

'Fair trade' fails to live up to its message

Catholics need to look for something more substantive than just a mirage of social justice

By C.S. Morrissey
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“Fair trade” coffee, it seems, is not so fair after all. Like the mirage of a desert oasis, it no longer appears to provide the “social justice” we thirst for.

A rigorous 10-year economic study from Germany’s University of Hohenheim reported in the *National Post* May 14, has shown that the artificial price-fixing imposed on “fair trade” coffee ends up being unfair. “Fair trade” does more harm than good, says the economic data, because “fair trade” farmers stay impoverished. They end up poorer than the farmers not operating under a “fair trade” scheme.

The explanation? Coffee producers stay poor when they have to pay certification fees. A middleman has to certify the coffee as “fair trade” or “organic.” These certification fees cheat “fair trade” farmers out of maximum profit.

What’s more, “fair trade” pricing also gives false economic incentives to coffee producers. “Fair trade” pricing dangerously distorts market signals about true economic incentives. The artificially inflated price keeps producers from reckoning with losing business propositions for much longer than is rational.

It’s like your kids running a lemonade stand with insanely inflated prices. Eventually the dream bubble will burst. Distorted pricing means the reckoning, when it comes, comes too late. Distorted pricing can fool producers to invest in digging the hole of their poverty ever deeper, making it harder to escape poverty.



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Farmers who produce “fair trade” coffee beans end up poorer than the ones not operating under this scheme, writes C.S. Morrissey, citing a 10-year study from a German university. “Fair trade” is a fatal step backwards from “global social justice,” he warns. “The world doesn’t need more artificial control of prices.”

Some Catholics have staked a lot on the notion of “fair trade.” They have even gone so far as to equate campaigns for “fair trade” coffee with the ideal implementation of Catholic social doctrine.

But perhaps it would be wiser for Catholics to be more cautious when it comes to declaring this or that scheme the best recipe for establishing “heaven on earth.”

In a recent debate about the implementation of Catholic social teaching, Father Robert A. Sirico, president of the Acton Institute, wisely observed, “To jump so

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seamlessly from the magisterium’s insistence on the fundamental and non-negotiable moral obligation

to the poor to the specifics of contingent, prudential, and political legislation is wholly unjustified in Catholic social teaching.”

The principle of subsidiarity in Catholic social teaching recognizes that diverse local circumstances render top-down schemes unwieldy and inefficient. It’s no surprise, then, that such schemes, despite their intentions, all too frequently turn out to generate economic injustices.

But this is why the principle of subsidiarity cautions us against falling in love with one-size-fits-all schemes. (Maybe it’d be better called “the principle of super-size me,” since people rightly prefer subsidiarity, i.e., to order for themselves when they know best.)

Pope Benedict himself recently emphasized (on the 50th anniversary of Blessed John XXIII’s landmark social encyclical *Mater et Magistra*) that “upright and honest” Catholics may legitimately disagree on the best implementation of the Church’s social teaching.

There is nothing in Church teaching, therefore, that demands that you pay a higher price for “fair trade” coffee.

The Pope’s most recent social encyclical *Caritas in Veritate* teaches that “the Church does not have technical solutions to offer” (no. 9). Thus the Church herself teaches that we must not think that there is a precise technocratic

recipe, like “fair trade,” that can be imposed on people to achieve justice.

It may make you feel good, but “fair trade” coffee is a mirage. As economist Victor Claar argues in his new book, *Fair Trade: Its Prospects as a Poverty Solution*, the fair trade movement simply “cannot deliver on what it promises.”

“Simply put, coffee growers are poor because there is too much coffee,” writes Claar. Economically speaking, he observes, “Incentives matter. Once the stakes of any economic game have changed, people alter their behaviour accordingly.”

For this reason, the price-fixing involved in the “fair trade” scheme can achieve no real or lasting solution to poverty because such price-fixing is economically inefficient, ineffective, and counterproductive. It is simply unsustainable in today’s global trading environment. Ultimately, as the Hohenheim study of Nicaraguan farmers so vividly illustrates, “fair trade” is a fatal step backwards from “global social justice.”

The world doesn’t need more artificial control of prices. Freeing global markets from all the artificial ties that bind them is a much better economic path towards justice.

Progress in globalization and free trade has lifted hundreds of millions of people out of poverty around the globe over the last few decades. But much more can still be done. “Fair trade” schemes, unfortunately, by their very nature, undermine the freedom and prosperity that markets can offer.

Some say it tastes better, but “fair trade” coffee simply makes me think of a desert oasis mirage, and it tastes like sand in my mouth.

The study “Profits and poverty: Certification’s troubled link for Nicaragua’s organic and fair-trade coffee producers” appears in *Ecological Economics*, vol. 70 (2011): pp. 1316-1324.

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Letters to the Editor

Problems with CCODP

Thank you for the excellent coverage of the Canadian Catholic Organization for Development and Peace controversy. It is imperative that we take the issues involved seriously. Monies collected in our Catholic churches must not be used to spread moral attitudes in conflict with our religion. Yet this appears to have been happening with reproductive issues, including the easier access to abortion.

Our bishops need to know that we support their intention to monitor CCODP’s efforts at deciding which groups to continue supporting. Involving the local bishops in the evaluation process seems a good start that could be initiated fairly easily.

The Quebec Life Coalition’s May 17 conference had a petition asking “...the bishops of Canada to review from top to bottom the mandate and the organization of CCODP, so that CCODP may accomplish its task of mercy and justice on behalf of the poor in light of ALL the teachings of the Church, particularly those concerned with the sacred character of human life and procreation, i.e., the encyclicals *Caritas in Veritate*, *Evangelium Vitae*, and *Humanae Vitae*” (www.cqv.qc.ca/en).

To show our solidarity with our bishops, I

think a similar petition could be drawn up and circulated in our Catholic churches outside Quebec. The context should, of course, be screened by the pastor.

Barbara Gobbi
Roberts Creek, B.C.

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Pam Vandeyck
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