

**Abstract**

To reduce a negative externality, socially responsible households can invest responsibly (SRI), consume responsibly (SRC), or do both. Which is better? In a closed microeconomic model with intertwined product and capital markets, we show that the greatest responsible impact is achieved by a proportional combination of SRI and SRC. This prevents price changes and corresponding market responses that would partly offset the responsible choice. A mere focus on SRC is inefficient; SRI should be part of any responsible choice. The responsible investment's relative financial performance is determined by the households' ability to commit to the efficient exit and boycott strategy.