the one mentioned only takes into account a limited amount of cities, in this case two. Nor does it explain why cities did not apply for the certification.

Since the research question for this study is "*Which factors influenced cities to their Fairtrade City certification?*" and data will be used from all of Sweden's 290 municipalities a quantitative approach is more suitable. The quantitative research method contains several phases: hypothesis formulation, investigation planning, data collection, and process and analysis of data, which will be a part of the study (Lundahl and Skärvad, 1999:94f; 147). It is however important to see if a FTC is in accordance with Swedish law and also to show the different views on fair trade as a concept. Due to this, the study not only classifies

as merely a quantitative study but more as a combined quantitative and qualitative study (Holme & Solvang 1997:78).

## 3.2 Validity

When performing a quantitative analysis to test a hypothesis, a regression model can be used to draw conclusions about a dependent variable based on the values of one (simple regression model) or several independent variables (multiple regression model), together with a disturbance term (Dougherty 2011:83). This study will employ a multiple regression model to study a single dependent variable. One could form a regression model with only one explanatory variable (i.e. Fairtrade is only due to political representation). But in this case one can suspect that there are several additional explanatory variables influencing the dependent variable. This would in turn give the single regression analysis a low explanatory value and the significance of the study would therefore be low (ibid:150).

Multiple regression models can be stated in several ways. A common method to use is the OLS-estimator (Ordinary Least Squares). This method however is formed to examine the effects of a dependent variable on a continuous interval scale. The OLS-estimator can give estimates higher than 1 and lower than 0, which for our study becomes problematic, since our dependent variable is binary and can only take the values of 1 or 0. An alternative estimator to use is a binary choice model (Dougherty 2011:354). A binary choice model is a type of logistical regression model. It is fitting because for each independent variable it predicts the probability for the dependent variable to have the value 1 (in this study, being a Fairtrade City), instead of calculating a predicted value of the dependent variable, given all the independent variables together like with the OLS-estimator. In this study a logistical regression model has been chosen, as it is the most suited for this analysis. Prior to what has been stated above, the use of the model will hopefully give validity to the study.

## 3.3 Reliability

The data collected is a type of Cross-sectional data consisting of observations relating to units of observation at one moment in time, (Dougherty 2011:110). In order for this to be as accurate as possible all data is collected from the same year. The data for the dependent variable (Fairtrade) has been gathered from the Fairtrade foundations own Swedish website. The same goes with the data collected for Sekom (Sveriges ekokommuner), which has been collected from the organizations own website. The variables for political representation have been collected from the Swedish Association of Local Authorities and Regions

(Sveriges Kommuner och Landsting, SKL). The rest of the variables have been collected from Statistics Sweden (Statistiska Centralbyrån, SCB), a Swedish administrative agency. The sources from where the data has been collected are considered reputable and credible, thus the study should have a high reliability in order to conduct the analysis.

## 4 Theory

The chapter starts with a discussion to the choice of the theories and the hypothesis in the study. There will also be a discussion regarding the choice of the two different theoretical perspectives, which will escort the study. Furthermore a section regarding the operationalization will summarize the chapter and the theories to bring into the analysis part of the study.

### 4.1 The choice of theories

The purpose of the study is to examine if there were any significant factors that could explain why some cities decided to join the FTC. The goal is to demonstrate this empirically. The hypothesis is that there are differences between municipalities that could have had significance when a city became Fairtrade City certified like political representation in the municipality, size of the municipality, income and education differences or earlier works with sustainability. The study does not base its research question on any specific theory, thus it not being a study to prove or develop. The study is more of a “case of” study (Teorell, Svensson 2007:47). The study will use a low level of abstraction, since the research question is “*Which factors influenced cities to their Fairtrade City certification?*” and the answer will be partly investigated through a quantitative method (Lundquist 1993:64). There will however be theoretical references that escorts the study based on two different theories found relevant. A variable used in the quantitative method is the political representation in the municipality. The first theory is based on resource mobilization. The variables selected for the study are also based on the consciousness of market participants and socio economic futures. Variables like income, education and perhaps population are therefor suitable to study. Due to this, the second theory found relevant and presented is about fair trade being considered as a type of new social movement emphasizing a change of norms.

### 4.2 Free trade or fair trade?

In 1817 David Ricardo, propounded a theory of comparative advantage on free trade. Ricardo used Portugal as an example of a producer of wine and England as a producer of “cloth and hardware” (Ricardo 1817:135). While Portugal could produce cloth and hardware and England wine, neither could do so as cheaply as the other. If they did, Ricardo argued, the alternative costs would be higher

compared with what would happen if each country concentrated on its absolute advantages. Portugal should therefore specialize in wine and England in cloth and hardware. Each country could then exchange their products for more of each other. Both sides would be better off (Krugman & Obstfeld 2009:27f). This model however did not take into account the factor of change, like for example emerging manufacturing countries.

Any nation which by means of protective duties and restrictions on navigation has raised her manufacturing power and her navigation to such a degree of development that no other nation can sustain free competition with her, can do nothing wiser than to throw away these ladders of her greatness, to preach to other nations the benefits of free trade, and to declare in penitent tones that she has hitherto wandered in the paths of error, and has now for the first time succeeded in discovering the truth (List, 1885:150).

Furthermore, List claimed that nations would pass through different stages of development in order to make it to their normal economic state. Every nation would favor a free trade in the beginning to stimulate and improve its agriculture by trade with richer and more advanced nations, importing foreign manufacturing and exporting raw products. When the economy had advanced so that the nation could start manufacturing for itself, protection should be used to allow the home industries to develop and save them from being overpowered by the competition of stronger foreign industries in the home market (ibid:166).

Fair trade poses itself as an alternative to the traditional trade system, which it denounces as oligopolistic and inequitable. It proposes an alternative way to trade by establishing a series of principles at the base of commercial relations, with a form of protectionism (Gendron et al 2006:19). Given this description one can make the assumption that the Fairtrade City certification is a way for a municipality to intervene in the market by consuming and promoting consumption through alternative channels instead of through the traditional trade system. In cities where politicians with a liberal background control the municipality, fair trade should not be favorable and something the municipality would want to work against given the reasons mentioned above.

### 4.3 A social movement?

Fair trade is generally presented by its actors as a new social movement that offers greater justice towards Southern countries (Gendron et al 2006:17). Fair trade can be characterized in several ways depending on the theoretical perspective chosen. The principle school is market intervention (section 4.2) and new social movements (ibid). The school of new social movement defines fair trade as an alternative societal project, not directed towards the state but more against a social class opponent. The movement seeks to control the historicity in search to change the normative foundations (Touraine, 1978a in Gendron et al 2006:17). Studies have revealed that people in the European Union had the willingness to pay a

higher cost for fair trade-labeled products and that their willingness increased if the availability for the products was more significant (European Commission, 1997). The same study also found that a higher educational level had a significant impact and a greater awareness of the existence of fair trade alternatives and the willingness to pay for these. There was also significance between political viewing. On a left-right political scale the consumers of fair trade products tended to be more aware and more willing to pay for fair trade products when their sympathies were more to the left (European Commission, 1997 in Grankvist 2012:8). For an external organization like a FTC, its objective is to integrate into existing political and social institution trying to include values such as fairness, equality and responsibility. Here factors like political representation, income and education, as well as population size could have significance on a city being Fairtrade City certified. Institutionalizing social movements has led to effects that are changing the institutional system itself and they [social movements] represent a new type of institution, which forces the institutional system to adapt discursive structures (Eder 1993:16-17; 19).

## 4.4 Operationalization

According to the presented theories, fair trade, as opposed to free trade (and therefor a FTC), could be explained through the theory of market intervention when conducting an analysis on what factors could have influenced a city to become FTC certified. However, to only make an analysis of political representation would not give a satisfactory result. A solution is to present additional variables to the study data, which will give a higher explanatory factor, why the variables education, income, and population come in hand. These variables could also correlate with the theory of new social movement. Additionally a debate regarding the different views and the legality of a FTC is important to present before going in to the quantitative research, which is why the analysis will hold these discussions before presenting the quantitative model.

With respect to the different theories presented these are in no way conflicting against each other and should be seen more as supplements towards a deeper understanding when conducting the analysis.



## 5 Analysis

The chapter starts with a discussion regarding the different views on the fair trade concept. It will then discuss the legal aspect of a municipality becoming Fairtrade City certified. Furthermore, the quantitative model and the explanatory variables will be presented with a discussion of the selected data and how to conduct the study. Finally criticism to the logistic regression will be presented.

### 5.1 Trade, aid or a changer of norms?

There is a debate whether or not fair trade is something one should support. Some supporters claim that a municipality has an obligation to join the FTC (unt.se/1). Advocates against an involvement in Fairtrade have argued that it is a type of socialism and something going beyond a municipalities obligations and mandatory tasks (unt.se/2). This section will, objectively, give an explanation to some of the different views on the fair trade concept and what outcomes one can expect.

#### 5.1.1 Market interference

What are the consequences of the idea of having a fixed priced on products? A study made by Karl Malmqvist and Lydia Wålsten for Timbro, a liberal Swedish think tank, investigates the consequences of buying fair trade products (Malmqvist, Wålsten 2007:5):

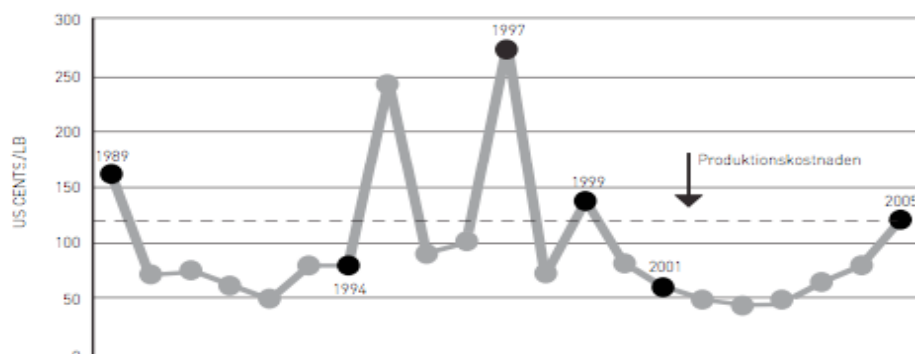


Diagram 1: Price diagram on Arabica coffee (Malmqvist, Wålsten 2007:6).

The following picture diagram shows the price on Arabica coffee from 1989 to 2005 based on US cent per pound (USC/LB). The fixed price is settled at 150 USC/LB while the global market price has fluctuated, reaching its top at around 270 in 1997 to beneath 50 around 2002. The diagram is used to show why a fixed price is to be preferred to the free market price setting. What it fails to explain, according to the study, is what a fixed price does on a long-term basis (Malmqvist, Wålsten 2007:6). Malmqvist and Wålsten argue that the consequences are more on a structural level. Having a guaranteed fixed price provided by an external actor might give the impression of a false security for the producers, were they keep producing without knowledge of the market or if consumption patterns may have shifted, since they now answer to an external actor and not directly towards the market (Malmqvist, Wålsten 2007:5). Malmqvist and Wålsten furthermore argues that the Fairtrade foundation believes the prices are to high and the organizations way of solving the problem is by cutting out the middleman and putting themselves and their co-operative solution as substitutes. The problem with substituting the open market and inserting an external actor is that the price setting effectiveness disappears. This is shown by the cost of a kilo of Fairtrade coffee, which today costs around 30-40 percent more than conventional coffee for the consumer, 30-40 percent that not necessarily goes back to the producers but more to the lack of efficiency (Malmqvist, Wålsten 2007:7).

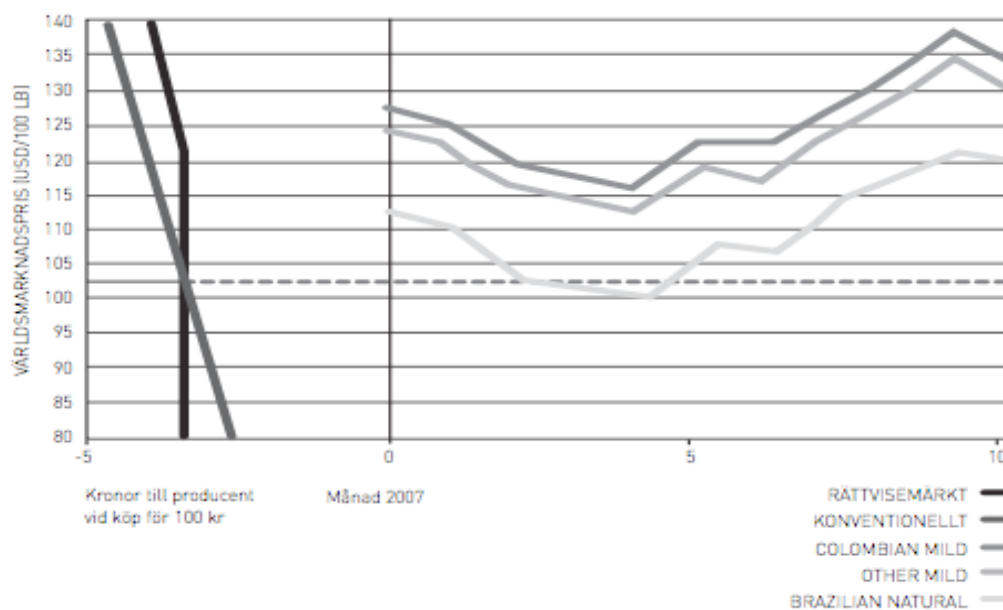


Diagram 2: Conventional versus Fairtrade costs of production (Malmqvist, Wålsten 2007:14).

As the diagrams show the return to the farmer producing fair trade coffee is only higher than conventional producing farmers during a very limited time of the year. This is due to the world price on coffee being low, which the graph shows does not happen as frequently as the price being above equilibrium. When the world market on coffee has a higher price the conventional farmer actually “earns” more than its counterpart. This is because of their lower production costs, giving them a

total, higher return than the fair trade farmers (ibid:15). Experiments with import substitutions industrialization (ISI) as a trade economic policy on the market has historically proven to be problematic, which developing countries experienced during the 1980s and 1990s (Dernburg 1989:444). Others like development economist Paul Collier in his book *The bottom Billion* writes: “They [Fair Trade-certified farmers] get charity as long as they stay producing the crops that have locked them into poverty (Collier 2007:163).

As shown some scholars, including Malmqvist and Wålsten, argue that consumers are better off using institutions and charity organizations rather than market interventions (Malmqvist, Wålsten 2007:16). If the right-winged municipalities share a similar view as the advocates of a none-involvement in a FTC, the results from the quantitative model would state that a municipality with a right-winged political representation would have a significant negative influence on a FTC.

### 5.1.2 The socioeconomic benefits of fair trade

The studies of Valerie Nelson and Barry Pounds literature review on the impact of fair trade during the last ten years show another side of the debate. They claim to have found strong evidence that fair trade does provide a favorable economic opportunity for smallholder farming families (Nelson, Pounds 2010:35). Fair trade producers did, in a high proportion of the studies, enjoy a higher return and a more stable income compared to producers of conventional goods. Several studies emphasize the importance of the fair trade impact on more than the income differentials such as empowerment, participation, and quality of life improvements. Aspects as these seem to be at least as important as income benefits for smallholder farmers. With the backing from organizations like Fairtrade, farmers have had the security and the benefits of a buffer and safety net during economic shocks (e.g. the coffee crisis of the 1990s, which can be seen as a dip in Diagram 1). Together with more stable incomes, small producers have the possibility to take a more long-term view on expenditure and investments, parts that are crucial in the struggle to tackle inequality (Todaro, Smith, 2009:222f). Furthermore another issue worth enlightening is to what extent fair trade alone can make a change. A few studies mentioned dramatic improvements in livelihoods; most emphasizing though, that fair trade alone is not enough. Additionally, and worth mentioning about the concept: Not all producers are in position to benefit from fair trade. There is strong evidence that geographic marginality may work against a successful participation in the fair trade concept. Some of the examples mention high requirements from the northern markets, acting as barriers for in particular smallholders who not always manage to live up to the expectations because of their local conditions (Nelson, Pounds 2010:36). Nelson and Pounds finally states that one cannot claim that the fair trade concept itself will solve the problems of rural development, and it is important not to expect too much from the movement. But the relative contributions in helping

producers to escape poverty are tools the fair trade movement can contribute with (Nelson, Pounds 2010:35).

### 5.1.3 Activism through consumption

Gunne Grankvist summarized 2012 a report on attitudes of consumers regarding values and choices of consumption on ethical and environmental products. The report concludes that a large part of the Swedes have knowledge about fair trade and have a high confidence towards the labeling (Grankvist 2012:9). The same study also showed that it is preferable that fair trade products are available in common grocery stores (ibid:25). In another study there has been shown that attitudes towards how much an individual grade different values have had influence on the decision of political representation (Cochrane, Billig, Hogg 1979 in Grankvist 2012:14). In the book *“Political virtue and shopping: individuals, consumerism, and collective action (2003)”* Micheletti studies consumption as a form of citizen activism. The consumption can be used to boycott or “buycott” when it being due to political, environmental, social or ethical reasons. Political consumption as defined by Micheletti is argued to be a more anonymous way to express a form of activism (Grankvist 2012:6). In another study, by Micheletti (2005), based on findings from a national representative postal study conducted in Sweden. The results showed that an overwhelming number of the sympathizers have more of a “left-winged” political orientation, which would support the theories and the hypothesis that political representation could have had significance in the quantitative model. These consumers gave more consideration to values like animal rights, consumer goods, and child labor when purchasing products (Micheletti, Stolle 2005:145). In a study conducted in France on consumption behaviors the authors found significance between education and income and a higher consumption of Fairtrade-labeled coffee (Caileba & Casteran 2009 in Grankvist 2012:11).

To conclude this section one can agree upon that different socio economic views and values can have significance in the choices of fair trade and that these values could have played a part in a city’s decision to join or neglect a Fairtrade City certification, which supports the theory of market intervention and new social movement.

## 5.2 Test of legality

A municipality is not usually associated with development or trade policy (as the earlier quote in section 5.1 mentioned). The work surrounding the FTC is not a task that the municipalities have been obliged to carry out. It is more of a voluntary initiative that goes beyond what is commonly perceived as the mandates and competence of the municipality under the Local Government Act

(Kommunallagen 1991:900). How can a municipality then choose to become involved in the work of a Fairtrade City certification? The following paragraph is cited from the Swedish public procurement act:

“En upphandlande myndighet får ställa särskilda sociala, miljömässiga och andra villkor för hur ett kontrakt skall fullgöras (6 kap. 13 § Lagen om offentlig upphandling /2007:1091/)

According to the Swedish public procurement act a contracting authority may impose specific, social and environmental requirements, and also other terms in fulfillment of a contract. Whether or not a municipality, by joining an external organization like the FTC, could be in conflict with the principle of equal treatment in a municipality’s public procurement became a question for the county court of Östergötland in September 2008 (case nr 4619-07). The court ruled that the criteria for a FTC is in accordance with the principle of equal treatment and that a municipality can use external organizations to constitute evidence that goods are produced in accordance with the eight core-values stipulated by the ILO, ratified by Sweden. In addition, there is a statement in the European Parliament Resolution on fair trade and development, which says that social demands not only can be but even should be addressed (ibid:3). In Oscarssons study it was found that municipalities involved with the FTC argued that it was their obligation not to violate the agreements. A municipality as a consumer has a responsibility assuring they buy products that are not in conflict with ILOs eight core-values (Oscarsson 2009:24). Furthermore Oscarsson claim that a municipality’s work being involved with a FTC is not controversial in the sense that it is about forcing inhabitants to consume ethical, rather than to live up to the conventions of the human rights. Conventions that Sweden, and therefore the municipalities have signed (ibid:27).

### 5.3 The model

The model used in the execution of the regression is the following where  $\hat{p}$  is the prediction that the dependent variable assumes the value 1,  $e$  is the natural exponential function,  $c$  is a constant,  $b_n$  is the regression coefficients ( $n \in \{1, \dots, N\}$  where  $N$  is the number of explanatory variables), multiplied with the independent variable(s). The logistic regression will be executed using SPSS – Statistics.

$$\hat{p}(Y = 1) = \frac{1}{(1 + e^{-(c + b_n \cdot \text{independent variable})})}$$

## 5.4 The dependent variable

Since this study wants to research what factors might have influenced cities to become Fairtrade City certified, the dependent variable for obvious reasons is going to be Fairtrade. Out of Sweden's 290 municipalities 65 of them has, at the time of writing, become Fairtrade City certificated (fairtrade.se/1). The dependent variable is presented in an index, collected from the Fairtrade foundations Swedish website (fairtrade.se/4). The data is coded binary, taking the value of 1 if the municipality became FTC certified pre-2014 and the value of 0 if it became certified post-2013 or not certified at all. The reason for choosing 2013 as an observation date is due to the independent variables, which only hold data for 2013 and before. As stated before, the study aims for a high reliability, which therefor makes limits to the dependent variable to not go further than to the end of the year 2013. 61 out of the 290 municipalities were FTC certified by the end of 2013 (fairtrade.se/4).

## 5.5 The independent variables

After creating the dependent variable (Fairtrade) the next step is to determine which independent variables might have had significance when applying for a FTC certification. The study identifies five different variables that together will work as the base for a model with, hopefully, a high explanatory value. The independent variables are chosen out of a pre-understanding of cities, the political representation and the socioeconomic conditions, which the theories of market interference and new social movement has identified as important factors when discussing fair trade and the different views of the concept. Additionally, the population size of the municipality, income, education and prior membership to a similar organization are identified as explanatory variables. To illustrate the view of the variables one could look at the political representation in a city and determine if political representation might have had significance when voting for a FTC certification. Another example is if a high total income per inhabitant would favor a FTC. In this example the probability would, if significant, show a positive sum on the B-coefficient of the independent variable. If there would be a negative sum on the B-coefficient of the independent variable and the probability would be significant, a high total income per inhabitant would not favor a FTC given that the model has been estimated correctly.

The independent variables in the model for the study are the following: *total amount of inhabitants, total earned median income, percentage of high education, political representation in the municipality and membership at SEKOM*. In the next section each variable will be presented.

### 5.5.1 Total amount of inhabitants

The data for the total amount of inhabitants per city is a variable collected from the population registry Statistics Sweden (Statistiska Centralbyrån, SCB) a state administrative agency. The data is, as mentioned earlier, from the year 2013 (scb.se/1). The variable does not discriminate on a citizens age and therefor the whole population is included and sorted after what municipality the inhabitant was registered in by the end of year.

### 5.5.2 Total earned median income

The total earned median income is also collected from Statistics Sweden. The data is for 2013 and the median income has been converted to 2013 years prices (scb.se/2). Men and women who are 20 years and older and registered in Sweden on the 31 of December 2013 are gathered in the variable.

### 5.5.3 Percentage of higher education

The percentage of higher education is a population of men and women above 25 years old. With higher studies this means completed at least three years or more of post-gymnasium studies. The data collected is from Statistics Sweden and the education variable is collected with data holding for 2013 (scb.se/3).

### 5.5.4 Political representation in the municipality

In Sweden general elections are held on the second Sunday in September every four years to elect the national legislators, the 21 county councils and the 290 municipal assemblies (Prop 2009/10:80). The last election was on the 14 of September 2014. This election will not be part of the study due to its close nature, but the one prior, which took place on the 19 of September 2010, will be part of this study. During the 2010 elections 136 municipalities elected a right-winged (Alliansen) party to represent them. 107 municipalities elected a left-winged party to represent them, and 47 municipalities consisted of a mixture of left- and right-winged political parties (skl.se/2). The data collected is from the Swedish Association of Local Authorities and Regions (Sveriges Kommuner och Landsting). The variable has been coded as a type of dummy-variable, were the municipality will take the value of 1 depending on what type of political representation the municipality had after the 2010 elections. Out of all the FTC cities being certified before the 2010 elections, 9 of them had a change of power in the municipality. These municipalities have also been coded using the 2010 results with the assumption that if the elected representatives would not want the city to be certified, the FTC certification would be discontinued. The coded variables are “left-winged”, “right-winged”, and “mixed-party”. In order to avoid

a dummy-trap you either chose to exclude the Constant or one of the dummy-variables (Dougherty 2010:236). In this study the dummy-variable “mixed-party” is dropped.

### 5.5.5 SEKOM

Sekom (Sveriges ekokommuner) is the national association of Swedish Eco-municipalities. Sekom is an organization formalized in Sweden in 1995. The main purpose of Sekom is to provide a forum and a meeting place where politicians and municipal employees can exchange information and learn from each other’s successes and failures (sekom.se/1). To join Sekom, much like the FTC, the municipal council or the executive committee must pass a resolution to apply for the membership. The Sekom variable has been added as a control variable, coded binary. If a municipality is connected to the Sekom organization it will take on the value of 1, if not, will take on the value of 0.

## 5.6 Criticism to logistic regressions

Logistic regression predicts the probability that the dependent variable event will occur given certain value on the independent variables. The predicted values of the dependent variable can range from 0 to 1. If the probability for an individual case is equal to or above some threshold, usually 0,5 then the prediction is that the event will occur. Similar, if the probability for an individual case is less than 0,5, the prediction is that the event will not occur. One of the main criticism of logistic regression is that it does not take into account the relative position of a case within the distribution, a case that has a probability of 0,51 is classified in the same group as a case that has a probability of 0,99, since both are above the 0,5 cutoff (Schwab 2002).

Another criticism regards the  $R^2$  value in the logistical regression. In a linear regression analysis the  $R^2$  value measures how much of the variance in the dependent variable is explained by the independent variables. The  $R^2$  value takes on values between 0 and 1, where the outcome of a value of 0 has no explanatory value for the dependent variable and a value of 1 explains the outcome completely. Unfortunately, there is no equivalent measure in logistic regression and some statisticians argue for using likelihood-based measures (Mittlböck, Schemper 1996:1995)<sup>2</sup>. There are several “Pseudo”  $R^2$  measures. The “Cox & Snell  $R^2$ ” and the “Nagelkerke  $R^2$ ” are methods adapted to logistic regressions (which, the binary choice model is). Both the Cox & Snell and the Nagelkerke  $R^2$

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<sup>2</sup> The measuring of likelihood-based models lies outside this study. For a deeper discussion regarding measures based on logistical regressions see (Mittlböck, Schemper 1996)



are design to interpret the same way as the linear regression models  $R^2$ , where a higher value will indicates that the independent variables is better at explaining the variance in the dependent variable. However, these are approximations and should not be overly emphasized.

## 6 Results

The chapter presents the logistic regression together with an explanation for each test and how to interpret the results. It will start with a description of the baseline model (Step 0), excluding the independent variables, and later go into the results including the independent variables (Step 1) to examine if there is any significant difference when predicting the outcome.

### 6.1 The baseline model (Step 0)

When executing the regression through SPSS a number of different tables of statistics are included. Some of the tables have been dropped from the result section, as they are not relevant for the results. The baseline model is a pre-model to examine the statistics and the probability when excluding the explanatory variables.

Cases	N	Percent
Included in Analysis	290	100.0
Selected Cases Missing Cases	0	.0
Total	290	100.0
Unselected Cases	0	.0
Total	290	100.0

Table 1: Case Processing Summary.

The Case Processing Summary show if there is any missing cases in the analysis. Since there are no missing cases (all of the 290 municipalities are including and they all hold data) there is no need to make any corrections to the data.

**Classification Table Step 0**

Observed			Predicted		
			Fairtrade		Percentage Correct
			0	1	
Step 0	Fairtrade	0	229	0	100.0
		1	61	0	.0
	Overall Percentage				79.0

Table 2: Classification table Step 0.

**Variables in the Equation Step 0**

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 0	Constant	-1.323	.144	84.292	1	.000	.266

Table 3: Variables in the Equation Step 0.

As stated the baseline model does not include the independent variables. The Classification table and the Variables in the equation table describe the baseline model. The prediction of the baseline model is based on which category most often occurred in the dataset. In this test it means that out of the 290 municipalities, 229 were not Fairtrade City certified which made the baseline predict 0 in all its predictions when excluding the independent variables. The overall percentage shows that the baseline model had an overall percentage of 79% in predicting the correct value. The accuracy is high due to a majority of the Swedish municipalities not being certified. If the new model with the independent variables is to be better than the baseline model the expectation of the overall percentage should exceed 79% of accuracy.

The Variables in the Equation table shows that the coefficient for the constant is a statistical significant predictor of the outcome ( $p < ,001$ ).

## 6.2 The model including the independent variables (Step 1)

**Omnibus Tests of Model Coefficients**

		Chi-square	df	Sig.
Step 1	Model	38.764	6	.000

Table 4: The Omnibus Test of Model Coefficients Step 1.

The Omnibus Tests of Model Coefficients controls if the logistic regression model with the independent variables included is an improvement over the baseline model. A chi-square test is used to determine if there is a significant difference between the baseline and the model, if this is the case then the new model will explain more of the variance, which suggests that it is better fitted to the data. The chi-square is significant (chi-square=38.764, df=6, p<,001), so the new model is an improvement to the baseline model.

-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
259.596 <sup>a</sup>	.125	.195

Table 5: The Model Summary Step 1.

The Model Summary explains how well the model has been fitted to the data. The value of the Cox & Snell (12,5%) and the Nagelkerke (19,5%) are two different Pseudo-R<sup>2</sup> measures on the same data, which show how much of the variation in the outcome can be explained. However these are approximations.

Observed			Predicted		Percentage Correct
			Fairtrade		
			0	1	
Step 1	Fairtrade	0	224	5	97.8
		1	49	12	19.7
Overall Percentage					81.4

Table 6: Classification Table Step 1.

The Classification Table Step 1 is the equivalent to the baseline Classification Table Step 0 (table 1, in section 6.1). This table however includes all the independent variables in the data. The model correctly classified the outcome for 81,4% of the cases compared to the 79% in the null model, which is an improvement.

**Variables in the Equation Step 1**

Variable(s)	B	S.E.	Wald	df	Sig.	Exp(B)
Population	.000	.000	.091	1	.763	1.000
Income	-.033	.009	12.466	1	.000	.967
Education	.182	.043	17.703	1	.000	1.199
Allianskommun	-.180	.528	.117	1	.733	.835
Grönrod	.470	.520	.817	1	.366	1.600
Sekom	.736	.322	5.238	1	.022	2.089
Constant	3.264	1.833	3.170	1	.075	26.165

Table 7: Variables in the Equation Step 1.

The Variables in the Equation Step 1 provides the regression coefficient, the significance for each independent variable, the Wald statistic and the Odds Ratio (Exp B) for each variable category. The Wald statistic, which is analogous to the t-test in the linear regression, tests whether or not a regression coefficient for an independent variable is making any substantial contribution towards predicting the outcome. The B-coefficients shows whether the variables have had a positive or a negative influence on the models prediction. Odds ratio (Exp B) in a logistic regression shows how much the odds of an outcome occurring increase (or decrease) when there is a unit change in the associated explanatory variable. Odds are determined from probabilities and range between 0 and infinity. The odds are defined as the ratio between the probability of success and the probability of failure. The significance (Sig.) values show which of the variables has been significant in the model. As the p-values of the variables *Income*, *Education*, and *Sekom* are all less than ( $p < 0.05$ ), one cannot claim them to be insignificant.

## 7 Conclusion

The goal for this study was to examine if there were any significant factors that cities with a Fairtrade City certification had. This last chapter of the study will conclude the discussion from the different views on the fair trade concept as well as conclude the results that have been found. A suggestion for further study on the subject will also be discussed.

### 7.1 The fair trade concept

The responses to the fair trade concept have varied. The increasing popularity has drawn criticism from all ends. Some see fair trade as a type of subsidy or a marketing ploy that impedes growth, others as an unwitting way to keep holding the farmers in poverty. Some claim that there are better ways for the consumers to work for a sustainable environment and to assist people in developing countries, giving aid for example. However, a majority of the studies state that the concept is more to try and achieve a sustainable development and fair ethical and working conditions for the producers. From conducted consumer behavioral studies there is a strong confidence in the fair trade labeling and a large part of at least the Swedish people have knowledge about the concept. Other studies indicated that political consumerism is a way to address issues of importance for the individual. Through consumption one can participate in a form of anonymous activism using the market channels and initiate a change of norms. By committing to the Fairtrade City certification a municipality agrees to achieve certain criteria's, which are in agreement with the ILO-conventions, ratified by Sweden. The certification has also, by a Swedish court been settled as a commitment a municipality can join in on.

Given all the different views of fair trade there is nevertheless a connection found regarding what factors have influenced confidence in individuals to fair trade and to the Fairtrade foundation. This confidence could therefor also have existed when a municipality agreed to join in on the Fairtrade City certification. The factors used for the quantitative analysis have in regards to this been identified as political representation in the municipality, size of the city, income, higher education and membership in another organization promoting environment and sustainability. The qualitative part of the study have found that a political orientation more drawn to the left, as well as a higher education and a high income can have significance on the view of fair trade.

## 7.2 Results from the logistic regression model

In order to conduct the quantitative study a model was built, holding data from different explanatory variables, to try and predict if a city was Fairtrade pre-2014 or not. The goal of the study was to identify significant factors that could have influenced the decision join a FTC. The logistic regression predicts the probability that the dependent variable event will occur given certain values on the independent variables.

By examining the results (Table 7) there is significance in the variables *Income* (Wald=12.455, df=1,  $p<.000$ ), *Education* (Wald=17.703, df=1,  $p<.000$ ), and *Sekom* (Wald=5.238, df=1  $p<.05$ ). The model shows that the probability of the dependent variable to take the value of 1 (FTC) decreased by -.033 for an increase in *Income* due to its estimated B-coefficient. Similar the Odds ratio (Exp(B)) shows that the outcome increase (decrease since the value is <1) with .967 times when there is a one unit change in the variable. This is notable since a higher income has been identified by several studies as a variable with significance towards fair trade.

Examining *Education*, the model shows that the probability of the dependent variable to be FTC increase with .182 in the B-coefficient when there is a one unit changes in the variable. Similar the Odds ratio outcome increase with 1.199 times when there is a one unit change in *Education*. This is in line with studies finding that education tends to lead to a higher consumption and knowledge of fair trade and fair trade labeled products.

The alternative organization Sekom, which is a type of control variable show a .736 increase in the B-coefficients and a Odds ratio outcome increase with 2.089 times for the probability of the dependent variable to be FTC in the model. The variable is significant but the significance level is on  $p<0.05$ , and the Wald-test=5.238, compared to the other significant variables, is lower. A large Wald-test statistics indicate that the null hypothesis is false.

By looking at the political representation variables, *Allianskommun* (B=-.180, Exp(B)=.0835) and *Grönröd* (B=.470, Exp(B)=1.600), they show values that are in agreement with the theories on market intervention and found significant in the qualitative study. However, in in this test they are not significant with the data provided, and therefor have no explanatory value.

In the Classification table (Table 6) the model could predict 81.4% of the dependent variables outcome. Out of the 290 municipalities it predicted 224 municipalities not to be FTC, whereas 5 predictions were wrong (PC=97.8%). It predicted 12 municipalities to be FTC (PC=19.7%). However, out of the 61 municipalities with a FTC, the model predicted “incorrectly” on 49 of them. The overall percentage for the model was 81.4%.

The baseline model (Table 2), which did not include any independent variables, predicted that no municipality had a FTC certification; since it based its predictions on the category most often occurred. Due to this it had a 100% percentage correct on predicting the municipalities not being FTC and 0% percentage in predicting the municipalities that had a FTC. The baseline model's

overall percentage was 79%. This suggests that the model does not have a high explanatory value and that the explanatory variables give an additional of 2.1% increase compared to the baseline model.

The study has found factors that influenced cities with a Fairtrade City certification, and the model is significant and can explain 19,7% of the variance in the outcome (quoting the Nagelkerke pseudo- $R^2$ ). However, the suggestion from the research done on the Fairtrade City certification is that one cannot make conclusions from the quantitative study presented. This is because the binary choice model has only been able to predict an additional 2.1% on the probability that the dependent variable will occur, given the values on the independent variables.

### 7.3 Suggestion for further study

Suggestion for further research on the topic is to conduct more studies with a bigger sample size and more specified explanatory variables. A proposal is to include additional countries and cities in the sample size with better-specified explanatory variables, holding data for the year of the certification. Additional explanatory variables could also be city branding and knowledge of fair trade. An alternative study could be to conduct research on a city that do not have a Fairtrade City certification and compare it to a city that has. The study would be an in-depth analysis based on a most similar system design model. A qualitative study as the one mentioned would hopefully identify new explanatory variables, which then could form a base for further quantitative research on the subject of which factors influence cities to join the Fairtrade City initiative.



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